

FAIRER FUTURES: FINANCING GLOBAL CLIMATE SOLUTIONS





Cover: Vanuatu: Leitamat, 50, at her home where she raises poultry and grows vegetables with support from Oxfam partner Farm Support Association. **Credit:** Artur Francisco/Oxfam NZ

This page: A woman leading clean-up efforts after Cyclone Pam devastated the island of Tanna, in Vanuatu. **Credit:** ActionAid/Jeff Tan

CONTENTS

Executive Summary	05
1. Introduction	06
2. Recommendations	08
3. Building on Australia’s Leadership in International Climate Finance	09
4. Roadmap for Australia to Contribute its Climate Finance Fair Share	12
5. Standalone Loss and Damage Finance	18
6. Identifying Existing Resources to Channel into Climate Finance	20
7. Opportunities to Support Locally Led and Gender Responsive Climate Solutions	21
8. Conclusion	23
Annex 1: Methodology	24
Endnotes	28

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Co-authors: PJ Jacobs, Sophie Hardefeldt, Melissa Bungcaras, Rhiannon Verschuer and Simon Bradshaw.

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Loreto Island, Malaita Province, Solomon Islands: An aerial view from a drone of Loreto Island, off the coast of Malaita, which is under threat from rising sea levels. **Credit:** Collin Leafasia/Oxfam



Pakistan: Gudi (in red) and her family have experienced poor crop yield due to drought and salination worsened by climate change.
Credit: Oxfam in Pakistan

EXECUTIVE SUMMARY

How we respond to climate change over the next decade will determine the fate of billions of people globally, and the stability and prosperity of our region. Ambitious international climate finance pledges, alongside bold domestic emission reduction targets, is critical for successful and just global climate solutions.

Wealthy governments have fallen short in meeting the USD 100 billion climate finance commitment by 2020 and current pledges up to 2025 will leave low-income countries up to USD 75 billion out of pocket. This finance shortfall is unfairly pushing the costs of the climate crisis on to those least responsible for it. Australia has had important periods of climate finance leadership over the past decade, but it is currently not contributing its fair share towards global climate solutions.

Australia has the responsibility and capability to expand climate finance commitments and ensure that low-income countries, including our Pacific Island neighbours, can adapt to worsening climate impacts. Based on Australia's wealth and greenhouse gas emissions, Australia's fair share is estimated at 2.5 per cent of global climate action.

Australia can achieve this fair share by immediately doubling its climate finance commitments to \$3 billion over 2020-2025; recommitting between \$700-900 million to the Green Climate Fund by 2023; and progressively increasing its financing to achieve its fair share of \$12 billion annually by 2030.

Australia's domestic and international response to the COVID-19 pandemic demonstrates our willingness and capacity to mobilise resources in times of great need. Providing its fair share will ensure that Australia and low-income countries across the world can implement the Paris Agreement and limit global warming to 1.5° Celsius.

1. INTRODUCTION

Climate change is the single greatest threat facing humanity. From deadly cyclones in Asia and Central America, to huge locust swarms across Africa, to unprecedented heatwaves and bushfires across the United States, Europe and Australia, climate change is turbo-charging weather-related disasters and threatening the very existence of communities worldwide. The August 2021 Intergovernmental Panel on Climate Change (IPCC) report confirmed global warming of 1.1° Celsius has already taken a severe toll on communities globally – with worse to come.¹

The outlook is particularly bleak for low-income countries,² which already bear the brunt of some of the most severe aspects of climate change, despite not being responsible for the majority of greenhouse gas emissions. Across the Pacific, where communities face the existential threat of rising sea levels, leaders have described climate change as “the single greatest threat to the livelihoods, security and wellbeing of the peoples of the Pacific”.³ Low-income countries must meet this threat while simultaneously responding to the devastating COVID-19 pandemic on an already stretched public budget and rising levels of debt.

International agreement to increase climate financing would support the rights, needs and interests of affected communities as they face the compounding impacts of the climate crisis and COVID-19 pandemic. The 26th Conference of the Parties (COP26), to be held in Glasgow in November 2021 offers a critical opportunity for governments to set the agenda for future climate change action. The historic pledge of USD 100 billion per year in international climate financing made by wealthy countries⁴ at COP15 in 2009 will be high on Glasgow’s agenda. Now, more than ever, fair, accessible, and reliable climate finance is critical to the sustainability and resilience of low-income countries as they prepare to face these compounding crises.

It is estimated that climate change could drive a further 122 million people into extreme poverty by 2030.⁵

Climate change is undermining human rights for communities around the world. The environmental degradation and extreme weather events caused by climate change threaten livelihoods, food security, homes, and safety – imperilling people’s human rights. The need for financing to enable communities in low-income countries to respond to the climate crisis is becoming increasingly urgent and stark. Yet international climate finance pledges have fallen far short of global need. COP26 provides the opportunity for a new level of global ambition and collective action.

Actions taken at COP26 will inform subsequent international negotiations and will need to be strengthened as the decade progresses. Australia’s leadership is critical to ensure this opportunity for global collective action is not missed. This report provides a pathway for Australia to provide its fair share of international climate finance through a progressive expansion of commitments over the coming decade. By increasing its international climate finance commitments, Australia can play a leading role in strengthening regional and global responses to climate change, improving relationships with our Pacific Island neighbours, and ensuring that the world’s poorest communities are not saddled with the rising costs of the climate crisis.

How we respond to climate change over the next decade will determine the fate of billions of people globally, and the stability and prosperity of our region. Ambitious international climate finance pledges, alongside bold domestic emission reduction targets, is critical for successful and just global climate solutions. Adding enhanced climate financing to its suite of engagement measures will also enable Australia to fully achieve its foreign policy objectives, including by activating greater trade and investment into the region.⁶ Australia can benefit greatly in terms of its reputation and influence globally and in the Pacific region by reclaiming its leadership role in climate finance. Ultimately, this will also play an important role in facilitating global peace, stability and prosperity.



