

Climate Change in Africa: COP27 and its challenges

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Overview of Presentation

COP27: Africa's Priorities in Canada's Climate Finance and Politics

A. Profile of Canadian Climate Finance for Africa

➤ Canada's bilateral climate finance pledges

❑ \$2.65B pledge (2016/17 to 2020/21)

➤ Summary of Key allocations, by geography, channels of delivery, reaching climate vulnerable people and countries

❑ \$5.3B pledge (2021/22 to 2025/26)

➤ Policy guidance; trends in allocations to date

➤ Canada's major climate finance initiative for Africa

B. Trends in Climate Adaptation Finance

C. Loss and Damage, The Third Pillar in Climate Finance

D. Are we contributing our fair share?

COP27: What's at stake?

A Civilizational Challenge:

Antonio Guterres, UN Secretary General, COP27, Opening Sessions:

“We are in the fight of our lives and we are losing ... And our planet is fast approaching tipping points that will make climate chaos irreversible.”

“The global climate fight will be won or lost in this crucial decade – on our watch.”

“We are on a highway to climate hell with our foot on the accelerator.”

Permanent and unpredictable climate catastrophes: Tipping points most at risk, even at 2° or below:

- ❖ Greenland (and Antarctic) ice sheet;
- ❖ Permafrost melt;
- ❖ Atlantic Meridional Overturning Circulation;
- ❖ Drying of the Amazon rain forest

(World Meteorological Association 2022 State of the Climate Report)]

COP27: What's at stake?

Climate Justice:

Mia Mottley, Prime Minister, **Barbados**:

“We were the ones whose blood, sweat and tears financed the industrial revolution. Are we now to face double jeopardy by having to pay the cost as a result of those greenhouse gases from the industrial revolution? That is fundamentally unfair.”

