Climate Action Network

Submission: Baku to Belém Roadmap to 1.3T

March 2025

Climate Action Network (CAN) is a global network of more than 2000 civil society organisations in over 130 countries driving collective and sustainable action to fight the climate crisis and to achieve social and racial justice.

CAN welcomes the commencement of this important work for the COP**. We appreciate the early involvement of observers as we also called for in a letter drafted by Constituencies** We appreciate your intention to continue with an 'inclusive, participatory, and transparent' process. We look forward to further opportunities for civil society to contribute and reiterate our calls to request that Observer Constituencies are consulted and included at every stage, including the substantive consultations and exchanges.

(a) What are your overall expectations for the "Baku to Belém Roadmap to 1.3T"?

1. Process and content

Regarding the **work plan** suggested in the Letter to Parties and Observers, we suggest that the COP Presidencies (i) prepare and publish a synthesis of submissions received until 21 March as a basis for consultations, then (ii) organize virtual consultations between now and SB62, guaranteeing inclusion and participation Observer constituencies. The Presidencies should then (iii) publish a first draft (or other form of a straw person document), with (iv) extensive, open-ended consultations during SB62 (with sufficient amount of time, which means more than one session, and with participation modalities guaranteed for civil society). The Presidencies should then publish a revised draft after SB62. Additional rounds of consultations should be held throughout the year. This would ensure visibility and guarantee space for engagement and feedback from Parties and observers. In order to strengthen transparency and accountability, we also encourage all contributions and submissions to be made publicly available on the UNFCCC website.

To ensure the implementation of the Roadmap, CAN considers it to be important that it takes the form of **an action plan** with actions and actors clearly identified, that there is space in the agenda to negotiate it and it is adopted by the Parties through a **decision at COP30**. To increase accountability and facilitate follow up of the implementation, this must be followed by a closely monitored implementation phase with targeted **milestones (yearly targets and objectives** between now and 2035**)**, setting forth the pathway to scaling up climate finance and assess its **quality -** in particular its public and grants based finance components - for mitigation, adaptation and for addressing loss and damage (L&D). The Roadmap must demonstrate how the needed finance for implementing developing countries' Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs) will be provided and its provision monitored in alignment with the GST, as well as setting clear indication on how to scale up loss and damage finance, including through the Fund to Response to Loss and Damage (FRLD).

2. What it is the role of the Roadmap, including in relation to the USD 300bn goal

The UNFCCC Standing Committee on Finance (SCF) Second Report on the Determination of the Needs of Developing Country Parties estimates that the financial needs outlined in countries' NDCs total approximately USD 5.0–6.8 trillion by 2030. In addition, based on current needs determination literature, which is recognized to be underestimating needs in various important respects, a minimum of **USD 1 trillion per year in grants and grant-equivalent terms** is needed from developed to developing countries, to cover mitigation, adaptation, and addressing loss and damage as part of inclusive just transition pathways[1]. Hence, the USD 1.3 trillion target of the Roadmap, highly insufficient with respect to the overall needs within the next five - not ten - years, must consist of **high-quality climate finance,** composed of a **vast majority of public grants,** that is new, additional, predictable and adequate and measured in grant-equivalent terms. This has to be read in the context of a larger accumulating climate debt that the Global North owes to the Global South of 5 trillion a year[2]

In that context, CAN sees the USD 300 billion goal as distinct from the scaling up finance target of USD 1.3 trillion. The Roadmap should include a clear plan for achieving both the 300bn target as well as the wider 1.3T ambition. The former should not be seen as the public finance component of the latter, both must have clear strategies and milestones to guarantee prioritization of public grant based finance for each. The Roadmap must be embedded in the **principles of CBDR-RC and equity.**

3. What are the risks and what are the safeguards needed

Linked to the above, the Roadmap **must not be pursuing an agenda where limited public grant-based finance is used to attract, leverage and derisk private finance.** In that context, the Roadmap must not distract Parties from delivery of the USD 300bn and the public finance needs. It is essential that the Roadmap protects developing countries and communities **access to public finance.** It is also critical that the **Roadmap's focus remains on the provision of finance to developing countrie**s and developed countries' leading role to scale up and deliver qualitative finance, instead of putting the onus on developing countries to create "enabling" environments or having the ability to 'attract' investments. Finally, the Roadmap should **not create a race to the bottom on quality of climate finance** in order to reach the numeric target and therefore becoming an accounting exercise, counting anything to get to USD 1.3tn. Clear metrics, alongside the adoption of a robust definition of climate finance, are needed to assess the qualitative components of each milestone proposed to implement the Roadmap.

(b) Which topics and thematic issues should be explored to inform the Roadmap, within the scope of the mandate?

