

Climate Finance: The Devil is in the Detail

Teacher/Educator Guidelines



Learning Intention:

Students will learn what climate finance is, part of what developing countries have demanded at the COP26 climate conference, and how to think critically when it comes to climate finance. They will also obtain human insight into the real-world impacts of climate change from an inspirational leader not much older than your students.

Length of time required:

Ideally this would be split into two 40-minute classes, with the video section first, followed by the climate finance comprehension.

Materials required:

For the video, use either a projector or an iPad and earphones for each student, with access to YouTube.

Curriculum links:

- **History (JC): 3.12** evaluate the role of a movement or organisation, such as the European Union or United Nations, in promoting international cooperation, justice and human rights
- **Geography (JC): 2.6** examine the causes and implications of climate change
- **Business Studies: 3.10** Use their knowledge, and information from a range of media sources, to discuss current economic issues and present an informed view
- **Politics and Society: 8.1** actions that address sustainable development, **8.2** arguments concerning sustainable development

Key Skills:

- Being literate
- Managing information and thinking
- Working with others
- Being numerate

Material adapted from '[Chatham House: Climate Finance, the Elephant in the Room](#)' & '[Inside Climate News: At COP26, a Consensus That Developing Nations Need Far More Help Countering Climate Change](#)'. Note: this piece has gone through a readability checker and the Plain-English guidelines developed by the National Adult Literacy Association.



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Video & Quiz

PART ONE

Watch youth climate justice activist and environmentalist Elizabeth Wathuti close the opening ceremony of the 2021 United Nations (UN) Climate Conference (COP26). Watch from 01:36:43 to 01:43:10.



Source: UN Climate Change on YouTube.

Search or click '[COP26 Live - World Leader's Summit Opening Ceremony](#)' if video is not working

Follow up quiz (in pairs):

1. Where is Elizabeth's home country?
2. What does she mean when she says that the impact of her allotted speaking time does not only remain with her?
3. What issues does Elizabeth speak about in her home country?
4. Name one evocative image that Elizabeth shares.
5. By 2025, half of the world's population will be facing what?
6. By the time Elizabeth is 50, how many people will be displaced from sub-Saharan Africa due to climate change?
7. Elizabeth says that the people in sub-Saharan Africa have historically contributed how much of the greenhouse gases in the atmosphere?
8. How much have their children contributed?
9. "When we look after the trees, the trees look after us". What is meant by this?
10. What do you think Elizabeth's strategy is with her speech? What is she trying to do, and how is she trying to do it?

Climate Finance: The devil is in the detail

What is Climate Finance?

'Climate finance' means the money given by rich countries to so-called 'developing' countries, to help them reduce the activities that are damaging to the climate, or help them respond to changes in the climate that are already happening in their country. In 2009, at the global climate talks in Copenhagen, 'developed' or rich countries pledged to donate \$100 billion every year by 2020 in climate finance to developing countries, continuing until at least 2025.

It's 2021, so have rich countries donated what they said they would?

No, the rich countries have failed in their promise, with the 2019 figures amounting to just \$80 billion (there is a time lag getting the figures for 2020 and 2021 because the process is so complex). Now the Organisation for Economic Cooperation and Development (an organisation that is made up solely of rich countries), is estimating that the rich countries will finally provide \$100 billion a year, but not until 2023.

\$100 billion a year from 2023 sounds great, right? Better late than never...?

Well, it's not that simple, and this is where we need to put our critical thinking hats on. Even though \$100 billion sounds like a lot, we have to start scrutinizing this number. So let's start digging ... because the devil is in the detail.

One of the core issues with this \$100 billion figure is what type of finance it is composed of

A loan is money lent, which needs to be repaid, is debt. A grant is money given that does not have to be repaid. One important question to ask whenever you hear about climate finance is the following: Will the country being given the money have to pay it back? Will the 'donation' actually be a loan of money from the donor, and will the donor expect the recipient to pay interest on the loan? In other words, how much of the money given is a grant, and how much of it is a loan?

