

## **Canada's submission on views and proposals for bridging ideas on the New Collective Quantified Goal on climate finance**

Canada is pleased to submit further elaborated views and proposals for bridging ideas on the New Collective Quantified Goal (NCQG) on climate finance, in addition to views on substance and format for the eleventh Technical Expert Dialogue (TED11) and third meeting under the ad-hoc work programme (MAHWP3).

We welcome efforts to date by the co-chairs to reflect the wide array of potential options and guide discussions to inform the first iterations of draft text elements. Canada looks forward to building on this work, with a view to setting the NCQG at CMA6 this year as outlined in decision [9/CMA3](#) and [8/CMA5](#).

### **Views on NCQG context**

Canada views the mandate for the NCQG as firmly grounded both in Article 2 and Article 9 of the Paris Agreement. Taken together, decisions [14/CMA.1](#) and [9/CMA.3](#) emphasize that collective ambition should underpin the NCQG. In line with this, a goal that is fit-for-purpose must both reflect the needs and priorities of developing countries and actively support the achievement of the long-term goals outlined in Article 2 of the Paris Agreement – this is paramount for enabling a whole-of-economy transformation.

While the USD 100 billion goal provided a framework to encourage resources provision and mobilization from traditional contributor countries, it has failed to catalyze the scale of action required to adequately reflect current needs, estimated to be in the trillions of dollars, and achieve systemic change.

It is vital to leverage the NCQG as an opportunity to drive further action from all actors, notably those beyond traditional contributors of public finance. Finance delivered by traditional contributors remains a key pillar of implementing Article 9 of the Paris Agreement. Canada is of the view that climate finance from this source must and will continue to be provided – with or without agreement on a new climate finance goal at COP29. An NCQG that is fit-for-purpose therefore should focus on articulating incentives for currently untapped or under-tapped actors, traditional and non-traditional, both public and private, while emphasizing the continued relevance of funds provided by those traditional contributors.

The goal's context should reflect this reality. To do so, the preambular and/or context sections should include language speaking to the following elements:

*Recalling* Articles 2 and 9 of the Paris Agreement, both noting the global effort required to respond to the threat of climate change,

*Recalling* decisions 14/CMA.1, paragraph 1, and 9/CMA.3, paragraph 15, which anchor the NCQG in Articles 2 and 9 of the Paris Agreement,

*Further recalling* the outcome of the first Global Stocktake as referenced in decision 1/CMA.5, and highlighting paragraphs 70 and 83, which emphasize the role of non-Party actors in reaching the scale of investments required,

*Recognizing* the importance of taking into account the needs and priorities of developing countries, as well as the particular circumstances of the people and communities on the frontlines of climate change, including the poorest and most vulnerable,

*Further recognizing* the evolving nature of needs and capabilities,

*Acknowledging* lessons learned from the delivery of the goal of developed countries mobilizing jointly USD 100 billion per year by 2020 in the context of meaningful mitigation actions and transparency on implementation,

### **Views on NCQG structure**

In line with the context outlined above, Canada is seeking a multilayered NCQG, featuring both a quantitative overarching investment target and a quantitative sub-target for support delivered to developing countries. Both targets should be anchored in qualitative principles (e.g. policy layers that strengthen the enabling environments and regulatory framework for climate finance) reflecting the need for deep transformation of our economic systems to support efforts on aligning and mobilizing capital effectively toward Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs).

Canada recognizes the clear and direct link between the scale of any quantitative finance target and the breadth of actors, sources and instruments called upon and incentivized to facilitate the provision and mobilization of climate finance. Recalling that the NCQG is to be set from a floor of USD 100 billion dollars per year, we highlight that, should the resources it draws upon remain narrow, a realistic quantum will be confined to a limited increase from this baseline.

To move beyond this scenario, all actors must be incentivized to do more. This requires broadening the contributors expected to provide and mobilize finance under a sub-target for support to developing countries. Broadening the contributor base is in line with the evolution of national circumstances and capabilities over time – as realities change, expectations for Parties to contribute should also shift. A static understanding of expectation to contribute to climate finance narrows the pool of resources available, disincentivizes ambition and fails to reflect the global nature of the efforts required to reach the long-term goals of the Paris Agreement. As such, metrics to determine expectation to contribute should reflect current realities through the combination of greenhouse gas emissions and per capita income criteria, taking into account

other national circumstances, such that vulnerable and capacity-constrained countries are excluded from an expanded contributor base.

These elements could, for example, be reflected in draft decision text as follows:

1. *Decides* to progressively increase the level of financial resources available to support the achievement of Article 2 of the Paris Agreement globally from all sources, including public, private, domestic and international, to xxx USD per year in total investments by xxx, including by:
  - a. Increasing public finance provided and mobilized to support effective climate action in developing country Parties, particularly Small Island Developing States, Least Developed Countries, and fragile and conflict-affected states, through a wide variety of sources, public and private, and innovative instruments, with the aim to achieve a balance between adaptation and mitigation, to xxx USD per year by xxx, from developed country Parties and other Parties which:
    - i. have GNI per capita above USD 52,000 (PPP) or are top 10 emitters based on cumulative GHG emissions with USD 20,000 GNI per capita (PPP)
  - b. Increasing domestic resource mobilization for climate action through efforts from all Parties, consistent with national needs, priorities and circumstances;
  - c. Supporting the development and implementation of policies in all Parties conducive to the transition to low greenhouse gas emissions and climate-resilient development, notably to enhance investment in relevant sectors, including by, inter alia:
    - i. Establishing domestic carbon pricing policies;
    - ii. Phasing out inefficient fossil fuel subsidies and public financing of the fossil fuel sector;
    - iii. Improving reporting of climate-related financial risks, including by expanding the coverage of mandatory climate-related financial disclosure requirements;
    - iv. Supporting efforts towards the development of domestic taxonomies;
    - v. Reforming the multilateral financial architecture to further unlock climate finance, including adaptation finance through enhanced support for disaster risk management and building of resilience, in line with decision 1/CMA.5 paragraph 95;
    - vi. Working to address systemic barriers to capital, notably by calling on all Parties, in particular bilateral creditors, to introduce climate resilient debt clauses into their lending arrangements, recognizing their role in managing debt burdens;

