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PLENTY TO GO AROUND: MOBILIZING FINANCE FOR CLIMATE JUSTICE

On the eve of the World Economic Forum in Davos and following the disastrous outcome of negotiations on a new climate finance target at COP29 of the UN Framework Convention on Climate Change (UNFCCC)[1] in Baku, Azerbaijan in November 2024, this document explains how fair taxation and responsible financing can play a key role in raising a significant amount of finance that is urgently needed to address the climate crisis, particularly for lower-income countries. Rapid progress must be made in 2025 at the Fourth Financing for Development Forum and in the development of the binding UN Framework Convention on International Tax Cooperation.

Following days of protracted and opaque negotiations in Baku, COP29 ended with an agreement by high-income countries to mobilize USD 300 billion annually by 2035, to help lower-income countries address the escalating climate crisis. This is less than a quarter of the minimum amount demanded by many lower-income countries to help them reduce greenhouse gas emissions, adapt to climate change and recover from loss and damage. For example, African countries called for high-income countries to mobilize at least USD 1.3 trillion per year by 2030, with "a significant percentage on a grant basis"[1]. Climate justice activists have backed this demand and called for funding to be provided in grant-equivalent finance, to avoid increased debt.[2]

Further, CAN International puts this financial demand in the context of an accumulating climate debt of at least USD 5 trillion per year[3] - annualized reparatory payments owed by higher-income, historically high-emitting countries to lower-income countries, as a result of their vastly disproportionate use of the global carbon budget historically and today – as well as failures to pay promised climate finance, among other issues.[4]

In brief, higher-income countries have used up much of the remaining global "carbon budget" that would keep global warming to below a 1.5°C rise above pre-industrial levels,[5] through historical and ongoing carbon emissions, meaning that the phase out of fossil fuels is urgent. Yet, these same emitters have done far too little to phase out fossil fuels and have provided completely inadequate finance to lower-income countries to adapt to the catastrophic harms already being wrought by climate change, and to construct renewable energy infrastructure.

The implications of such massive shortfalls to adequately finance the main ways of tackling the climate crisis and its multiple harms through adaptation (measures to reduce climate impacts), mitigation (efforts to minimize levels of greenhouse gases in the atmosphere, mainly by reducing emissions), addressing loss and damage (the unavoidable impacts of climate change) and ensuring just transitions away from fossil fuel production and use are immense for the human rights of millions of people, particularly those living in frontline communities in lower-income climate vulnerable countries.

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[1] A framework established by the UN in 1992. United Nations, United Nations Framework Convention on Climate Change (UNFCCC), 1992, FCCC/INFORMAL/84 GE.05-62220 (E) 200705, https://unfccc.int/resource/docs/convkp/conveng.pdf

[2] Climate Action Network, "COP29 Expectations Document (Annual Policy Document): Achieving Fair Climate Finance to Deliver Resilience, Ambition and a Just Transition", November 2024, https://climatenetwork.org/resource/cop29-annual-policy-document-achieving-fair-climate-finance-to-deliver-resilience-ambition-and-a-just-transition/

[3] Climate Action Network (CAN), *Submission on the New Collective Quantified Goal (NCQG)*, August 2024, https://climatenetwork.org/wp-content/uploads/2024/08/Climate-Action-Network_NCQG_August-2024.docx.pdf

[4] Fanning, A.L., Hickel, J. Compensation for atmospheric appropriation. *Nat Sustain* **6**, 1077–1086 (2023). https://doi.org/10.1038/s41893-023-01130-8, https://www.nature.com/articles/s41893-023-01130-8#citeas

[5] The carbon budget is the amount of CO_2 that humanity can emit to keep global warming below a certain temperature. At current emission levels, the remaining carbon budget to limit warming to 1.5°C with a 50% likelihood will be burned through by 2030. Pierre Friedlingstein and others in *Global Carbon Budget 2023*, https://essd.copernicus.org/articles/15/5301/2023/

WHY CLIMATE FINANCE IS URGENTLY NEEDED

> **"On climate finance, the world must pay up, or humanity will pay the price... Climate finance is not charity, it's an investment. Climate action is not optional, it's an imperative. Both are indispensable: to a liveable world for all humanity, and a prosperous future for every nation on Earth."**
>
> António Guterres, UN Secretary General[6]

The climate crisis threatens the enjoyment of all civil, political, economic, and social and cultural rights of present and future generations and ultimately, unless adequately addressed, the future of humanity. Climate change is hurting hundreds of millions of people around the world, particularly those historically marginalized, threatening their rights to life, water, food, adequate housing, health, sanitation, standard of living, decent work, sustainable development, a clean, healthy and sustainable environment, culture and self-determination, among others.[7]

Adequate climate finance is crucial to help low- and middle-income countries both mitigate and adapt to the effects of climate change. At the same time, these countries which have contributed the least to the climate crisis need to be compensated for the loss and damage, both economic and non-economic, they have experienced as a result of climate harms.[8] Non-economic (or "intangible") loss and damage, for example, loss of life, health, cultural knowledge, identity, and biodiversity, displacement, inability to continue living on ancestral land and to maintain cultural traditions associated with this, are harder to define and quantify, but they are linked to economic loss and damage and are essential to human rights.[9] In the absence of adequate climate finance for adaptation, mitigation, loss and damage and just transition, millions of people around the world will continue to suffer from the human rights harms resulting from climate change.

