NEW COLLECTIVE QUANTIFIED GOAL ON CLIMATE FINANCE

SUBMISSION OF CALLS AND RECOMMENDATIONS TO THE UNFCCC BY THE HOME OF THE SIBUYAN ISLAND PEOPLES[1]

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Rationale

The establishment of a **new collective quantified goal on climate finance** (**NCQG**) presents one of the most critical and pivotal opportunities to accelerate global climate action. As global temperatures continues to rise due to anthropogenic greenhouse gas (GHG) emissions and climate change impacts worsen, the urgency, importance, and implications of this imperative grows with each passing day.

It is stated under paragraph 53 of Decision 1/CP.21 that "developed countries intend to continue their existing collective mobilization goal through 2025 in the context of meaningful mitigation actions and transparency on implementation." All actors, from Parties to non-state stakeholders, must work together to create a bolder commitment to climate finance with the necessary tools and capacities to reduce adaptation and mitigation gaps and avoid any further loss and damage (L&D), in aid of climate-resilient development.

The world must learn its lessons from the previously-set goal of USD100 billion by 2020 to aid developing countries. The new number cannot just be another political statement; it must be based on the needs and priorities of these nations. The same mistakes cannot be allowed to repeat; otherwise, everyone would pay the price, in one way or another, and the price is unjustly steep for those with greater needs yet less capacities.

What must not be lost in translation is the clear intent behind this new goal: to aid developing countries and the most vulnerable peoples in addressing the climate crisis, the gravest existential threat to current and future generations. We cannot afford to continue bearing the brunt of the impacts of a crisis, to which we are far less responsible for causing. While determining the terms, modalities, sources, and other elements of this new goal are important, decision-making on this matter must not let these aspects undermine the intent behind what should be a more ambitious global financial goal.

The time is long overdue to shift away from the ways of thinking and doing of the current status quo that not only brought about the climate crisis, but also global issues such as the COVID-19

[1] Home of Sibuyan Island Peoples is an accredited observer organization to the United Nations Framework Convention on Climate Change (UNFCCC). The positions and recommendations presented in this paper also reflect those of Living Laudato Si' Philippines, a Philippine interfaith movement campaigning for fossil fuel divestment, social justice, and sustainable development.

pandemic. Transforming our planet and people towards a reality where no one is left behind can only be made possible through a commitment stated in the NCQG.

Guiding principles

- *Determining the NCQG must be based on the best-available climate science and data*. The USD100-billion target was largely a political statement, without a strong basis for its formulation and a lack of clear definitions, allocations, roles, and sub-goals towards its supposed attainment. This mistake cannot be repeated in developing a new collective quantified goal for climate finance. It must be noted that in the NDCs, NAPs, the IPCC reports, and other sources of observed and projected data, there exists gaps in information that results in estimates of climate finance that are at best conservative. These gaps are especially significant in developing countries, who are intended to be the beneficiaries of climate finance. Yet this should not be an excuse to delay financing climate action any longer.
- *The formulation and operationalization of the NCQG need to be bound within the UNFCCC and the Paris Agreement, anchored on climate justice*. The new goal must be grounded on the long-established principles of the "polluter pays", common but differentiated responsibilities and respective capacities, and intergenerational justice. It must be inclusive of the needs and priorities of developing countries and the most vulnerable sectors and communities (from both developed and developing nations), using the lens of gender, youth, indigenous peoples, and other highly-vulnerable sectors. It should also be primarily based on national climate policies and plans, such as the Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs). All established financial glows must abide by Article 2.1c of the Paris Agreement, where Parties agreed to "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."
- *The NCQG must be regularly updated to reflect the changing needs of developing countries and the most vulnerable sectors.* Climate finance is never static, as risks, vulnerabilities, social, economic, and environmental conditions, development goals, and corresponding needs for adaptation and mitigation evolve as a response to GHG emissions, climate change impacts, and among themselves. The quantitative and qualitative characteristics of the new goal to be determined by 2025 must reflect the dynamic nature and interlinkages between and among impacts, solutions, and stakeholders relevant to developing countries, with subsequent finance goals being updated to cover changes to these factors and actors.

Structure and components

- *The NCQG must be established as a matrix that categorizes targets according to the three pillars of climate action*. These pillars are mitigation, adaptation, and L&D, with a specific list of quantitative and qualitative sub-goals listed under each of these components that differentiates needs for direct (i.e., project funding) and indirect (i.e., investments) modes of finance. Gaps, needs, and priorities must be based on what developing countries indicated in their policy documents under the UNFCCC, including NDCs, NAPs, and National Communications. With the understanding that current metrics for mitigation are mostly quantitative and those for adaptation are qualitative, the resulting formats for reporting data under the NCQG must reflect these characteristics.

- *The funding allocated for adaptation and resilience must be at least half of the NCQG*. Despite Article 9.4 of the Paris Agreement stating the need for a financing balance between mitigation and adaptation, the latter has been underfunded. The lack of adaptation finance places billions of people, especially those in Least Developed Countries and Small-Island Developing States, at even higher climate risk and worsens vulnerabilities that perpetuates climate injustices. Developed countries must commit to ensuring that at least 50% of the new goal will be dedicated to adaptation, with this percentage evolving in subsequent settings of the NCQG depending on global and national circumstances related to adaptation and mitigation.

