

Innovative Finance for Climate and the Planet

“There is no Planet B”

Driven by an urge to make an impactful contribution to offset climate change challenges and biodiversity losses, **CUTS International** has embarked on an international initiative, advocating “**Innovative Finance for Climate and the Planet**” to bridge the widening gap of environmental finance.

1. BACKGROUND AND CONTEXT

1.1 Increasing carbon emissions and biodiversity losses have resulted in huge imbalances and pose one of the gravest threats to the existence of mankind. The vagaries of human-induced environmental threats spare none. The vulnerability of socially and economically weaker sections is compounded by their position, but it does not mean that the more privileged are likely to get away. The inadequacy of available resources to avert this crisis has dragged down international environmental negotiations over the decades.

1.2 Though ambitious commitments were made to provide adequate finance for climate and biodiversity at the 27th session of the Conference of the Parties (COP) of the United Nations Framework Convention on Climate Change (UNFCCC) at Sharm el Sheikh (COP 27 - UNFCCC) and Montreal (COP 15 - CBD), in 2022, respectively, a roadmap to achieve the same is still not in place. Cognizant of the ever-growing threats posed by climate change and biodiversity loss which have been compounded by inadequate resources, the world needs innovative solutions to tackle this burgeoning challenge. Uncertainty over finance has far too long delayed the fight against environmental damage.

1.3 The global climate finance target has been estimated at \$2.4 trillion annually by 2030¹, reflecting the growing urgency to address climate change. Despite increased private and public sector investments, the failure to achieve the previous commitment of \$100 billion annually by 2020 underscores the challenges in meeting specific financial benchmarks².

1.4 The current global environmental finance architecture requires urgent reorientation to effectively channel increased flows for meeting both global climate and biodiversity targets. Despite a notable surge in global climate finance, reaching an annual average of USD 1.3 trillion in 2021/2022 from USD 653 billion in 2019/2020, the majority is directed towards mitigation, especially in renewable energy and transport. However, this growth remains insufficient, with escalating needs projected to exceed \$10 trillion annually from 2031 to 2050³. Simultaneously,

¹ Nandi, J. (2023, August 17). Experts suggest \$2.4 trillion annual funding to tackle climate crisis. Hindustan Times. <https://www.hindustantimes.com/india-news/24-trillion-annually-needed-by-2030-for-climate-change-mitigation-in-developing-countries-expert-group-101692213789643.html>

² Schalatek, L. (2021, October 25). Broken Promises - Developed countries fail to keep their 100 billion dollar climate pledge. Heinrich Böll Stiftung Washington, DC. <https://shorturl.at/gswCH>

³ Buchner, B., Naran, B., Padmanabhi, R., Stout, S., Strinati, C., Wignarajah, D., Miao, G., Connolly, J., & Marini, N. (2023, November 2). Global Landscape of Climate Finance 2023. Climate Policy Initiative.

there is a substantial finance gap, estimated between US\$ 598 billion and US\$ 824 billion, to fulfill commitments under the Convention on Biological Diversity (CBD).

1.5 MDBs, despite emphasising private finance mobilisation, experienced a decline in private sector co-financing rates in 2021, with only 25 cents mobilised for every dollar of climate finance provided. The predominant use of loans (71%) in their investment portfolio raises questions about the effectiveness of broader financial instruments like guarantees. There's a need for MDBs to explore strategies beyond incentivising private investors with public resources, focusing on policy reforms, regulations, and taxation support to shift private finance. The emphasis should be on building governments' capacities for equitable revenue generation and effective climate action.⁴

1.6 Against the backdrop of the existing global financing challenges, Consumer Unity & Trust Society (CUTS) has initiated a global campaign, "**Innovative Finance for Climate and the Planet**". This advocacy aims to address the current gaps in global financing. The initiative will foster dialogues on the implementation of innovative tools, including but not limited to **green bonds**⁵, **sustainability-linked loans**⁶, **tailor-made blended finance solutions**, and **ecosystem-driven investments**. These tools are envisioned to be scaled up effectively, contributing to actionable outcomes that propel advancements in climate and biodiversity goals.

Supporting Documents:

- (A) [Campaign Brochure](#)
- (B) [Policy Brief](#)

2. GOAL & OBJECTIVES

2.1 The **overarching goal** of this initiative is to nudge the global community to integrate and accelerate implementation of Innovative Finance Solutions in the global environmental finance landscape. Our efforts under this campaign are driven by a push to address some of the existing bottlenecks in global environmental finance and offer pragmatic solutions to reduce the vulnerability faced by the most disadvantaged groups on the planet. With the capacity of federal governments and multilateral financial institutions constrained in the post covid world order, conventional policy responses are unlikely to yield desired results. This initiative aims to harness the potential of innovative finance to make demonstrable progress towards meeting global climate and biodiversity goals.

