CAN Canada’s submission on the New Collective Quantified Finance Goal

Written by Climate Action Network Canada

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Context

Climate Action Network Canada responds to the call for submissions from COP26 on the New Collective and quantified goal (NCQG). In Glasgow during COP26, countries decided the following:

> "That the new collective quantified goal aims at contributing to accelerating the achievement of Article 2 of the Paris Agreement of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change; increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development"[1].

This document will highlight critical elements to prioritize as part of the negotiations of the NCQG.

- The NCQG represents an opportunity for wealthy countries like Canada to commit their fair share of the climate finance goal, considering specific metrics such as, but not exclusively: gross national income, cumulative carbon dioxide emissions and population.
- The NCGQ must include clear, variable milestones and intermediate targets for increasing the quantity of climate finance, well beyond the inadequate and unmet USD 100 billion per year target.
- Many climate-vulnerable countries desperately speak about the increasingly devastating impacts of climate change on their lives and livelihoods. Those who have done least to contribute to global warming carry the most significant burden of climate change - in terms of impacts and the higher barriers to development now faced. The NCQG represents an opportunity to ensure adequate, sustainable and additional resources to tackle losses and damages.
- Developed countries like Canada must commit to using the NCGQ to ensure climate finance contributes to climate justice, gender equality and a feminist implementation of climate goals. The NCGQ must be anchored in solidarity, respond to the needs of developing countries and their citizens, and commit to upholding human rights and Indigenous peoples' rights.

Enhancing Canada's fair share

- Meeting the goals of the Paris Agreement and responding to climate justice globally requires radical solidarity and transformational cooperation. The negotiations on the

[1] https://unfccc.int/sites/default/files/resource/cma2021_L17E.pdf

NCGQ happen as countries and communities around the world continue facing the impacts of the pandemic on the social, economic and cultural systems that govern us.

- The coronavirus pandemic has exacerbated pre-existing systemic and structural inequalities. Vulnerable communities and developing country governments are doubly faced with coinciding crises, climate change and COVID-19, forcing them to make impossible decisions about which to prioritize, often at the expense of the other.
- For countries like Canada, the NCQG represents an opportunity to commit to doing their fair share towards a global effort that ensures that global warming is limited to no more than 1.5°C without overshoot.
- In 2015 in Paris, countries like Canada committed to holding temperature increase to well below 2ºC above pre-industrial levels and to pursue efforts to limit global warming to 1.5ºC. Current emissions reduction targets from Canada and around the world remain insufficient to limit global warming of 1.5ºC, and we are on the contrary heading towards global warming of around 3ºC which would have catastrophic consequences for humans, nature and well-being.
- Wealthy countries like Canada have substantially contributed to the global buildup of greenhouse gas pollution in the atmosphere for over a century and continues doing so today, reaping enormous economic benefits but also accumulating a substantial carbon debt. It bears a large responsibility for creating the climate crisis and, as a wealthy country, possesses the considerable capacity to act to address it.
- At the domestic level, Canada's emissions need to be cut at least by 60% below 2005 levels by 2030, with a view of fully decarbonizing the Canadian economy to achieve net-zero domestic GHG emissions as early as before 2050 as possible.
- However, this is only part of Canada's total fair share of the global mitigation effort. Climate Action Network Canada calculated Canada's total fair share to be equivalent to a 140% reduction below 2005 emissions. Thus, Canada's fair share also includes an obligation to enable a reduction in developing countries' greenhouse gas emissions equivalent to 80% of Canadian 2005 emissions. This would help cut emissions in all developing countries on average by 2.3% below their 2010 levels in 2030. This Canada-supported mitigation would have to be about 594 Mt CO_2eq in 2030 and would be in addition to the reductions that developing countries achieve on their own or with other wealthier countries' support.
- In 2020, Canada's climate finance contributions represent 0.007% of its Gross National Income (GNI) to international climate finance, ranking 13th in generosity among these 23 contributors.
- In 2020, Canada's contribution is estimated to be CAD 1.5 billion or 32% of its fair share in the context of the annual USD 100 billion pledge. Canada's fairshare is estimated to be around 4% of the agreed total or close to USD 4 billion annual in total climate finance. Only from a bilateral climate finance perspective, Canada's contribution should be equivalent to CAD 1.8 billion annually. Canada's fair contribution to the global effort meeting climate goals requires a substantial increase of current climate finance flows and to stop funding fossil fuels overseas.