- *The NCQG must include allocated finance for averting or minimizing loss and damage*. L&D must be officially recognized at COP27 as the third pillar of climate action and finance, separate from adaptation and mitigation, in words as much as in actions. Key to this call is the establishment of a L&D finance mechanism at COP27, which is vital to the survival of the victims of sudden onset disasters and slow onset events. Aligned with the justice and rights-based principles that are also reflected within the UNFCCC and the Paris Agreements, modalities under this finance facility must be grants-based, needs-based, gender-responsive, comprehensive in coverage of economic and non-economic L&D, and driven by inputs from those experiencing L&D themselves.

- *The NCQG must allocate a portion of the finance in advancing climate change education*. Education is the foundation on which to build the road to climate resilience and low-emissions sustainable development, a vital component of adaptation that strengthens multiple facets of climate action, especially long-term competencies, continuity within the climate sphere, and intergenerational justice. A fund under the NCQG must be allotted to support the implementation of the Glasgow Work Programme, which was adopted at COP26 to enhance the implementation of Action for Climate Empowerment (ACE), as defined under Article 6 of the UNFCCC. The decision-making process in determining this "ACE Fund" must include youth representation and be largely driven by the inputs of this sector.

- *The NCQG must increase every five years and embedded with monitoring, review, transparency, and accountability mechanisms*. Learning from the failures of the USD100-billion target, the new global financial goal must be as clear, detailed, and predictable as possible. Updating the NCQG post-2025 should be based on the findings of the latest Global Stocktake (GST) through an evidence-based, comprehensive, regular, and inclusive review process. This must result in higher ambition and corresponding pledges for the next collective goal to be set, aligned with the principle of increasing ambition as stipulated within the Paris Agreement. Spaces and mechanisms must be placed such that the inputs of non-state actors, especially civil society groups and the most vulnerable communities and sectors, are meaningfully integrated into the process.

- *All processes and mechanisms under the NCQG must embody transparency, with standardized formats for reporting.* Reporting funding commitments by developed nations must be done in a transparent manner, aligned with the principles and parameters that have either been set or to be established under the enhanced transparency framework established under the Paris Agreement. Standardized terminologies, methodologies, formats, and communications of NCQG-related pledges by developed countries and other funding stakeholders must also be established to obtain as accurate of an assessment of the progress being made as possible, and avoid double-counting that dilutes the intended impact of such financing and collective pursuit of addressing the climate crisis, especially for developing countries.

<u>Sources and modalities</u>

- *A specific portion of the NCQG must be allocated for and directly accessible for the most vulnerable communities and sectors*. With existing gaps in available data presented in national climate pledges, lack of sufficient institutional capacities, and other conditions applicable to developing countries, the scope of the needs and priorities of the most vulnerable peoples, including women, youth, the elderly, and indigenous peoples are likely not reflected in said documents. Thus, it is necessary for the new goal to create new mechanisms that allows these sectors to have direct access to grants-based financing, with technical and logistical support provided by the UNFCCC.

- *All financing flows under the NCQG must be more easily accessible for developing countries.* Lessons must be learned from the challenges encountered by developing countries in accessing not only with the USD100-billion target, but also from other funding mechanisms under the UNFCCC such as the Green Climate Fund and the Global Environmental Facility. New and existing flows to be counted under the NCQG must be more sensitive to the needs and capacities of developing nations, especially for the Small-Island Developing States (SIDs) and the Least Developed Countries (LDCs) to avoid delays in disseminating finance and be truly aligned with Article 2.1c of the Paris Agreement.

- *The NCQG needs to source climate finance through new sources and accessible, justice-based modalities*.
    - *At least 50% of the modes of finance accounted for under the NCQG must be delivered in the form of grants*. Sources for mobilizing resources that should be counted under the NCQG should include but are not limited to the following:
        - Public finance as committed by developed countries;
        - Public finance generated from taxation and penalties on carbon majors and other environmentally-harmful industries, without incurred costs being passed on domestically to the public;
        - Redirecting public and private subsidies away from fossil fuel corporations and towards adaptation and mitigation solutions;

        - Philanthropic contributions;
        - Domestic funding generated through blended financing, green bonds, public-private partnerships, and other modalities involving multilateral development banks, national banks, and other entities under the private sector; and
        - Public finance freed up through the cancellation of debts of the most vulnerable nations, such as SIDS and LDCs.

    - *Public finance within developing countries directly flowing to unconditional pledges under their NDCs must not be counted as part of the NCQG.* The intent of the NCQG is at the bare minimum for developed nations to provide developing countries with the necessary funding to address adaptation and mitigation gaps. Not counting domestic public finance from being prevents developed countries from overstating progress made as part of this new finance goal.

- *The NCQG must be framed to stakeholders that can mobilize public and/or private finance such that it provides co-benefits contributing to sustainable development and COVID-19 recovery*. Analyzing climate change adaptation and mitigation needs of developing countries cannot be done in isolation from their national development goals and pursuit of the UN Sustainable Development Goals that has a deadline to be attained by all countries by 2030. The needs and priorities of developing countries that will be taken into account for determining the new goal by 2025 have also been impacted by the COVID-19 pandemic, which must be reflected into the framing and mechanisms under the NCQG. Using this approach can help enhance and speed up finance sourcing by fitting climate-related needs within the scope of other existing financing mechanisms that do not explicitly or heavily factor in the climate lens, especially from multilateral development banks, national banks, and other privately-owned funding institutions.