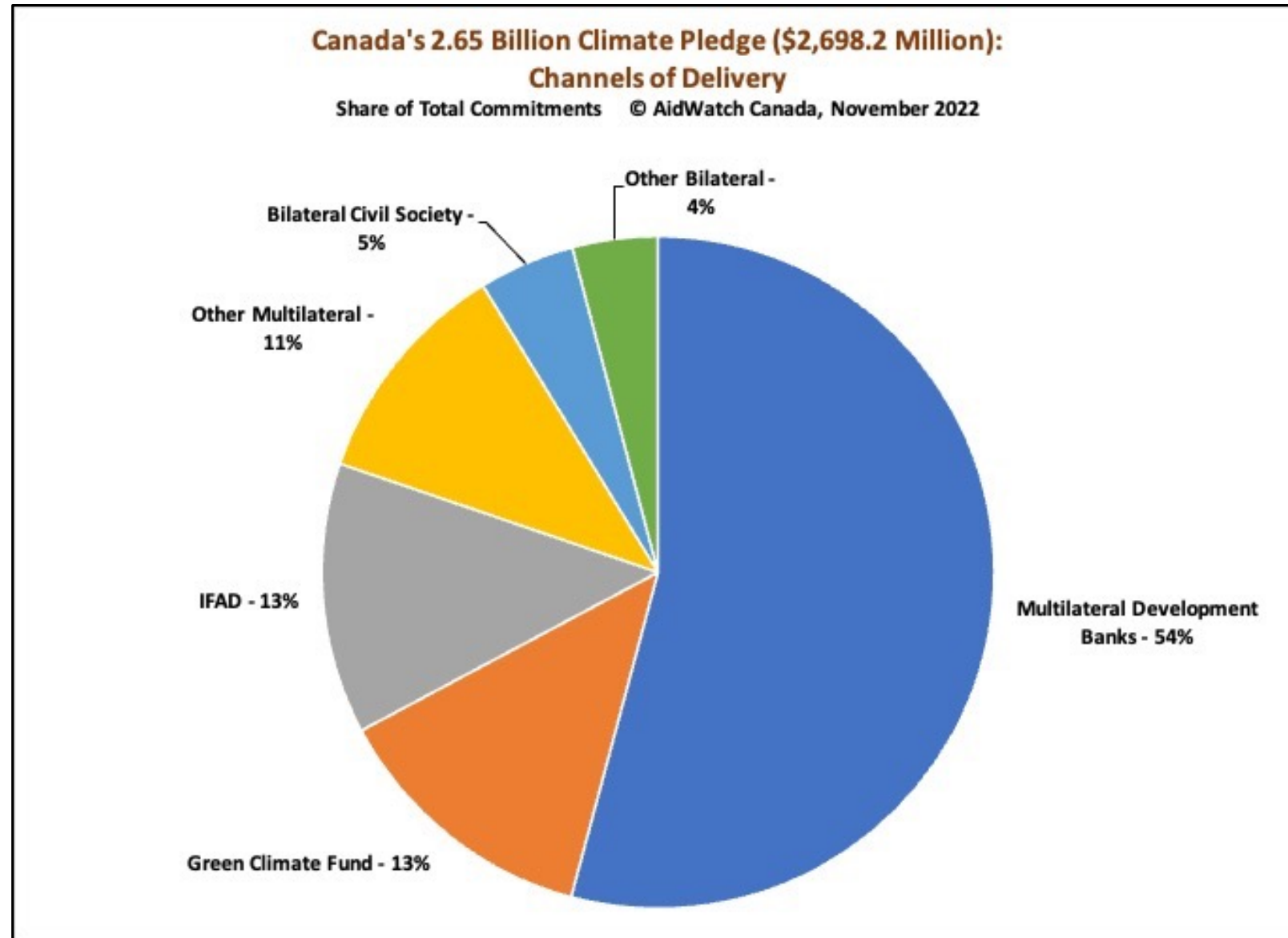
COP27, November 2022

Prime Minister Adriano Afonso Maleiane of **Mozambique**:

“In recent times, our country has been intensively affected by depressions, tropical cyclones, rains and strong winds, floods and droughts that have caused loss of human lives, displacement of persons, extensive damage to infrastructure and socio-economic activities... Between 2019 and 2022, Mozambique was hit by cyclones Idai, Kenneth, Guambe, Chalane, Ana and Gombe.”

UN General Assembly, September 2022

Canada's first climate pledge: \$2.65B, 2016/17 to 2020/21



Canada's first climate pledge: \$2.65B, 2016/17 to 2020/21

Mitigation – 64% of Commitments

Adaptation – 36% of Commitments

Estimate of Commitments Disbursed (July 2022) – 54% of Commitments

Six Canadian MBD Funds – 38% of Commitments

Green Climate Fund – 67% (of pledges)

Other Projects (Excluding IFAD) – 76%

Loans / Grants (Commitments)

Total – 66% / 33% of project commitments

Mitigation – 74% / 26%

Adaptation - 54% / 46%

Gender Equality (DAC Gender Equality Marker, Disbursements)

Significant Purpose Gender Equality – 95% of project disbursements

Principal Purpose – 0.4% of project disbursements

Not Marked – 5% of project disbursements

Canada's \$5.3 billion Climate Finance Pledge (2021/22 to 2025/26)

\$5.3 billion is double the previous \$2.65 billion five-year commitment

Policy Commitments for the allocation of \$5.3 billion:

Adaptation: 40% of Commitment (\$2.1 billion); **Mitigation:** 60% of Commitment (\$3.2 billion)

- Dollar commitment to adaptation tripled over actual \$2.65B pledge allocations to adaptation (from \$706 million to \$2.1 billion), but at 40% not at 50% of climate finance

Grants: 40% of Commitment (\$2.1 billion); **Loans:** 60% of Commitment (\$3.2 billion)

Nature Based Solutions: 20% (\$1.1 billion) - Biodiversity Purpose Code Significant or Principal

Gender Equality: 80% targeting gender equality & women's empowerment (principal & significant purpose)

No Reference to finance for **Loss and Damage**

See Government of Canada, *Canada's Climate Finance for Developing Countries, 2022*

\$5.3 Billion Pledge (2021/22 to 2025/26): Allocations to July 2022

Total Allocated: \$1,575.3 committed (30%)

Climate Purpose:

Adaptation: \$443.7 million (29%)

Mitigation: \$1,131.6 million (71%)

Channels:

Bilateral: \$357.0 million (23%)

Multilateral: \$1,203.5 million (77%)

MDBs: \$1,040 million (66%)

(\$1 billion commitment to World Bank's Accelerated Coal Transition Program, CIFs, loan, 2022 – 2047)

CSOs: \$360.7 million (23%)

(\$315 million **GAC Partnering for Climate initiative**, focusing \$300 million for **CSO initiatives** in adaptation in Sub Saharan Africa and \$15 million for **Canadian Indigenous Peoples Organizations' partnerships** for climate adaptation, with at least \$20 million dedicated to advancing women's rights in adaptation)

Africa-Identified Project Commitments in Canada's Climate Pledges

\$2.65 Billion pledge (2016/17 to 2020/21)

- **World Bank (IFC) - Canada Renewable Energy Program for Africa** - \$150 million loan of which 29% disbursed
- **Canada - Africa Development Bank Climate Fund** - \$132.5 million (\$122.5M loan and \$10M technical assistance grant) of which 0% disbursed
- **Green Climate Fund Africa Projects** - \$115.5 million (@33% of portfolio) - 66% loan
- **IFAD Africa Projects** - \$163.3 million (@ 48% of portfolio) – 100% loan
- **Least Developed Country Fund** - \$22.1 million (59% of portfolio)
- **Other Africa identified projects** - \$139.5 million

