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Second technical expert dialogue under the ad hoc work programme on the new collective quantified goal on climate finance

Reflections note by co-chairs V.02

I. Introduction

1. This note aims to reflect on the rich discussions during the second technical expert dialogue on the new collective quantified goal on climate finance (NCQG) held in conjunction with the 56th session of the Subsidiary Bodies on 13–14 June 2022 in Bonn, Germany.¹ Building on the first reflections note published in advance of the second technical expert dialogue, this second reflection note was prepared under our own responsibility and presents a non-exhaustive set of views. This note aims to help us advance towards the third technical expert dialogue, where we look forward to technical exchange and “deep diving” on identified topics.
2. We are encouraged that the first and second dialogues set the stage for frank and open discussions, and we endeavour to continue providing such an environment for the subsequent dialogues.
3. A clear and persistent message from the second technical expert dialogue is a keen sense of readiness of Parties to engage in and “deep dive” on substantive discussions on specific aspects identified during previous discussions and grouped under the landscape of issues, with the aim to further unpack these issues and develop a shared understanding of the purpose of the goal while moving along with technical discussions on selected topical areas during the dialogues. We also heard the need for a roadmap or plan with milestones to provide a greater sense of clarity and space for participants to “deep dive” into each of the issues identified thus far in a sequential manner, while ensuring that all elements are addressed.
4. Accordingly, and as communicated in our message from the 12th of July 2022, the upcoming third technical expert dialogue will provide dedicated space and time for focused discussions on the needs and priorities of developing countries, as well as the sources of climate finance and the role of different actors. The fourth technical expert dialogue will focus on access to climate finance.
5. Section II of this note provides background information and the context of the mandates of setting an NCQG. Building on the landscape of issues that emerged from the first technical expert dialogue, section III aims to reflect threads and further insights identified during the second technical expert dialogue. Finally, section IV outlines possible topics for further discussion, including during the third and subsequent technical expert dialogues, that can support the deliberations on the new goal.

¹ The programme, presentations and video recordings are available at <https://unfccc.int/event/second-technical-expert-dialogue-under-the-ad-hoc-work-programme-on-the-new-collective-quantified>.

II. Background

6. By decision 1/CP.21, paragraph 53, Parties decided that, prior to 2025, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) shall set an NCQG from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries.

7. In Katowice, CMA 1 decided to initiate deliberations on setting the NCQG at CMA 3.² In Glasgow, CMA 3 established an ad hoc work programme on the NCQG from 2022 to 2024 and decided to conduct four technical expert dialogues per year, with one to be held in conjunction with the first regular sessions of the subsidiary bodies and one to be held in conjunction with the session of the CMA, and the two remaining dialogues to be organized in separate regions with a view to facilitating inclusive and balanced geographical participation.³

8. The [first technical expert dialogue](#) was conducted at Kirstenbosch National Botanical Garden in Cape Town, Republic of South Africa, from 24 to 25 March 2022. To capture the substantive and rich discussions held in Cape Town, we prepared a first [reflections note](#) under our own responsibility that presented a non-exhaustive set of views expressed in the form of a “landscape of issues identified”. It was prepared in a manner that captures the breadth and spirit of the discussions, while allowing for flexibility to ensure that all issues will be included, covered and be given sufficient time in the future.

9. We were encouraged by the eagerness to engage in technical discussions on the landscape of issues identified in the reflections note and the ensuing lively participation during the second technical expert dialogue. About 250 in-person participants and 76 virtual participants representing governments, multilateral development banks, non-governmental organizations, academia and the private sector from all over the world contributed positively to the discussions at the second technical expert dialogue.

III. Landscape of issues identified: threads and further insights

10. The second technical expert dialogue provided further insights on the landscape of issues, with some threads beginning to emerge, particularly with respect to elements that require deeper discussions at the technical level and their sequencing, and elements that may require further guidance by the high-level ministerial dialogue and the CMA4. The following landscape of issues including emerging threads and further insights should enable us to transition to the third technical expert dialogue in a manner that captures the breadth and spirit of the discussions of the second technical expert dialogue while allowing for flexibility to ensure that all issues will be included, covered comprehensively and be given sufficient time in the future.