When politicians decided on the \$100 billion figure in 2009, they never said how much of this should be grants and how much should be in loans. And now we are in a situation where, in 2019, loans were estimated to make up a whopping 71% of all climate finance. This means that rich countries are giving lots of loans to developing countries - loans that must be paid back, with interest.

What's the problem? It's still funding, right?

Well, lots of people think that this is very unfair because it is the rich countries that are mostly responsible for causing climate change! So what they are essentially saying is,

"Wow, this problem [climate change] we are mostly responsible for is really bad and we recognise that it's impacting you first and worst, but don't worry we'll give you 'climate finance', and by that we mean we'll give you a loan of money to try fix the problem we created, and yes of course we have to charge you for the loan!"

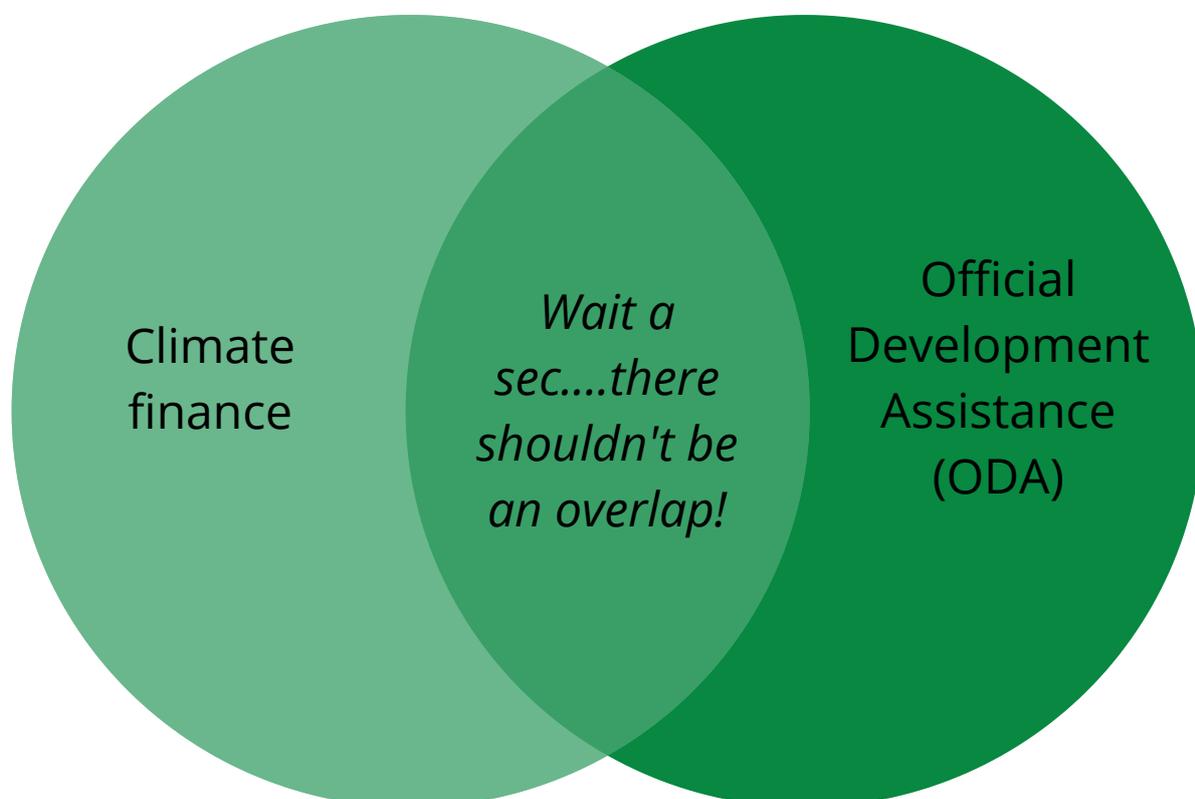
Worsening this situation is the fact that most, if not all, developing countries are already in significant debt, again often due to loans from richer countries. Some of these debts are really old and difficult to get out of because the interest gets compounded every year. Having to pay back these debts means that developing countries' governments are forced to decide between paying back these debts, or instead acting to climate-change proof their country and protect their people. In fact, a United Nations Development Programme report from April estimated that 72 developing nations will owe about \$598 billion in gross debt between 2021 and the end of 2025. If this debt was cancelled that would actually result in more finance freed to respond to climate change, amongst other societal issues. In fact, low-income countries spend five times more on debt than on tackling climate change.