Total Africa-Identified Projects: \$723.4 million (27% of total commitments)

\$5.3 Billion pledge (2021/22 to 2025/26)

Accelerated Coal Transition Program (World Bank CIFs) – \$200 million (South Africa)

Climate Measurement, Reporting, Verification Project - \$20 million

Least Developed Countries Fund - \$22.1 million (59% of portfolio)

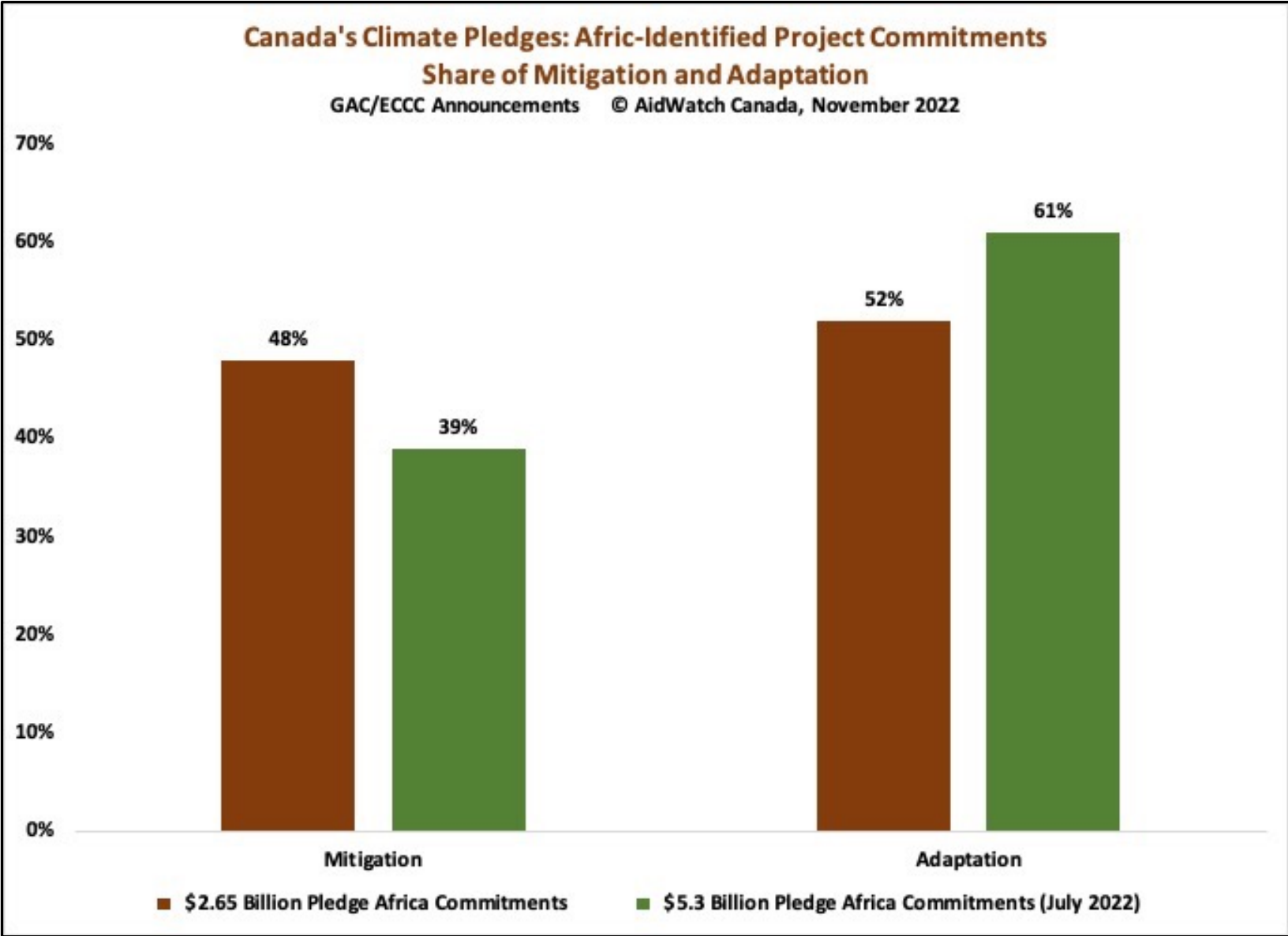
Adaptation Fund – \$4 million (40% of portfolio)

Partnering for Climate (Canadian CSOs) - \$300 million

Rural Women Cultivating Change in Ethiopia, Kenya and Tanzania - \$14.8 million

Total Africa-Identified Projects: \$560.9 million (36% of total commitments to date [i.e. \$1,575.3 million])

Mitigation and Adaptation in Africa-Identified Project Commitments



Accelerated Coal Transition Facility (World Bank Climate Investment Funds)

Canada invested Cdn\$1 billion loan (19%) of the \$5.3 billion pledge in the CIF Accelerated Coal Transition Facility (established in 2021) and \$15 million grant for Women-led Coal Transition Mechanism

- Canada providing 40% of the expected US\$2 billion donor target for the first phase of the Facility
- Decommissioning coal mines
- Repurposing towards renewable energy
- Support for affected communities and workers, including a gender action plan (25% of funds)
- Focus on South Africa, Indonesia, India, and the Philippines in support of an integrated, socially-inclusive and gender-equal transition, partnering with both public and private utility operators.