CLIMATE FINANCE

Under Article 9 of the Paris Agreement (PA), climate finance refers to the provision of financial resources by high-income countries to support lower-income (termed 'developing' under the PA) states' obligation to mitigate and adapt to climate change.

However, Amnesty International, much of the climate justice movement and many lower-income countries are advocating for loss and damage, and just transitions in the energy sector and other sectors that entail carbon emissions to be included in the definition of climate finance as without addressing these, the climate crisis will continue to deepen inequalities among and within countries.

This document suggests additional sources of climate finance as well as options for overall resource generation for climate action and the realization of human rights.

The total global economic damages between 2025 and 2050 due to climate change have been estimated at USD 99 trillion calculated with a growth model based on a survey of 738 climate economists.[10] The same study sought to isolate the economic damages of fossil fuel emissions - as opposed to climate change - finding that future economic damages due just to fossil fuel emissions are estimated at USD 69.6 trillion between 2025 and 2050.[11]

Under international human rights law, all states have obligations to protect the enjoyment of human rights from environmental harm caused by conduct or omissions within their territory or jurisdiction, whether committed by state or non-state actors. This includes taking all necessary steps to help people adapt to the foreseeable and unavoidable effects of climate change.[12] Additionally, under international human rights law, those who have experienced human rights violations are entitled to access to effective remedies. Fundamental to this obligation are reparations, obtained domestically and/or extraterritorially, to individuals and peoples whose

[6] United, Nations, "UN Secretary-General's remarks to World Leaders Climate Action Summit at COP29", 12 November 2024, https://www.un.org/sg/en/content/sg/statement/2024-11-12/secretary-generals-remarks-world-leaders-climate-action-summit-cop29-delivered
[7] William J Ripple and others, "The 2024 State of the Climate Report: Perilous Times on Planet Earth", 8 October 2024, BioScience, https://doi.org/10.1093/biosci/biae087
[8] This is in line with the polluter pays principle. Originally defined in 1972 by the OECD, the polluter pays principle set out in the 1992 Rio Declaration on Environment and Development means that those responsible should bear the costs of their pollution or other forms of environmental degradation that they have caused, including the cost of measures taken to prevent, control and remedy pollution and the social costs the pollution causes.
[9] United Nations Environment Programme (UNEP), "What is loss & damage?", About loss and damage, https://www.unep.org/topics/climate-action/loss-and-damage/about-loss-and-damage#:~:text (accessed on 5 January 2025).
[10] Peter Howard and Derek Sylvan, *Gauging Economic Consensus on Climate Change*, 30 March 2021, Institute for Policy Integrity, New York University School of Law, https://policyintegrity.org/publications/detail/gauging-economic-consensus-on-climate-change
[11] Based on a survey of 738 economists with demonstrated expertise in climate and using a 2025–2075 growth model, the authors calculate that the 2025–2050 cumulative cost of climate damages attributed to all anthropogenic sources based on a model of loss of GDP under a 3°C scenario is USD 99 trillion, of which USD 70 trillion is attributed to fossil fuels. Marco Grasso and Richard Heede, "Time to pay the piper: fossil fuel companies' reparations for climate damages", 19 May 2023, One Earth, Volume 6, Issue 5, https://doi.org/10.1016/j.oneear.2023.04.012
[12] Office of the High Commissioner for Human Rights (OHCHR), Frequently Asked Questions on Human Rights and Climate Change Fact Sheet No. 38, 2021, https://www.ohchr.org/sites/default/files/Documents/Publications/FSheet38_FAQ_HR_CC_EN.PDF

rights have been violated. The right to remedy applies in the context of loss and damage - the residual human rights harms that result from climate change that cannot be prevented by through mitigation or climate adaptation, such as the construction of resilient infrastructure.[13] In other words, "loss and damage" refers to inevitable harms resulting from a given level of emissions.

REPEATED FAILURES TO PROVIDE SUFFICIENT FINANCE

Under the UNFCCC, the 23 high-income countries - plus the European Union - who are historically responsible for the most planet-heating emissions are obliged to provide climate finance to assist developing country parties with respect to both mitigation and adaptation in continuation of their existing obligations under the UNFCCC.[14]

However, despite this and the urgent need for sufficient climate finance, high-income countries are continuing to fail to step up and provide it. The most recent example was the derisory new target agreed at the close of COP29 in Azerbaijan. Even the agreed amount of USD 300 billion from public and private sources - far less than the USD 1.3 trillion in public finance called for by low-income countries - will be eroded by inflation. Assuming a continuation of the average US inflation rate for the last 15 years (2.38%), this new pledge will lose about 20% of its value by 2035.[15]

To date, climate finance has largely been allocated by high-income countries either bilaterally or through multilateral development banks (MDBs), or through multilateral funds towards mitigation actions, primarily in the form of loans. In 2020, 91% of the public climate finance provided by MDBs was in the form of loans, and up to 75% of those loans provided by MDBs were non-concessional (that is, they were offered in similar conditions, including interest rates, to financial market conditions).[16] The notion that finance for climate adaptation in particular can be funded with high interest loans defies logic; there is little return on financial investment to improved roads and hospitals for example, other than the very crucial impact of lives saved, injury injuries averted, and damage averted. These loans are also significantly below estimated needs.[17] The situation is exacerbated by flaws in the World Bank's climate finance reporting, with Oxfam claiming that its unreliability and lack of transparency makes it impossible to independently verify their climate finance claims. Oxfam reported in 2022 that the World Bank's reporting could be inaccurate by as much as USD 7 billion, or 40%.[18]

These loans also increase debt in recipient countries when many are already facing unsustainable levels of indebtedness, exacerbated by inequality embedded in the international financial architecture such as high borrowing costs for low-income countries. Global public debt reached USD 97 trillion in 2023. Forty-eight countries spend more on debt interest payments than on health and education combined.[19] The result is that many lower-income countries are forced to make significant cuts in public spending that further undermine human rights enjoyment when they are already facing costly damage caused by the climate crisis.[20] Without debt restructuring, and debt cancellation where appropriate, new finance (even if at concessional, that is, better than market rates) will likely be used to repay existing debts owed, instead of addressing the climate crisis.