11. We would like to reiterate that the headers of the various sections neither represent formal headings nor reflect any hierarchical order or priority; they merely attempt to reflect the views expressed and are aimed at aiding the reader in navigating

² Decision 14/CMA.1.

³ Decision 9/CMA.3.

the content without prejudice to the various views expressed. Accordingly, they should not be interpreted in terms of any formal context setting.

1. Role and objectives of the NCQG in the context of accelerating the achievement of Article 2 of the Paris Agreement

12. On the **role and objectives** of the NCQG, we heard that the new goal provides an opportunity to accelerate the implementation of the Paris Agreement in line with the aim stated in the decisions taken at CMA 1 and CMA 3. In this sense, we also heard that the new goal provides an opportunity to rebuild confidence in climate finance negotiations and discussions based on the experience in mobilizing climate finance, including the goal of mobilizing jointly USD 100 billion per year.

13. We further heard that, while the NCQG will be a quantified goal, it should not only be a number but also include a qualitative dimension. It needs to be a driver for transforming the way climate finance is currently mobilized, accessed and delivered, while taking into consideration needs and priorities of developing countries. In this sense, we heard of the role that the NCQG can play in supporting developing countries to implement their nationally determined contributions (NDCs). The NCQG should reflect a long-term perspective and send a strong signal to various actors engaged in the climate finance architecture to make available finance that is fit-for-purpose so as to enable the ambitious climate action needed to achieve the goals of the Paris Agreement.

14. Furthermore, the NCQG presents an opportunity to create incentives for both providers and recipients of climate finance to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. In this context, we heard the calls to further explore the implications of this objective for other provisions and commitments of the Paris Agreement and the Convention that are related to providing financial support to developing countries, notably Article 9 of the Paris Agreement and Article 4 of the Convention. This discussion can support in developing a common understanding of the role, elements and operationalization of the new goal.

2. Lessons learned

15. We heard that the lessons learned from the goal of mobilizing jointly USD 100 billion per year and how barriers experienced by providers and recipients in mobilizing, accessing and delivering climate finance were addressed or not, should inform the new goal. Examples of such barriers can be drawn from cases where efforts have been made to translate NDCs, National Adaptation Plans, Technology Needs Assessments, and other national climate strategies into climate finance strategies and investment plans. Furthermore, we think that dedicated space and time for technical discussions on sources of climate finance and actors from the perspective of providers and recipients will benefit the NCQG.

16. Accessing climate finance remains a challenge for developing countries, particularly with respect to the process of accrediting national entities to different climate funds, limited capacity to access finance owing to cumbersome application requirements that slow disbursement of climate finance and therefore delay implementation on the ground. Improving the quality of mobilizing and delivering climate finance can enhance access through the notion of inclusive finance, meaning

the provision of finance for just transition and incentivizing impactful investment in least developed and harder-to-invest countries and communities. It is therefore our understanding that the topic of access requires dedicated space and time in 2022.

17. The imbalance between adaptation and mitigation was further emphasized, highlighting the need for a better balance under the new goal, and a range of ideas was shared for achieving such balance. Furthermore, we heard a call to scale up climate finance by ramping up investment in sustainable development and climate change adaptation and resilience in developing countries, addressing loss and damages, as well as intensifying efforts on aligning existing finance commitments with mitigation and adaptation targets and actions, that are informed by the best available science. Participants also highlighted the importance of tracking delivery of the NCQG as well as the impact and effectiveness of climate finance.

3. Needs and priorities of developing countries

18. We heard persistently that the NCQG will take into account the needs and priorities of developing country Parties noting that needs are generally communicated by thematic area and by sector, both in quantitative and qualitative terms. Given the dynamic nature of needs and priorities, questions arose as to what extent can the NCQG reflect such dynamics, and if and how the NCQG can provide a framework to account for periodic adjustments reflecting such changes.

19. We have also heard that the NCQG may take into account top-down assessments of needs, i.e. quantifying investment costs of global adaptation and global renewable energy needs, and bottom-up processes, such as needs identified in NDCs and/or through national and regional needs assessments.