Complements the Just Energy Transition Partnership

- Announced in Glasgow as bilateral initiative (Germany, France, UK, US and EU) to support coal transitions in South Africa, Vietnam, India, Indonesia, and Senegal.
- US\$8.5 billion for South Africa – Agreement to be acknowledged at COP27
- Negotiations active with Indonesia (G20 meeting in November)
- First CIF allocations to South Africa and Indonesia – US\$500 each
- South Africa – issues of transparency (both government and donors), terms of the resources, community engagement in context of widespread distrust of government

Climate Justice: Realizing the US\$100 billion annual climate finance

Failure to achieve climate finance goals, in context of growing inequalities and mounting debt, has embedded deep and increasing distrust in the COP political processes for developing countries.

- **Canada and Germany leading on monitoring \$100 billion commitment**
 - **\$17 billion short**, with no clear roadmap for US\$500 billion, 2021 to 2025: Will the goal be achieved by 2023?
 - **Five major donors** (UK, France, Germany, Japan, US). Dependent on US Congress to meet the US \$11 billion commitment.
 - **Skepticism about what is counted** (Oxfam estimate is only \$21 billion to \$25 billion, against OECD DAC, \$83 billion)
 - **Focus on mitigation**, much less on adaptation (\$29 billion or 35% in 2020)
 - **High reliance on loans** (71% in 2020) and the **private sector** (but blended climate finance declined by 60% in 2019 to 2021 period, compared to earlier period (2016 to 2018)).
 - **20 African countries currently in debt distress** (IMF – 2022) as African countries and other debt distressed countries face pandemic impacts, oil and food price shocks, climate catastrophes
 - **No fiscal space to cope with climate challenges:** Countries in the global south are currently spending 5 times more on debt repayments than addressing the impacts of the climate crisis (CAN International)

Climate Justice: Africa's overall climate finance requirements

Overall requirements as identified in Nationally Determined Contributions (NDCs):

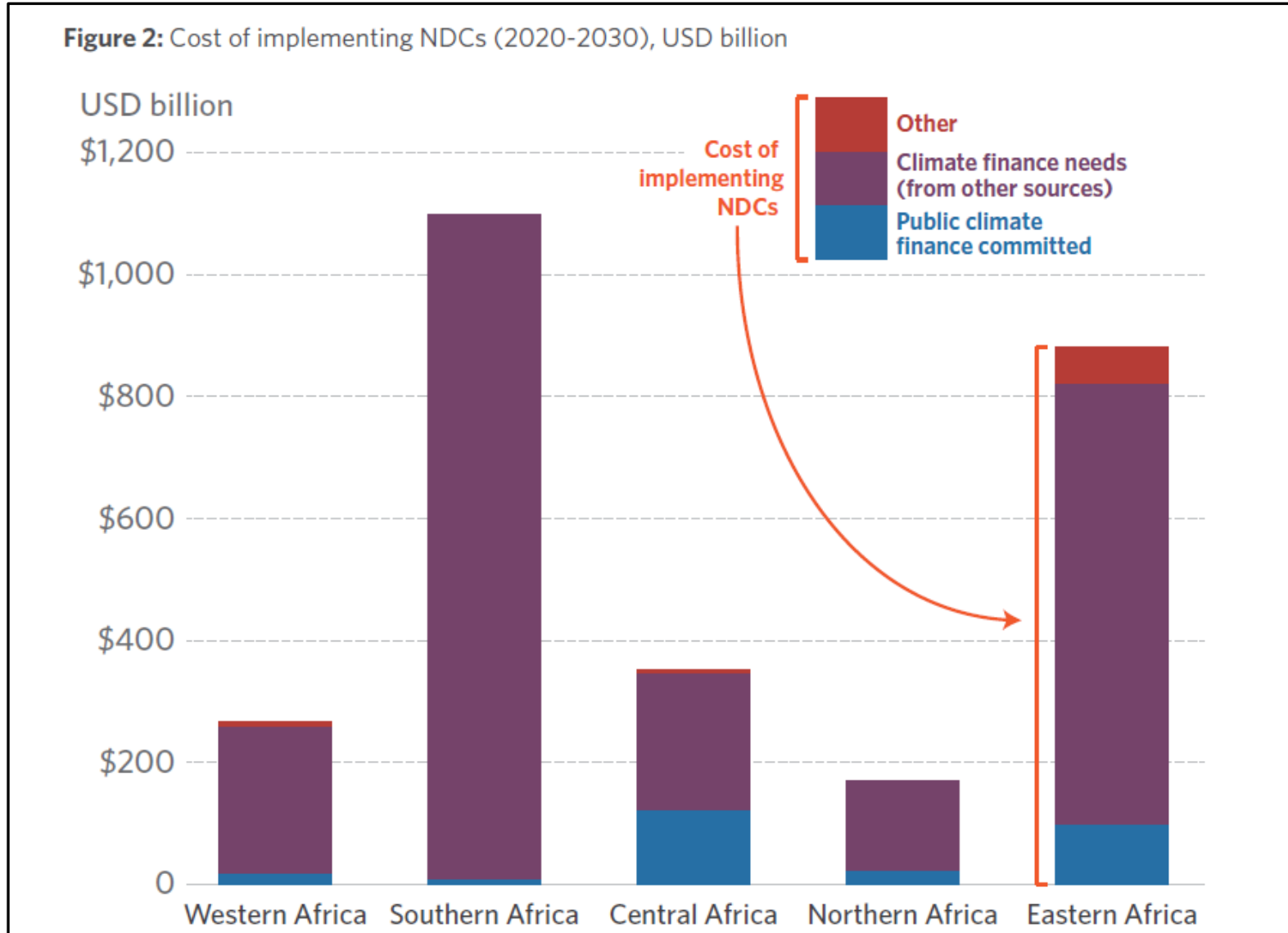
- Financing Africa's Nationally Determined Contribution (NDCs) plans will require \$2.8 trillion between 2020 and 2030 (public and private finance)
 - Of this amount, African governments have committed \$264 billion or 10%
 - External finance needs are \$2.5 trillion or \$250 billion per year
- Adaptation needs are estimated at only 24% in NDCs, likely highly under-estimated; Mainly public sources. No estimate of loss and damage finance needs.
- Currently receiving about \$30 billion from all external sources