Sources

The Roadmap must contain an analysis of sources of climate finance for developing countries, especially in terms of redirection or raising public finance for international provision by developed countries. Such an analysis must identify barriers to scaling up climate finance from the different sources, as well as concrete measures to be undertaken to overcome these challenges. **Developed countries can raise trillions in public finance for climate action with measures toward tax justice and the redirection of public finance**. Implementing polluter pays measures can ensure that the costs of climate change are borne by those with

[1] Climate Action Network International (2024), CAN Submission on the New Collective Quantified Goal. https://climatenetwork.org/resource/climate-action-network-submission-ncqg/
[2] Climate Action Network International (2024)), Ibid.

the greatest capacities as well as the most responsibility for causing it. This also includes wealth taxes, on the rich and ultra-rich, and other progressive taxation. This also includes taxing companies in high-emitting sectors, such as the fossil fuel industry and the military industry, and redirecting excess profits. Developed countries must also redirect their existing public spending and subsidies for fossil fuels and other high-emissions and harmful activities. This would enable the re-channelling existing budgets but also generate significant savings through avoided environmental and health harms in the order of trillions of dollars annually[3]

Quality

Mindful that the mandate has a clear focus on **'grants, concessional and non-debt creating instruments, and measures to create fiscal space,'** i.e. high quality support, the above–mentioned analysis of sources should clarify the extent to which each of the possible sources correspond with these characteristics. This includes:

- Clarifying how to guarantee that the USD 300bn target is provided in public finance, and defining the **public finance component** of the USD 1.3 trillion target. This should be estimated **in grant equivalent terms.** Including identifying **sub-goals** for public finance provided for mitigation, adaptation, addressing loss and damage, as part of inclusive just transition pathways[4].
- **Giving clear indications that the majority of finance must be grants based and come from non debt inducing instruments** and **exclude non concessional loans** from being counted as climate finance.
- **Assessing all forms of private finance against strict criteria of quality** of support (such as avoiding creating contingent liabilities and assets that are at the services of the priorities of private investors), climate impact and distribution of risks and rewards, as well as transparency and completeness of information.

The Roadmap should ensure that any scale up does not come at the expense of quality, indebtedness, accountability, and safeguards which are crucial to ensure that climate finance delivers for climate-vulnerable countries and communities.

Accountability, Transparency and reporting

To ensure that the Roadmap is implemented, the allocation of responsibilities should be clear: Who should do what, and by when, to scale up the finance. The Roadmap should also bring clarity on what the current climate and development finance baseline is to allow **additionality** to be better assessed. The Roadmap could help enhance **quality of reporting**, by agreeing on some **key elements of definition/exclusion lis**t (such as offering clarity on what cannot be considered climate finance, ie carbon credits or finance for projects that are not compatible with the 1.5C limit, including fossil fuel investment) and grant equivalent methodology. It could give a mandate to the UNFCCC to build a consistent approach to reporting, with clear guidelines for reporting towards the USD 300 billion compared to the USD 1.3 trillion goal. This includes reporting in granular detail on the finance flows through the operating entities of the Financial

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[3] IMF 2023 - "Full fossil fuel price reform would reduce global carbon dioxide emissions to an estimated 43 percent below baseline levels in 2030 (in line with keeping global warming to 1.5-2ºC), raise revenues worth 3.6 percent of global GDP, and prevent 1.6 million local air pollution deaths per year.
https://www.imf.org/en/Publications/WP/Issues/2023/08/22/IMF-Fossil-Fuel-Subsidies-Data-2023-Update-537281

[4] Noting that thematic needs assessment literature across three areas, which suggests that developing countries' international climate finance needs could be at least USD400bn for loss and damage, at least USD300bn for adaptation, and at least USD300bn for mitigation, measured in grant-equivalent terms. Nothing that the current literature currently underestimates the actual needs in a few key respects, notably regarding the costs of inclusive just transition pathways (https://climatenetwork.org/wp-content/uploads/2024/08/Climate-Action-Network_NCQG_August-2024.docx.pdf)

Mechanism, whose annual outflows are set to be at least tripled from 2022 levels by 2030[5]. The Roadmap should also establish **clear metrics to track private sector contributions** to credible climate actions and their alignment with key outcomes, such as the Global Stocktake and the Global Goal on Adaptation.

Access

One of the critical expectations for this Roadmap is the prioritization of direct access funding mechanisms that empower Indigenous Peoples, local communities and other most affected groups. The Roadmap must ensure that a significant proportion of the USD 1.3 trillion annual climate finance is allocated to Indigenous Peoples, local communities and other most affected groups through dedicated and simplified channels. Financial instruments must be reformed to eliminate restrictive eligibility criteria and that Indigenous rights are upheld as central elements of financial decision-making. It also is essential that the Roadmap is built on the financial needs of communities affected by climate change and explicitly addresses the needs of historically marginalized communities—particularly People of African descent and Quilombola populations.

