Scope, Quantity, Quality, Access and Transparency Considerations of a NCQG

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THE NEW CLIMATE ECONOMY
The Global Commission on the Economy and Climate


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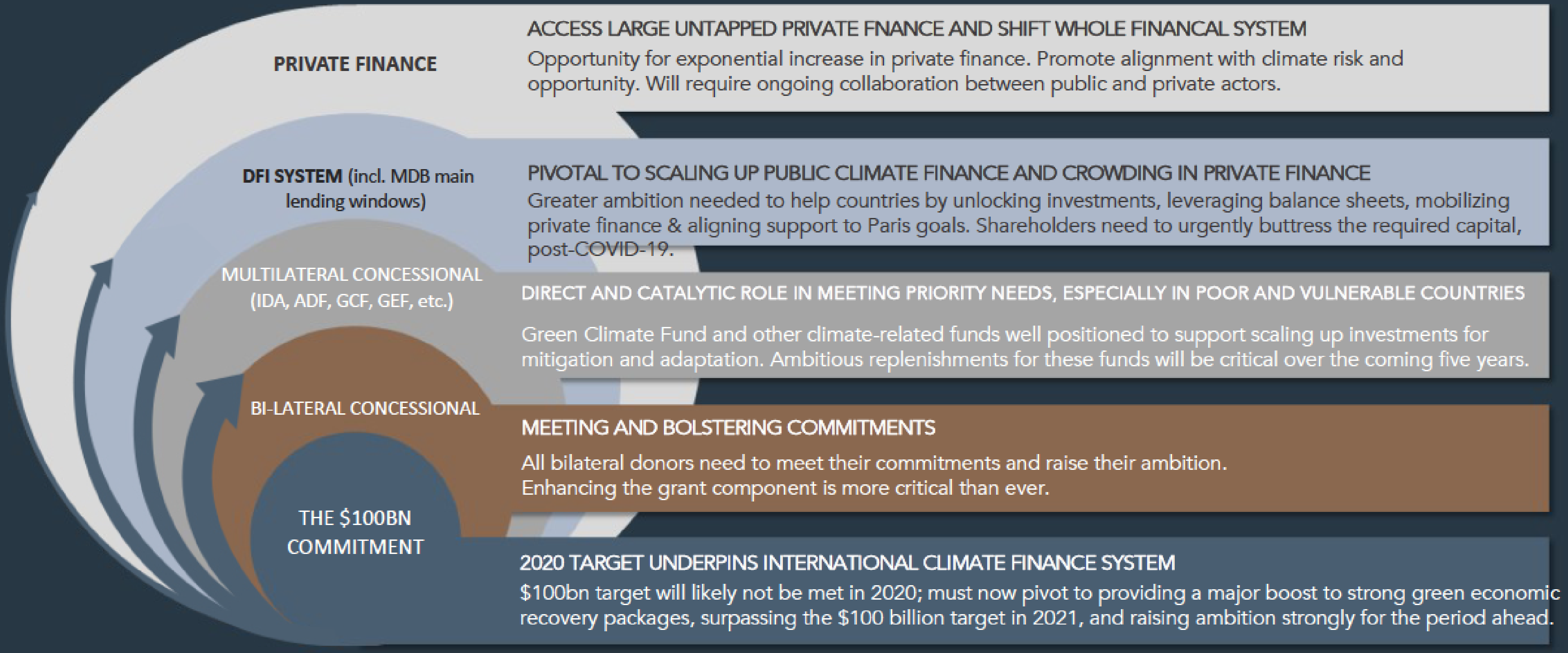
The post-COP26 context

- Shift in global collective goal to 1.5°C.
- Growing number of countries and share of emissions with net-zero targets, with many setting targets for 2030.
- Aggregate commitments mark significant progress from Paris but still a significant gap that has to be closed. EMDEs will account for vast preponderance of future emissions.
- Encouraging engagement and commitment from the private sector, especially the Glasgow Financial Alliance on Net Zero.
- Greater focus on adaptation and resilience, loss and damage, and the needs of poor and vulnerable countries, as well as on nature. Some positive steps but much more needed.
- Increasing recognition of the growth story of the future offered by a low-carbon, climate-resilient, economy. Greater possibilities for technological advances reflected in the "breakthrough coalitions".
- Importance of managing and financing just transitions.