Climate Policy Initiative, October 2022, <https://www.climatepolicyinitiative.org/publication/climate-finance-needs-of-african-countries/>

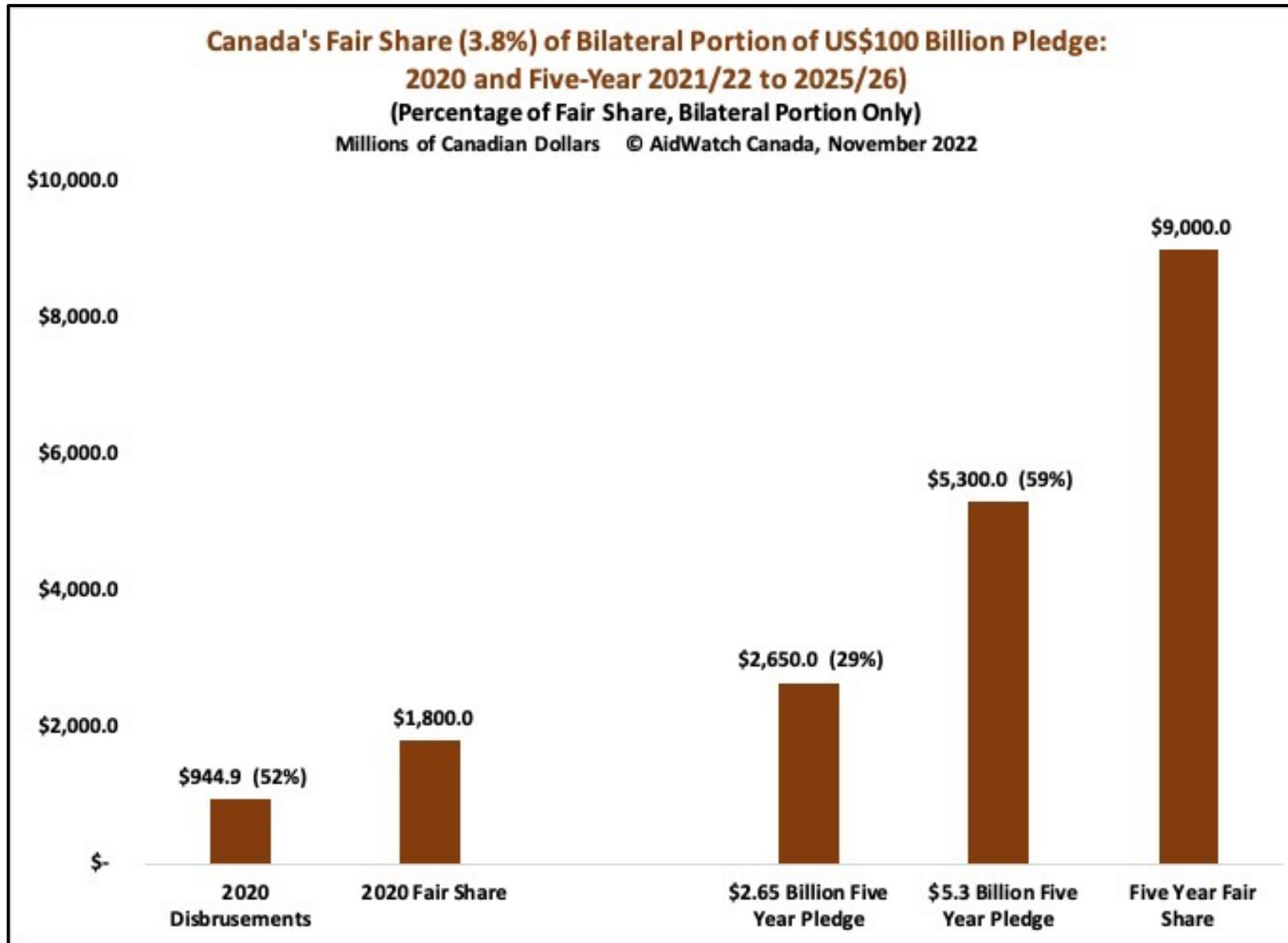
Climate Action Network: Without new financing Sub-Saharan African countries will take on an additional \$996 billion in debt - a 50% increase on current debt levels as a percentage of GDP