At the same time, the COP 29 agreement also relies on companies and private investors following suit in channeling cash toward climate action in lower-income countries in the expectation of profits. These profits are likely to flow back out of recipient countries as most global capital for investment would be coming from high-income countries. This would reduce long-term financial capacity for climate action as most climate finance is provided in the form of loans to low-income

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[13] Amnesty International, *Climate-related Human Rights Harm and the Right to Effective Remedy* (Index: IOR 40/7717/2024), 13 February 2024, https://www.amnesty.org/en/documents/ior40/7717/2024/en

[14] United Nations, United Nations Framework Convention on Climate Change (UNFCCC), 1992, FCCC/INFORMAL/84 GE.05-62220 (E) 200705, https://unfccc.int/resource/docs/convkp/conveng.pdf

[15] Furthermore, the independent high-level expert group (HLEG) target of USD 390 billion from public sources alone would need to be adjusted to USD 538 billion to be compliant with the Paris Agreement. Joe Thwaites, "Getting from here to there: Scaling up climatefFinance for the NCQG", 24 November 2024, NRDC, https://www.nrdc.org/bio/joe-thwaites/getting-here-there-scaling-climate-finance-ncqg

[16] European Investment Bank, *2023 Joint Report on Multilateral Development Banks' Climate Finance,* 20 September 2024, https://www.eib.org/en/publications/20240150-2023-joint-report-on-multilateral-development-banks-climate-finance

[17] United Nations Climate Change (UNFCCC), "Introduction to Climate Finance", https://unfccc.int/topics/introduction-to-climate-finance (accessed on 10 December 2024).

[18] Oxfam, *Unaccountable Accounting: The World Bank's Unreliable Climate Finance Reporting*, October 2022, https://oxfamilibrary.openrepository.com/bitstream/handle/10546/621424/bp-world-bank-unreliable-climate-finance-reporting-031022-en.pdf?sequence=4

[19] United Nations Conference on Trade and Development (UNCTAD), *A World of Debt 2024: A Growing Burden to Global Prosperity*, 4 June 2024, https://unctad.org/publication/world-of-debt

[20] World Bank, "Debt-service payments put biggest squeeze on poor countries since 2000", 6 December 2022, https://www.worldbank.org/en/news/press-release/2022/12/06/debt-service-payments-put-biggest-squeeze-on-poor-countries-since-2000

countries.[21] In addition, where actors are driven solely by profit motive there is a risk that climate finance will be provided only in areas where corporations see a potential for profit rather than where it is actually needed. Mitigation actions for example receive much more climate finance than adaptation actions.[22]

WHAT DOES USD 300 BILLION BUY?[23]

For the purposes of comparison and understanding the scale of climate finance spending in 2023, governments around the globe spent USD 6.7 billion a day on military expenditure, according to the Stockholm International Peace Research Institute. That means the USD 300 billion annual climate finance target equates to 45 days of global military spending.[24]

USD 300 billion is currently the price tag for all the crude oil used by the world in a little over 40 days.[25] Globally, explicit and implicit fossil fuel subsidies were USD 7 trillion in 2022, over 20 times the value of USD 300 billion.[26]

WHAT AND HOW MUCH IS NEEDED

Huge gaps currently exist across finance for all four main elements of climate action - mitigation and adaptation (which are the key elements of the UNFCCC's climate finance[27]) together with loss and damage and just transition.

MITIGATION: HUGE FUNDING SHORTFALLS AND UNSUSTAINABLE LOANS

According to the latest assessment report by the Intergovernmental Panel on Climate Change (IPCC), current financial flows for climate change mitigation need to increase between three and six times to meet average annual needs between 2020 and 2030, if we are to limit global warming to 2°C or below.[28] Between 2000 and 2019, less than 3% of the global total (USD 30 billion) went to "least developed" countries whilst the 10 countries most affected by climate change received less than 2% of total climate finance.[29]

ADAPTATION: MASSIVE SCALING UP NEEDED

As noted above, the routinely missed USD 100 billion a year target is estimated to represent only a fraction of the finance needed. Most worryingly, finance for adaptation - measures which aim to reduce vulnerability to climate change impacts - has been falling behind mitigation finance. Finance for adaptation even fell in 2021 by USD 4 billion with the UNFCCC's Adaptation Fund receiving pledges for only USD 192.31 million - less than two thirds of the USD 300 million target for that year.[30] In 2023, the Adaptation Fund raised barely half of the USD 300 million target, and the share of adaptation finance of total climate finance has been falling in recent years, while the adaptation needs are rising. At COP 29, only USD 61 million was pledged for adaptation.[31]

