First Submission by India to the Ad-hoc Working Group on New Collective Quantified Goal
(February 2022)

Background

The Conference of Parties serving as the meeting of Parties to the Paris Agreement (CMA) in its third session in 31st October -12th November 2021 in its decision (8(e)/CMA3 paragraph 17) invited *"Parties, constituted bodies under the Convention and the Paris Agreement, the operating entities of the Financial Mechanism, climate finance institutions, observers and observer organizations, and other stakeholders, particularly from the private sector, to submit their views on the objective in line with paragraph 15 above and on the elements referred to in paragraph 16 above via the submission portal by February and August 2022"*

Paragraph 15 in the above-said decision states that *the new collective quantified goal aims at contributing to accelerating the achievement of Article 2 of the Paris Agreement of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels."* It recognizes that *"this would significantly reduce the risks and impacts of climate change increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."*

Paragraph 16 of the above said decision mentions that the new collective quantified goal *"will be in line with decision 14/CMA.1 and take into account the needs and priorities of developing countries and include, inter alia, quantity, quality, scope and access features, as well as sources of funding, of the goal and transparency arrangements to track progress towards achievement of the goal, without prejudice to other elements that will also be considered as the deliberations evolve".*

It may also be recalled that it was decided in the first session of the CMA in 2018 (decision 14/CMA.1) that deliberations would be initiated to "*set a new collective quantified goal from the floor of USD 100 billion per year with the view to ensure meaningful mitigation actions and transparency of implementation*". It was also agreed that the deliberations would *"aim at strengthening the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with a pathway towards low green-house gas emissions and climate resilient development".*

A. Introduction

The present submission by India is pursuant to the Decision 8(e)/CMA.3 and takes into consideration the views set out in 14/CMA.1. The present document is submitted with the aim to contribute towards the discussion on the quantity and quality of resources that would need to be provided to the developing countries by the developed countries to give a fighting chance of meeting the objectives set out in Article 2 of the Paris Agreement.

The UN Framework Convention on Climate Change (Convention) and its Paris Agreement have underscored the critical requirement of climate finance flow from the developed country Parties to the developing country Parties. The Convention acknowledged that the largest share of historical and current global emissions of greenhouse gases have originated from the developed countries, recognizing also that developing countries would need increasing amount of the carbon space to meet their developmental needs. In fact, the Convention links the implementation of the commitment by the developing countries to the developed countries providing new and additional resources to meet the full cost and access to technology(Article 4.3). In addition, it recognizes that the priority for the developing countries would still be economic and social development and poverty eradication (Article 4.7).

The Paris Agreement also duly states that developed countries shall provide financial resources to assist developing country Parties in mitigation and adaptation (Article 9.1). It also noted the significant role of public funds to support developing country driven strategies and underscored that the mobilization of finance should be over and above previous efforts (Article 9.3).

It was at Copenhagen in 2009 when developed countries agreed to provide new and additional resources approaching USD30 billion for the period 2010-2012. They also agreed to jointly mobilize USD100 billion per year by 2020 to address the needs of the developing countries. At COP21 in Paris, the Parties extended the US$100 billion per year goal through to 2025. It was also agreed that prior to 2025, the Conference of Parties serving as the meeting of the Parties to the Paris Agreement shall set a new collective quantified goal from the floor of USD 100 billion per year, considering the needs and priorities of developing countries.

Despite the commitments made so far, the flow of finance has never met the target and there are several serious issues with respect to clarity on the definition of climate finance being followed and transparency on the estimates and progress.

B. Expectations about the New Collective Quantified Goal

The Paris Agreement requires all Parties to put forward their best efforts through "nationally determined contributions" and to strengthen these efforts in the years ahead. The Standing

Committee of Finance in its first report on the determination of the needs of the developing country Parties related to the implementation of the Convention and the Paris Agreement (2021), mentions that needs across 78 NDCs cumulatively amount to USD 5.8-5.9 trillion up to 2030 which is also only about 41% of the total identified needs. National Communications from 149 Parties represent the highest number of identified needs (6,990 needs) of which 1,137 costed needs cumulatively amount to USD 8.8 trillion–USD 8.9 trillion. Biennial Update Reports from 62 Parties identified 2,044 needs, of which 535 needs are costed, cumulatively amounting to USD 11.5 trillion. Clearly, the need for climate finance is immense even when the estimates do not capture all the identified needs. <u>Therefore, it is important to underline that unless the new collective quantified is ambitious, there could be serious implications towards achieving the NDCs.</u>

