New Collective Quantified Goal

First ad hoc work programme meeting – Inter-sessional submission

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Element 1. Preamble

- NCQG shall be set in the context of Article 9 of the Paris Agreement, and Articles 4 and 11 of the Convention, stressing the developed countries' commitment for the provision of financial resources to assist developing country Parties), and their leadership in mobilizing climate finance to developing countries, noting the significant role of public funds to support country-driven strategies and taking into account the needs and priorities of all developing countries in the implementation of the Paris Agreement .

- Recalling Decisions 1/CP.21, paragraph 53, 14/CMA.1, 9/CMA.3, 5/CMA.4, 8/CMA.5

Element 2. Context

- The NCQG should build on lessons learned from the goal of developed countries of mobilizing jointly USD 100 billion per year by 2020 in the context of meaningful mitigation actions and transparency on implementation and taking into account the needs and priorities of developing countries.

- The new goal must address the needs of developing countries and the urgency of climate action, being informed by the evidence that best available science is providing, as highlighted in reports such as the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, the First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement of the Standing Committee on Finance, the Adaptation Gap Report 2023: Underfinanced. prepared by UNEP.

- The NCQG should be fit for purpose, highlighting that embedded in its spirit is the purpose to support developing countries. Since the NCQG must also contribute to accelerating the achievement of Article 2, the resources mobilized under the NCQG should enable developing countries in meeting their climate goals by enhancing their adaptive capacities and transitioning to a low-carbon economy. All of this within the context of sustainable development, efforts to eradicate poverty and just transitions.

- The NCQG should contribute to support existing and accelerate future levels of ambition, and not to penalize it. The NCQG will be critical to increase ambition and accelerate the realization of Article 2 of the Paris Agreement, without compromising debt sustainability of developing countries, which means that it should be framed in a context that reinforces development, rather than pose a threat to it, and also safeguard economic stability and fosters sustainable low-emissions and resilient development pathways.

- Acknowledge that developing countries are suffering the disproportionate impacts of climate change, bearing the increasing cost of adaptation and loss and damage while facing limited fiscal space, debt burdens and high costs of capital. Yet, these continue to demonstrate a firm commitment to actions to fulfill the Paris Agreement, reducing emissions to keep the 1.5 goal alive, adaptation measures, and actions to respond to loss and damage.

- The current economic and social circumstances put pressure on developing countries, making more complex the challenge of mitigating and adapting to climate change, as committed to in the Paris Agreement. This pertains to both climate financing and technology transfer, aiming not only to meet climate ambitions but also to create enabling environments for just transitions.

- The NCQG is envisioned with fundamental principles, including i) climate justice, ii) Just transitions, iii) non-debt inducing finance for developing countries, iv) common but differentiated responsibilities and respective capabilities, v) country-driven, vi) predictable vii) affordable, viii) accessible, ix) new and additional.

Element 3. Quantitative elements

- Decision 11/CMA4 emphasizes the importance of not penalizing or undermining ambition by promoting an increase and acceleration of ambition. The ambition that countries determine in their planning instruments such as NAPs, NDCs, TAPs and Long-Term strategies reflects the evolving needs of developing country Parties and the need for enhanced provision and mobilization of finance, through a country-driven manner.

  As highlighted in paragraph 67 of the GST and the First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement elaborated by the Standing Committee on Finance, the needs of developing countries are currently estimated at USD 5.8–5.9 trillion for the pre-2030 period, mindful that these figures do not reflect the total needs and priorities of all developing countries and regions which have not yet been able to cost them. In this sense, the quantum of the new goal should be set in trillions per year.

- NCQG must agree to adequate amounts of finance that match developing countries' needs for adaptation, mitigation and loss and damage by 2030, 2040 and 2050 so that a 1.5ºC aligned transition is enabled throughout the developing world.

- Quantitative elements of the goal in light of mitigation, adaptation and loss and damage needs and priorities. One of the lessons from the USD 100 billion goal is the need to determine thematic areas to ensure a balanced flow of resources. Implementation of the current goal has been through financial flows focused on mitigation, with only 28% of resources aimed at adaptation,[1] leaving an important gap in the urgent adaptation needs that developing countries face to ensure a sustainable and climate resilient development.

Recognizing differences in these three components of the goal will allow a better allocation of resources in line with developing countries needs and priorities. For instance, through possible subgoals, its relation with the instruments and channels most appropriate for countries to implement their National Adaptation Plans, Long Term Strategies and addressing loss and damage or differentiate funding gaps between adaptation and mitigation that could illuminate the order of magnitude of the quantum, understand the positive externalities of investing in each component (i.e., investment in adaptation reduces future expenditures on loss and damage or investment in mitigation generates development in countries).

- Only cross border flows should be included in the NCQG. The New Goal is set in accordance with article 9 of the Paris Agreement this involves recognizing that mobilized resources must come from developed countries and noting the significant role of public funds.

Element 4 Thematic scope

- The NCQG should be structured in thematic areas that cover at the very least adaptation, mitigation, and loss and damage, as this is a major way to take into account the evolving needs and priorities of developing countries. A structure shaped in thematic areas acknowledges that these are addressed by different financial sources and involve different channels and actors.

- It is essential to include loss and damage as one of the thematic areas, as we recognize that the impacts generated by a few countries are being suffered by many countries that have contributed the least to the current climate situation. In addition, new funding arrangements to address loss and damage, including a new fund, are being operationalised.

- This should also take into consideration cross-cutting matters such as capacity building, technology transfer, gender and action for climate empowerment, so that the NCQG is not only fit for purpose but also maximizes the effectiveness of the new goal. This, in turn, will contribute to accelerating the fulfillment if Article 2 of the Paris Agreement.

