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G20 and the 'irreversible' Paris climate commitments

Given that UNFCCC requirements need to be increasingly integrated into national planning and budgeting processes, the role of the finance ministry in initiating climate responsive budgeting is crucial for India

DESPITE THE DISSENT of the US, 19 members of the G20 summit underscored their commitment to Paris Climate Agreement in Hamburg last week. German chancellor Angela Merkel noted that Trump "even made a contribution" when the first ever G20 Action Plan on Climate Change—the commitment to prevent more than 2°C of global warming—was agreed by 19 world leaders including India. The US is the only country which opted to remain out of this. The existence of G20 as an annual global platform arose from the need for a forum for commitments to climate change along with global peace and security and economic integration, and is still relevant despite the violent clashes that occurred in Hamburg, where protesters questioned the geopolitical relevance of G20 summit. This is especially so, when the climate issue was fought over the hardest in Hamburg summit, against a G-zerooutcome.

Despite Trump's "climate denial", in this summit, climate financing has been emphasised by G19 leaders of world's most industrialised and emerging economies to deal with both mitigation and adaptation. These 19 members also agreed that the Paris Climate Agreement is "irreversible". A global report released in July 2017 highlighted that G20 governments are providing nearly four-times more finance to fossil fuels than to clean energy. The real concern here is whether G20 members can be real climate champions, while continuing to finance fossil fuels at the current rates. If the same governments that have signed the G20 Agreement on climate change in Hamburg continue to provide sweetheart deals to fossil fuel projects, could the climate targets be met by 2030? The money spent on fossil fuel exploration is particularly egregious with additional government finance for new reserves of oil, gas, and coal—averaged \$13.5 billion annually, the global report highlights, given that the already existing reserves must remain unburned to avoid the catastrophic impacts of climate change.

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The G20 Hamburg Climate and Energy Action Plan for Growth reaffirmed the climate change commitments to its full implementation with the "the principle of common but differentiated responsibilities and respective capabilities". The UNFCC meetings need to take this forward in their forthcoming meetings in Argentina in 2018, Japan in 2019 and in Saudi Arabia in 2020.

If we examine India's stance, at the international level, along with Mexico, Brazil, and China, India has already developed country-specific Low-Carbon Development Plans. These development plans mark a milestone in climate change agenda. However, if the Low-Carbon Development Plans prepared by India are not effectively translated into sustainable budgetary commitments, there is a high probability for these significant climate change agendas to fail. Though India has developed National Action Plan on Climate Change and 29 State Action Plans at the subnational level, we have not yet developed a climate responsive budgeting process.

A promising framework for ensuring transparency and accountability of climate financing is to prepare climate responsive budgeting, which needs to evolve within purview of the Public Financial Management. Over the years, many Asian countries including China have developed climate responsive budgeting. However, the ministry of finance is yet to commit to prepare a climate responsive budget.

The climate responsive budgeting is basically an effective application of a "public finance lens" to the climate action strategies, and effectively translates these climate protection plan commitments into budgetary commitments. One effective methodology to integrate climate responsive budgeting within finance ministry is Climate Change Public Expenditure and Institutional Review (CPEIR). Within Public Financial Management, the CPEIR adopts an analytical framework which encompasses (i) fiscal sustainability, (ii) strategic resource allocation, (iii) the role of government, (iv) the efficiency and effectiveness of public expenditure, (v) the benefit incidence of public spending and (vi) the capability of institutions and the alignment of incentives, from climate change perspectives. This framework tests the consistency between policy commitments and intended outcomes on climate change.

Given that UNFCC requirements need to be increasingly integrated into national planning and budgeting processes and "Intended Nationally Determined Contributions" are expected to form the basis for climate planning and investment after 2020, the role of the finance ministry in initiating climate responsive budgeting is crucial for India. In India, ministries of finance and climate change function in silo, so the existing climate financing strategies are deeply fragmented across sectors. The climate responsive budgeting, therefore, deserves a mainstreaming into public finance management processes. In general, the G20 governments should strengthen the climate change commitments with public finance. We should rapidly reverse the disturbing reality that public finance for fossil fuels far outstrips public finance for clean energy sources in G20 countries.

The T20 Group of international thinktanks in a side event of the G20 Summit emphasised that in an increasingly interconnected and globalised world, multilateral co-operation such as G20 forum is the only way to resolve the issues the world faces. The T20 group rightly articulated that climate change was one such crucial issue and it could be resolved very easily if we understood this is as an international public good.