<u>The new quantified goal should specify not only the (i) quantity of the long-term finance, but its (ii) quality, (iii) scope, (iv) access to and operating mechanism of the finance and (v) the methods of tracking the flows of such finance in a transparent manner.</u>

The quantum of the new collective quantified goal (NCQG) should be such that it makes finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development as visualized in Article 2 of the Paris Agreement. Further the quality, scale and scope should fully address all needs relating to: emissions reduction as per the global goal; build adaptive capacity and climate resilient economic infrastructure in developing countries including vulnerable countries, and preserve food security for all across the planet. The above priorities must be balanced and one goal cannot be permitted to override the other. Besides, the financial support should predominantly be unencumbered.

i) <u>Quantity of the new collective quantified goal</u>

NCQG must represent a progression beyond the pre 2020 climate finance goal. India's submission on "Financing Architecture for Meeting Financial Commitments Under the UNFCCC" in 2008 had stated that "funding sources cannot be voluntary provider of funds because voluntary contributions are not predictable and cannot service legal commitments under the Convention". <u>It is important that new collective quantified goal is predictable, transparent and connected with the level of commitment of the developing countries. The commitment once made should be mandatory to make it serve a legal commitment under the Paris Agreement (in keeping with Article 9.1 of the Paris Agreement).</u>

In the same submission India had proposed that 0.5 percent of the total GDP of the developed world should be mobilized for funding full agreed incremental costs of adaptation and mitigation through resource transfers or grants. On country specific contribution to this collection goal, a multilateral consensus on the basis of historical responsibility for GHG concentration, current emission levels, per capita GDP etc. was proposed.

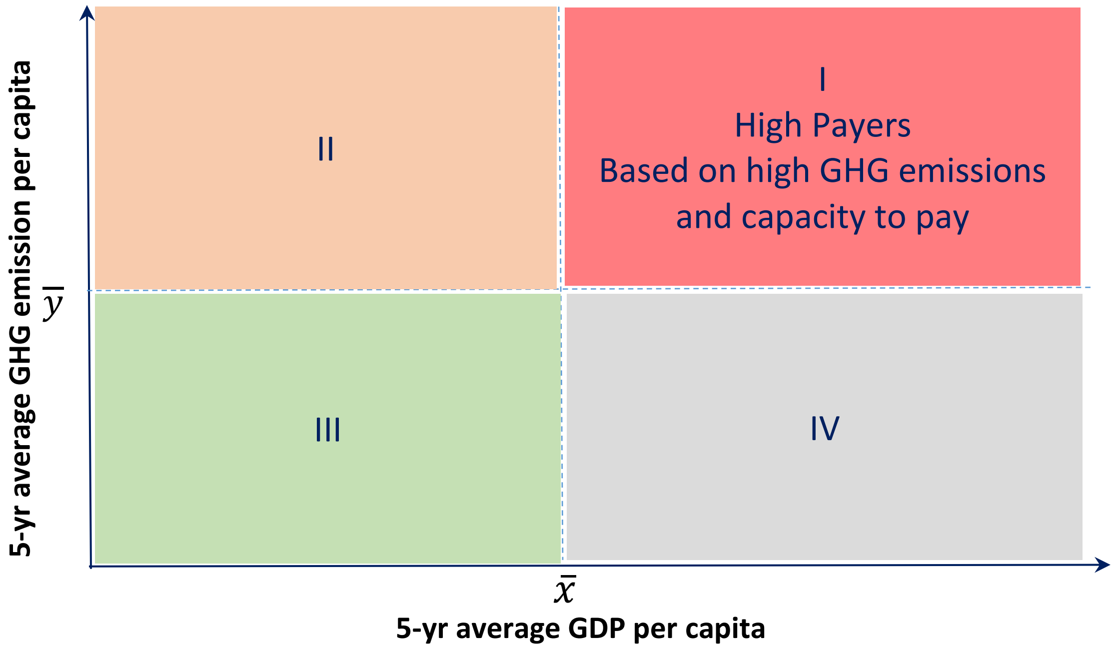
If Annex-II[1] countries had contributed as per India's submission, the finance mobilization commitment of the developed world should have been more than US$ 250 billion per year (Refer Annexure I for computation) by 2020. However, only $100 billion per year was agreed upon in 2009 and much less was mobilized. The mobilization goal of US$ 100 billion per year committed by developed countries is a much smaller amount in size in contrast to the actual needs assessed for developing countries. With the passage of time the requirement for the developing countries has increased and currently estimates for taking climate actions are laying out a case for trillions in new and additional financing. The adequacy of fund remains an issue and scaling up of fund from the developed country Parties is an important requirement for climate resilient future.

