

Submission of Fundación Ecología y Desarrollo (ECODES) on the “Baku to Belém Roadmap to 1.3T”

27/02/2025

Context

As ECODES, we are deeply committed to advancing the Global Agenda of Climate Action and actively engaging in UNFCCC processes. Through [Comunidad #PorElClima](#), we play a pivotal role in driving the implementation of the Paris Agreement in Spain. Our expertise spans diverse sectors—ranging from SMEs to healthcare institutions—where we focus on mitigation strategies, financial mobilization, carbon footprint assessments, climate bonds, and transition planning. Our work extends across Spain, Europe, and Latin America, enabling us to foster multi-stakeholder collaborations and develop innovative financial mechanisms that facilitate the transition to a low-carbon economy.

With over a decade of experience as an Observer in UNFCCC negotiations, we aim to contribute our insights to discussions on climate finance, drawing from practical experience and strategic engagement in financial mobilization for climate action. We firmly believe that the successful implementation of Article 2.1(c) of the Paris Agreement, which calls for aligning financial flows with low-emission and climate-resilient development, is inherently linked to the fulfillment of Article 9. The latter enshrines the obligation of developed countries to provide financial resources to assist developing nations in their mitigation and adaptation efforts. Without a robust operational framework for Article 9, the legal mandate of Article 2.1(c) risks being undermined, potentially jeopardizing global climate ambitions and disproportionately burdening developing countries.

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

The New Collective Quantified Goal (NCQG) represented a milestone in securing universal agreement among countries. However, its final outcome did not fully meet expectations. The primary objective for the Baku to Belém Roadmap to 1.3T in 2025 must be to establish clear, actionable pathways for mobilizing and scaling up climate finance beyond current flows. This is essential to ensure that the NCQG and the \$1.3 trillion climate finance target generate additional and predictable funding, rather than merely repurposing or redirecting existing financial commitments.

A core priority must be the confirmation and operationalization of additional finance, ensuring the \$1.3 trillion target is new, additional, and adequately allocated across all critical areas: mitigation, adaptation, and loss and damage. The Roadmap should define a clear plan for scaling up grant-based adaptation finance, setting specific targets based on the needs outlined in the latest Adaptation Gap Report. It should also strengthen the link between the NCQG and the Global Goal on Adaptation (GGA) and establish a formal mechanism for tracking the costs, pathways, and feasibility of achieving these targets.

While a multi-layered approach recognizes the role of the private sector in mitigation finance and the role of Multilateral Development Banks (MDBs) in non-concessional finance, the Roadmap must uphold the legal obligation of developed countries to provide financial resources to assist developing nations in both mitigation and adaptation. Failure to fulfill Article 9.1 of the Paris Agreement would not only undermine climate justice but also represent a major regression from commitments already enshrined in the Paris framework.

Another critical focus area must be improving equitable access to climate finance, particularly for Small Island Developing States (SIDS) and Least Developed Countries (LDCs). These countries often face disproportionate barriers to securing financial resources. The Roadmap should lay out concrete strategies to increase accessibility to non-concessional finance, reduce reliance on debt-inducing instruments, and significantly expand grant-based and direct financial support mechanisms. Without such measures, vulnerable countries risk falling further into unsustainable debt cycles, impeding their ability to implement climate action effectively.

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

The Belém Roadmap cannot be developed in isolation—it must be integrated into the broader financial architecture of the Paris Agreement, particularly Article 2.1(c) (making financial flows consistent with low-emission, climate-resilient development) and Article 9 (financial obligations of developed countries). One of the central challenges is the lack of a unified definition of "consistency" in financial flows. Various countries interpret consistency differently—some view it as aligning financial systems, while others focus on shifting or scaling financial investments. The Roadmap must establish a common understanding that consistency means financing only sustainable, green, and climate-positive activities, eliminating financial support for climate-harmful investments.

A key priority should be addressing misaligned financial flows. The Roadmap must outline a collective strategy to phase down investments that contradict climate goals, such as continued fossil fuel financing, while ensuring that this transition does not unduly burden economies reliant on fossil fuel revenues. This will require sector-specific regulations, redirection of harmful subsidies, and improved financial reporting transparency.

Additionally, current estimates indicate that developing countries will need between \$5 trillion and \$6.9 trillion by 2030 (approximately \$1 trillion per year) to fulfill their climate commitments. However, the Standing Committee on Finance has highlighted that national reports on financial needs often lack accurate tools and methodologies for cost estimation, suggesting that actual financing needs may be even higher. Given this uncertainty, the Roadmap must explore mechanisms to mobilize both direct and indirect climate finance more effectively.

Potential avenues include:

- Phasing out fossil fuel subsidies to free up financial resources for climate action.

- Introducing new financial instruments, such as levies on aviation, shipping, fuels, and carbon pricing mechanisms.
- Exploring wealth taxes on ultra-high-net-worth individuals as a means to generate additional climate finance.
- Enhancing the role of MDBs by reforming their lending models to prioritize grants and concessional financing over debt-based instruments.

Ultimately, the Roadmap must serve as a catalyst for transforming the global climate finance system, ensuring that it is predictable, additional, and accessible to those who need it most. This will require strong political will, clear regulatory frameworks, and a robust monitoring mechanism to track progress towards the \$1.3 trillion goal.

(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?