[21] Beata Cichocka and Ian Mitchell, *Climate Finance Effectiveness: Six Challenging Trends*, December 2022, Center for Global Development (CGD), Policy Paper 281, https://www.cgdev.org/sites/default/files/climate-finance-effectiveness-six-challenging-trends.pdf
22 Climate Policy Initiative, *Global Landscape of Climate Finance 2023*, November 2023, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023
[23] Reuters, "COP29 - How does $300 billion stack up?", 24 November 2024, https://www.reuters.com/business/environment/cop29-how-does-300-billion-stack-up-2024-11-24
[24] Nan Tian and others, "Trends in World Military Expenditure, 2023", April 2024, Stockholm International Peace Research Institute (SIPRI), https://doi.org/10.55163/BQGA2180
[25] According to Reuters calculations based on global crude oil demand of approximately 100 million barrels/day and end-November Brent crude oil prices. Reuters, "COP29 - How does $300 billion stack up?", 24 November 2024, https://www.reuters.com/business/environment/cop29-how-does-300-billion-stack-up-2024-11-24
[26] International Monetary Fund (IMF), "Fossil Fuel Subsidies", Climate Change, https://www.imf.org/en/Topics/climate-change/energy-subsidies (accessed on 10 December 2024).
[27] UNFCCC, "Introduction to Climate Finance", https://unfccc.int/topics/introduction-to-climate-finance (accessed on 10 December 2024).
[28] United Nations Intergovernmental Panel on Climate Change (IPCC), Frequently Asked Questions (FAQs), https://www.ipcc.ch/report/ar6/wg3/downloads/faqs/IPCC_AR6_WGIII_FAQ_Chapter_15.pdf
[29] Climate Policy Initiative, *Global Landscape of Climate Finance 2023*, November 2023, https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023
[30] United Nations Environnent Programme (UNEP), *Adaptation Gap Report 2024*, 7 November 2024, https://www.unep.org/resources/adaptation-gap-report-2024
[31] Climate Home News, "Adaptation Fund head laments "puzzling" lack of pledges at COP29", 16 November 2024, https://www.climatechangenews.com/2024/11/16/adaptation-fund-head-laments-puzzling-lack-funding-pledges-cop29

LOSS AND DAMAGE: URGENT NEED FOR FINANCE AND ALIGNMENT WITH HUMAN RIGHTS

In 2022, at COP27, governments established a Fund for Responding to Loss and Damage (FRLD) and other "funding arrangements" for assisting low-income countries that are particularly vulnerable to the adverse effects of climate change to respond to loss and damage.[32] This marked a very significant development, which fulfilled a 30-year-long demand from the most affected countries. Agreement to operationalize the FRLD was reached the following year at COP28.[33] While this was a welcome move, concerns remain both over the lack of adequate funding pledged and lack of human rights references in the governing instrument of the FRLD, as well as over the choice of the World Bank as an interim host for the FRLD.[34] At COP29, the FRLD became operational, though disappointingly, only three further pledges were made, bringing total funding so far to USD 745.03 million, a far cry from the estimated hundreds of billions of dollars needed.[35] The FRLD must begin disbursements as soon as possible in 2025.[36]

JUST TRANSITION: SUFFICIENT FUNDING FOR A RAPID, FULL, JUST AND EQUITABLE PHASE OUT OF FOSSIL FUELS THAT SUPPORTS IMPACTED WORKERS AND COMMUNITIES

All states in a position to do so must ensure adequate resourcing for just transitions away from fossil fuel production and its use in all sectors whilst respecting, protecting and fulfilling people's rights. Funding the entirety of just transitions away from fossil fuels to a zero-carbon economy is not currently included as one of the components of climate finance under the Paris Agreement.

Some aspects of just transitions fall under the rubrics of mitigation and adaptation, but there are likely to be additional costs of just transitions of the workforce that may not fall under these categories. These include social protection costs for workers and communities affected by transitions in fossil fuel and related industries; education and retraining for affected workers; and environmental clean-up costs of pollution and other environmental degradation associated with the fossil fuel industry and infrastructure and carbon-intensive industries. It is crucial that just transition costs are included in assessments of climate finance and other forms of sustainable development finance required.

At its core, just transitions across all sectors must ensure the full, just and equitable phase out of fossil fuels and access to renewable energy for all without discrimination, while ensuring adequate support for impacted workers and communities. The transition will affect many companies in different sectors, causing them to change their operations (for example by divesting businesses in the oil and gas sector or changing agricultural practices). States must ensure that all companies respect human rights as they make these changes. In line with the UN Guiding Principles on Business and Human Rights (UN Guiding Principles),[37] states must legally require companies to conduct human rights, environmental and climate due diligence on their global operations and report publicly on their due diligence policies and practices to ensure that renewable energy transition truly protects and respects human rights and the environment.[38]

Just transitions also require safeguarding the rights of impacted workers and communities. In this respect, adequately funded universal social protection is vital for securing just transitions for these workers and communities. Even though it is a recognized human right, only 52.4% of people around the world are effectively covered by at least one social protection benefit (excluding healthcare and sickness) such as unemployment benefit, child support or older age pensions.[39]

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[32] UNFCCC, Decision 2/CMA.4 Funding arrangements for responding to loss and damage associated with the adverse effects of climate change, including a focus on addressing loss and damage, UNFCCC Doc: FCCC/PA/CMA/2022/10/Add.1.

