WWF Submission on doubling of adaptation finance

31st July 2023

WWF is pleased to respond to the call to Parties and non-Party stakeholders on information and data for the preparation of the report on the doubling of adaptation finance. We provide our views and inputs below.

Summary:

1. Doubling of adaptation finance is a floor, but in no way a ceiling.
2. Developed countries, included in Annex II, shall contribute to adaptation finance.
3. A Sub-goal on adaptation should be included in the new collective quantifying goal (NCQG).
4. At least 50% of public climate finance needs to be allocated to climate adaptation.
5. The funding for adaptation should be scaled up to meet the needs and objectives of the global goal on adaptation (GGA).
6. Adaptation finance should be grant-based and with no co-financing.

I. Current status of adaptation finance

The world's most vulnerable communities, ecosystems, and wildlife are suffering severely from the impacts of climate change, despite contributing to it the least. Climate and weather-related disasters have killed more than 410,000 people from 2010 - 2019 and displaced around 30 million people in 2020 alone (IFRC, 2021). IPCC 6th Assessment Report (2022), highlighted around 3.3 – 3.6 billion people are highly vulnerable to climate change and around a billion people are at risk for disaster. The World Disaster Report (2020) highlighted that around 1.7 billion people around the world have been affected by climate- and weather related disasters during the past decade. Furthermore, The IPCC report (2022) concludes that current adaptation measures are insufficient, progress is uneven and that we are not adapting fast enough. The report also highlights that only 4-8% of total climate finance is allocated to adaptation.

Annual adaptation is estimated to cost USD 160-340 billion by 2030, and 315-565 billion by 2050 (UNEP, 2022). Damaged natural ecosystems are even less able to provide natural services and buffer the impacts of climate change. This exacerbates the negative impacts of further climate change and increases the future costs of adaptation. Governments must step up and deliver on past promises clearly outlined through CMA.3[1] and CMA.4[2] which highlight the urgent need to at least double adaptation finance contributions from 2019 levels by 2025. The decision under CMA.3, para 18 of COP 26 is an opportunity for developed countries to show leadership on supporting developing country adaptation efforts.

Many developing countries have assessed their mid- and long-term adaptation needs, which are outlined in their national adaptation plans (NAPs). As of March 2023, 46 developing countries submitted their NAPs to the UNFCCC, but huge implementation gaps exist because of a lack of financial support to implement these adaptation priorities.

WWF recommendations on scaling up adaptation finance:

- **At least 50% of public climate finance needs to be allocated to climate adaptation efforts for developing countries.** Since it's very hard to mobilize private finance for adaptation projects (as many of them are not bankable, and private capital is usually profit driven), public finance should cover this gap.
- **Doubling adaptation finance is a floor**, but in no way a ceiling.
- Under the new collective quantifying goal (NCQG), there needs to be a **sub-goal on adaptation finance.**
- **The funding for adaptation should be scaled up to meet the needs and objectives of the global goal on adaptation** (enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change, ensuring an adequate adaptation response in the context of the temperature goal referred to in Article 2 of the Paris Agreement).
- **More funding for adaptation** might mean that there will be **less funding required for loss and damage** within a certain temperature-rise scenario.

II. Existing and potential sources of adaptation finance:

1. Developed countries, included in Annex II, are required to contribute to adaptation finance for developing countries as per art. 4 of the Convention. Article 4 of the Convention clearly states that "Developed country parties and

[1] Decision 1/CMA.3, para 18, urged the developed country Parties to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025, in the context of achieving a balance between mitigation and adaptation in the provision of scaled-up financial resources, recalling Article 9, paragraph 4, of the Paris Agreement.

[2] Decision 1/CMA.4, para 42, requested the Standing Committee on Finance (SCF) to prepare a report on the doubling of adaptation finance, in line with para 18, decision 1/CMA.3 for consideration by the CMA.5.

other developed parties included in Annex II of the convention" have an obligation to deliver adaptation finance to developing countries. These obligations are recalled in Article 9.1 of the Paris Agreement.

2. Share of Proceeds (SoPs) from the UNFCCC Market Mechanism: Both article 6.2 and 6.4 of the Paris Agreement foresee a Share of Proceeds from transactions under articles feeding into adaptation finance, with Article 6.4 SoPs going directly into the Adaptation Fund. Those should form a more predictable base framework for adaptation finance within the next few years.
3. Green Climate Fund (GCF) replenishment, which should double adaptation finance, as per decision 1/CP.16. Decision 1/CP.16 decided that "*a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund*" (para 100). To demonstrate their willingness to double adaptation finance by 2025, GCF donors should strive to double funding during the current replenishment process. The GCF currently balances mitigation and adaptation funding. The existing amount available for adaptation must be doubled.
4. Voluntary contributions from any other countries, philanthropic organizations, private sectors, etc.
5. The 'polluters pay' principle must be applied across the board.

III. Suggested principles for adaptation finance distribution:

There are several adaptation financing distribution options, including:

1. Direct Access: Direct access, as introduced by Adaptation Fund and GCF, is a solid way to shorten the development phase of adaptation projects - required, when facing the urgency of adaptation needs - and can provide easier access to finance for countries with low capacity.
2. Grant based: As adaptation projects are usually not bankable and do not generate profit, they should be financed by grants not loans. Loans, even if partially concessional, can increase existing debt problems in developing countries, reducing their ability to tackle both climate change and poverty reduction.
3. 100% financing (no co-financing): Adaptation projects are executed in regions where local financing is very often limited, or even non-existent. Therefore any requirements for co-financing of adaptation projects should not exist in developing countries. Adaptation finance should cover full project costs.
4. Adaptation finance needs to be allocated to all developing countries with priority given to least developed countries (LDC).
5. The locally-led Adaptation (LLA) principle should be applied for all adaptation projects.
6. Funding needs to be provided to the priority adaptation needs of developing countries, which can be focused on key themes, such as food and agriculture, water, ocean and coastal ecosystems, biodiversity and nature, poverty and livelihoods, mountain regions, cities, settlements and infrastructure, and health. Cross-cutting issues should also be addressed, including country-driven and gender-responsive approaches that take vulnerable groups into consideration, as well as communities and ecosystems, nature-based solutions, indigenous people and local communities, ecosystem-based solutions, community-based adaptation, and disaster risk reduction.

IV. What COP28 needs to deliver:

1. A clear roadmap of how adaptation finance will be at least doubled by 2025, using 2019 as the baseline,
2. Concrete and substantial new funding pledges aligned with the roadmap.

V. Information and data:

1. IPCC 6th Assessment Report Working Group II Report.
2. African Adaptation Initiative.
3. UNEP Adaptation Gaps Report 2022

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