20. In this respect, we heard that a vast amount of information is available on the needs of developing countries that may be considered to ensure the NCQG contributes to low greenhouse gas emissions and climate-resilient development, including national, regional and global reports. National reports include reports submitted under the UNFCCC, recognizing that many such reports do not contain cost estimates of needs, including owing to a lack of available data and limited capacity.

21. In the context of needs and priorities of developing countries, the work of the Standing Committee on Finance (SCF) through the report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement is identified as a useful source of information that could inform qualitative and quantitative elements of the NCQG.

22. The development of institutional and human capacities and methodologies that enable systematic gathering of information and data on needs, which in turn can facilitate the taking into account of the needs and priorities of developing countries, was also highlighted.

4. Role of climate finance actors

23. Following the discussion in the first technical expert dialogue, a key and consistent message which was highlighted pertains to the role of the **private sector** both in the process of setting the goal and in mobilizing climate finance, recognizing that the role of private sector finance needs to be further clarified.

24. Therefore, we intend to engage private sector stakeholders in the dialogues to better understand barriers and drivers of private investments, building on those identified in the first technical expert dialogue, and in identifying private sector involvement in the new goal. To facilitate such engagement, the third technical expert dialogue will provide space in the form of “expert input roundtables”, bringing together experts from the public and private sectors.

25. Accordingly, we intend to also engage with private sector stakeholders who are not limited to the financial sector in order to incorporate the views and experiences of businesses including micro-, small- and medium-sized enterprises and local economic actors. Recognizing the context specificity under which the implementation of climate measures and the provision of climate finance takes place, the engagement with private sector stakeholders will benefit from pursuing a context-specific approach, with regards to geography and actors, in order to elicit fruitful insights on existing opportunities and barriers to the mobilization of private finance.

26. Fostering the continuous involvement of private sector actors at the early stages of formulation of climate action, including in the project design and planning stages, is highlighted as a useful approach to enhance private sector mobilization and improve implementation at project level, national and regional climate action plans.

27. We also heard that synergies and insights arising from other fora in which the mobilization of private sector finance is discussed, can be leveraged to streamline the efforts undertaken by Parties and stakeholders to foster a common understanding of private sector engagement. Relevant insights from within UNFCCC processes, the work of other relevant UN agencies and conventions, and fora and coalitions as well as the work of private sector and non-governmental organisations and research institutions can be considered to improve identification of opportunities and boundaries of private sector finance.

28. Creating and strengthening enabling environments and tailored regulatory frameworks at a national and international level is a further lever through which governments and public authorities can foster higher degrees of private sector involvement in climate action and enable efficient delivery channels of climate finance.

5. Elements of the NCQG

29. On possible **elements** of the NCQG, we heard a general recognition of the multidimensional aspect of the goal and the linkages across each dimension, with possible dimensions or subgoals around actors, thematic areas, sectors, financial instruments and recipients.

30. We also heard a set of **principles** or characteristics of the NCQG, namely, being accessible and inclusive, adequate, science- and human-rights based, effective, predictable, measurable and transparent, time bound, consistent with the principles of the Paris Agreement, and responsive to the needs and priorities of developing countries.

31. On **scope**, we heard that the NCQG would need to cover the multiple facets stemming from the relevant decisions,⁴ albeit the need to avoid overcomplexity of the goal. In terms of thematic scope, we heard that the goal should cover adaptation and mitigation, with differing views on covering loss and damage.

32. Within these multiple facets, we heard that the new goal will comprise both qualitative and quantitative aspects and recognise the importance of the signalling and mobilization effect that a quantitative element of the goal has on the achievement of objectives of the Paris Agreement.

33. We heard iteratively that the **quantitative** elements of the new goal should take into account the needs and priorities of developing countries and development pathways, and be guided by principles such as predictability, accountability (including in terms of finance received), transparency and additionality. Furthermore, we heard of the possible dimensions or sub-goals that could also be expressed in quantitative and qualitative terms.