Dorah sells her produce at the women's climate resilience markets in Eton, Vanuatu established by the Women I TokTok Tugeta forum to support alternative livelihoods. Credit: ActionAid

2. RECOMMENDATIONS

To adapt and respond to the climate crisis, wealthy countries must rise to the challenge and demonstrate global leadership. As a leader in the Asia-Pacific region, Australia has a unique role to play in mobilising climate finance to shape and strengthen the way our world responds to climate change.

Australia was instrumental in discussions at COP15 that led to the establishment of the USD100 billion climate financing goal. Since then, the strengths of Australia's climate finance have included the equal distribution of finance between mitigation and adaptation and its delivery through grants rather than loans.⁷ However, Australia currently sits near the bottom of global rankings for financing commitments and broader climate action.⁸ This report outlines the actions needed to bring Australia back to the forefront of global climate cooperation and to reclaim its place as a global leader on climate finance. It provides a roadmap for Australia to contribute its fair share of reliable and accessible climate finance through a progressive expansion of climate finance commitments over the coming decade, including for mitigation and adaptation as well as for loss and damage financing.

Specifically, we recommend that the Australian Government:

1. Scale up Australia's contributions to global climate finance in three stages to 2030; these stages are:

- Immediately double Australia's current climate finance to \$3 billion over 2020-2025.
- By 2023, shape regional and global climate responses by committing an additional \$700 - \$990 million to the Green Climate Fund.
- By 2030, scale up Australia's climate finance to meet its fair share of \$12 billion annually.

2. Support a standalone finance arm for loss and damage in the United Nations Framework Convention on Climate Change (UNFCCC):

- Provide financial support and compensation to the most vulnerable communities, who are already experiencing loss and damage.
- Ensure this finance is met through public and innovative sources that adhere to human rights principles.

3. Channel fossil fuel subsidies into climate finance

- Cease federal subsidies to fossil fuel industries and reallocate funding to climate finance.
- Cease providing any official development assistance, foreign investment, export credit or trade promotion that supports fossil fuel extraction.

4. Prioritise locally led, gender-responsive climate finance to ensure projects:

- Align with the priorities of countries and communities that receive climate finance, including Pacific Island Countries.
- Support local leadership including women, men, gender-diverse and young people to lead efforts to adapt to climate change.
- Prioritise the most vulnerable countries and communities.
- Promote gender justice, human rights and social inclusion.
- Ensure support to communities is adequate and accessible, particularly to diverse groups, including feminist and women-led organisations.
- Supporting the goals of the Paris Agreement, in particular, keeping warming to less than 1.5° Celsius.



Support worker Oliver teaches rural communities in Vanuatu new agricultural and farming techniques. **Credit:** Artur Francisco/Oxfam NZ

3. BUILDING ON AUSTRALIA'S LEADERSHIP IN INTERNATIONAL CLIMATE FINANCE

More than a decade ago, Australia, along with other wealthy countries, committed to mobilising USD 100 billion per year by 2020 to support low-income countries adapt to the impacts of climate change and reduce their emissions.⁹ This was an historic agreement that came after many years of advocacy from low-income countries, and remains a critical component of the Paris Agreement. While wealthy countries have mobilised significant funds to meet this target, they are expected to fall up to USD 75 billion short of fulfilling their pledge over 2020-2025.¹⁰ COP26 is a crucial milestone to take stock of action to date to meet the global climate finance target.

Based on current plans and pledges, annual contributions up to 2025 are predicted to reach between USD 93 billion and USD 95 billion per year – still falling short of the USD 100 billion goal, five years after it should have been first met.¹¹ This means that climate-vulnerable countries will miss out on USD 68 billion and USD 75 billion in total between 2020-2025.¹² Leadership from wealthy countries at COP26 is vital to resume progress towards this target and ensure recipient countries receive the financing they need to meet the challenge of climate change.

Australia enters COP26 with the opportunity to re-establish itself as a climate finance leader – a position akin to the leadership role it played in establishing the USD 100 billion target in the breakthrough discussions at COP15 in 2009. In these discussions, Australia’s contributions were instrumental in the establishment of the Green Climate Fund (GCF). The GCF is a key multilateral channel for delivering on the global USD 100 billion target and is a critical source of funding for low-income countries, including Australia’s Pacific Island neighbours. Australia’s leadership, including its early role on the GCF board, saw USD 165 million directed to the Pacific region by 2016, building the resilience of livelihoods, homes and communities to protect people’s basic human rights in the face of disaster.¹³

Recently, Australia has favoured funding bilateral climate finance through its aid program, with the Government directing \$1 billion to climate finance between 2015-2020.¹⁴ This has reflected an increasing focus on Australia’s national interest in both aid and climate financing. Australia’s withdrawal from the GCF in 2018 represents a lost opportunity to work in collaboration with low-income countries to ensure that global climate financing reflects the needs and priorities of those most impacted by climate change, and to assist partners across the region to access a fairer share of global climate financing.¹⁵

The launch of the Department of Foreign Affairs and Trade’s (DFAT) Climate Change Action Strategy in 2019 demonstrated Australia’s ongoing commitment to supporting international climate responses, and provides a sound framework for addressing climate change through the Australian aid budget.¹⁶ However, Australia’s climate finance commitments remain well below its international fair share¹⁷, even after increasing its climate financing contribution to \$1.5 billion over 2020-2025, including \$500 million to the Pacific.¹⁸

Climate finance also continues to come from within Australia’s aid budget, which has been cut dramatically since 2013. This is contrary to the agreement reached in the Copenhagen Accord in 2009, which stated that ‘scaled-up, new and additional, predictable and adequate funding shall be provided to developing country Parties.’¹⁹ Taking climate finance from an already stretched aid budget puts additional demands on aid funding, which at 0.21 per cent of gross national income (GNI) is already well below Australia’s international obligation of 0.7 per cent of GNI.

A hallmark of Australia’s contribution to climate finance to date is the equal distribution of funding between climate mitigation and adaptation, and its delivery through grants rather than loans. This has distinguished Australia’s support from that of many other wealthy countries, and bucks the worrying global trend of climate finance being heavily skewed towards mitigation at the expense of adaptation efforts, despite low-income countries consistently calling for an increase in adaptation financing.²⁰ Australia’s focus on grant financing also contrasts with other wealthy countries’ increasing reliance on climate financing loans, which risks saddling low-income countries with additional debt. In a context where COVID-19 has increased low-income countries’ debt distress, including across the Pacific, Australia should continue to prioritise grant funding so that climate responses do not compound existing challenges.