[33] UNFCCC, Conference of the Parties (COP*), Operationalization of the new funding arrangements, including a fund, for responding to loss and damage referred to in paragraphs 2–3 of decisions 2/CP.27 and 2/CMA.4, Decision-/CP.28 -/CMA.5, Advance unedited version*, 29 November 2023, https://unfccc.int/sites/default/files/resource/cop28_auv_8g_lnd.pdf

[34] There are also concerns over the choice of the World Bank (WB) as an interim host for the LDF, and the default position of using WB environmental and social safeguards which are not human rights compliant. See, for example, Bretton Woods Project, "Selection of World Bank to host new Loss and Damage Fund draws ire of developing countries and civil society advocates", 13 December 2023, https://www.brettonwoodsproject.org/2023/12/selection-of-world-bank-to-host-new-loss-and-damage-fund-draws-ire-of-developing-countries-and-civil-society-advocates/

[35] UNFCCC, "Pledges to the Fund for responding to Loss and Damage", https://unfccc.int/process-and-meetings/bodies/funds-and-financial-entities/pledges-to-the-fund-for-responding-to-loss-and-damage (accessed on 7 January 2025).

[36] UNFCCC, "COP 29 Presidency signing ceremony: From pledges to action: Full operationalization of the Fund for Responding to Loss and Damage", 12 November 2024, https://unfccc.int/event/cop-29-presidency-signing-ceremony-from-pledges-to-action-full-operationalization-of-the-fund-for

[37] See UN Office of the High Commissioner for Human Rights (OHCHR), Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework (UN Guiding Principles), 2011, UN Doc HR/PUB/11/04

[38] Amnesty International*, Powering Change or Business as Usual? Forced Evictions at Industrial Cobalt and Copper Mines In the Democratic Republic of the Congo* (Index: AFR 62/7009/2023), 11 September 2023, https://www.amnesty.org/en/documents/AFR62/7009/2023/en

[39] International Labour Organization (ILO), *World Social Protection Report 2024-2026: Universal Protection for Climate Actin and a Just Transition*, 9 September 2024, https://www.ilo.org/publications/flagship-reports/world-social-protection-report-2024-26-universal-social-protection-climate, pp. XX-XXIII.

HELPING US TO GET THERE: FAIR TAXATION AND FINANCING

Fair taxation and financing can make a significant contribution to addressing the current inadequacies of climate finance provision. This includes the phasing out of investments in fossil fuels, eliminating subsidies for fossil fuels and directly taxing those most responsible for the climate crisis, as well as those with the most resources able to bear the burden such as fossil fuel companies and ultra-high net worth individuals.

Taxation has the potential to (a) generate revenues, (b) promote the redistribution of financial resources, and (c) reprice (namely regulate) the cost of climate damages.

Our recommendations set out below propose the direct taxation of those who are most responsible for climate damages – the big polluters such as the fossil fuel industry, which accounts for over 75% of greenhouse gas emissions (GHG) and nearly 90% of all carbon dioxide emissions,[40] as well as the very wealthy (USD billionaires and centimillionaires).[41] The richest 1% have, since the 1990s, burned through twice as much of the remaining global carbon budget for a 1.5°C rise as the poorest half of humanity combined.[42]

The recommendations also seek to reduce tax incentives and exemptions and investments in fossil fuel industries to facilitate fossil fuel phase out.

In this context it should be noted that governments need to put in place legislation requiring private corporations to act in compliance with their human rights responsibilities in line with the UN Guiding Principles of Business and Human Rights. Furthermore, to ensure businesses respect the right to a healthy environment, states should enact mandatory human rights due diligence legislation and mandatory environmental due diligence legislation; end subsidies to climate-damaging, polluting and environmentally destructive businesses and impose windfall taxes on the profits of fossil fuel businesses.[43]

REDIRECTING THE CURRENT MASSIVE FINANCING OF FOSSIL FUELS

For the first time ever, at COP28, parties committed to "transitioning away" from fossil fuels "in the energy sector".[44] The UN Working Group on the issue of human rights and transnational corporations and other business enterprises has recommended that international, national and regional financial institutions and other investors should move away from financing fossil fuel projects.[45] They should immediately stop financing and investing in new projects, activities and industries that drive fossil fuel expansion and deforestation. Regarding their current investments and funding, we are calling on them to phase these out. They should do so on a timeline aligned with the 1.5°C imperative, ensuring that funding and investments for the most polluting fossil fuels and forms of production, such as coal, peat, fracking and tar sands are phased out as soon as responsibly possible, or by 2030 at the latest in wealthy industrialized countries and, by 2040 in all other countries.

Yet the world's 60 biggest banks, despite committing to net zero targets, committed USD 705 billion through loans and other financial services to companies conducting business in fossil fuels in 2023, and USD 6.9 trillion since the Paris Agreement.[46] 11 big US and US and Canada-based banks are the biggest financiers of fracked gas activities (the extraction of shale gas which is a fossil fuel).

