

## Input to Co-Chairs after 1st MAHWP

### Overarching points:

- The EU sees the decision text in its entirety as the NCQG.
- The EU underlines that form follows function and thus the structure should be facilitative in encompassing all relevant elements. The below structuring headers largely follows the structure provided by the co-chairs but is not viewed as fixed compartments for the final decision text.
- For thematic scope, the EU envisions this as a cross-cutting element rather than a structuring element.
- Some qualitative elements will stand in their own right while others might qualify the quantitative elements.

Structuring headers	Elements to be captured
<b>Preamble</b>	<p>[Recalling mandating decisions]</p> <p>Recalling decisions 1/CP.21, paragraph 53, 14/CMA.1, 9/CMA.3, 5/CMA.4 and 1/CMA.5.</p> <p>[Recalling elements from the mandate]</p>
<b>Context</b>	<p><b>[Climate ambition driving global investment]</b> Referring to climate ambition as key driver for increasing global investment and the need to frame the discussions in light of Article 2.1a-c.</p> <p><b>[Development and climate nexus]</b> Acknowledge the interdependencies and synergies between climate change and development objectives and enhance co-benefits instead of trade-offs.</p> <p><b>[IFA reform]</b> Acknowledge the need for an improved link to climate with the broader international finance landscape and the need for reforming the international financial architecture to increase efficiency and achieve impact at scale.</p> <p><b>[Global effort]</b> Stressing that the NCQG is a global effort with expectations of all to contributing according to the dynamic nature of their economic capabilities to contribute, expecting that all put forward ambitious climate plans and working on improving enabling conditions and environments.</p>

	<p><b>[Needs and priorities]</b> Acknowledge the scale of needs and priorities communicated by developing countries, while recognizing that some needs are difficult to cost. Further stress that needs and priorities are evolving and dynamic and will primarily be met through domestic resource mobilisation. Encourage developing country Parties to mainstream needs and priorities into national planning and budget processes.</p> <p><b>[NDCs and NAPs]</b> Stressing the reinforcing nature between NDCs/NAPs and the NCQG and acknowledging the need to scale up efforts to support ambitious climate plans, affirming that these should be backed by clear investment strategies, domestic resource mobilisation and supporting macro, fiscal and other policies.</p> <p><b>[Multi-layered approach]</b> The core of the goal will be complemented by an outer layer that reflects a global effort and encompasses a variety of sources, instruments and channels.</p> <p><b>[Other actors]</b> Acknowledging that we will need a wide range of actors to contribute to the NCQG and further stress the importance of concerted action, including from MDBs and IFIs, (international) financial regulators, private sector, philanthropies, and through tackling barriers and unsupportive enabling environments.</p>
<p><b>Quantitative elements</b></p>	<p><b>[Timeframe]</b> A 10-year timeframe.</p> <p><b>[Core]</b> The goal should be a multi-layered goal with a core of public finance.</p> <p><b>[Contributor base]</b> The core of the goal will be delivered by a broader contributor base based on set criteria, reflecting economic capabilities as well as GHG emissions, acknowledging that capabilities to contribute have evolved since the early 1990s and will continue to evolve. Such criteria would allow for a dynamic contributor base reflecting evolving capabilities. Additional options may include the membership in G20 or the OECD, while recognizing that not all countries strive for OECD membership.</p> <p><b>[Global investment target]</b> The global investment target is addressed through a global effort and should be talking to the needs of developing countries.</p> <p><b>[Sources]</b> The goal should include all sources of finance, including public and private, national and international sources of finance, including domestic resource mobilization and south-South flows and innovative sources of finance.</p>

	<p><b>[Qualifiers]</b> Referring to the qualitative elements, some qualitative elements would be qualifiers to the quantitative elements, incl. enabling environments, covering both the international and domestic level. Support as an enabler for developing countries to build or strengthen enabling environments domestically, incl. through capacity building.</p>
<p><b>Qualitative elements</b></p>	<p><b>[Debt vulnerability/fiscal space/cost of capital]</b> Acknowledge the challenges faced by developing countries and encourage use of (innovative) instruments aimed at addressing them as part of climate finance, incl. highly concessional finance, de-risking instruments, debt-swaps etc.).</p> <p><b>[Policy and enabling environments]</b> Maximizing the impact of NCQG is only possible by having policies, regulations, standards and incentives in place that incentivize climate investments while at the same time reducing flows going to harmful activities, including fossil fuel subsidies. The NCQG itself can facilitate capacity-building for these enabling environments as well as for enhancing absorptive capacity. Calling on governments, regulators and supervisors, public and private financial institutions, rating agencies to create and strengthen the enabling conditions to support an upscaling of flows for climate action and addressing those flows running counter to climate objectives.</p> <p><b>[Domestic macro-economic and fiscal policies]</b> Call on Parties to mainstream climate action into macro-economic and fiscal policy, budgeting and procurement processes, and to develop climate specific finance strategies and investment plans, including by developing fiscal incentives to tackle market failures and other barriers to investment and by future-proofing public finance by redesigning the tax system for net zero and climate resilience.</p> <p><b>[Reforming the international financial system]</b> Call on relevant international fora to make the financial system fit for purpose, fully addressing physical and transition risks for financial institutions and investors, and call for a review of prudential frameworks and standards with a view to taking full account of the implications of climate-related financial risks for financial stability</p> <p><b>[Credit rating]</b> Call on credit rating agencies and domestic and international regulators to ensure that the credit rating system fully integrates climate risks and transition risks, including notably also long-term time horizons.</p> <p><b>[Addressing the insurance gap]</b> Call on relevant international fora to integrate climate risk in their standards and guidance on supervisory practices.</p>