(c) What country experiences, best practices and lessons learned can be shared related to barriers and enabling environments; innovative sources of finance; grants, concessional and non-debt creating instruments, and measures to create fiscal space?

Additional sources

Public resources are available, they are just poorly sourced and distributed. As an example, a recent paper[6] from Oil Change International highlights that Annex II Parties to the Convention — including the USA, UK, Canada, France, and Germany — can mobilise USD 5.3 trillion annually for climate finance by pursuing tax justice measures, redirecting fossil fuel handouts and, changing economic and financial rules (e.g. cancelling illegitimate debts)[7].

In addition to generating finance, redirecting fossil fuel subsidies and finance and making polluters pay support an accelerated transition to renewable energy, which is key to meet the mitigation goals of the Paris Agreement[8.] The Roadmap should propose a commitment for States to consider and raise additional sources of climate finance.

Debt sustainability

In the context of debt sustainability and the need to increase fiscal and policy space in developing countries, the Roadmap should be reporting on and evaluate

- The impacts of **loan-based climate finance** or **lack of climate finance adding to**

[5] As stated in §16 of the NCQG decision

[6] https://oilchange.org/wp-content/uploads/2024/09/Fact-Sheet-We-can-pay-for-it-1.pdf

[7] This includes as sources of finance, with estimates of annual amounts in USD generated from: saving USD 185 billion by stopping unnecessary road expansion, generating USD 395 billion from a 25% corporate tax rate, and USD 2.56 trillion through wealth taxes on multi-millionaires and billionaires (2.56 trillion), a 25% corporate tax rate (395 billion), a tax on annual sales of big technology, arms, and luxury fashion companies (112 billion), tackling tax evasion (363 billion) and a financial transaction tax (240 billion). Finance could be generated from the following savings: Stopping unnecessary road expansion (185 billion) . Whilst tackling tax evasion could add USD 363 billion, and a Financial Transaction Tax could raise USD 240 billion. A USD 112 billion tax on big tech, arms, and luxury sales, USD 260 billion and from reallocating 20% of military spending (260 billion)amongst other things. These are only examples of sources of finance available.

[8] This could include, for example, higher taxes on fossil fuel companies and other high polluting corporations and coupling a wealth tax with an additional tax on fossil fuel wealth, e.g an additional tax on ownership of fossil fuel assets, and dividends from and transactions relating to such assets. Such measures would build on COP 28's agreement on the need to accelerate: "the ongoing establishment of new and innovative sources of finance, including taxation, for implementing climate action and thus enabling the scaling down of harmful incentives;" (COP 28, Global Stocktake, para. 96).

debt burdens after climate disasters[9]

- The actual **impacts of MDB climate finance adding to debt levels** and the **impacts of (green) conditionalities** which increase poverty and inequality and ultimately undermine countries' ability to respond to the climate emergency. In addition, by pushing for fiscal consolidation or stringent macroeconomic conditions, MDBs risks locking countries into a carbon intensive development path
- **The impact of debt cancellation for all developing countries across all creditors** (including through supporting an intergovernmental process to establish a UN mechanism on debt sovereignty) and the way this could directly free public resources for people's needs, including climate action. Those finance flows should neither be reported nor counted as climate finance, which is the obligation of rich countries to provide based on the principle of CBDR. Without debt cancellation, new financing to countries in the Global South will likely have to be used to repay existing creditors as opposed to being allocated to climate action.

Enabling environments

Discussions of enabling environments have tended to focus on instructing developing countries on what to do, whereas an equitable discussion of provision and mobilization means a **focus on what developed countries do in terms of enabling environments to boost their public finance for provision and mobilization**. Proposals from the OECD focus on the potential of 'enabling environments' for developing countries to attract climate finance and put an emphasis on market-based solutions. IMF-backed austerity measures, prioritising debt servicing over climate and development investments, and privatization strategies further constrain developing countries' ability to implement just and equitable climate policies[10]. Policies like fiscal rules and inflation targeting have restrained countries' fiscal space. Gabor and Braun (2024) propose a planning green state that 'subordinates private capital to the strategic priorities of a state-led green transition'. **Discussions around enabling environments must not focus only on domestic conditions but also external** ones (ie a non-existent debt architecture that deters countries away from development and climate-aligned restructurings or an international financial system that incentivises a tax race to the bottom)

Private sector

Growing evidence is available on the limitations of mobilisation of climate finance, especially via the private sector. **The Roadmap should look at how realistic this approach is**, drawing on evidence from previous initiatives[11], including initiatives to mobilise private sector finance for the USD 100bn climate finance goal, the Millennium Development Goals and Sustainable Development Goals or the Cascade approach, which has failed to deliver the 'trillions' promised by MDBs. In particular, the Roadmap should look at evidence of

