The “Finance” In The Fight Against Climate Change

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As the world is making efforts to address climate change by transitioning towards a green and sustainable economy, financial resources and sound investments are paramount to not only reduce emissions and adapt to the impacts that are already occurring, but also to foster resilience.

And with 2022 United Nations Climate Change Conference, more commonly referred to as COP27, round the corner, terms like ‘climate finance’ are picking up steam with financial resources emerging as a possible flashpoint in combating climate change. This as many developing and small island nations don’t have the resources to pump billions of dollars into infrastructure and programs required to address climate change or its effects like more severe droughts, violent storms, extreme heat, larger wildfires, and rising sea levels.

According to the United Nations Environment Program, developing countries would require USD 300 billion per year by 2030 to cope up with climate change, highlighting the importance and magnitude of funds required to make the transition to sustainable energy and investing in climate risk reduction.

Majority of the world's largest economies, as well as largest producers of greenhouse gases, have failed to follow through on their commitments made in Glasgow to boost their emissions reduction objectives. The delay in the process of converting climate funds promised by rich nations into programs to foster a framework to tackle climate change on the ground has also created hurdles for developing countries, who are dependent on these resources. Despite pledges from wealthy countries to assist, people in some of the world's poorest countries are receiving as little as USD 1 per year to help them cope with the effects of the climate disaster. There were some encouraging announcements made during the COP26 with a wide range of stakeholders, including nations and the corporate sector, reaffirming their commitment to the Paris Agreement target of keeping global temperature rise below 2°C, as well as keeping the 1.5°C goal alive.

This fall the issue of climate finance will likely emerge as a stronger appeal, at least among developing nations, during COP27 in November, with the president of Egypt announcing that its major goal is to shift from pledges to implementation. Egypt has also called for coordinating the African stance in financing efforts to address climate change in the continent. This year the meetings will take place against the backdrop of the conflict in Ukraine, as well as rising oil and food costs throughout the world, which have left affluent nations facing a cost-of-living crisis and impoverished countries wrestling with mountainous debt.

Meanwhile, in the runup to the COP27, the UN climate change conference - which was held in Bonn, Germany - focused on loss and damage, adaptation, climate financing, and measures to keep global warming below 1.5 degrees Celsius. But most importantly it focused on a challenge that was left unanswered at the 2021 Glasgow climate summit: “how to make wealthy, historically high-emitting countries pay for climate-related losses and harm imposed on poor, vulnerable populations”.

However besides traditional financing sources - including governments, foundations, and multilateral institutions such as the United Nations and the World Bank – there is a need for the private sector to step in and contribute not only by reducing CO2 emission, but also by investing in the transition to a green and sustainable economy. It is encouraging that climate action entrepreneurs in frontier markets are rapidly developing viable solutions to assist disadvantaged populations in dealing with the effects of the climate catastrophe. But they require funding and assistance to de-risk these projects for bigger commercial investors and to facilitate large-scale financial flows. According to experts on climate change and sustainability, artificial intelligence and digital technology could bring a 10-20 per cent reduction in global carbon dioxide emissions by 2030.

The recently concluded MENA Climate Week 2022, hosted by the Ministry of Climate Change and Environment (MOCCAE), UAE government, the World Green Economy Organization (WGEO) and the Dubai Electricity and Water Authority (DEWA), brought together regional stakeholders to make plans and forge partnerships that accelerate implementation in line with decisions on adaptation, mitigation, climate finance and a common set of guidelines for reporting progress.

The Middle East has been at the center of the global energy transition with a huge influx of investment for renewables, including the untapped solar energy sector. Sudair Solar Power Plant in Saudi Arabia, The Manah I and II Solar Independent Power Projects in Oman are some examples in the region, aimed at reducing emissions of greenhouse gases. The UAE has embraced and started serious measures to diversify its energy sources by shifting from heavy dependency on oil to investing in sustainable energy, a transition to a greener economy. The projects to attain green economy include Mohammed bin Rashid Al Maktoum Solar Park, the largest single-site solar park in the world and Hatta Wind Power Project in Dubai, which is UAE’s first wind farm. Dubai Police is also embracing sustainability and emissions reduction by its Zero Carbon Police Force initiative.

Climate change is the most pressing challenge faced by this generation, its mitigation is vital not only for our planet’s existence but also for the long-term global economic prosperity. And the global efforts to fight climate catastrophe can yield results only if developed countries meet their financial commitments to decrease emissions and support adaptation to the impacts that are already occurring.

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