Australia’s approach to climate financing has significant strengths. However, as low-income countries battle the COVID-19 pandemic and extreme poverty rises for the first time in a decade, leadership on climate financing is more critical than ever. A strong outcome at COP26 will not be possible without concrete and robust climate finance pledges from wealthy countries. Australia has an opportunity to rise to this challenge by announcing an immediate doubling of its climate finance contribution. Such an increase would signal its commitment to global cooperation and coordination, which is critical to support truly ambitious and equitable climate solutions that are vital for global peace, stability and prosperity.

Bold and ambitious climate finance pledges from wealthy countries are critical in ensuring that those least responsible for the climate crisis are not left bearing the worst impacts.

CLIMATE FINANCE, INCLUDING LOSS AND DAMAGE, IS A HUMAN RIGHTS ISSUE

Climate change is already undermining human rights and will continue to erode decades of development gains, pushing communities further into poverty and impeding progress towards the Sustainable Development Goals.

As global warming accelerates, existing inequalities are being exacerbated. People experiencing poverty and inequality, women, girls, people with disabilities, young people, Indigenous Peoples and lesbian, gay, bisexual, transgender, queer, intersex and asexual (LGBTQIA+) communities are being hit hardest. First Nations and Indigenous people have been among the first to recognise the devastating impacts of climate change and advocate for stronger climate action given their deep connection between people and planet. Strengthening Indigenous sovereignty and knowledge systems is critical to preventing further racial inequalities that see corporate interests prioritised over human rights and the environment.

In the context of gender inequality, the impact of climate change is further restricting women's and gender diverse people's access to education, information and resources; impeding their participation in decision-making processes; and denying their rights to creating a resilient and safe future – which itself is critical for navigating a changing climate.

Climate finance is essential to address the twin challenges of climate change and human rights violations. Mobilising adequate climate finance will ensure that low-income countries can scale up their climate responses and safeguard human rights. From large investments in new energy infrastructure, to support for smallholder farmers, funding must be available to support the many different initiatives required to meet the challenges of climate change. Beyond this, climate finance represents an important opportunity for wealthy countries like Australia to support global climate solutions that strengthen human rights, build resilience, stability and prosperity, and contribute to a more healthy, green and just future.

Loss and damage financing must prioritise the rights and needs of the most vulnerable groups in communities – financing should be gender-responsive, disability-inclusive, age-sensitive and child-sensitive. Financing should cover different types of loss and damage, including displacement and migration, biodiversity and ecosystem losses and food security. Wealthy countries, including Australia, need to support standalone financing through the UNFCCC, as low-income countries should not be forced into further debt to respond to a climate crisis not of their own making.

“When we talk about climate justice, it is making it very clear that different groups of people are affected by climate change in different ways and that there are existing structures that have contributed to that vulnerability and inequality... it is about looking at the intersecting crises that affect our resilience to climate change and it should also be about putting people's human rights at the forefront of the response to the climate crisis”

- Carolyn Kitone, Pacific Regional Young Women & Climate Change Focal Point, Shifting the Power Coalition. Based in Fiji.

4. ROADMAP FOR AUSTRALIA TO CONTRIBUTE ITS CLIMATE FINANCE FAIR SHARE

This report recommends a roadmap for Australia to support enhanced global cooperation on climate finance and broader climate action. It provides three key stages for Australia to contribute its fair share of climate finance through a progressive expansion of climate finance commitments over the coming decade.

1. Immediately double Australia's current climate finance commitment to \$3 billion over 2020-2025

International climate finance will be high on the agenda at COP26, as governments assess progress towards the USD 100 billion annual target. In the lead up to the event it is critical that Australia responds to ongoing calls for increased ambition on climate finance by expanding its climate finance commitments. The United States, the United Kingdom and Canada have already committed to doubling their climate finance commitments in 2021.

Australia should announce an immediate doubling of its climate finance contribution from \$1.5 billion to \$3 billion over 2020-2025. This assistance must be provided in addition to the existing aid budget, in line with the Copenhagen Accord's commitment to mobilise new and additional financing for climate action.

Such a decisive step on climate finance would keep Australia in step with peer countries and ensure much-needed funding is delivered to low-income countries, which are responding to the worsening impacts of climate change. As climate finance negotiations turn to the post-2025 agenda, where commitments beyond the USD 100 billion annual goal will be required, doubling climate finance now would keep Australia in step with ongoing climate finance needs and peer countries.



Pakistan: Muhammad Khan with this solar-powered highly efficient irrigation system. In the face of drought this has improved crop yield.
Credit: Khaula Jamil/OxfamAUS

2. By 2023, shape regional and global climate responses by committing an additional \$700 – \$990 million to the Green Climate Fund.

Australia played a critical role in establishing the Green Climate Fund (GCF) and can continue to play a leading role in strengthening global and regional responses to climate change over the next decade by returning to its commitment to the GCF. To date, formal pledges to the GCF have totalled USD 20 billion through an initial mobilisation of resources in 2014 and a more recent round of replenishments that began in 2018. Of this, the GCF has approved almost USD 9 billion for climate adaptation and mitigation projects in more than 120 countries²¹, with all Pacific Island countries now accessing funds through approved GCF projects.²²

The GCF is a vital funding mechanism as it is country-driven, ensuring that low-income countries lead financing decisions, programming, and implementation. The GCF also provides an equal fifty-fifty allocation of resources to adaptation and mitigation, and at least half of its adaptation resources must be invested in the most climate vulnerable countries (SIDS, LDCs, and African states). In contrast, international climate finance towards the USD 100 billion target is spread across a range of bilateral partnerships (typically through aid programs), other multilateral channels such as the World Bank, and private investment.