The need to mobilize at scale

- International climate finance is critical now to help developing countries meet two urgent and overlapping needs. The first is the imperative and opportunity for a strong and sustainable recovery and to build back better from the COVID-19 pandemic. The second is sustained transformation to accelerate the transition to a net-zero and climate-resilient future.
- **Climate finance will need to be scaled up massively:**
  - ❑ To ramp up investment in sustainable infrastructure and accelerate energy transitions – to meet large and growing energy needs through renewable energy, accelerate the phase-out of coal, transform energy demand across the economy, and ensure a just transition.
  - ❑ To scale up investments in climate change adaptation and resilience, especially in low-income and vulnerable countries.
  - ❑ To invest in the restoration of natural capital (through agriculture, food and land use practices) and biodiversity.
- Altogether, emerging markets and developing countries other than China will need to invest around an additional $0.8 trillion per year by 2025 and close to $2 trillion per year by 2030 on these priorities.
- The scale and pace of investments in developing countries will determine whether the world as a whole is able to stay on course to keep global warming to within 1.5°C, build adequate resilience against climate change impacts and meet global targets on nature.

OUR CLIMATE FINANCE FRAMEWORK:
A FORWARD-LOOKING AMBITIOUS AGENDA



Independent Expert Group on Climate Finance

Matching financing to needs

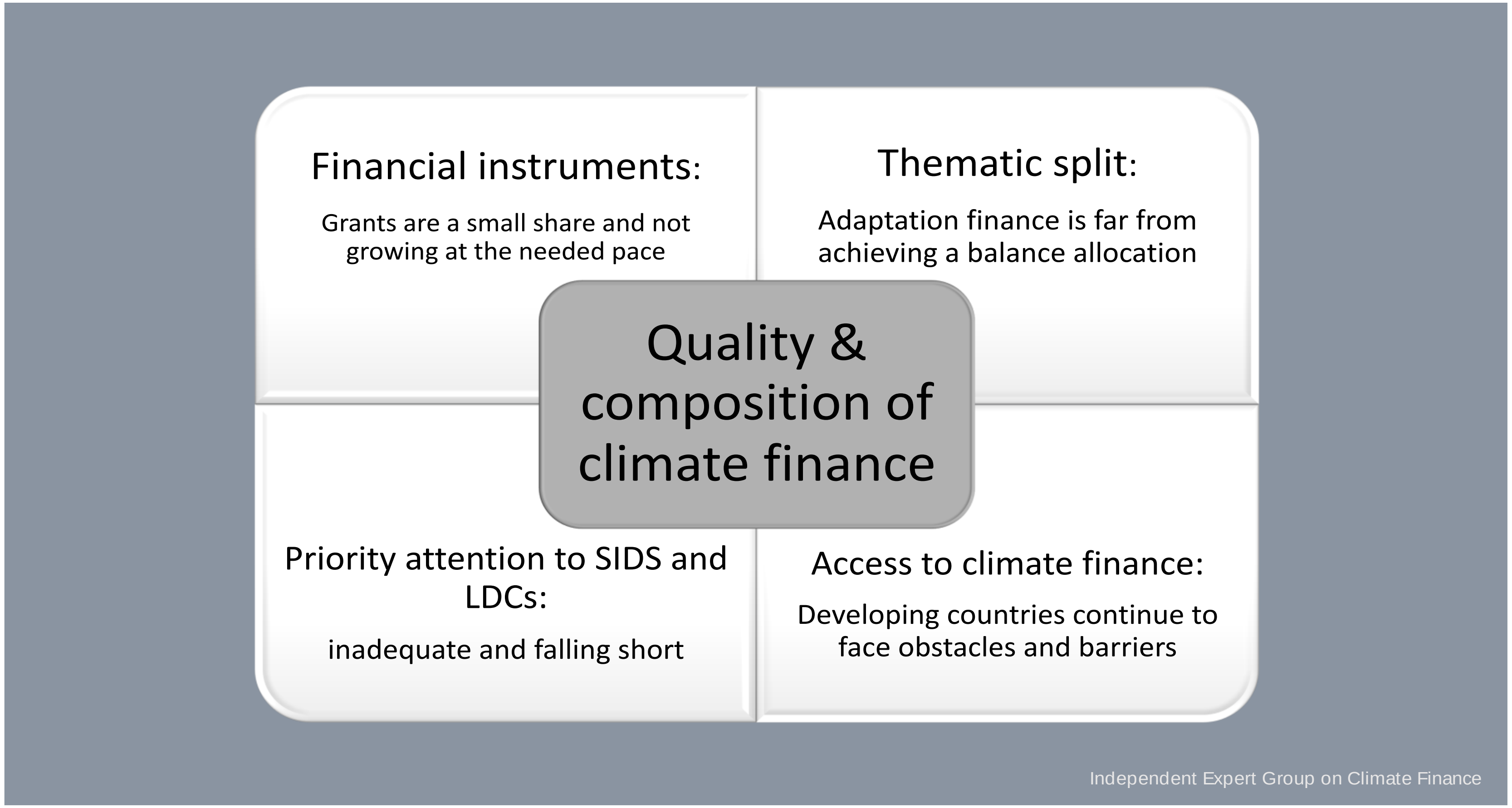
Category	DRM [Domestic resource mobilisation]	Official finance		Private finance
		ODA [Official development assistance]	Multilateral non-concessional	
Human capital	High	Medium	Medium	Low
Infrastructure	Medium	Low	High	High
AFOLU	Low	High	Medium	Medium
Adaptation and resilience	Low	High	Medium	Low
Low-income	Medium	High	Low	Low
Lower middle-income	Medium	Medium	High	Medium
Upper middle-income	High	Low	Medium	High