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[40] United Nations, "Causes and Effect of Climate Change", https://www.un.org/en/climatechange/science/causes-effects-climate-change (accessed on 10 December 2024).
[41] USD billionaires are those with an annual net worth of more than USD 1 billion and USD centimillionaires are those with annual net worth of more than USD 100 million. Gabriel Zucman, *A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-high-net-worth Individuals - Commissioned by the Brazilian G20 Presidency*, 25 June 2024, https://gabriel-zucman.eu/files/report-g20.pdf
[42] Oxfam, *Climate Equality: A planet for the 99%*, 20 November 2023, https://policy-practice.oxfam.org/resources/climate-equality-a-planet-for-the-99-621551/#
[43] UN Special Rapporteur on the Issue of Human Rights Obligations Relating to the Enjoyment of a Safe, Clean, Healthy and Sustainable Environment, Report: *Business, Planetary Boundaries, and the Right to a Clean, Healthy and Sustainable Environment*, 2 January 2024, UN Doc. A/HRC/55/43.
[44] UNFCC, "COP28 Agreement Signals 'Beginning of the End' of the Fossil Fuel Era", 13 December 2023, https://unfccc.int/news/cop28-agreement-signals-beginning-of-the-end-of-the-fossil-fuel-era
[45] UN Working Group on the issue of human rights and transnational corporations and other business enterprise, *Information Note on Climate Change and the Guiding Principles on Business and Human Rights*, June 2023, https://www.ohchr.org/sites/default/files/documents/issues/business/workinggroupbusiness/Information-Note-Climate-Change-and-UNGPs.pdf
[46] Banking on Climate Chaos, *Fossil Fuel Finance Report 2024*, 16 May 2024, https://www.bankingonclimatechaos.org/wp-content/uploads/2024/05/BOCC_2024_vF1.pdf

The investments financing fossil fuel industries, at USD 705 billion, far outstrips the global cost of disasters (many of which have been directly or indirectly caused by the climate crisis) at USD 520 billion.[47] If redirected, this sum could greatly contribute towards the investments required for a just transition to zero carbon economies.

REDIRECTING FOSSIL FUEL SUBSIDIES

Similar to investments and the financing of fossil fuels, subsidies provided by governments to fossil fuel producers have the effect of incentivizing the continuation of the fossil fuel industry, while undercharging for health, environmental and other costs (so-called "externalities"), foregoing much needed tax revenues from fossil fuel companies and missing opportunities to invest in new green industries.

In 2022, an estimated USD 7 trillion (or nearly 7.1% of global GDP) went to explicit and implicit fossil fuel subsidies according to the IMF.[48] Explicit subsidies (undercharging for supply costs) comprised USD 1.3 trillion in 2022, while implicit subsidies (undercharging for environmental costs, health harms, and foregone consumption taxes) comprised USD 5.74 trillion. The same IMF report details how in absolute terms, China, followed by the US, Russia, EU and India are the biggest subsidizers of fossil fuels. China contributed USD 2.2 trillion to total subsidies in 2022, followed by the United States (USD 760 billion), Russia (USD 420 billion), India (USD 350 billion), and the European Union (USD 310 billion). Explicit subsidies result in revenue losses which could be used for climate action such as energy reform and the fulfilment of human rights including spending on public goods and services. Implicit subsidies also deprive the state of revenue for human rights fulfillment, and mean that taxpayers, rather than polluters, pay for the direct harms wrought by fossil fuels.

States should phase out and eventually eliminate their use of fossil fuel subsidies. There must be periodic reviews of revenues foregone by governments as a result of subsidies and of the justifications for their continued use including by applying human rights impact assessments. Without such checks governments will continue to lose out on much needed revenue for climate action at the cost of human rights, while taxpayer money benefits corporate profits.

States must take steps to ensure companies do not simply pass on rising production costs - stemming from the removal of subsidies - to consumers while maintaining large profits. If needed, states should also use some of the revenue generated to ensure compensatory measures to protect people from any potential adverse impacts.

WEALTH TAXES

Extreme inequality – both at the domestic and global levels, has, in part, been brought about by the inadequate taxation of wealth.[49] The richest 1% of the world's population own more wealth than the other 95% of humanity[50] - including 82% of all wealth created in 2017 alone - and evaded or avoided over USD 200 billion annually in taxes.[51] This extreme inequality has clear implications for, and is based on, racial, gender, and climate injustice, and tax revenue itself typically mirrors the power dynamics and capital accumulation inherent in colonialism.[52] Investments made with this under-taxed wealth also contribute to emissions and climate harms. For example, the investments of the richest 1% account for between 50% and 70% of their total emissions.[53] In the first 10 days of 2025, Oxfam GB estimates that the world's richest have already used up their fair share of the global carbon budget for 2025.[54]

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[47] United Nations Office for Disaster Risk Reduction (UNDRR), "Uncounted costs
Data gaps hide the true human impacts of disasters in 2023", 2023, https://www.undrr.org/explainer/uncounted-costs-of-disasters-2023

[48] IMF, "IMF Fossil Fuel Subsidies Data: 2023 Update", August, 2023, https://www.imf.org/-/media/Files/Publications/WP/2023/English/wpiea2023169-print-pdf.ashx

[49] Or the accumulative value of all economic resources of a person or company. For a comprehensive definition of wealth taxes see: Amnesty International, *What's Tax Got to Do with It: A Resource Guide on Tax and Human Rights* (Index: POL 30/8134/2024), https://www.amnesty.org/en/documents/pol30/8134/2024/en

[50] Oxfam, "World's top 1% own more wealth than 95 per cent of humanity," 23 Sep 2024, https://www.oxfam.org.uk/media/press-releases/worlds-top-1-own-more-wealth-than-95-per-cent-of-humanity/#:~:text=The%20paper%20describes%20a%20movement,of%20all%20global%20financial%20assets

[51] Oxfam, *Reward Work, Not Wealth: To End the Inequality Crisis, We Must Build an Economy for Ordinary Working People, Not the Rich and Powerful*, 22 January 2018, https://policy-practice.oxfam.org/resources/reward-work-not-wealth-to-end-the-inequality-crisis-we-must-build-an-economy-fo-620396