Australia’s recommended contribution to the GCF has been determined using Oxfam’s Responsibility and Capability Index. The Responsibility and Capability Index determines GCF obligations by considering a country’s responsibility for historical emissions and their relative economic capability to pay, weighted equally. Historical responsibility is calculated using cumulative carbon dioxide equivalent (CO₂e) emissions data from 1990–2018.²³ Capability reflects a country’s share of the collective gross domestic product (GDP) of Annex II countries.²⁴

The GCF obligations in this report reflect two possible growth scenarios of the Fund, over the period of 2020–2023. These growth scenarios are a ‘business as usual’ and ‘upper frontier’ scenario: 10 per cent and 25 per cent growth respectively.²⁵ They are based on two factors: low-income countries’ need, and the GCF Secretariat’s ability to implement and deliver programs to meet this need. The GCF currently delivers approximately USD 3 billion annually – this is expected to rise over the period 2020–2023 as demonstrated in Figure 1.²⁶

Australia’s obligation and recommended contribution against these growth scenarios is currently between \$700 million and \$990 million to 2023. GCF financing should be in addition to Australia’s new \$3 billion climate finance target.

Figure 1: GCF Growth scenarios and resulting overall programming capacity

	Business as usual: 10% growth	Upper frontier: 25% growth
2020	USD 3.3 billion	USD 3.8 billion
2021	USD 3.6 billion	USD 4.7 billion
2022	USD 4.0 billion	USD 5.9 billion
2023	USD 4.4 billion	USD 7.3 billion
Total	USD 15.3 billion	USD 21.7 billion

ROADMAP FOR AUSTRALIA TO CONTRIBUTE ITS CLIMATE FINANCE FAIR SHARE

Recommendations for the roadmap are:

2020 **2021** 2022 **2023** 2024 **2025** 2026 2027 2028 2029 **2030**



IMMEDIATELY

DOUBLE AUSTRALIA'S CURRENT CLIMATE FINANCE TO \$3 BILLION BY 2025

Australian Government should prioritise locally led and feminist climate solutions that help communities adapt to climate change and mitigate emissions.



BY 2023

RECOMMIT \$670-\$920 MILLION TO THE GREEN CLIMATE FUND

Supporting this vital funding mechanism for low-income countries will bring Australia's overall climate finance contribution to \$1.3 billion - \$1.5 billion annually.



SCALE UP AUSTRALIA'S CLIMATE FINANCE TO MEET ITS FAIR SHARE OF \$12 BILLION BY 2030

Australia achieves its Climate Finance fair share and is now a leader in global climate solutions

AUSTRALIA'S KEY ROLE SUPPORTING ADAPTATION FINANCE

Australia's international climate finance contributions must continue to include equal contributions to mitigation and adaptation. Only 25 per cent of climate finance in 2017-18 was invested in supporting countries to adapt to the impacts of the climate crisis. Support from wealthy nations is particularly important for adaptation, as these projects do not attract private financing in the same way as potentially lucrative mitigation projects – for example, renewable energy production. Yet between 2017 and 2018, just 20.5 per cent of international bilateral climate finance went to Least Developed Countries (LDCs), and 3 per cent to Small Island Developing States (SIDS) together representing the countries' most vulnerable to the effects of climate change, and most in need of financing for climate adaptation.²⁷ Australia should continue to prioritise climate finance to those most in need, including across the Pacific. Australia can use its strong track record on adaptation finance to influence other wealthy countries do the same.

3. By 2030, scale up Australia’s climate finance to meet its fair share of approximately \$12 billion annually

Negotiations for a new and increased climate finance target, beyond the USD 100 goal, are likely to begin at COP26. The UNFCCC Executive Secretary is calling for this new target to be enacted within four years. This report provides an estimate of Australia's fair share of climate finance based on a pathway to limiting global warming to 1.5°, rather than a fair share of a set global climate finance target.

“At COP 26 we will also have to start a discussion on what will be the climate finance objective after 2025, because this [\$]100 billion was the goal for 2020 to 2025. After 2025, we need to go up... This decade is absolutely critical. We need those decisions and we need the resources.”

- Patricia Espinosa, Executive Secretary UNFCCC²⁸

This estimate is underpinned by the Climate Equity Reference Project’s methodology,²⁹ which provides a framework to determine the fair share of mitigation action required by each country to achieve a given global temperature goal. Fair shares can be developed to reflect three mitigation pathways: a 1.5° low energy demand pathway, which does not allow for the use of bioenergy with carbon capture and storage (BECCS) or carbon capture and storage (CCS) technologies; a standard 1.5° pathway; and a 2° pathway, with fair share figures reducing in line with the lowering of mitigation ambition. The fair share figures in this report are based on the standard 1.5° pathway, which has a 50 per cent chance of achieving the 1.5° goal.³⁰ This scenario reflects a middle-road approach to mitigation action.³¹

The Climate Equity Reference Project methodology determines a fair share of mitigation contribution by considering a country’s historical carbon dioxide equivalent (CO₂e) emissions, using a starting date of 1990, together with countries’ capacity for climate action, as determined by income.³² This report adopts this methodology, as it provides a strong ethical framework, which ensures that fair share contributions safeguard human rights, is compatible with low-income countries’ development goals, and ensure a decent standard of living for all. The methodology takes into consideration inequality between and within countries, by ensuring that the lowest incomes are excluded from fair share calculations and by employing a progressive tax model for capacity calculations in which an increasing percentage of income is counted towards national capability as incomes increase. While the methodology has been developed to determine mitigation fair shares, it can also be used to support the calculation of adaptation fair shares, which we have done in in this report. For full detail on how the below figures were determined, see Annex 1.

Figure 2: Australia’s Annual Fair Share Figures in 2030 Depending on Domestic Emissions Reduction targets at 2030

	Australia’s domestic emission reduction targets remain the same	Australia’s domestic emission reduction targets increase to 50% below 2005 levels	Australia’s domestic emission reduction targets increase to 75% below 2005 levels
Mitigation	\$8.15 billion	\$6.3 billion	\$4.6 billion
Adaptation	\$4.7 billion	\$4.7 billion	\$4.7 billion
Total	\$12.85 billion	\$11 billion	\$9.3 billion

Australia's mitigation fair share will reach \$8 billion per year by 2030 based on current domestic emissions reduction targets.