Element 5 Qualitative elements

Another of the lessons learned from the USD 100 billion goal is the complexity of tracking different sources of resources and determining whether they are effectively reaching developing countries where real-impact can be generated, since a very high proportion remain in implementing agencies that are not based in developing countries and/or become administrative costs. This is one of the most concerning elements, as there is a

[1] Climate Policy Initiative (2023) Global Landscape of Climate Finance 2023. "https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2023/

significant difference between resources disbursed and resources reaching the ground. The qualitative elements of the NCQG must address this situation, as the new goal is called to enhance the use of climate finance aimed at supporting developing countries.

- NCQG should ensure that sources and instruments for the provision and mobilization of climate finance have a strong focus on public, grant-based and concessional resources, particularly considering the need for scaling up public and grant- based finance for adaptation, and loss and damage response. Other new and innovative sources of finance such as public-private partnerships, payment for environmental services, blended finance, guarantees, de-risking investments, green labelling, disclosure schemes, development of local green bond markets, etc., need to be explored and considered as a complement to public and grant-based finance.

- Debt is still the most common financial instrument used to channel climate finance globally (61%)[2]. A crucial element of the new goal is that financing must be non-debt inducing and grant-based concessional finance. Instruments that are at market rates should not be included as public flows. Public climate finance provided and mobilized by developed countries in recent years has been mostly (72%) through concessional and non-concessional loans. Disproportionally, 81% of public climate finance for Latin America and the Caribbean came from loans. Moreover, the region has historically accessed low levels of climate finance, accounting for only 16% of the global climate finance through bilateral channels, multilateral funds, and MDBs in 2019–2020. Debt imposes an intergenerational burden on our countries and compromises future public expenditure, spending more on debt service. The affordability of finance is therefore not a minor issue as financial sustainability is sought.

- Latin American countries face challenges in achieving the objectives of Art. 2 due to their high capital costs to cover the expenses of climate change impacts, which often result in increased indebtedness that limits fiscal space. The NCQG should help countries overcome this financing barrier.

- The NCQG should establish funding mechanisms to ensure the predictability and increasing funding for the operating entities of the Financial Mechanism, such as the GCF, GEF, Adaptation Fund, including the Fund for Loss and Damage.

- Accessing public climate finance through multilateral, regional, and bilateral channels has become highly intricate and complex. Many developing countries lack the necessary capacities to navigate this effectively, resulting in a significant bottleneck in climate finance and difficulties for timely access of the resources.

- Access should be enhanced through harmonization of procedures, including through simplified access modalities, accreditation of national agencies, allowing readiness resources for project preparation, increasing resources for project implementation (i.e. implementation of NAPs), improving the articulation of the needs to the fiduciary standards as well as the

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speed and cost for accessing the funds. It also should facilitate access for diverse stakeholders, including subnational actors, local communities, indigenous peoples and women.

- The delivery of finance should be assessed to address high transaction and administrative costs and increase the amount of resources that reach the ground and generate real transformations in developing countries.

- It should also allow for innovative financial instruments for climate change, which refers to creating new and innovative instruments, but also introducing innovative elements into existing instruments. For instance, designing instruments to free up fiscal space, or other instrument such as guarantees, debt swaps, or others that help address the financial circumstances of developing countries to increase climate investments.

- Financing for technology transfer, actions for endogenous technology, capacity building, gender and action for climate empowerment should also be considered.

- Enabling environments in developed countries are critical to allow resources flow to developing countries. The role of supervisors, rating agencies, regulatory bodies, and other stakeholders is relevant. Therefore, the NCQG should send a strong signal to address the "dis-enablers" of climate finance.

Element 6. Transparency arrangements

- A solid transparency reporting system on the achievement of the new goal is needed, since there is no standardized methodology with clear and detailed information on the resources mobilized, sources, channels, and instruments. That must be overcome by providing information on climate-related activities, grant equivalence of non- grant instruments, accountability of the mobilization of private finance through public interventions.

- We envision key elements in transparency: i) avoiding double counting, ii) ensuring that resources are implemented in developing countries, iii) avoid greenwashing. The above entails defining which activities and types of resources will be counted within the NCQG and which activities or resources will definitely not be considered as climate finance. In this sense, the elements of transparency will depend on how the new goal will be structured.

- The transparency arrangements under the NCQG should be based on processes and constituted bodies already established under the UNFCCC and the Paris Agreement, including the Enhanced Transparency Framework (ETF), the Global Stocktake, and reports produced by the Standing Committee on Finance (SCF). The ETF and its detailed set of modalities, procedures and guidelines should function as the reporting system under the NCQG, allowing the effective tracking and reporting of finance flows, by each country, and the progress towards achieving the new goal, including quantitative and qualitative elements.

The inclusion of financing for loss and damage entails defining how it would modify the ETF before the next round of BTR. Current reports will transition to what will be suitable for the NCQG.

- The Biennial Communications presented under Article 9, paragraph 5 of the Paris Agreement, as an ex-ante report, should be used to provide predictability and accountability to the climate finance flows to be provided to developing countries in the implementation of their NDCs, NAPs, LTS, and other planning strategies.

- The Standing Committee on Finance (SCF) should play a role in tracking and reporting on the delivery of the NCQG. This should be done within the Biennial Assessment and Overview of Climate Finance Flows, including financial data in the BTR reports, assessing the adequacy of financial support provided and mobilized by developed countries to developing countries, providing recommendations and on its periodic update.

- Progress in the delivery of the new goal should also be assessed as part of each Global Stocktake, considering the best available science, in particular from the IPCC.