

## Submission on the New Collective Goal on Climate Finance

### ACT Alliance: Our Approach

ACT Alliance welcomes the call for submissions on the *New collective quantified goal on climate finance* and appreciates the opportunity for observers to make contributions. As a global faith-based network this submission draws insights from our consistent engagements with the UNFCCC and the Paris Agreement, as well as from the 146 member organizations and forums of Act Alliance working in 125 countries around the world on issues related to humanitarian action and long-term sustainable development.

Climate financing is urgently needed for systemic and equitable transitions towards zero-carbon and resilient societies, and to mitigate the growing inequality caused by the already changing climate. From experience, we know that developing countries have faced difficulties mobilizing and accessing agreed-upon support. For marginalized and vulnerable communities, the lack of action is life threatening. Their future depends on the actions of major polluters around the world.

We consider decision CMA.3, the *New collective quantified goal on climate finance*, to be an important step in reaching a scientifically sound, and just, climate finance goal. The process should be based on climate justice, which approaches climate change from an ethical standpoint to promote equality, equity, and respect for human rights.

We acknowledge that developing a fair and adaptive architecture for climate finance takes time. We hope that the costs related to mitigation will decrease when all countries have found their way to a green and sustainable development in line with the target set in the Paris Agreement. At the same time, we emphasize that the costs for adaptation and loss and damage will continue to increase even if the global temperature increase stabilizes at 1.5°C. At our current levels of around 1°C above pre-industrial levels, developing countries are facing both economic and ecological loss and damage due to climate change-induced disasters.

**We propose an evidence and needs-based long term climate finance goal with quantified targets. This goal should be linked with the Global Stocktake where outcomes of the GST should inform revision and subsequent updating of targets.** In addition to considering existing agreements under the Enhanced Transparency Framework, the goal should have clear modalities and commonly agreed methodologies for accounting with a globally shared understanding of climate finance

### Two Distinct Goals: Climate Finance and Financial Flows

*The new collective quantified goal should contribute to accelerating the achievement of Article 2 in the Paris Agreement.* We support a goal covering all three sub paragraphs, 2.1.a, 2.1.b and 2.1.c.

We stress that climate finance, addressed in Article 9, should be treated as a separate and distinct element from the financial flows that are covered by Article 2.1.c.

Aligning financial flows with the targets of the Paris Agreement is the responsibility of all parties. Providing and taking the lead in mobilizing climate finance for the developing countries is the responsibility of only developed countries.

## Goal Regarding Financial Flows

Taking into account the \$ 4-5 trillion USD annual lack of investment needed to maintain a 1.5 degree target<sup>1</sup>, and considering the growing need to address both adaptation and loss and damage, financial flows must be aligned with the Paris Agreement.

Aligning financial flows with the Paris Agreement requires initiatives to a) increase flows of funds to support a low-emission and resilient transition, and b) reduce subsidies and support for unsustainable, high emission and fossil fuel-based development.

It will be a challenge to agree on a quantified goal for financial flows, as those flows will include a growing number of green investments and a necessary substantial decrease in fossil fuel subsidies. However, it will still be important to record progress, and to agree on milestones to reach the goal.

We would like to highlight that article 2.1.c refers both to pathways towards low greenhouse gas emissions and to climate resilient development. This should be reflected in a new goal.

## Climate Finance – Lessons of the \$100 Billion USD Goal

The \$100 billion USD goal was not met by 2020. This was noted with deep regret by the parties at COP26. This failure has damaged trust between parties. Agreeing on a new collective goal on climate finance is about building back trust between the parties of the Convention regarding the Paris Agreement.

The following insights for developing a fair and equitable new goal are drawn from the reasons the 2020 goal was not reached<sup>2</sup>.

### Scope of climate finance

The Paris agreement refers to three important areas where climate action is needed: a) mitigation, b) adaptation and c) loss and damage. It is thus important that all three areas are covered in the new Collective quantified goal.