New Zealand introduced a Country Flexible Finance mechanism in 2022 under its new International Climate Finance Strategy, which aims to support scaled-up climate action by providing SIDS in the Pacific with direct financing and greater autonomy to use these financial resources to deliver on national climate change priorities. The implementation of CFF is country-led and tailored to each nation's specific context and readiness level. CFF strengthens Pacific SIDS' public financial management systems, enhancing their ability to access and manage climate finance. A second component of CFF is the Climate Finance Capacity Support Programme (CFCSP) which works to improve national planning.

In 2019, Vanuatu piloted the 'Unblocked Cash' project, a blockchain-based cash and voucher assistance (CVA) programme aimed at enhancing resilience to climatic disasters. This innovative approach utilised distributed ledger technology (DLT) to transfer funds directly to disaster-affected individuals in vulnerable communities. Instead of traditional aid in the form of food supplies or vouchers chosen by the government, recipients were issued 'tap and pay' cards equipped with near-field communication (NFC) technology which allowed the system to cope with poor connectivity. This card was then processed by selected businesses and service providers using a smartphone app to receive payment directly to their bank account.

Spain's wealth tax, known as the "Impuesto sobre el Patrimonio," is a progressive levy on an individual's net assets, designed to address wealth inequality and generate public revenue. Residents in Spain are taxed on their worldwide assets, while non-residents are only subject to taxation on assets located within Spain. The current system includes exemptions and progressive tax rates. Each individual benefits from a personal allowance of €700,000, along with an additional exemption of €300,000 for their primary residence. The national tax

brackets start at 0.2% and increase progressively to a maximum of 3.5% for assets exceeding €10,695,996. However, Spain's autonomous communities have the authority to adjust these thresholds and rates. For instance, the Balearic Islands have increased the exemption threshold to €3 million, whereas regions like Madrid have historically applied a 100% tax relief, effectively eliminating the tax. Changing the limits of the wealth tax could have substantial implications. If the exemption thresholds were lowered or tax rates increased, the taxable base would expand, leading to greater public revenue. According to a study by the Tax Justice Network, if other countries were to implement a wealth tax similar to Spain's, they could collectively raise around \$2.1 trillion annually. However, higher wealth taxes might also influence economic behavior, potentially discouraging investment or prompting high-net-worth individuals to relocate to regions with more favorable tax regimes. Nonetheless, research indicates that such migration is minimal. For example, tax reforms in Norway, Sweden, and Denmark targeting the wealthiest households resulted in only 0.01% of the richest individuals moving abroad. Additionally, the wealth tax can create regional disparities within Spain due to the autonomy granted to regional governments in setting tax policies. This variation can lead to internal shifts of wealth and population, as individuals may choose to move to areas with lower tax burdens.

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

Multilateral initiatives play a crucial role in shaping climate finance strategies. The Global Solidarity Levies Task Force, led by Barbados, France, and Kenya, is working to introduce politically viable climate finance mechanisms, such as levies on aviation fuel, financial transactions, and ultra-wealthy individuals. This initiative aims to provide a sustainable, debt-free source of climate finance aligned with equity and historical responsibility.

The International Maritime Organization is negotiating greenhouse gas pricing in the shipping sector, a critical test case for implementing a global solidarity levy. Establishing a standardized shipping emissions pricing mechanism could set a precedent for similar levies in other carbon-intensive sectors, such as aviation and fossil fuel production. The outcome of these negotiations will be instrumental in determining the feasibility of integrating market-based measures into global climate finance.

The LDC Initiative for Effective Adaptation and Resilience (LIFE-AR) supports Least Developed Countries (LDCs) in achieving climate-resilient development pathways by 2030 and net-zero emissions by 2050. LIFE-AR promotes long-term predictable financing, directing at least 70% of climate finance toward community priorities. Frontrunner countries, including Bhutan, Burkina Faso, Ethiopia, The Gambia, Malawi, and Uganda, are setting up governance platforms aligned with National Adaptation Plans (NAPs) and Nationally Determined Contributions (NDCs). LIFE-AR shifts the focus from short-term projects to long-term programs, streamlining reporting mechanisms and strengthening national institutions, governance, and financial systems.

The SIRF Fund, established in 2019 by the Government of Antigua and Barbuda, pools finance from public and private sources to support climate-related investments. It accesses

grants, concessional loans, debt-for-nature swaps, equity, and insurance while maintaining accreditation with international climate funds, including the Adaptation Fund (AF) and the Green Climate Fund (GCF). The fund aligns with national climate policies and seeks additional financing from bilateral and multilateral partners while leveraging domestic sources such as national park fees, pollution charges, carbon credits, and environmental levies. The SIRF Fund employs a variety of financial instruments to achieve Antigua and Barbuda's climate objectives and plans to expand its use of innovative financing mechanisms in the future.

The Acumen Resilience Agriculture Fund (ARAF) is a \$58 million impact fund aimed at enhancing the climate resilience of smallholder farmers in Ghana, Kenya, Nigeria, and Uganda. ARAF utilizes debt and equity instruments to strengthen climate adaptation efforts in agriculture, diverging from traditional grant-based development finance. By investing in early-stage and growth-stage agribusinesses, ARAF helps address critical agricultural challenges, such as high livestock mortality rates, low crop yields, and limited market access. ARAF's hybrid financial approach ensures that supported companies develop scalable business models while promoting increased private sector investment in climate adaptation. The initiative demonstrates how private equity financing can address the urgent need for climate adaptation funding in developing countries and serves as a model for replication in similar contexts.