Australia's mitigation fair share is determined based on tonnes of carbon that Australia removes from the atmosphere. To contribute its fair share to mitigation, Australia's emissions must reduce to 136 per cent below 2005 levels for 2030.³³ This fair share is too large to be achieved through domestic emission reductions alone, which means Australia's international climate finance contributions are a critical element of its climate obligations. Additionally, the scale of Australia's international mitigation fair share directly corresponds with domestic emission reduction targets. If Australia were to increase its domestic emission reduction targets, its international climate finance obligations would reduce; if domestic reduction targets were weakened, international obligations would rise.

In order to translate Australia's fair share of mitigation into an international climate finance target it is necessary to estimate the cost per tonne of CO₂e reduced. There are a range of methodologies available to calculate this figure. We have used the estimated cost per tonne of CO₂e reduced for existing Green Climate Fund projects, which is USD 10.70 – representing the lower end of the scale of carbon price estimates (see Annex 1).

Using this methodology, we have determined Australia's 2030 mitigation fair share to be approximately \$8 billion, based on existing emission reduction targets. Australia's fair share of climate finance would fall if its emission reduction ambition were to increase to 75 per cent below 2005 levels by 2030, as shown in Figure 1.

Australia's adaptation fair share is currently \$2.37 billion and will increase to \$4.7 billion per year by 2030.

The second aspect of Australia's international fair share is its fair contribution to international financing for climate change adaptation. Australia's adaptation fair share figure has been developed using the total amount of climate financing needed by low-income countries per year to respond to climate change, as estimated by the United Nations Environment Programme (UNEP) in its *Adaptation Gap Report 2020* as approximately USD 70 billion. This figure will increase to between USD 140 and USD 300 billion per year by 2030.³⁴

While adaptation financing has increased in recent years, a gap persists: only an estimated 25 per cent of reported government-funded climate finance went toward adaptation, 66 per cent was for mitigation, and 9 per cent to crosscutting projects in 2017–18.³⁵ Encouragingly, the volume of adaptation financing increased by more than 50 per cent between 2016 and 2018 – representing the most significant rise in adaptation finance over a two-year period to date. This is a significant improvement, yet this rate must continue to increase, given the unprecedented impacts of climate change and their disproportionate effects on low-income countries. A significant scale-up in adaptation finance is needed if the Paris Agreement's promise to 'achieve a balance between adaptation and mitigation' finance is to be realised.

To determine Australia's fair share of adaptation financing, we have relied on the Climate Equity Reference calculator's determination that Australia is responsible for 2.5 per cent of climate action. Using this methodology, we have determined that Australia's adaptation fair share is currently \$2.37 billion and will increase to \$4.7 billion by 2030. It is important to note that Australia's 2030 target is based on the lower end of adaptation financing estimates (USD 140 billion). This estimate should therefore be seen as a starting point for financing contributions that is then increased as adaptation needs expand.

This fair share is too large to be achieved through domestic emission reductions alone, which means Australia's international climate finance contributions are a critical element of its climate obligations.



Climate activists and school students from Malawi, Jessy and Isaac speak with other students. Credit: Thoko Chikondi/Oxfam.

 Funded by the European Union

AUSTRALIA'S FAIR SHARE OF CLIMATE FINANCE IS DEPENDENT ON ITS DOMESTIC EMISSION REDUCTION TARGETS

Increasing ambition for emissions reductions lowers Australia's mitigation finance obligations.



* Below 2005 levels

5. STANDALONE LOSS AND DAMAGE FINANCE

In addition to Australia's contribution to international adaptation and mitigation finance, the Government must also make advancements on loss and damage financing. Loss and damage refers to the permanent loss and repairable damage that results from climate change, including extreme weather events such as cyclones or wildfires as well as slow-onset disasters, such as the displacement of people from their homes, biodiversity and ecosystem loss, and food insecurity. Loss and damage can have both economic and non-economic impacts, such as the loss of culture, identity and biodiversity, which cannot be quantified in financial terms.

Low-income countries have long called for wealthy countries to provide financial compensation for loss and damage, with the Alliance of Small Island States calling for an independent mechanism for loss and damage as far back as 1991.³⁶ Advocacy from low-income countries and civil society movements led to the development of the Warsaw International Mechanism on Loss and Damage at COP19 in 2013. The Paris Agreement then established loss and damage as a thematic pillar under the UNFCCC.³⁷

Low-income countries and civil society organisations, such as the Pacific Islands Climate Action Network (PICAN), Oxfam in the Pacific and Pacific feminist organisations such as the Shifting the Power Coalition are now calling for a standalone finance arm for loss and damage. We recommend that Australia support these calls and uses its international influence to support a standalone finance arm for loss and damage in the UNFCCC.

In providing loss and damage funding, the following principles should be adopted. Loss and damage financing must:

1. Be additional to adaptation and mitigation financing and in the form of grants or grant equivalent, not loans.
2. Be built into existing financial mechanisms, not creating new ones, including approaches that provide cash or vouchers delivered to communities affected by disasters and other climate-induced events.
3. Prioritise the rights and needs of the most vulnerable groups in communities – financing should be gender-responsive, disability inclusive, age-sensitive and child-sensitive.
4. Ensure that any private sector financing is driven by evidence that it will transform the lives of those impacted and should be developed in partnership with those it is designed to support when incorporated in loss and damage contributions.

TYPES OF LOSS AND DAMAGE COMMUNITIES FACE

Dignified displacement and migration: The impacts of climate change, including rising sea levels and the increased frequency of climate-induced disaster events, could see many people in the Pacific forced from their homes. If migration and displacement do occur, people must be able to migrate with dignity, and with frontline communities' needs, rights and interests prioritised in migration-related decisions. All responses to displacement and migration must be approached from a human rights lens to ensure gender, age and child sensitivity in responses, in line with the rule of law.

Biodiversity and ecosystem losses: As the global climate warms, even the smallest changes can significantly impact some ecosystems and species, due to their complex requirements and relationships. Urgent and proactive responses from governments are needed to protect and restore ecosystems – particularly in the Pacific, as Pacific ecosystems contribute significantly to livelihoods and national income.