<https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/>

⁴ Neunuebel, C., Thwaites, J., & Choi, E. S. (2022, November 11). The Good, the Bad and the Urgent: MDB Climate Finance in 2021. World Resources Institute. <https://www.wri.org/insights/good-bad-and-urgent-mdb-climate-finance-2021>

⁵ World Bank. (2015, December 1). What Are Green Bonds? <https://www.worldbank.org/en/topic/climatechange/brief/what-are-green-bonds>

⁶ Rodley, I. (2020, August 18). Green Loans and Sustainability-Linked Loans: What Is the Difference? Addleshaw Goddard. <https://www.addleshawgoddard.com/en/insights/insights-briefings/2020/financial-services/green-loans-and-sustainability-linked-loans-what-is-the-difference/>

2.2 The **specific objectives** will be:

- To place before global platforms a set of actionable recommendations, which can catalyse accelerated implementation of actionable solutions. The mega exercise (*to be carried out over a period of three years*) intends to onboard important stakeholders associated with the global environmental governance architecture.
- To highlight important concerns of those most disproportionately affected by climate and biodiversity calamities on important public platforms, so that deliberations can be held in a consultative and progressive manner.
- To leverage the position of platforms like the G20. G20 countries, together, account for nearly 75 percent of global greenhouse emissions. Therefore, the G20 offers a platform for deliberations to determine the outline of a proposal for Innovative Finance Solutions.
 - Being the only G20 country which is on track to achieve its Nationally Determined Contributions⁷, India's presidency in 2023 offers an opportunity to demonstrate its credentials to shape a 'climate conscious' world. A global endeavour to solve one of the biggest crises which threatens the future of mankind, seamlessly blends with India's theme of '**One Earth, One Family, One Future.**'
 - CUTS has been already engaging with relevant stakeholders to take forward our initiative within the rubric of G20, through Engagement Groups of G20 such as Business 20 (B20), Civil 20 (C20), Think 20 (T20).

3.ACTIVITIES

3.1 Research Component

- Under this initiative driven by CUTS International, a policy brief has been developed and shared with subject matter experts. The brief highlights the disproportionate impact of such crises on the most vulnerable regions/countries and the loss and damage suffered on account of these. It further talks about how Innovative financial instruments could be utilised to catalyse much needed investment to bridge the existing financial gaps to meet global climate and biodiversity commitments. It also proposes a set of recommendations on innovative finance for the consideration of important global forums, including the G20.
- The texture of recommendations will include outline of a proposed governance framework as well as a draft roadmap for accelerated implementation of innovative finance, which could be considered for implementation by global organisations. The objective of

⁷ Nandi, J. (2021, August 16). 'India only G20 nation to meet climate goals'. Hindustan Times. <https://www.hindustantimes.com/environment/india-only-g20-nation-to-meet-climate-goals-101629061426571.html>

recommendations will incorporate specific concerns of sections facing a disproportionate threat on account of climate change and biodiversity losses.

- A series of policy briefs will be prepared and disseminated on the subject ‘**Innovative Finance for Climate and the Planet,**’ over the next three years. The briefs will be authored by distinguished individuals from international organisations, think tanks, governments. These will offer a detailed examination of multiple aspects of the subject, while also representing continuity in deliberations as the campaign progresses.

3.2 Advocacy and Networking Component

3.2.1 As we intend to galvanise global support for our initiative, CUTS would engage in a range of advocacy activities in some prominent cities (including capitals) of the world. Their objective will be to explain the importance and utility of innovative finance instruments to the most important stakeholders in different parts of the world.

3.2.2 Proposed activities include:

- Organising discussions with relevant stakeholders in the concerned city. Relevant stakeholders will include:
 - Representatives from the concerned office(s) of the federal/provincial government in the country.
 - Representatives of the respective country offices of relevant international organisations like the United Nations Environment Programme (UNEP).
 - Officials connected with the Loss & Damage Fund, including country representatives in the **Transitional Committee**.
 - Members of prominent international civil society organisations, with a special focus on those working on themes such as climate justice, mobilisation of climate funds, adaptation finance.
 - Representatives of responsible corporate houses which have set an example by:
 - ❖ Following an environment conscious approach in their operations; or
 - ❖ Providing monetary/non-monetary assistance to organisations involved in climate awareness campaigns; or
 - ❖ Have been felicitated for climate action by an international organisation/federal government/industry association; or
 - ❖ Representatives of global climate philanthropy organisations; or
 - ❖ Pressure groups with a demonstrable record in advocating for climate action in the country and the surrounding region.
- Seeking partnership with specialised multilateral institutions. We will be reaching out to the **United Nations Environment Programme (UNEP)** for assistance and support, among other organisations. UNEP has successfully executed many programmes in different parts of the world, including in many least developed countries (LDCs) and Small Island Development States (SIDS). Many of the projects which have been implemented have been