34. On **qualitative** elements, we heard different views of what quality might mean, highlighting the need to further clarify the scope and content. Some interpreted quality as effectiveness, and some related it to the type of financing instruments used or to the thematic or geographical distribution of climate finance. We noted further that quality of finance can be understood, amongst others, as to how finance relates to the involvement of different actors within a given context, as well as the temporal correspondence of finance flows with formulated climate ambitions or plans such as long-term low greenhouse gas emission development strategies.

35. We have also heard views on qualitative elements in the context of enabling policy environments conducive to supporting finance flows, including access to climate finance. In this context, we heard that limited fiscal space of many developing countries remains a challenge, particularly in relation to accessing debt instruments to scale up investments in climate action required amidst increasing vulnerabilities and risks due to climate change. Accessing climate finance under the NCQG should avoid further debt stress for developing countries.

36. On **access**, we heard that the NCQG should contribute to improving access to all sources of climate finance, with ideas ranging from streamlining access for developing countries across various channels, creating minimum floors for groups of countries, simplifying access modalities consistently with the ambition level of pathways chosen by developing countries, or for small-scale activities. We also heard that the NCQG should facilitate access to climate finance by subnational governments, local communities and indigenous peoples, and be gender responsive. The new goal should promote inclusive provision of finance while fostering enabling environments to increase absorptive capacity, planning abilities and capacity to design bankable projects.

37. Participants identified the need for a variety of **sources**, including public and private, and new and innovative sources of finance. Several examples of new and innovative sources of finance emerged such as special drawing rights, polluter pays taxes, carbon pricing, and phasing out of fossil fuel subsidies. There is a need to further clarify each of these sources, including if and how they relate to the scope of

⁴ Decision 1/CP.21, para. 53, decision 14/CMA. 1 and decision 9/CMA.3.

the NCQG. Recognizing the importance of public and grant-based sources, particularly for adaptation projects, we heard the need to further clarify the role of public sources vis-à-vis leveraging private capital under the new goal. We have also heard the need to broaden the contributor base reflecting the collective nature of the NCQG and the global efforts to mobilize climate finance.

38. On **transparency**, there is general recognition that the enhanced transparency framework under the UNFCCC provides a solid basis for tracking progress towards achieving the NCQG, recognizing that aspects that are not covered under the current framework may need further clarification. These include among others:

- (a) The role of the biennial assessment and overview of climate finance flows by the SCF in tracking progress;
- (b) The need for a common definition or shared understanding of climate finance and agreed methodology for accounting climate finance provided, mobilized and received;
- (c) The need for a periodic review on progress towards achieving the new goal, including under the global stocktake;
- (d) Modalities to track private finance flows;
- (e) Tracking the effectiveness and impacts of climate finance from both a recipient and provider perspective;
- (f) Linkages with ex ante information on climate finance to be provided in line with Article 9, paragraph 5, of the Paris Agreement.

6. Pursuing synergies between the NCQG and other ongoing processes

39. The ad hoc work programme on the NCQG provides an opportunity for an iterative and cyclical process of political guidance to the setting of the goal and bottom-up approaches, facilitating open, inclusive and transparent deliberations by all interested stakeholders based on data and science. As such, maintaining trust between all stakeholders involved in the process is fundamental to ensuring buy-in and ownership at all levels.

40. The role of various stakeholders in the climate finance architecture, including international financial institutions, multilateral development banks, climate funds and other financial institutions was identified as critical both in the framing of the NCQG and in the mobilization and delivery of climate finance, and needs to be further explored. In addition, the work of the constituted bodies under the UNFCCC, particularly the SCF, the Paris Committee on Capacity-building, the Adaptation Committee and the Executive Committee of the Warsaw International Mechanism for Loss and Damage associated with Climate Change Impacts were identified as important inputs to the process of defining the goal.