**We propose that special attention should be given to loss and damage so that it can be integrated into the new comprehensive decision on climate finance.**

### Common understanding of climate finance lacking

The progress of reaching the \$100 billion USD goal was contested on multiple fronts by academia<sup>3</sup> and civil society<sup>4</sup>. At the root of the problem was a fragmented understanding of what counts as climate finance.

The progress towards *the new collective quantified goal* must strive for a joint understanding of what kinds of funding and actions are eligible in reaching that goal. To promote a shared understanding on the nature of climate finance, parties should agree on clear definitions of mitigation, adaptation and

<sup>1</sup> CPI, 2021, Climate Finance Landscape. Climate Policy Initiative reports. <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2021/>

<sup>2</sup> ActAlliance, 2021. Post 2025 Climate Finance Architecture — through a climate justice lens. <https://actalliance.org/wp-content/uploads/2021/11/ACT-Post-2025-Final-Report-v2.1.pdf>

<sup>3</sup> Nature editorials. 2021. Climate Finance needs Trusted Data, <https://www.nature.com/articles/d41586-020-03646-x> AND Roberts, J. T. et al., 2021. Rebooting a failed promise of climate finance. Nature Climate Change, pp. 180-182

<sup>4</sup> Oxfam, 2020. Climate finance shadow report 2020, <https://www.oxfam.org/en/research/climate-finance-shadow-report-2020>

loss and damage finance. Moreover, the harmonization of methodologies and the definition of climate finance should be further advanced.

The new quantified goal must be based on a common and shared definition of climate finance and the means to evaluate progress in a transparent and methodologically sound fashion

Increasing amounts of official development aid (ODA) are destined for climate finance. This means that funding for other forms of ODA (including education and health) risk receiving less support. Concurrently, the number of weather-related disasters has grown substantially in recent decades, causing significant economic losses and challenges for developing countries to secure the rights of their citizens.<sup>5</sup> Unfortunately, climate change is an additional burden for developing countries - a burden that has mainly been caused by developed countries - and needs to be addressed outside of and in addition to the existing ODA budgets.

**An internationally agreed definition of ‘new and additional’ must be part of defining climate finance for the post-2025 period framework, while upholding the critical climate finance principle of additionality to ODA.**

#### A quantified goal with separate targets

Having a singular numeric target (\$100 billion USD) can lead to biased outcomes that favour certain types of instruments, sectors, and countries. Concretely, current climate finance is largely directed towards mitigation. This side-lines adaptation and means that already limited funding does not reach poor and vulnerable communities.

We therefore suggest that during the process of defining the goal, a balanced approach to these categories should be used. This will subsequently lead to a more granular approach.

A new quantified goal should consist of three sub-goals for climate finance, as described above under Scope. These sub-goals should focus on grants. The mobilized support, in the form of leveraged private finance and non-concessional flows, can be included in additional targets. Agreement on the goals should be regularly revisited based on the evidence amassed through the need determination process and Global Stocktake.

#### Mobilizing climate finance from innovative sources

The need for climate finance is increasing rapidly. Experience shows that developed countries have not been able to mobilize public finance at the necessary scale.

ACT Alliance suggests that parties agree to enhance work on innovative finance and explore possibilities for new and innovative ways to mobilize climate finance. The work could build on the High-Level Advisory Group’s report on Climate Change Financing.<sup>6</sup>

\*\*\*

Sign off and Contacts:

Marianna Leite  
Global Advocacy & Development Policy Manager  
[marianna.leite@actalliance.org](mailto:marianna.leite@actalliance.org)

Julius Mbatia  
Global Climate Justice Manager  
[julius.mbatia@actalliance.org](mailto:julius.mbatia@actalliance.org)

<sup>5</sup> WMO, 2021 Weather-related disasters increase over past 50 years, causing more damage but fewer deaths. World Meteorological Organization Repots. <https://www.unwater.org/weather-related-disasters-more-damage-but-fewer-deaths/>

<sup>6</sup> Please see, [https://www.iatp.org/sites/default/files/451\\_2\\_107756.pdf](https://www.iatp.org/sites/default/files/451_2_107756.pdf)