Food security: The climate crisis will exacerbate food insecurity and hunger in low-income countries, which is already rising due to COVID-19. Wealthy countries should take action to address food insecurity by providing cash transfers to support communities affected by climate-induced events.

CASE STUDY: DIGNIFIED DISPLACEMENT AND MIGRATION IN THE PACIFIC

In the Pacific, there is a strong belief that Pacific coral atoll people want to remain in their homelands. However, the increasing and severe impacts of the climate crisis make it likely that some people and communities will be displaced by climate change, both internally and across borders. For communities forced to migrate as a result of the irreparable impacts of the climate crisis, dignified displacement and migration is an urgent human rights issue.

Contributions to low-income country governments' Relocation Funds are necessary to support people displaced by climate change. Australia has a unique role in supporting calls for an international legal regime to protect people displaced by climate change, given the severity of the risks across our region. Such a legal regime is necessary to protect displaced peoples from exploitation, ensure their rights to food and shelter, and enable people to maintain their original nationality.

Fiji was one of the first countries in the world forced to relocate a community due to sea levels rising. Four communities in total have since been relocated, and a further 45 have been identified as high risk for relocation.³⁸ In response, the Fiji Climate Relocation and Displaced People's Trust Fund for Communities and Infrastructure (CRDPTF Fund) was established by the Fijian Government, with support from the Government of Norway. The Fund is specifically designed to assist in meeting the costs of community relocation due to the impacts of climate change.³⁹ The Fund receives a percentage of the revenue from Fiji's Environment and Climate Adaptation Levy – expected to total approximately USD 5 million per year. It also serves as a mechanism for receiving international donors' support for Fiji's adaptation efforts.



A Shifting the Power Coalition leader planning the response to Cyclone Winston, Fiji. Credit: ActionAid

6. IDENTIFYING EXISTING RESOURCES TO CHANNEL INTO CLIMATE FINANCE

Achieving the Paris Agreement goal of limiting global warming to 1.5°, requires every country in the world to work together to take bold and decisive action. International climate finance commitments are complementary to rapid emissions reductions in ensuring equitable and ambitious climate action.

Australia has a strong history of stepping up to support our neighbours in times of crisis. As the recent domestic and international response to the COVID-19 pandemic shows, Australia has the willingness and capacity to mobilise resources in times of great need. With livelihoods, food security, safety and security increasingly at risk as global warming accelerates, the same resolve and foresight employed in response to the pandemic must now be applied to the climate crisis.

Meeting Australia's fair share of climate finance will require the mobilisation of considerable resources. However, fair share obligations reflect only about 0.6 per cent of Australia's current GNI.⁴⁰ There are a range of actions that Australia could take to mobilise funds for climate finance, loss and damage and broader climate action. These include taxation measures, such as the implementation of a financial transaction tax⁴¹ or a climate damages tax,⁴² as well as revenue from a carbon price. Additional funds raised through these or other initiatives could be directed towards domestic climate action and international climate finance.

It is possible to meet Australia's fair share target alongside domestic mitigation efforts – for example, by redirecting resources away from high-emitting and high-profit sectors and towards communities on the frontline of the climate crisis. Reallocating resources that are currently funnelled into fossil fuel subsidies to global climate solutions would go a long way in covering Australia's fair share of climate finance. This would not only stamp Australia's place as a climate finance leader but would also be a significant step in reducing Australia's emissions and supporting the transition to a post-carbon economy.

In the last financial year, 2020-2021, the Government allocated \$9.1 billion in federal subsidies to fossil fuel industries.⁴³ In contrast, the 2021-22 aid budget, including additional COVID-19 measures, totalled just \$4.3 billion. Australia's current climate finance commitment (which comes from the aid budget) is \$1.5 billion in total over 2020-2025, or around \$300 million per year.⁴⁴

Additionally, we recommend the Australian Government cease providing any official development assistance, foreign investment, export credit or trade promotion that supports fossil fuels extraction. This will ensure that Australia's international financing helps drive zero carbon development and climate resilience beyond our shores.

7. OPPORTUNITIES TO SUPPORT LOCALLY LED AND GENDER-RESPONSIVE CLIMATE SOLUTIONS

Responding to climate change is both a matter of survival and an opportunity to build a more just world through tackling pervasive inequalities and building stronger communities.

International climate finance commitments should aim not only to achieve the required emissions reductions and adaptation priorities, but to do so in a way that supports a country or community's broader development aspirations. Many climate solutions carry multiple co-benefits – from greater energy independence, to women's economic empowerment. However, realising such potential and ensuring a just and effective distribution of international climate finance requires Australia and all wealthy countries follow several important principles.

Australia's climate finance should prioritise funding that:

Aligns with the priorities of countries and communities that receive climate finance

Investments should be driven by the needs and priorities of recipient countries, as set out in their self-determined adaptation plans and emissions reduction plans, rather than by Australia's foreign policy objectives.

Supports local leadership, including women, men, gender diverse and young people to lead efforts to adapt to climate change

Every local community faces a different set of climate change challenges. Supporting local leadership – including local ownership of the design and delivery of projects – is therefore essential to ensuring that funding delivers the best outcomes. Local leadership is also more likely to maximise the opportunities for local economic development and other co-benefits.

Facilitates gender justice and social inclusion

The climate crisis is exacerbating existing inequalities, particularly gender inequality. By making gender justice and social inclusion guiding principles for international climate finance, it is possible to ensure that climate action leads to more equal and inclusive communities. This requires ensuring women, young people, LGBTQIA+ people, people with disabilities, and other groups experiencing inequality, particular vulnerabilities or disadvantage, are empowered to lead in determining priorities for funding and in the design and delivery of programs.

While climate change affects us all, its impacts are not felt equally. Too often, the impacts are felt first and hardest by communities least responsible for emissions and which have the scarcest resources to adapt. Climate finance must seek first and foremost to support the needs and priorities of the most vulnerable countries and communities within them.