Verifiable and predictable targets

- The NCGQ represents an opportunity to ensure wealthy countries like Canada improve their current inadequate levels of financial support to developing countries.
- The NCQG must include credible and coordinated monitoring of commitments, with clear interim goals. The global governance of climate finance flows requires better oversight to ensure that commitments are immediate, credible, and verifiable.
- In 2009 developed countries agreed to provide USD 100 billion per year in climate finance for developing countries by 2020, from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of funding.
- Developed countries decided on their own to divide this commitment in three: USD 37.3 billion per year in bilateral public finance (including contributions to the Green Climate Fund and other multilateral funds), USD 29.5 billion in multilateral public investment that is attributed to Canada based on its contributions to multilateral institutions. The rest, USD 33.2 billion, would come from private co-finance mobilized attributed to developed countries and export credits.
- Ahead of COP 26 in Glasgow, Canada, Germany and the United Kingdom Presidency released a Climate Finance Delivery Plan highlighting that rich countries failed to mobilise USD 100 billion a year to support climate action in developing countries and it would not be met until 2023.
- The OECD estimated that contributor countries remained USD 20 billion short of meeting their 2020 target and while developed countries estimate they will meet the USD 100 billion before 2025, there is currently no predictability to ensure this will be the case before 2025.

Table Ten: Allocation of the DAC Roadmap for $100 Billion Disbursements by 2020: Canada's Annual Fair Share

Component of US$100 Billion (Billions of Dollars)	**Annual Global Commitment (US$)**	**Canadian Share @ 3.8% (US$)**	**Canadian Share (Cdn$ @ $1.25 exchange)**	**Estimated Disbursements Canada, 2020 (Cdn $)**
Bilateral	$37.3	$1.4	$1.8	$0.8
Imputed Multilateral	$29.5	$1.1	$1.4	$0.47
Mobilized Private Sector	$33.2	$1.3	$1.55	$0.25
Total	**$100.0**	**$3.8**	**$4.75**	**$1.52**

Estimated contribution of Canada's climate finance from all channels for 2020. Source: Tomlinson, Brian. 2021

- As we move towards deciding new targets for the post-2025 climate finance goal, we need to learn lessons from current practices when it comes to agreeing on targets.
- Developed countries have overestimated the contribution of private mobilization, which is one of the main reasons why the USD 100 billion goal has not been met. Relying on private mobilization to meet international climate finance obligations remains risky. When agreeing targets, priority should be given to the use of public resources where the full purpose is climate adaptation, mitigation and loss and damage.
- Including export credits, non-concessional loans and investment in the NCQG also comes at a high risk. In Canada, institutions like FinDEV or Export Development Canada lack transparency and its investments are not distributed equitably between mitigation and

adaptation. There is also little information about safeguards and the potential negative impacts these investments have on vulnerable communities, women and girls and Indigenous Peoples.

- The NCGQ should ensure that countries like Canada clearly distinguish in its reporting to the UNFCCC, the rationale and details of all modalities of eligible climate finance.
- The NCQG must result in the enhancement of accountability for the quality and quantity of climate finance mobilised and provided, building on lessons learned from pre-2020 climate finance mobilisation.

Responding to the needs of developing countries

- The NCQG should respond to the self-defined needs and priorities of developing countries, in particular those countries and communities with the greatest immediate needs and the lowest capacities to access funds, consistent with the goals of the Paris Agreement, including pursuing efforts to limit the temperature rise to 1.5°C.
- Wealthy countries like Canada must ensure that modalities and channels adapt to the country's needs and reassess the relevant criteria and eligibility requirements for climate finance access. Additionally, more resources should be dedicated to the most pressing and impactful activities, supporting vulnerable communities and those with the lowest capacity. Climate finance support should be adapted to complement the recipient governments' fiscal position.
- When negotiating the NCGQ there should be a particular focus to ensure Least Developed Countries (LDCs) and Small Island Developing States (SIDs) are prioritized. So far, data shows that only 14% of its climate finance went to LDCs and more than 50% were dedicated to global/regional initiatives. This clearly reflects that while Canada has committed to support the poorest and most vulnerable, its choice of funding mechanisms and modalities have been poorly suited for reaching LDCs and SIDs.
- New finance goals should include measures to make investments more accessible to local organizations, both directly and through international non-governmental organizations. NGOs are best-placed to get resources into the hands of local women's rights organizations and the poorest and most vulnerable.
- In June 2021, Canada announced doubling of its international climate finance commitment to CAD 5.3 billion for 2021-2025. Over the years, countries like Canada have made progress in enhancing the quality of its climate finance. In its new framework for climate finance based on the inputs gathered through a series of consultations with more than 300 organisations in 20 countries. Canada confirmed its intention to deliver climate finance through a mix of funding mechanisms aiming to break from its traditional approach where climate finance was mainly being delivered through multilateral channels.
- Canada's CAD 5.3 billion commitment is split into 40% grants and contributions, and 60% loans through Unconditionally Repayable Contributions (URCs). Canada's climate finance will target four thematic areas of focus: Clean Energy Transition and Coal Phase Out; Nature-based Solutions and Biodiversity; Climate-smart Agriculture and Food Systems; and, Climate Governance.