Climate Justice: Africa's Climate Finance Gap

(Climate Policy Initiative, <https://www.climatepolicyinitiative.org/wp-content/uploads/2022/06/Figure-2.-Cost-of-implementing-NDCs-2020-2030-USD-billion.png>)



Climate Justice: Is Canada contributing its fair share of climate finance?



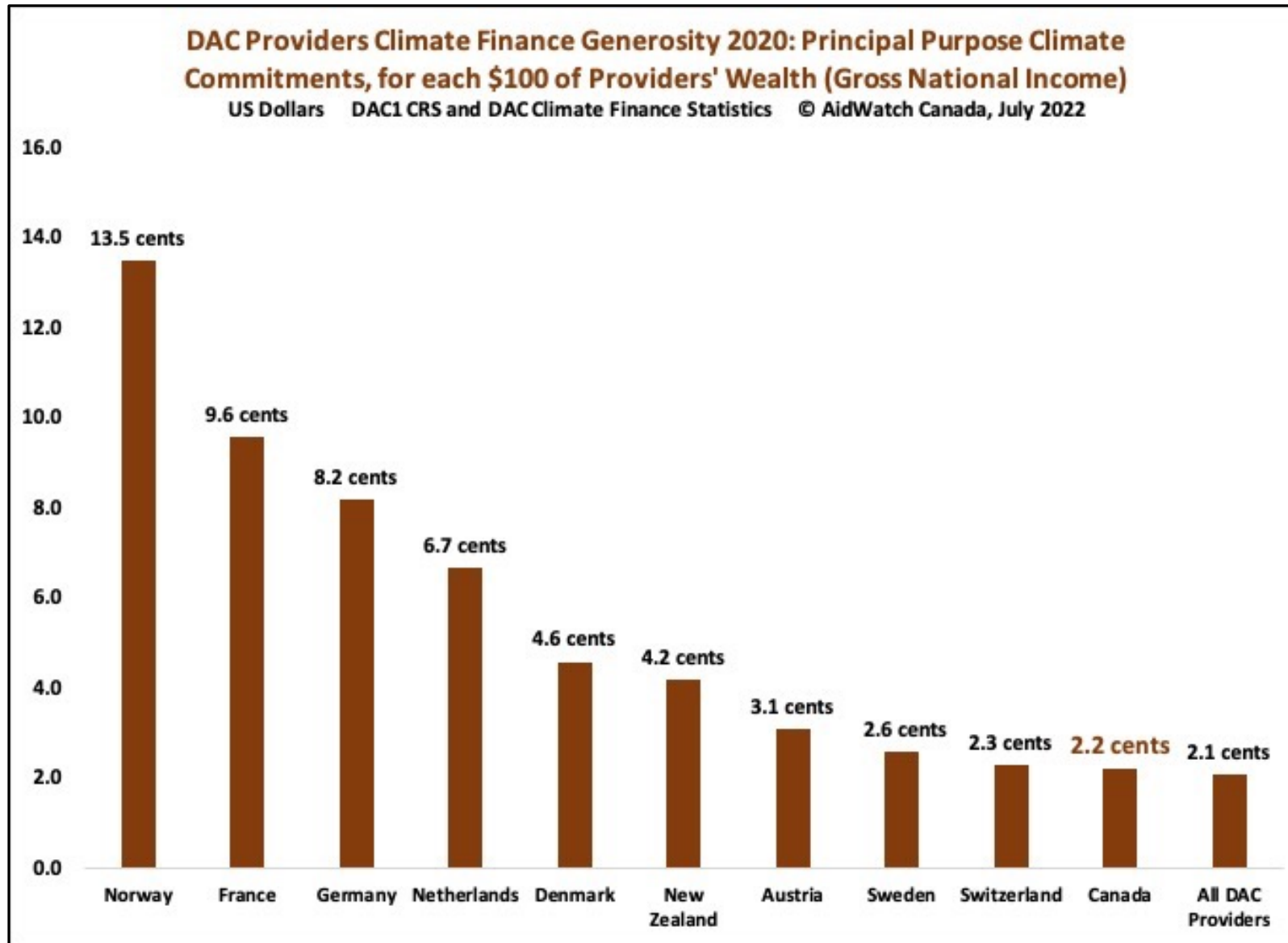
Ranking Canada's Climate Finance among DAC Donors