The Women I TokTok Tugeta forum in Vanuatu, established to support women's leadership, resilience and recovery from climate disasters, has grown to more than 3000 members. **Credit:** ActionAid



Ensure support to communities is adequate and accessible, particularly to diverse groups, including feminist and women-led organisations

From large investments in new energy infrastructure, to support to smallholder farmers, funding must be available to support the many different initiatives required to meet the challenges of climate change. For example, local community-led adaptation projects – which will continue to play a vital role in building community resilience to climate change – depend on readily accessible, small-scale, grants-based funding mechanisms. In practice, meeting this variety of needs means providing finance through a range of channels, including direct bilateral support and contributions to multilateral funds including the GCF.

Supporting the goals of the Paris Agreement, in particular, keeping warming to less than 1.5° Celsius

Fundamentally, all climate finance should support the goals of the Paris Agreement, including pursuing all possible efforts to limit warming to 1.5°. This goal is critical to fight climate change and minimise its impact on people's lives. Any investment in new fossil fuel infrastructure is incompatible with limiting warming to 1.5°. Wealthy countries must urgently phase out fossil fuel subsidies and shift their investments towards green and low-carbon energy sources.

CASE STUDY: GENDER RESPONSIVE ALTERNATIVES TO CLIMATE CHANGE

Climate change is having a devastating impact in Kenya, causing a vicious cycle of floods and droughts that are destroying crops – leaving communities without enough food to eat, and without produce to sell. When times are tough, women are the worst affected – facing rising rates of violence, forced marriages, and increased unpaid work.

ActionAid is working in partnership with the Capricorn Foundation and DFAT in Kenya to implement its *Framework for Gender Responsive Alternatives to Climate Change and Related Crises (GRACC)*,⁴⁵ which aims to systematically addressing climate change, gender equality and interlinked crises.

The GRACC framework was developed in collaboration with Monash University, through funding from DFAT's Gender Action Platform, and builds on research with women in Cambodia, Kenya and Vanuatu. Through the Framework, ActionAid and its partners are driving more effective responses for the most marginalised and climate-affected populations, particularly women and girls, through a focus on four core approaches:

1. valuing women's localised knowledge alongside scientific evidence;
2. supporting women's participation in decision-making at all levels;
3. resourcing women's collective action through women's networks and organisations; and
4. underpinning the first three approaches, addressing unequal gender norms.

In Baringo County, Kenya, the GRACC project supports women to lead their communities to adapt to climate change with a focus on building sustainable livelihoods, protecting their rights, and influencing decisions that impact their resilience to climate disasters. Training on agroecology has enabled women to lead on the adoption of climate resilient farming systems.

Women leaders have also developed a Climate Change Charter of Demands and were successful in influencing the Baringo County Climate Change Adaptation Action Plan 2018-2022, including by gaining financing for climate change adaptation and mitigation across the county.

The GRACC Framework provides a strong model to foster a shift from crisis responses to sustainable, long-term development outcomes. The promotion of integrated approaches to climate change that drive transformative change in gender relations, enables strong action on climate change that strengthens resilience, safeguards human rights and progresses gender equality.

8. CONCLUSION

As the urgent deadline of COP26 in Glasgow arrives, Australia has an opportunity to return to a leadership role in international climate finance action. Mobilisation of climate finance resourcing will be critical in enabling all governments around the world to undertake ambitious climate change action in line with the Paris Agreement goals, while ensuring low-income countries can work towards reducing poverty and inequality, in line with the Sustainable Development Goals. This report provides an ambitious but essential roadmap for Australia to expand climate finance contributions and ensure it plays a critical role in supporting equitable, ambitious and urgently needed climate change solutions.



Women leaders of Women's Weather Watch in Vanuatu planning emergency communications. Credit: ActionAid

ANNEX 1. METHODOLOGY

1. Determining Australia's Green Climate Fund obligation

Three methodologies were considered to determine Australia's fair contribution to the GCF. These were: Oxfam International's Responsibility and Capability Index; an equal per capita sharing of the goal across Annex II countries; and the World Resources Institute's Green Climate Fund contributions calculator. These methodologies use various data sources and parameters when determining countries' GCF contributions, including considering a country's size, economic capacity, and historical responsibility for causing climate change.

The equal per capita share model was developed by the UNFCCC and provides a simple way to calculate Annex II countries' contribution to the GCF, or the broader USD 100 billion goal. However, without parameters that move beyond a country's relative population size, this method is limited by its failure to consider countries' historical responsibility for global emissions when determining fair international contributions.

Oxfam International's Responsibility and Capability Index (the Index) was first developed in 2007 and was one of the first indexes that sought to calculate wealthy countries obligation for climate finance. The Index was later adopted, and simplified, for the Green Climate Fund Replenishment round in 2019.⁴⁶ The Index determines countries' obligations based on historical responsibility (represented as cumulative CO₂e emissions from 1990) and economic capacity to pay (represented as a proportion of Annex II countries' collective GDP).

The World Resources Institute's GCF contributions calculator uses slightly more complex responsibility and capability criteria than the Oxfam Index. It uses the share of GNI rather than GDP and accounts for all greenhouse gas emissions since 1990. This gives Australia a higher share of responsibility based on the significant contribution of methane emissions from agriculture. It also scales countries' contributions based on their per capita emissions in relation to the other countries in the selected group, to give an 'indicative minimum threshold' (IMT). When considering historical pollution of all greenhouse gases and national income, Australia's fair share of the collective goal would be approximately USD 679.32 million - USD 2.5 billion per year.

After considering all methodologies, this report adopted the Oxfam Index due to its strong ethical framework for calculating GCF obligations, based on the principles of responsibility, capability, equity and simplicity, and due to its strong alignment with the Climate Equity Reference Calculator methodology, which was used to determine Australia's climate finance fair share figure. This ensures that the recommendations to the Australian Government align and are based on the same assumptions.