**[Safeguards]** Recognize the importance of developing and applying safeguards to avoid greenwashing and to ensure the NCQG is not hindering sustainable development and poverty eradication.

**[Recipients]** Channelling meaningful support to the poorest and most vulnerable, in particular LDCs and SIDS. Accommodate the most ambitious countries who require support to implement ambitious plans.

**[Access]** The EU sees a broad agreement on capturing access as a qualitative element in the decision, reflecting the imperative of leaving no one behind. Nevertheless, further work is required on how it should be captured in options. We recommend using the next TED to further develop these options.

**[Instruments and sources]** Acknowledge that different sources and instruments have differing respective strengths and are thus differently placed and equipped to tackle specific circumstances and challenges in particular contexts.

**[Balance between mitigation and adaptation]** Albeit not in nominal terms, acknowledge the value of striving for a balance between financing for mitigation and adaptation, while noting that grants should primarily fund adaptation efforts. The EU sees Loss and Damage to be out of scope of the NCQG and requires a "no L&D"-option to be captured in relevant sections.

**[Operating Entities]** Acknowledge the value of channelling finance through the Operating Entities of the Paris Agreement, which have operating modalities that enable them to foster transformational change and encourage all Parties in a capacity to do so to contribute to the Operating Entities.

**[MDBs/IFIs]** Call on MDBs and other IFIs to align their operations with the Paris Agreement objectives (do no harm) and contribute/increase their contribution to climate finance both in highly concessional forms of finance, by significantly increasing the mobilization of private finance and by better coordinating their efforts, including in recipient/client countries.

**[Private sector]** While recognizing the importance of and committing to a core of public finance and underscore the indispensable role of the private sector to reach financing at scale. Further stress the role and responsibility of the fossil fuel industry to support developing countries in transitioning away from fossil fuels in energy systems.

	<p><b>[Impact and effectiveness]</b> Finance is a means to an end and needs to enable ambitious climate action and policy on the ground in order to deliver a long-term impact in the form of emission reductions and climate resilience. Call on all actors to enhance the effectiveness, efficiency and transparency of resource provision and use.</p> <p><b>[Capacity building and technology transfer]</b> Acknowledge that to fully encompass the vast elements suggested incl. In relation to strengthening enabling environments (and in practical terms in implementing mitigation and adaptation action), capacity building and technology transfer plays a key role.</p> <p><b>[Indigenous People / knowledge]</b> Take into account the needs of Indigenous People who are often at the frontlines of climate change and encourage making use of Indigenous knowledge.</p> <p><b>[Gender responsiveness]</b> Ensure that climate finance is gender responsive with a view to further building the capacity of women who are disproportionately affected by climate change impacts.</p> <p><b>[Synergies with biodiversity and other SDGS ]</b> Ensure that synergies between finance for climate, biodiversity and SDGs are enhanced and fostered.</p>
<p><b>Transparency arrangements</b></p>	<p><b>[ETF]</b> ETF as the backbone of transparency arrangements together with the BTRs complemented by reporting such as the Biennial Assessments. Acknowledging that the ETF will likely not cover all relevant elements for the NCQG from the outset but noting that there is already a space for voluntary reporting.</p> <p><b>[MPG]</b> Note that the current ETF MPGs (Modalities, Procedures and Guidelines) already foresee that all those countries who are providing climate finance should report on it. Acknowledging that this would increase transparency, while encouraging and enabling coordinated, complementary and catalytic action.</p> <p><b>[Review of the ETF]</b> Noting that the upcoming review in 2028 provides an opportunity to update the ETF in manners that address any potential elements not adequately covered as pertaining to the final composition, context and elements in the goal. One of such important elements will include capturing impact and effectiveness and progress on mobilizing wider sources of finance.</p> <p><b>[Data providers]</b> Acknowledge importance of additional data providers and consider building on the rich experience and quality of these data in the review of the ETF.</p>

	<p><b>[Role of the SCF]</b> Acknowledge the value of the work of the Standing Committee on Finance. Foreseeing a continued role of the SCF, including through the Biennial Assessment.</p> <p><b>[Role of private sector]</b> Encourage disclosure by private financial actors as this could steer flows in the right direction.</p>
<b>Follow-up</b>	<p><b>[Elements for follow-up]</b></p> <p><b>[ETF]</b> In light of the review of the ETF in 2028, transparency arrangements can be updated, including on the basis of available data, to reflect the reporting and transparency needs and requirements of the NCQG, including in order to effectively track progress.</p>