41. To avoid duplications and overlaps, **synergies** with other processes within and outside the UNFCCC should be considered, including:

- (a) The global stocktake, including its technical assessments, which offers an opportunity to reflect on needs evolving over time and provide political guidance on updating and enhancing climate actions and support;

(b) The enhanced transparency framework to track progress of financial resources provided to developing countries, as well as information on support needed and received by developing countries;

(c) The global goal on adaptation;

(d) The work of the SCF, including the report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year; the biennial assessment and overview of climate finance flows, the report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, work on definitions of climate finance and work relating to Article 2, paragraph 1(c), of the Paris Agreement were identified as useful sources of information that could inform qualitative and quantitative elements of the NCQG.

(e) Processes related to financing loss and damage, including the Glasgow Dialogue on loss and damage;

(f) The needs-based finance project to explore ways and means to assist developing country Parties in assessing their needs and priorities and in translating climate needs into action;

(g) The reports of the Intergovernmental Panel on Climate Change that synthesise the latest scientific evidence on climate change from global sources;

(h) Initiatives such as the Network for Greening the Financial System, European Union taxonomy, and the European Union sustainable finance disclosure regulation.

IV. Possible topics for further discussion

42. Based on our reflections above, we have attempted to identify some areas for further discussions with respect to the needs and priorities of developing countries, as well as the sources of climate finance and the role of different actors at the third technical expert dialogue. This non-exhaustive set of issues does not represent any order of prioritization; rather, it serves to aid subsequent discussion on this matter.

43. Needs and priorities of developing countries:

(a) Characteristics of needs and priorities of developing countries:

(i) What are the characteristics of the needs and priorities of developing countries (thematic area, sector and subsector) identified?

(ii) What are the purposes and uses of the identification and costing of needs and priorities, and how can these inform the NCQG?

(iii) How and to what extent have the needs and priorities of developing countries been addressed, how has this been assessed if at all, and how have the actors responded consequently?

(iv) How can the NCQG reflect the needs and priorities of developing countries and their dynamic and changing nature?

(v) What ongoing processes inside and outside the UNFCCC can be drawn upon?

(vi) What, if any, should be the timeline of the NCQG to account for changes in needs and priorities? What, if any, are appropriate milestones?

(vii) How can the NCQG help effectively allocate resources according to priorities and translate them into actions, drawing on previous experiences and lessons learned?

(viii) How can the public and private sector effectively facilitate translating needs and priorities into climate finance strategies?

(ix) How can the NCQG provide a framing that incentivizes the mobilization of climate finance required to address the needs and priorities of developing countries and achieve the long-term goals of the Paris Agreement, including making climate finance flows consistent with a pathway towards low GHG emissions and climate-resilient development?

44. The role of climate finance actors:

(a) What should be the role of the various climate finance institutions in defining and implementing the goal, in particular:

(i) The different actors within the global financial architecture and the scope of their involvement in the implementation and delivery of the goal over time, resulting from previous decisions related to mobilization, access, delivery and oversight;

(ii) The role of the private sector finance actors, barriers to and drivers of private finance and investments, and transparency and oversight mechanisms for private sector involvement;

(iii) The role of the public sector in addressing key demands for more predictable climate financing;

(iv) The efficacy of various actors to contribute to financial needs that can vary across dimensions of volume, theme, geography, sector, etc;

(v) The interaction between private and public sectors to further enhance the scale and effectiveness of climate finance in a manner that helps implementation of NDCs and national climate strategies;

(b) What is the context of the goal in relation to the nexus between innovation in technology and climate finance to meet the goals of the Paris Agreement, and how can the private sector be engaged in those discussions and deployment of technologies?

(c) How can financial institutions accelerate the alignment of their financing activities with the goals of the Paris Agreement?

45. Sources and instruments of climate finance:

(a) What is the role of various sources of finance and mechanisms such as special drawing rights, taxing financial transactions, fossil fuel subsidies, etc., and how, if any, do they relate to the scope of the NCQG?

(b) How can the NCQG ensure a broader base of mobilization and delivery of climate finance? How can the NCQG reflect the global effort of mobilizing climate finance?

46. Access:

(a) How can the NCQG process contribute to enhancing access to climate finance?

- (b) Who are the key actors who need to be involved, and how can they be engaged?
- (c) How can the NCQG process promote enhanced access?