That's why at the 2021 Climate Talks in Glasgow, developing countries strongly demanded more grants instead of loans, and for some of their existing debts to be cancelled so that they could have more space to respond to the climate crisis.

The second core issue with this \$100 billion figure is to do with which part of the public purse the money comes from

Governments in countries like Ireland receive income (via taxes, for example) and they make budgets every year, which outline how this money will be spent. One of the key targets of the Sustainable Development Goals is that rich countries would aim to give 0.7% of their Gross National Income (GNI) to poorer countries and help them to achieve development that aligns all financing flows and policies with economic, social and environmental priorities. This 0.7% is called Official Development Assistance (ODA), but most countries don't even meet this target.

Climate finance is supposed to sit outside of this 0.7% ODA as was agreed in 2015. It should be extra, in addition to, "as well as." ODA does not equal climate finance, and climate finance does not equal ODA. In a nutshell, climate finance should be both "new" and "additional". But the OECD's 2023 estimations actually counts much of the ODA as climate finance; when these two categories of financing need to be kept separate!



Are any countries actually giving enough new and additional climate finance?

Unfortunately some countries are cutting their aid budgets but maintaining their climate finance commitments. This practice is depriving countries of finance for development that is outside of climate finance. This is largely happening because of the strain countries are under due to Covid-19, and one of these countries is the United Kingdom.

Luckily, there are some positive examples too. Canada, Denmark and Finland have all increased their support for financing projects that help real people adapt to the impacts of climate change that are happening today in their countries; impacts like flooding, droughts, and increasing natural disasters.

The third question you need to ask when you hear anything about climate finance is: What is included in the definition of climate finance by the person saying it?

What is meant by climate finance is actually very malleable. In other words, it can be changed very easily. An example of this is in Mexico where the country reported an increase in climate finance given but only because it started counting money spent on natural gas! Methane, the most prevalent component in gas, is estimated to be over 80 times more damaging to the climate than carbon dioxide (CO₂) over a twenty year period ... so, including gas in climate finance shows some dodgy and creative accounting, to put it lightly.

Finally, we need to ask, is \$100 billion enough?

The climate finance received by 17 countries was analysed in a recent report, and interestingly, for these 17 countries, hurricanes, cyclones, flooding and tropical storms easily surpassed \$10 billion in damage in just 2020.

What's more, over \$ 2 trillion, or 2000 billion, was spent on military activity in 2020 - a mere \$100 billion for climate finance simply pales in comparison.

Follow up activities:

1. In pairs, summarise the 4 questions that need to be asked when thinking critically about climate finance.
2. Draw a chart, pie, bar or another of your choice that contrasts the finance spent on climate finance in 2019 with the amount spent on military funding globally in 2020 (approximately).
3. In two sentences, write what your overall learnings are from this activity.
4. What is one thing that you are now curious about that was not answered in this activity?

Here are the 4 critical thinking questions, summarised:

- What type of finance it is composed of; is it a loan, or a grant?
- Which part of the public purse does the money come from? Is it taking money away from development finance that should be kept separate from climate finance?
- What is included in the definition of climate finance by the person saying it? Does it actually include funding for climate-damaging projects?
- Is \$100 billion enough, and in particular when compared with other industries?

**WELL DONE! YOU ARE ON YOUR WAY
TOWARDS BECOMING A CLIMATE
FINANCE SPECIALIST!**