

Frequently Asked Questions - “The debt and climate crises: Why climate justice must include debt justice”

(1) Are you suggesting that countries in the global south should not take on more loans to finance climate action across adaptation, mitigation and addressing Loss and Damage?

No. We understand that many global south countries currently have no choice but to borrow to finance adaptation, mitigation and to address Loss and Damage. The policy recommendations in this paper are aimed at global north decision makers, demanding that they provide debt relief, and make adequate levels of grant-based climate finance accessible to all countries that need it so that countries in the global south are no longer reliant on taking on more debt to finance climate action.

(2) Should resources freed up from debt cancellation be counted as funds towards official climate finance, e.g. the Loss and Damage Finance Facility or the New Collective Quantified Goal on climate finance?

No, for a number of reasons. Firstly, it should be up to global south governments, in dialogue with their people, to decide where to allocate freed up resources from debt cancellation. Debt cancellation is needed for many reasons, not just for freeing up resources for climate action, so global south countries must have the freedom to allocate those funds where they are most needed, in alignment with public demands. Secondly, the resources freed up from debt cancellation are typically domestic resources, and do not represent new or additional funds provided from wealthy polluting governments. Small amounts of the loans originally provided may have been counted as aid money, but this is likely only a small amount. As such, counting resources freed up from debt cancellation towards official climate finance would break the terms of the Paris Agreement.

(3) What is the Loss and Damage Finance Facility (LDFF)?

There is currently no official intergovernmental finance allocated to addressing Loss and Damage, as wealthy governments continue to block long-standing efforts to secure it. At COP26, the G77 - a coalition of 134 developing countries representing 85% of the global population - demanded the establishment of an LDFF which would be a new facility under the UNFCCC for wealthy governments to provide finance to vulnerable countries for addressing Loss and Damage. This proposal was watered down at COP26 to become a dialogue process about establishing finance for addressing Loss and Damage (rather than actually delivering finance), but climate justice groups and negotiators continue to advocate for the delivery and operationalisation of the LDFF.

You can see more about how the LDFF could function in a discussion paper by Climate Action Network International - [“Loss and Damage Finance Facility – Why and How”](#) Discussion Paper.

(4) What is the New Collective Quantified Goal (NCQG) on climate finance?

Wealthy governments have currently committed to provide \$100 billion of climate finance to global south countries every year until 2025 - although it is worth noting that they have so far not met this target.

Under the UNFCCC a process is now underway to establish a new climate finance goal from 2025 onwards which would replace the \$100 billion target mentioned above. This process started in 2022 and will end in 2024 with the new goal being announced.

Campaigners, global south governments and negotiators have started making clear their demands for the new goal, including that it should be in line with need (into the trillions, not billions), should include finance for addressing Loss and Damage, and should be grant-based so it does not add to debt levels. It is yet to be seen if these demands will be incorporated into the final goal.