on themes suggested in our initiative such as Ecosystem-based approach, community adaptation, prevention of climate induced losses. Support will also be sought from institutions like the **World Bank, Regional Development Banks, environmental philanthropy firms.**

- Building support in the form of a **global coalition**. The coalition, to be called the ‘**Global Alliance for leveraging Innovative Finance**’ will include influential individuals/organisations, who will lend public support to the initiative. The vagaries of climate change spare none, with every section being enveloped by its effects. To give the campaign an inclusive touch, we will try to ensure that this coalition has a diverse representation. From corporate leaders to active citizen groups, our campaign will draw support from different sections. Once a substantial number of organisations/individuals affirm their support for our initiative, events will be held under the banner of this global coalition.

3.3 Capacity Development of CSOs

This initiative will offer an opportunity for organisations working on the ground in the domains of climate and biodiversity action to acquaint themselves the relevance of innovative finance in their respective countries. Such organisations will include Civil Society Organisations, civil society groups, pressure groups working on environment, climate action groups. Investing in the capacities of such organisations will help build support for this initiative in decision making circles at the national level. Since the organisations mentioned herein have an understanding of environmental priorities in their respective countries, their inputs can play a vital role in helping ascertain the pathways for integrating innovative finance in the national framework towards meeting climate and biodiversity targets. A **module for capacity building** of these organisations will be developed, which will include components on specific areas of intervention under the initiative.

4. EXPECTED OUTCOMES

4.1 Global Consensus on Utility of Innovative Finance: As indicated earlier, the mega exercise is expected to build consensus on the utility of Innovative Finance to help bridge the prevailing gaps for meeting global climate and Biodiversity goals. Comprehensive deliberations with multiple stakeholders will add more depth to this initiative, over a three-year period. The exercise will also help in determining the structure to integrate Innovative finance into the global environmental finance landscape.

4.2 Creation of a Global Coalition of Civil Society Organisations (CSOs): As mentioned earlier, we aim to have a global coalition of CSOs in place to steer the campaign in different parts of the world. The ‘**Global Alliance for leveraging Innovative Finance**’ will comprise multiple entities with a stake in a more environment conscious world.

4.3 Agreement on pathways of impactful action: In addition to developing consensus around Innovative finance, the exhaustive advocacy exercise will also come up with globally acceptable pathways to achieve the desired objectives on climate and biodiversity. The contours of these pathways will be determined based on their capacity to deliver impactful outcomes for climate and biodiversity.

Project Advisory Committee:

1. **Montek Singh Ahluwalia**, Committee Chair (*former Deputy Chairman of the Planning Commission of India*), New Delhi, India
2. **Pradeep S Mehta**, *Secretary General, CUTS International, India*
3. **Amar Bhattacharya**, *Senior Fellow, Brookings Institution, Washinton D.C., USA*
4. **Amar Patnaik**, *MP Rajya Sabha, India*
5. **Avinash Persaud**, *Special Envoy to the Prime Minister of Barbados*
6. **Benito Muller**, *Managing Director at Oxford Climate Policy, UK*
7. **Jacob Werksman**, *Principal Adviser. DG – CLIMA, European Commission, Brussels, Belgium*
8. **Nagesh Kumar**, *Director, Institute for Studies in Industrial Development (IISD), New Delhi, India*
9. **Nitin Desai**, *Former UN Under Secretary General for Economic and Social Affairs, New Delhi, India*
10. **Onno Ruhl**, *General Manager Aga Khan Agency for Habitat, Geneva, Switzerland*
11. **Pascal Lamy**, *Coordinator of the Jacques Delors Institutes, Paris, Berlin, Brussels*
12. **Prodipto Ghosh**, *Distinguished Fellow, The Energy and Resources Institute (TERI), New Delhi, India*
13. **Sait Akman**, *Academic at TEPAV (Economic Policy Research Institute), Turkey*
14. **Shloka Nath**, *CEO, India Climate Collaborative (ICC), New Delhi, India*
15. **Vera Songwe**, *Co-Chair of the High-Level Expert Panel on Climate Finance, Washington D.C., USA*
16. **Counting...**