

A new climate finance goal could unlock ambition and fairness

by Sophie Hardefeldt and Julie-Anne Richards

30 October 2024



Photo Credit: Edmund Rice Centre for Justice and Community Education

The big-ticket item at the United Nations Climate Change Conference (COP29) being held in Baku, Azerbaijan, in November this year will be the development of a new climate finance goal for funding to developing countries — the **New Collective Quantified Goal** on Climate Finance (NCQG). However, weeks out from COP29, NCQG negotiations are in a perilous state: deadlocked over the scale of the financial target, who should pay and whether funding for loss and damage — referring to the impacts of climate change that go beyond adaptation and affect the most vulnerable — should be included in the target.

The need for an ambitious NCQG could not be more urgent for communities across the Pacific region, who are bearing the brunt of climate impacts such as rising sea levels and worsening cyclones.

While Australia talks about standing **shoulder to shoulder** with our Pacific neighbours in response to the climate crisis, our climate finance contributions continue to fall well short of **our international fair share**. As we reach the critical final stages of three years of negotiations, Australia has yet to support Pacific proposals for a goal that addresses the needs of low-income countries and includes loss and damage.

Australia's Climate Change Minister, Chris Bowen, has assumed the role of **Ministerial Pair** responsible for the NCQG alongside Minister Yasmine Fouad of Egypt. This role presents Australia with a significant opportunity to break the deadlock and chart a path towards a successful outcome for frontline communities across our region and globally.

A new report, *Seizing the Moment: A new Climate Finance Goal that delivers for the Pacific*, released by the Climate Action Network Australia, the Pacific Islands Climate Action Network, the New Zealand Climate Action Network, ActionAid Australia and Oxfam Australia, urges Australia and New Zealand to play a leadership role in ensuring the new climate finance goal meets the needs of our

nearest neighbours and low-income countries across the world.

The Pacific is one of the regions most vulnerable to climate change and communities are battling escalating climate disasters with very few resources. Extreme climate events have already cost Pacific island countries **US\$2.7 to 7 billion from 2000 to 2022**. This is on top of the annual need for **US\$1 billion for adaptation** and **US\$570 million for renewables**. Yet, between 2014 and 2019, only around US\$3.3 billion was committed for **climate projects in the Pacific**, an average of US\$550 million per year.

Because climate finance isn't being provided at the scale needed, the costs of the climate crisis are being pushed onto Pacific governments and communities, with women and other marginalised communities affected the most. For example, in 2023 when two Category 4 cyclones, Judy and Kevin, hit Vanuatu in one week, 80% of the population was affected, and the loss and damage was estimated at **US\$433 million** (41% of Vanuatu's annual GDP). While Australia provided **A\$12.8 million** in response to the disaster, this was less than 2% of the loss and damage costs.

Many Pacific island countries are being **forced to take loans** to support recovery efforts. In the wake of Cyclone Pam in 2015, Vanuatu's government debt grew from **21% to 45% of GDP**, mainly due to loans for post-cyclone reconstruction. The average external debt of Small Island Developing States **has now risen** from 45.4% between 2007-2009 to 58.5% between 2020-2021. Rising debt repayments means less money for climate solutions and can exacerbate inequality by forcing governments to divert funding from critical public services.

Australia is the biggest provider of climate finance to the Pacific region and is playing a critical role in some of the most climate vulnerable communities.

However, Australia's climate contributions are falling short across the region and globally. In 2022-23, Australia's total climate finance was just **A\$619 million**, only 15% of our fair share of the USD 100 billion goal which we argue is **A\$4 billion per year**. Most climate funding is diverted from an already stretched aid budget, meaning that funding is not increasing to address the additional challenges posed by climate change.

Australia must demonstrate global leadership by taking immediate steps to contribute to the US\$100 billion climate finance goal, as well as committing an initial A\$100 million in new and additional finance to the global **Fund for Loss and Damage**.

Chris Bowen should use his new leadership role in the NCQG negotiations to advocate for a fair new climate finance goal that reflects global needs estimated at

US\$1 trillion per year, includes loss and damage, and provides grants rather than loans for low-income and climate vulnerable countries.

Australia's leadership will also be critical as countries grapple with the contentious issue of responsibility for providing climate finance under the NCGQ. The call from wealthy governments to expand the contributor base is vehemently opposed by the G77 and China negotiating bloc, jeopardising both the NCGQ and broader climate negotiations. While global shifts in wealth and emission levels raise legitimate questions about how the contributor base is determined, [research suggests](#) that wealthy countries currently required to provide climate finance under the US\$100 billion target remain responsible for the majority of climate finance owed to low-income countries, given their consistently high income and per capita pollution levels.

In addition, many countries not obliged to provide climate finance in the UNFCCC are nonetheless already significant contributors. China was the eleventh largest climate finance provider in 2020, well ahead of Australia's contribution. The United Arab Emirates was among the first to make a significant commitment to the Fund for Loss and Damage of \$100 million. However, this finance is not accounted for with the same rigour, and it may be beneficial to establish a separate dialogue on reporting climate finance from new contributors. Nevertheless, this should not hinder reaching an agreement on a North-South finance goal at COP29.

The money is available for global climate solutions; however, only the right priorities and policies can unlock it. In Australia, ending subsidies to fossil fuel producers and large consumers could raise [A\\$54 billion over the next four years](#).

Implementing fairer tax mechanisms that target the wealthiest individuals and most polluting companies could see the Australian Government generate new funding for climate solutions while also addressing inequality. A Carbon Solutions Levy could raise [A\\$100 billion per year](#), and a windfall profits tax on the fossil fuel industry could generate more than [A\\$20 billion a year](#).

At the Pacific Islands Forum in Tonga last month, UN Secretary General Antonio Guterres made clear that if "[we save the Pacific, we save the world](#)." Australia's leadership over the next six weeks of climate finance negotiations will have implications for communities across the Pacific and at home.

Sources for all figures cited can be found in the report, [Seizing the Moment: A new Climate Finance Goal that delivers for the Pacific](#).

Author/s:

Sophie Hardefeldt

Sophie Hardefeldt is the Policy and Research Manager at ActionAid Australia.

Julie-Anne Richards

Julie-Anne Richards is the Climate Policy and Advocacy Lead at Oxfam Australia.

Link:

<https://devpolicy.org/a-new-climate-finance-goal-could-unlock-ambition-and-fairness-20241030/>