Given the fact that the resource requirements have considerably enhanced as evident from the NDC commitments of the developing countries (the requirement for India alone as communicated in the NDC is USD 2.5 trillion for 2015- 2030), developed country Parties should enhance the contribution to at least 2 percent of their GDP or about USD $1 trillion per year in the form of grant, concessional loans and guarantees. Each developed country Party or any grouping of developed country Parties would be free to decide the means for enhancing their contributions towards mobilization of climate finance through country specific or region-specific action applicable within respective developed country borders.

The 'polluter pays principle' and 'respective capacities' should determine the extent of contribution by the developed countries. The sharing of contribution, therefore, could be based on their contribution in the damage and on their respective capabilities.

[1] The countries that were mandated under UNFCCC to provide financial resources also called the Annex II countries. These include the following countries: Australia, Austria, Belgium, Canada, Denmark, European Economic Community, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden Switzerland, Turkey, United Kingdom, United States of America.

Figure 1: Visual representation of the level of commitments required across the developed country Parties (plotting of possible high payers is at Annex-Chart)



In Figure 1, the determination of individual developed country obligations be based on its responsibility (as measured by 5-year average GHG emission per capita) and respective capability (as measured by 5-year average of GDP per capita). The commitment should be the highest for Quadrant I countries followed by Quadrant II, Quadrant IV and Quadrant III.

ii) **<u>Quality of the funds mobilized</u>**

The funds provided should be over and above the existing ODA commitment and should not to be counted towards fulfilment of existing national ODA commitments. <u>The quantum mobilized should be for long term finance with a substantial part in the form of grants. In addition concessional loans/guarantees may also supplement the efforts.</u> It is important that the <u>flow of resources is predictable</u> to allow the developing countries to plan climate action appropriately and enable interventions in keeping with the national priorities of the developing country.

iii) **<u>Scope</u>**

The new collective quantified goal must cover mitigation and adaptation and the mobilized amount of USD 1 trillion per year must be provided equally for mitigation and adaptation(i.e. 50 per cent each for adaptation and mitigation).

iv) **<u>Access to Finance</u>**

Funds can flow to developing countries through international, multilateral, bilateral or specific channels to support and accelerate immediate and long-term actions for addressing climate change as per notified plans. There can be specific and dedicated multilateral funds financed from specific sources in order to support sectoral actions. The existing funding mechanisms under Article 11 of the UNFCCC must be strengthened. There is an urgent need to strengthen institutional capacities, governance mechanisms, and planning frameworks to improve access to global funds.

v) Transparency arrangements to track progress

Funds in support of long-term growth plans flowing from different sources and channels should be tracked and information on such flows should be available in a transparent manner. The principles of transparency and accountability must be adhered to, therefore, the financial contributions as well as their composition and sources should be disclosed as per Article 9.5 and 9.7 of the Paris Agreement.There should be a common reporting framework for such flows and they should be measured and displayed through international mechanisms agreed under the Convention and the Paris Agreement. For the recipient countries also, there should be similar reporting obligations and ways of measuring the outcomes.

The Conference of Parties to the Meeting of Parties (CoP26) on matters related to the standing committee of finance recognized that there is no multilaterally agreed definition of climate finance and agreed that the aforesaid committee will consider the submissions from the Parties on the definitions of climate finance to provide inputs to the Conference of Parties at its twenty seventh session. The lack of an agreed operational definition for climate finance has therefore resulted in uneven reporting and variable data being provided by Annex II developed country Parties on their climate finance contributions under the UNFCCC. It has also resulted in variability in terms of reporting by developing countries with respect to climate finance needed and received. Clarity on the elements of climate finance that is achieved from the work of the Standing Committee on Finance must be duly build into the work of the ad-hoc working group on New Collective Quantified Goal.

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