A 5 point agenda to scale up climate finance

- Donors must **double bilateral climate finance** to $60 billion by 2025 from its 2018 level.
- Donors should **step up their financing of the multilateral concessional funds** – starting with ongoing replenishments – given their important catalytic and leveraging role.
- The **multilateral development banks (MDBs) must be prepared to triple their level of financing** by 2025 from their 2018 levels.
- The private sector and the official sector must work together to **greatly expand the mobilisation of private finance.**
- All parties should pursue **innovative solutions to scale up and leverage climate finance** (including use of SDRs, private philanthropy and voluntary carbon markets).

Amar Bhattacharya and Nicholas Stern, "Beyond the $100 billion: financing a sustainable and resilient future", Grantham Research Institute on Climate Change and the Environment, November 2021

Shortfalls in quality and composition of climate finance



Country-led platforms to accelerate action and mobilize finance

- The starting point for a big investment push must be strong country leadership and actions.
- All countries need to set out ***well-articulated investment programs to stimulate recovery and transformation anchored in sound long-term strategies*** to deliver on development and climate goals. These programs need to be translated into concrete pipelines of projects and supported by a favorable investment climate.
- The establishment of ***country/sector platforms*** can bring together all key stakeholders in support of country-led investment programs and transition strategies.
- Focused country platforms for example on the just energy transition such as the one recently launched by South Africa can help facilitate the acceleration of investments and the mobilization of finance.
- Need for adequate, affordable and predictable finance from the international community.

Transparency and accountability for climate finance

- Shared understanding of what constitutes climate finance and its constituent elements
- Recognize overlap and synergies between mitigation, adaptation and development finance
- More important to focus on adequacy and quality of finance than what is "new and additional"
- Clarify accountability of different stakeholders including developed countries, recipient countries, MDBs/MCFs and the private sector
- Ensure that reporting arrangements are consistent with accountabilities and address methodological and reporting shortcomings