2. Methodology for international fair share of climate finance for mitigation

Australia's climate finance fair share figure for mitigation has been calculated using the climate equity reference calculator methodology.⁴⁷ This methodology calculates countries' fair share of necessary global climate action relative to a global temperature goal. Fair shares are determined based on their historical emissions and a country's capacity for climate action and are underpinned by the recognition that climate change is a global issue requiring a global solution that is fair and just. The methodology we have used to calculate the mitigation fair share figure is detailed below. More information about the calculator and its methodology are available on the Climate Equity Reference Project website.⁴⁸

2.1 Global temperature goal and mitigation pathways

Fair shares can be developed to reflect three mitigation pathways: a 1.5° low energy demand pathway that does not allow for the use of bioenergy with carbon capture and storage (BECCS) or carbon capture and storage (CCS) technologies; a standard 1.5° pathway; and a 2° pathway. Fair share figures reduce in line with the lowering of mitigation ambition. This report uses the standard 1.5° pathway, which has a 50 per cent chance of achieving the 1.5° goal. This scenario has been chosen as it reflects a middle road approach to mitigation action.

2.2 Start date for historical emissions

Three start dates for counting historical emissions were considered for this report: 1850, 1950 and 1990. There are strong ethical arguments for using an 1850 or 1950 starting date, which capture a greater proportion of historical emissions. However, this report uses the 1990 start date, capturing approximately 62 per cent of historical emissions and reflecting the time that governments developed the first multilateral agreement on climate change, which recognised that emissions were causing environmental damage and agreed that action was necessary to reduce emissions.

2.3 Capability to act, equity, and progressivity

Capability for action is reflected in income terms and is calculated as the sum of all individual incomes, with three options that consider income inequality to a lower or higher degree. This report uses a progressive approach to capability calculations. A development threshold of \$7,500 Parity Purchasing Power per person per year is employed so that the lowest incomes are excluded from fair share calculations; and the use of a progressive tax model enables an increasing percentage of income to be counted towards national capability as incomes increase. This is important in safeguarding human rights and development and ensuring that the costs of climate action are not borne by the world's poorest communities.

2.4 Relative weight for Historical Responsibility vs Capability to Act

Equal weight is allocated to historical responsibility and capability in determining the fair share figure. This recognises that the high correlation between historical responsibility and capability means that weighting does not impact fair share figures to a high degree.

2.5 Domestic and international action

The climate equity reference calculator can be used to determine a country's fair share of climate action, which can be taken domestically or by providing support for international action. If Australia increases its domestic emission reduction targets this will coincide with its overall fair share requiring a lower contribution to international action than it would otherwise.

2.6 Australia's fair share of mitigation action

Using this methodology, Australia's fair share of mitigation action for 2030 is estimated at 782 MtCO₂e, which represents 2.5 per cent of global mitigation efforts.

2.7. International mitigation fair share cost

The climate equity reference calculator determines international fair shares of mitigation in MtCO₂e. Once the total amount of mitigation to be achieved has been determined, the next step is to estimate the cost per tonne of CO₂e reduced. There are several different approaches to calculating this cost.

Source	Estimated carbon price (USD per tonne)
Green Climate Fund (based on total project value)	10.70
Stiglitz and Stern - Report of the High-Level Commission on Carbon Prices (to achieve 2°C target) ⁴⁹	50-100 by 2030
IMF - Fiscal Monitor, October 2019: How to Mitigate Climate Change (to achieve 2°C target) ⁵⁰	\$9.3 billion

This report calculates the cost per tonne of CO₂e reduced using the estimated cost per ton of CO₂e reduced for existing Green Climate Fund projects. As at March 2021, the GCF has approved support for projects and programmes that claim to avoid a total of 1.8 billion metric tonnes of CO₂e emissions. The total value of those activities is reported as USD 30.3 billion. In nominal terms, 64 per cent of this amount, or USD 9.4 billion, accounts for mitigation projects and programs,⁵¹ meaning that cost per tonne of CO₂e reduced is USD 10.70. We note that this is on the lower end of carbon pricing estimates and is likely to rise over time, meaning that Australia's climate finance fair share would also increase.

3. Methodology for international fair share of climate finance for adaptation

Australia's adaptation fair share has been determined using the total amount of climate financing needed by low-income countries per year to respond to climate change as estimated by the United Nations Environment Programme (UNEP) in its *Adaptation Gap Report 2020*, and the Climate Equity Reference Calculator's Responsibility Capacity Index.

The *Adaptation Gap Report 2020* estimates current cost of adaptation need to be approximately USD 70 billion annually. This figure will increase to between USD 140 and USD 300 billion per year by 2030.⁵²

Climate Equity Reference Calculator's Responsibility Capacity Index determines that Australia is responsible for 2.5 per cent of climate action. Australia's current fair share of adaptation finance is therefore 2.5 per cent of USD 70 billion, or USD 1.75 billion (\$ 2.37 billion). Australia's fair share of adaptation finance in 2030 will be a baseline of USD 3.5 billion (\$4.7 billion) annually. However, this is using the lower end of the adaptation need estimate, and it is likely that Australia's adaptation obligation will grow over time.

It is recognised that the use of the UNEP estimates has some limitations. Firstly, the UNEP provides overall estimate of adaptation need in low-income countries but does not determine how much of this need should be met through international funding and how much should be met by domestic means. While a significant proportion of adaptation funding should come from international resources, particularly for LDCs and SIDS, we recognise that a proportion should be covered by domestic resourcing. We consider that this concern is addressed by using the Climate Equity Reference calculator's Responsibility Capability Index to determine Australia's fair share of the UNEP estimate, as this provides fair shares across all countries based on historical responsibility and capability for climate action.

The UNEP estimate is also limited to adaptation needs of low-income countries, which means the full adaptation picture is not captured. However, we are not aware of any global estimates of total adaptation costs. Further, as the endeavour of this report is to determine Australia's fair share of international climate finance, we consider that an estimate of adaptation need in low-income countries is sufficient for the purposes of this analysis. We recognise that as new adaptation data and information emerges a more sophisticated methodology may be developed to calculate international adaptation financing fair shares.



Vanuatu: Lisy Lingi on the way in her pineapple field. The income from growing pineapples has allowed her to construct a new home of concrete walls for her family, strong enough to shelter from cyclones. **Credit:** Artur Francisco/Oxfam NZ

ENDNOTES

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Vanuatu: Liliany, 36, in front of the chicken coop that formed part of her livelihood before being destroyed by a cyclone.
Credit: Artur Francisco/Oxfam NZ

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