[52] Nick Couldry and Ulises A Mejias, "Today's colonial 'data grab' is deepening global inequalities", 1 May 2024, LSE Inequalities, https://blogs.lse.ac.uk/inequalities/2024/05/01/todays-colonial-data-grab-is-deepening-global-inequalities/

[53] Oxfam, *Climate Equality: A planet for the 99%*, 20 November 2023, https://policy-practice.oxfam.org/resources/climate-equality-a-planet-for-the-99-621551/#

[54] Oxfam, "Richest 1% burn through their entire annual carbon limit in just 10 days", 10 January 2025, https://www.oxfam.org/en/press-releases/richest-1-burn-through-their-entire-annual-carbon-limit-just-10-days?form=general

An analysis commissioned by the Government of Brazil found that a 2% tax on US dollar billionaires, has the potential to generate between USD 200 and 250 billion annually from global billionaires and an additional USD 100 and 140 billion from centimillionaires.[55]

DIRECT TAXES ON FOSSIL FUEL PRODUCTION: CLIMATE DAMAGES TAXES AND TAXES ON WINDFALL PROFITS

Climate Damages Taxation (CDT) is another proposal for generating finance for climate action through taxes on the extraction of each tonne of coal, barrel of oil or cubic litre of gas produced.[56] This would both make such production more expensive thereby encouraging fossil fuel phase out, and also generate additional revenue during the transition period. It has been proposed by climate justice activists that revenues from climate damages taxes are put towards the FRLD. For example, an initial rate of USD 5 per tonne of CO_2 on OECD countries, if introduced in 2024, and increasing by USD 5 per tonne each year, could raise USD 900 billion cumulatively by 2030.[57] Climate damages taxes have also been called carbon taxes (without the proposal for these revenues to contribute specifically to the FRLD). Carbon taxes have been in place since the 1990s in Finland, Sweden and Denmark. As of 2024, there were 37 carbon tax programmes globally, mostly in OECD countries which are generated by national governments and go towards national budgets (not the Loss and Damage Fund).[58]

Windfall profit taxes - one-off taxes on companies or industries when economic conditions result in large, unexpected profits for those businesses[59] - also have the potential to contribute significantly towards climate finance. For example, according to research by Oxfam and ActionAid, 722 of the world's richest corporations made over USD 1 trillion in windfall profits in 2021 and 2022. They define windfall profits as when the 2021-2022 average profit was more than 10% above the 2017-2020 average. The organizations highlight that a tax of 50 to 90% on the windfall profits (that is, the profits more than 10% above a recent average profit) of these corporations could have generated between USD 523 billion and USD 941 billion for both 2021 and 2022.[60]

In addition to taxation, governments also need to enact and ensure the implementation of legislation that requires business enterprises to conduct human rights and environmental due diligence to identify and address human rights and environmental impacts, including climate change-related impacts, covering the entire value chain.[61]

GLOBAL TAX REFORM

States lose significant amounts of revenue through tax evasion and avoidance, estimated at over USD 492 billion annually[62] hampering the abilities of both high- and low- income countries to adequately raise finance for climate action as well as other rights realization.

This is now sought to be addressed through a UN-sponsored process to adopt a Framework Convention on international tax cooperation.[63] When adopted, the treaty will have the potential to promote international tax cooperation to eliminate illicit financial flows and harmful tax competition and in so doing, promote progressive taxation at the domestic as well as global level.

GLOBAL DEBT REFORM

Timely debt relief is needed for all countries in and at risk of debt distress and options for such relief including debt restructuring and/or cancellation should be made available to them. This will need to involve strengthening coordination among multilateral, bilateral and private creditors to offer debt relief to all countries in or at risk of debt distress.

