

# Post-COP27 Strategies for Pakistan

## Climate Financing and Decarbonization

### Policy Brief

#### Executive Summary

Pakistan is among the top countries that are vulnerable to the impacts of climate change while having an insignificant contribution in its causes. The severity of these impacts can be assessed from the fact that more than 1,700 deaths and financial loss of about \$12.6 billion occurred in 2022. Last year, the 27th meeting of the international bodies and parties, known as Conference of the Parties (COP27) to the UN Framework Convention on Climate Change, made a breakthrough in deliverables including the initialization of loss and damage fund for the vulnerable countries. To enhance the effectiveness of climate financing and fostering it for adaptation measures, a strategy is required to improve the environmental governance in the country. Moreover, exposure to the international climate financing markets is yet another necessity. Along with that, an interventional strategy is needed for improvements at the local, regional, national and international levels to mitigate and adapt the climate impact.

#### Climate Change Vulnerability in Pakistan and Global Climate Actions after COP27

In the last 20 years, 10,000 fatalities and financial losses amounting to about \$4 billion from 173 extreme weather events have been recorded in Pakistan.<sup>1</sup> In 2022, Pakistan faced some of the worst climate change impacts, including extreme rise in temperature causing the most calamitous flood, which affected the housing, agriculture and livestock, and transport and communication sectors, quantified as \$5.6 billion,

\$3.7 billion, and \$3.3 billion worth of damages, respectively.

Pakistan remained in the limelight during COP27 held at Sharm El-Sheikh, Egypt, from November 6 to 20, 2022. Due to the measures taken by the Ministry of Climate Change, advocacy on loss and damage funding requirements was realized, which shall assist in post-disaster arrangements in Pakistan as well as other developing countries in their adaptation measures. The creation of the loss and damage implementation plan was the most prominent development during COP27. It has a distinctive significance as the developed countries will provide financing for recovery and rebuilding of poorer countries stricken by climate-related disasters.

During COP27, more than \$300 million was pledged by the European nations. It was the adhered decision taken at COP27 that the representatives of G20 countries, which contribute 75% to the global greenhouse emissions, would work together over the next year to decide the implementation mechanisms.

Adaptation measures against climate change impacts are the elementary necessity of time, but to prepare for the future, mitigation measures are vital. However, COP27 drew significantly less focus over the mitigation measures. Aligned with the Paris Agreement, the conference maintained the sustainability of the efforts to limit temperature rise at 1.5°C.

Pakistan has already targeted decarbonization measures and aims to transfer a huge portion of power

<sup>1</sup> Jumaina Siddiqui, "Pakistan's Climate Challenges Pose a National Security Emergency," United States Institute of Peace, July 7, 2022, <https://www.usip.org/publications/2022/07/pakistans-climate-challenges-pose-national-security-emergency#:~:text=For%20the%20past%2020%20years,from%20173%20extreme%20weather%20events>

generation to renewable energy sources. Achieving the goal of 60% non-fossil fuel based power generation by the end of this decade is a gesture of commitment to the international community as a responsible nation. Furthermore, Pakistan possesses very suitable adequacy to participate in the global climate markets through clean development mechanisms and joint mechanisms.

### **Landscape of Climate Disaster Adaptations in Pakistan**

No economy can remain immune from losses suffered as a consequence of climate change and Pakistan, being no exception, also has been badly affected by such impacts a number of times. However, a big dilemma is that after the catastrophic impacts of the flood in 2010, no serious mechanism, governance, laws and policies, and precautionary measures were taken into account. As a result, more than a decade later the country witnessed the most dangerous flooding in its history.

Pakistan formulated a climate change policy for the first time in 2012 and its implementation framework in 2013. Implementation of the policy required an instrument of law. However, framing of the law took more than five years, as the policy was launched in April 2012 whereas the Pakistan Climate Change Act came into force in October 2017. Under the provisions of the Act, Pakistan Climate Change Council has to be established with the agenda to meet when required, but at least twice a year, to highlight and address the strategies for better climate governance. However, the council remained inactive.

Pakistan Climate Change Act highlights the immediate necessity for implementation of the climate council, leading to a climate change authority. Yet several years were spent in an unresponsive and unproductive state before COP27. There is a need to establish a committee of experts with the authority and expertise to look into interventional models for the social capacity building for environmental governance.

### **Conclusion – Necessity of Framework for Climate Governance**

Climate governance has been described as “*all purposeful mechanisms and measures aimed at*

*steering social systems towards preventing, mitigating, or adapting to the risks posed by climate change, established and implemented by states or other authorities*”<sup>2</sup>

To foster the advantages emanating from the developments at COP27, there is a dire need to reform the policy and legal and institutional framework for better environmental governance in the country, which is the prerequisite to efficiently disperse the climate finances in the country.

Further, dissection of the losses incurred from climate disaster is required based on the number of deaths, monetary losses, food scarcity and medication requirements in the affected areas. Hyperactive advocacy and lobbying are the important ingredients to pursue before COP28 in order to maintain strong negotiation powers for the loss and damage funds.