[9] As one example, in the absence of Loss and Damage funding, the Bahamas was forced to borrow to recover and rebuild after Hurricane Dorian caused billions of dollars worth of damage on the islands of Grand Bahama and Abaco, the Bahamas. As a result, the country's debt levels increased from 62% of GDP in 2019 to 72% in 2020. See : https://debtjustice.org.uk/wp-content/uploads/2022/10/Debt-and-the-Climate-Crisis-Briefing-October-2022-UPDATED.pdf

[10] See for example UN's Independent Expert on Foreign Debt and Human Rights report

[11] According to IHLEG: "External private finance to EMDCs other than China at present is only around USD 30 billion. It can and must reach USD 450–500 billion by 2030, an increase of 15 to 18 times." This is a huge increase and so far the private sector has not delivered on high expectations nor is there data to support such a scale-up. This is particularly true for adaptation (noting that the Adaptation Gap Report finds that only one third of adaptation finance needs in developing countries are typically financed by the private sector), and for LDCs and SIDS (where major structural barriers for investment remain, particularly around risk). In particular, in relation to blended finance, leverage ratios are consistently far below expectations – evidence shows that one public dollar is only mobilising 70 cents for investments in development, and 85 cents in energy transition finance, dropping to 69 cents in LICs.

How much finance has actually been mobilised against initial goals and commitments

- What are the debt implications for participating governments, what are the capital costs and conditions of private sector finance, and how this has exacerbated unsustainable debt levels
- What the human rights, social, cultural and environmental impacts of private sector mobilisation have been for local communities
- Who have been the main recipients, especially looking at benefits for multinational corporations over small and medium enterprises at a national level
- Which countries receive the most finance, especially looking at discrepancies between upper- and middle-income countries vs. low-income countries and least-developed countries
- Governance structures and representation in decision-making processes

(d) Which multilateral initiatives do you see as most relevant to take into account in the Roadmap and why?

<u>Within the UNFCCC</u>

The Roadmap should also explore links to the ongoing deliberations on The Sharm el Sheikh dialogue on Article 2.1c[12], where an accounting framework for the alignment of financial flows to measure progress towards a measurable and time-specific goal is needed, and articulate/differentiate the accounting towards Art. 2.1c versus the NCQG.

It should also ensure there is clarity about the differences and complementarities, e.g.

- A focus not only on the "what" but on the HOW: what role public actors, coordination forums, regulatory channels, and accountability mechanisms should play, with the aim of establishing a global transition finance framework anchored in targets and transition plans for governments, central banks, IFIs, and other global institutions. This requires fiscal, monetary, industrial, and development policy coordination - domestically and in international institutions and fora that enable or constrain Global South countries' policy space. Anchoring both of these discussions in CBDR principles is crucial - including Global North countries' responsibilities in creating an enabling environment for climate-resilient development through their actions in international fora.
- The SES Dialogue complements the Roadmap by enabling an additional focus on reducing harmful financial flows (not only mobilizing climate finance) and the need to phase out fossil fuels and end their financing based on just transition principles. The Dialogue could also be complementary by assessing and addressing the harmful role of debt, debt distress and debt repayment finance flows.
- Both should be embedded in a realistic assessment of the role that private finance can (not) play and center on unlocking as much public finance as possible.

<u>Outside the UNFCCC</u>

The Financing for Development 4th Conference (FFD4) is a key milestone in 2025 as it is critical to support calls to transform the current economic and financial systems but also ensure that adequate and qualitative finance is flowing to achieve all 17 objectives of sustainable development, including climate action. In that context, the Roadmap should support and elevate the calls to provide debt cancellation for all developing countries across all creditors, free from economic conditions, and in particular support calls for a UN framework Convention on sovereign debt, including the establishment of a UN multilateral sovereign-debt resolution mechanism. The Conference also provides the opportunity to build a new governance of

[12] https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202502282013---Climate%20Action%20Network%20Submission%20to%20Sharm%20el-Sheikh%20Dialogue_February%202025.pdf

international development cooperation that better clarifies the definition of ODA, and ensures climate and aid additionality[13]. The negotiations on a UN Tax Convention (UNTC) are critical to changing current rules on international taxation but also to increase public resources, as this would help secure fiscal space by combating tax havens and tax evasion, as well as provide a useful frame for innovative sources of finance. The Roadmap should advance progress on national taxation measures in the near term, without waiting for, and without prejudice to, complementary rules relating to international taxation to be established at the UNTC.

Lastly, the Roadmap should explore how the connections between climate finance and biodiversity protection, land degradation, food system transformation, and sustainable development can be strengthened. Through strengthening the role of Indigenous Peoples and local communities in ecosystem protection, climate action, and land restoration efforts, the B2B Roadmap can support synergies between the Rio Conventions.

[13] https://www.eurodad.org/why_do_we_need_a_united_nations_convention_on_international_development_cooperation