Among DAC donors,

- **Canada ranked 8th in its share of total bilateral climate finance** in 2020 (@ 2.5% of total bilateral climate finance)
- **Canada ranked 16th in the value of its adaptation finance, and 27th in the relative share of adaptation in total climate finance** for 2020.
- **Canada was 3rd in the share of loans** in its bilateral climate finance, among only 7 donors that provide loans in climate finance
- **Canada allocated 88% of its climate finance through multilateral channels** in 2020 compared to 47% for all DAC donors
- **Canada was a leader in integrating gender equality** in its climate finance compared to other DAC donors (80% of projects compared to 60% for all DAC donors).

Climate Justice: Donor Relative Generosity in Climate Finance, 2020

As measured by share in GNI per capita Canada ranks 10th



Climate Justice: Commitment to Accelerating Adaptation Finance

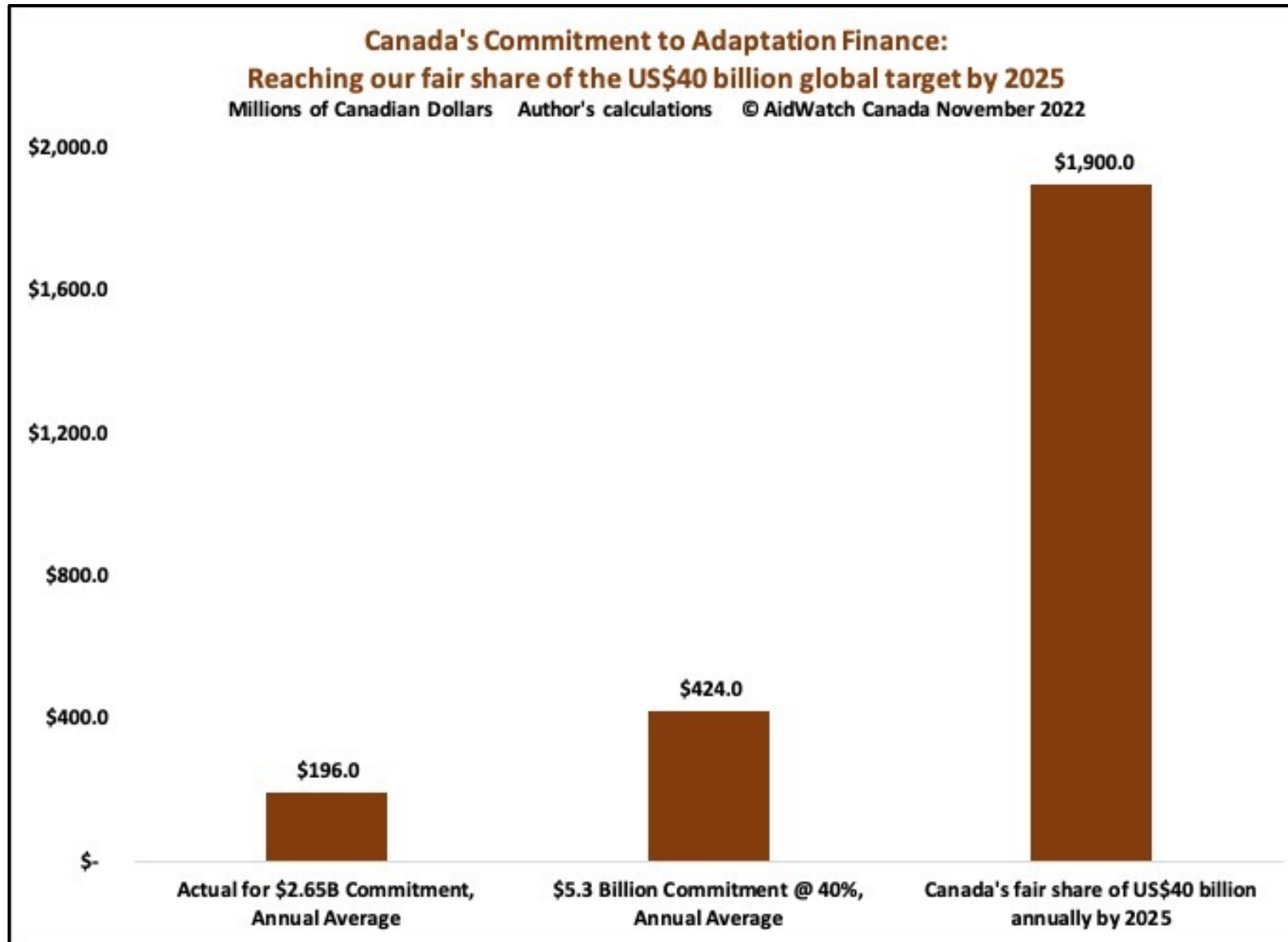
The Adaptation Gap: Glasgow Commitment

- Doubling Adaptation finance by 2025 over 2019 level, reaching **US\$40 billion**
- In 2020, adaptation finance was **\$29 billion**.
- **Global estimate for adaptation:** \$200 billion a year in the 2020s, \$340 billion a year by 2030 and \$315-565 billion by 2050
- **Current spending on adaptation in Africa** - \$11.4 billion (OECD DAC) - 39% of total climate finance for Africa
 - 97% from public sources; 50% loans, with only 30% concessional
- **Estimated African adaptation needs** from NDCs is over \$40 billion a year to 2030

Issues in adaptation finance towards the Glasgow COP26 goal:

- **Adaptation highly context specific**, requiring full engagement of local partners for implementation
- **Grant finance** required for most adaptation (no direct financial return for private sector investment)
- **No roadmap and lack of metrics** in determining what is an adaptation activity and measuring impact of adaptation
- **Maladaptation** – “quick fixes” with longer term unintended impacts on people and environment

Climate Justice: Canada's fair share of \$40 billion 2025 adaptation goal



Climate Justice: The Third Pillar of Loss and Damage Finance

Loss and Damage reflects unavoidable climate change impacts & limits of adaptation

Not only humanitarian weather events: Sudden onset (hurricanes, Slow onset (sea levels), Non-economic (health, impacts on indigenous culture)

Estimated Costs: US\$290 billion to US\$580 billion by 2030, and over US\$1,000 billion by 2040

Proposals for a Loss and Damage Financing Facility

Put on the UNFCCC agenda by G77 in Glasgow and COP27,