Pakistan has suffered a lot due to climate change and the huge policy and governance lapse in the area of climate change needs to be rectified as a proactive, and not, reactive measure. Policy development requires consultation as policies have to meet the country’s national objectives, but this is an ignored factor. Regarding climate governance, the following points require immediate focus:

1. Existence of a climate authority is paramount to ensure the proper management of funds. The strategies are required to be quantified into short, medium and long term initiatives for proper disaster recovery. Proper allocation of role and responsibilities of the authority will bring some useful impacts in the climate sector. The climate governance requires the inclusion of civil society, with the involvement of business, academia, media and research organizations.
2. Dissection of losses from climate disaster is required based on causalities, monetary loss, food scarcity and medication requirements in the affected areas.
3. In order to cater the mistrust of financial institutions, guarantees can reflect from the governance mechanism that the fund will be properly used for this purpose. Creation of certain projects and development of proper mechanism for the utilization of funds can help to gain international trust. Some traditional financing instruments could be used to deal with loss and

<sup>2</sup> Sverker C. Jagers and Johannes Strippl, “Climate Governance Beyond the State,” *Global Governance* 9, no. 3 (July-September 2003), 385-399. <https://doi.org/10.2307/27800489>



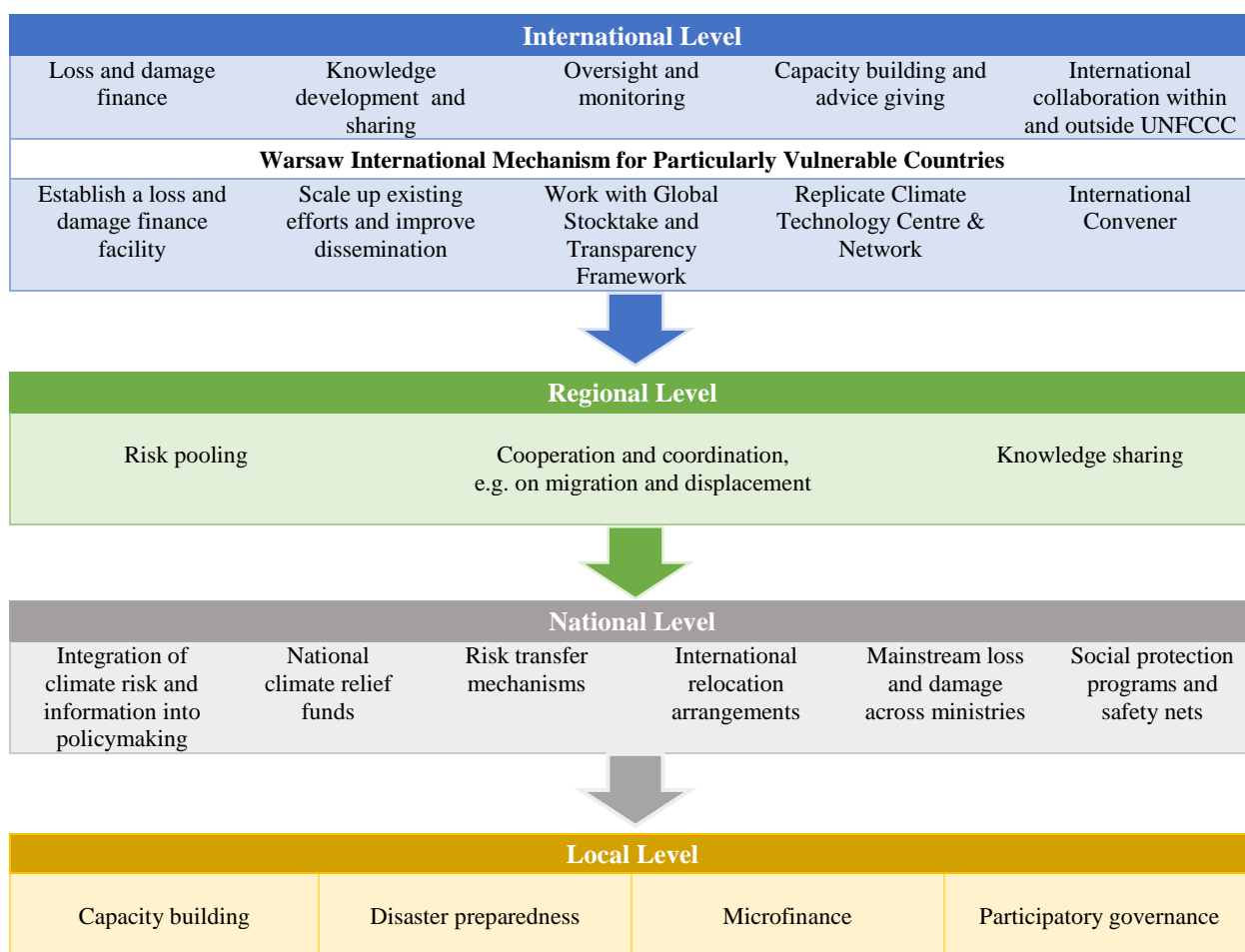
damage. Social protection, contingency finance, catastrophe risk insurance and catastrophe bonds can provide a certain buffer and rapid payouts after disasters.

4. Pakistan needs swift initialization of carbon markets. Globally, carbon markets are perceived to be an economically viable option to achieve climate ambitions and net-zero emission targets. The success stories worldwide have demonstrated that carbon trading has been an instrumental tool

to achieve industrial decarbonization. Development of carbon markets in Pakistan shall be equally important to attract climate financing, as Pakistan can supply a good amount of carbon credits to international carbon markets.

5. It is essential to develop working models at the international, regional, national and local levels with the steps for implementation based on quantification, assessment, attribution, payment monitoring, evaluation and optimization.

### Working Model for Implementation of Climate Financing – Steps and Actors in Process



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