- At COP26 in Glasgow, Canada provided details about the allocation of its CAD 5.3 billion over five years:
    - Up to CAD 37.5 million for the Least Developed Countries Fund (LDCF),
    - Up to CAD 10 million for the Adaptation Fund,
    - Up to CAD 10 million for the National Adaptation Plan (NAP) Global Network,
    - Up to CAD 1 billion for the Climate Investment Fund,
    - 40% of its climate finance for adaptation and increase from 30% in 2020,
    - 50% of its climate finance for mitigation, and
    - 20% for Nature-Based Climate Solutions.
    - CAD $315 million, to be distributed as part of Canada's climate finance for the 2021-2025 period, including $20 million for advancing women's rights and adaptation, and a $15 million envelope to support Indigenous Peoples and organizations in Canada in advancing climate action alongside Indigenous partners in developing countries.

Climate finance for climate justice

Without adequate resources nations, regions, and communities can't implement those policies that are needed to build a 1.5°C compatible and safe future. The Adaptation Gap Report 2021 concludes that in developing countries alone, adapting to climate change are likely in the higher end of an estimated USD 140-300 billion annually by 2030 and USD 280-500 billion by 2050. OECD estimates that USD 6.9 trillion needs to be mobilized annually through 2030 to meet the current climate and development objectives.

While the Glasgow Climate Pact noted that adaptation finance is insufficient and urged developed countries to at least double their collective provision of adaptation finance from 2019 levels by 2025, clarity remains lacking. The post-2025 new collective quantified goal for finance must prioritise adaptation and financing for loss and damage.

Adaptation finance

The Paris Agreement calls for a balance between adaptation and mitigation finance. But this is not the case so far. Funding for adaptation has historically fallen behind support for mitigation. While there have been some modest improvements in Canada's finance for adaptation in recent years, only 31% has been spent helping developing countries build resilience and adapt to worsening climate impacts. Countries such as Canada must commit to using the NCQG to radically ramp up climate finance to climate change adaptation activities for developing countries.

Despite growing pledges for locally led adaptation, the gaps remain large towards adaptation efforts that center local context, culture and interests. The NCQG must therefore prioritize the needs of the most vulnerable by facilitating access of climate-impacted local communities to distribute resources more equitably.

Financing for loss and damage

In the face of widespread climate impacts, some are too severe to adapt to, often referred to as loss and damage. Last year, there were record breaking heat waves, wildfires, floods and cyclones in different parts of the world and that be worse for the next decade to come unless the major emitters and high income countries such as Canada raise their ambition to limit 1.5 degrees warming as well as assist vulnerable countries to deal with the reality of human-induced climate change impacts.

This is now even more important to acknowledge that people and communities on the frontlines of climate change impacts are often best placed to identify and implement solutions, factoring in their local knowledge and expertise. The governments must empower those impacted voices to address adaptation, loss and damage, and make sure funding reaches the local level.

The NCQG must advance a new, additional and needs-based loss and damage finance and assess options for a system to deliver it to vulnerable countries with the objective of establishing a robust financing system for loss and damage. In Glasgow, Canada agreed to advance discussions on funding to tackle losses and damages and must augment support for additional finance beyond its commitment.

Feminist climate action

Women in the Global South - whom Canada is prioritizing in climate finance - are dealing disproportionately with the impacts of climate change. With a focus on bringing a feminist approach to international climate finance, gender equality is mainstreamed in 94% of Canada's climate finance but almost no climate projects where gender equality is the main objectives.

Canada's global feminist leadership matters. Now, Canada must put these principles as set out in its Feminist International Assistance Policy (FIAP) into practice. With significant experience in FIAP's implementation for global development and addressing the multiple crisis, Canada must take leadership and advocate to align investments, partnerships and advocacy efforts with the objective of gender equality under the new goal.

Indigenous climate funding

The NCQG must be informed by in-country capacities of Indigenous Peoples to secure an inclusive, just and equitable climate financing channeled directly to Indigenous communities both in developed and developing countries. It must ensure climate finance respects and upholds the rights of Indigenous Peoples and promotes rights-based partnerships with them globally.

Over the past few years, the Government of Canada has engaged to gain unique perspectives, needs and priorities of Indigenous Peoples and integrate them into its international climate finance programming. However, the same has been largely absent from the previous allocation of CAD 2.65 billion climate finance package, with just a handful of climate projects under Indigneous Peoples' leadership.