But strongly resisted by donors, raising concerns for taxpayer “liability” and “reparations”

DAC providers argue that existing mechanisms are sufficient

Humanitarian assistance already fall far short of humanitarian need

Largely insurance based approaches to date

Possible Rationale for a Loss and Damage Facility

- Issue of justice and solidarity in context of growing impacts
- Diversion of inadequate finance for adaptation (new and additional to \$100B commitment)
 - Polluter pay principle, Common and differentiated responsibilities
 - Building trust in the UNFCCC process

Canada's Position on Loss and Damage

Minister Guilbeault - Canada was open to discussion of loss and damage finance at COP27, with an approach that “shifts the conversation away from liabilities” (May 2022)

At COP27 – Canada acknowledges the gap in financing; addressing loss and damage is not an option but a necessity, but no proposals

No reference to loss and damage in the \$5.3B policy framework, and no specific funding for loss and damage

Loss and damage related projects included in Canada's adaptation finance, similar to other DAC donor:

- **11 projects in \$2.65B pledge** could be attributed to loss and damage support, mostly insurance schemes
- **11% of adaptation**, significantly diminishing resources for limited Canadian adaptation finance

COP27 Announcements (\$5.3B pledge):

- Cdn\$7 million for Global Shield Financing Facility against Climate Risk
- Cdn\$1.25 million for Santiago Network (technical assistance for loss and damage)

Limitations of Insurance Schemes for Loss and Damage

- a) Inadequate to meet real needs in climate catastrophes.** For Dominica's recovery from Maria in 2019, a category five hurricane, the Caribbean Catastrophe Risk Insurance Facility provided only \$19.3 million covering only 1.5% of costs.
- b) Inappropriate mechanism in reaching the most vulnerable.** Those most affected by both rapid onset and slow onset L & D are often in the informal sector, which is largely unreachable through insurance schemes.
- c) Cannot address slow onset losses and damages** Increasingly, responding to slow onset L & D will be required. Insurance may also have difficulty responding to small scale and cumulative degradation of assets due to climate change.
- d) Do not align with the Paris principle of common but differentiated responsibilities** Insurance is supported by premiums paid by those most affected by climate change. At a minimum, they must be funded by premium support from developed donor finance, which is also new and additional to existing adaptation finance.