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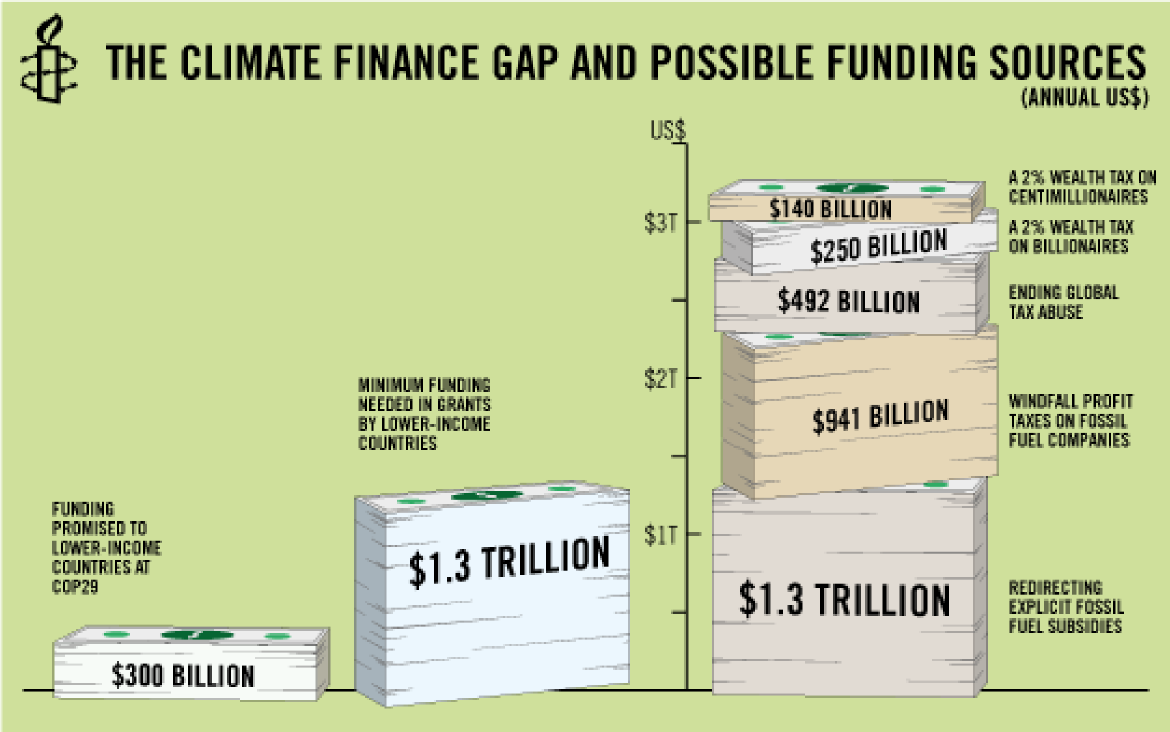
[55] Gabriel Zucman, *A Blueprint for a Coordinated Minimum Effective Taxation Standard for Ultra-high-net-worth Individuals - Commissioned by the Brazilian G20 Presidency*, 25 June 2024, https://gabriel-zucman.eu/files/report-g20.pdf
[56] Sindra Sharma-Khushal and David Hillman, *The Climate Damages Tax: A Guide to What It Is and How Works*, April, 2024, Heinrich Böll Stiftung, https://us.boell.org/sites/default/files/2024-04/cdt_guide_2024_0.pdf
[57] Sindra Sharma-Khushal and David Hillman, *The Climate Damages Tax: A Guide to What It Is and How Works*, April, 2024, Heinrich Böll Stiftung, https://us.boell.org/sites/default/files/2024-04/cdt_guide_2024_0.pdf
[58] Center for Climate and Energy Solutions, "Carbon Tax Basics", Carbon Pricing Carbon Tax, https://www.c2es.org/content/carbon-tax-basics (accessed on 27 October 2024).
[59] Cristina Enache, "Windfall profits taxes in Europe, 2024", 10 September 2024, Tax Foundation Europe, https://taxfoundation.org/data/all/eu/windfall-tax-europe-2024/
[60] Oxfam and ActionAid, "Big business' windfall profits rocket to 'obscene' $1 trillion a year amid cost-of-living crisis; Oxfam and ActionAid renew call for windfall taxes", 6 July 2023, https://www.oxfam.org/en/press-releases/big-business-windfall-profits-rocket-obscene-1-trillion-year-amid-cost-living-crisis
[61] UN Working Group on Business and Human Rights, *Guidance on National Action Plans on Business and Human Rights*, November 2016, https://www.ohchr.org/sites/default/files/Documents/Issues/Business/UNWG_NAPGuidance.pdf
[62] Tax Justice Network, State of Tax Justice 2024, 19 November 2024, https://taxjustice.net/reports/the-state-of-tax-justice-2024/
[63] UN News, "Why the world needs a UN global tax convention", 16 August 2024, https://news.un.org/en/story/2024/08/1153301



CONCLUSIONS AND RECOMMENDATIONS

There is significant funding available to devote towards much needed climate finance if governments, particularly from high-income countries, have the political will to implement the necessary fiscal policy reforms - from taxation on wealth to ending fossil fuel subsidies. In so doing, governments can promote tax justice, climate justice, and human rights fulfillment.

All governments – especially high-income countries, those with significant historical emissions, and any other country in a position to do so - should:

- Rapidly provide adequate, new, additional and predictable finance – primarily in the form of grant equivalent public finance – to support lower-income countries in reducing emissions, adapting to climate change, ensuring just transitions away from fossil fuels in all sectors, and addressing loss and damage.

- Introduce taxation measures that prioritise raising revenue from wealthier individuals and corporate profits generated from fossil fuel production.

- Phase out all tax incentives and subsidies for fossil fuel production. In doing so, ensure any changes to taxation and subsidies do not disproportionately impact people with lower incomes by conducting human rights impact assessments and introducing appropriate social protection mechanisms to compensate as necessary.

- Support the development of a UN Tax Convention that would provide a framework to:
    - Comprehensively address the problem of both illicit financial flows (IFFs) and commercial practices such as aggressive tax avoidance with a view to enabling greater domestic resource mobilization particularly in low-income countries to realize human rights - consistent climate action.
    - Create a global tax governance structure that is fair, transparent and has built in accountability mechanisms including an Intergovernmental UN Tax Commission with equal representation from each state party and that would aim to harmonize effective fiscal practices and policies based on human rights law and standards.

- Eliminate financing and harmful tax expenditures (including tax breaks and subsidies) for fossil fuel companies.

- Support timely debt relief for all countries in and at risk of debt distress, including consideration of debt restructuring and/or cancellation ensuring that:
    - More countries are eligible for comparable relief, and that more creditors participate in debt restructure and relief efforts.
    - Loan agreements provide for the suspension of payments in times of crises, including unnatural climate related disasters, and other disasters and economic crises.
    - Debt agreements do not undermine governments' ability to meet their economic, social and cultural rights obligations, including in relation to the climate crisis.
    - The terms of bilateral, multilateral and private sovereign lending are transparent and available for, and subject to, public scrutiny.