To underpin this structure, Canada recognizes the importance of establishing robust transparency arrangements for the NCQG, building on the parameters outlined in the Enhanced Transparency Framework (ETF). The goal's transparency provisions should be viewed as an opportunity to encourage all actors who deliver climate finance to report on it, as a key step in improving predictability and accountability.

### **Views on principles and qualitative elements**

Canada views the NCQG as an important opportunity to enhance the effectiveness of climate finance and maximize its impact, further enabling the transformative change required to deliver on the long-term goals of the Paris Agreement. In line with this, the NCQG must include principles and/or qualitative elements aimed at enhancing the inclusivity of climate finance, consistent with a rights-based, gender transformative approach which accounts for fairness for all, including workers.

The goal should set a framework that proactively encourages sustainable outcomes leaving no one behind. To do so, it must take into consideration the best available science and knowledge, including the ethical and equitable engagement and use of the knowledge of Indigenous Peoples – i.e., diverse Indigenous knowledge systems can only be considered with the free, prior and informed consent and direct involvement of the relevant Indigenous knowledge holders, and in recognition that the knowledge of Indigenous Peoples stands on its own without the validation of “Western” science.

Canada further highlights the importance of recognizing the inequities – often exacerbated by climate change – faced by specific underserved groups, notably women and girls, gender-diverse individuals, youth and children, Indigenous Peoples, and persons with disabilities to maximize the goals' impact and effectiveness. Notably, it is vital to set a goal that recognizes Indigenous Peoples, as rights-holders, as knowledge holders and as leaders in climate action.

Such considerations could, for example, be reflected in draft decision text as follows:

2. *Reaffirms* that the New Collective Quantified Goal, its principles and parameters must respect, promote and consider human rights, the rights of Indigenous Peoples, the rights of women and girls, in all their diversity, gender equality, intergenerational equity and the rights of children, and the rights of people with disabilities;
3. *Recognizes* the important roles of Indigenous Peoples and their knowledge in addressing and responding to climate change impacts, and encourages support for the ethical and equitable engagement and use of the knowledge of Indigenous Peoples in the design and delivery of climate finance;

4. *Emphasizes* the importance of mainstreaming gender equality and equity in climate finance, notably taking into account intersectionality considerations, with the aim of making all climate finance flows gender transformative.

Canada is also supportive of the inclusion of metrics aiming to quantify the impact of the NCQG as a tool to incentivize a focus on sustainable outcomes for all, including women and girls, as well as Indigenous Peoples. While impact indicators could reinforce the principles articulated above, increased transparency on actions favouring the inclusivity of climate finance can also provide valuable encouragement to all Parties to adhere to these principles.

Recognizing that barriers to accessing climate finance continue to exist for many recipients, Canada strongly advocates for an NCQG that emphasizes improved access, notably by including language highlighting the need to enhance access through all channels for particularly vulnerable recipients, notably Least Developed Countries (LDCs), Small Island Developing States (SIDS), ambitious but capacity-constrained countries, as well as fragile and conflict-affected states. Canada also recognizes that access challenges faced by the people and communities on the frontlines of climate change represent an important barrier to the effective delivery of climate finance – the NCQG should strive to address this issue, including through enhanced access to climate finance for Indigenous Peoples.

These considerations could, for example, be reflected in draft decision text as follow:

5. *Notes* significant access challenges faced by particularly vulnerable and capacity-constrained developing country recipients, including Least Developed Countries, Small Island Developing States and fragile and conflict-affected states, as well as by Indigenous Peoples and other people and communities that are on the frontlines of climate change within their respective countries;
6. *Encourages* Parties to continue to enhance access to climate finance through bilateral, regional and multilateral channels, including by, where feasible, making efforts to:
  - a. Continue to take into account debt sustainability levels when providing and mobilizing resources;
  - b. Enhance local ownership through supporting modalities, such as direct access at the subnational and community levels, notably by working with local civil society and Indigenous organizations, where appropriate;
  - c. Support efforts to address systemic inequities to access for developing country recipients, including variables that affect the high cost of capital and transaction costs, and capacity constraints.
7. *Welcomes* the work of the operating entities of the Financial Mechanism to enhance coherence and complementarity with other relevant bilateral, regional and global funding mechanisms and institutions to improve access to climate finance and lower

- transaction costs for recipients, including through the development and implementation of the Multilateral Climate Funds' Action Plan on Complementarity and Coherence;
8. *Stresses* the importance of further efforts, including by the operating entities of the Financial Mechanism, to simplify access to climate finance and increase speed of programming, including through the harmonization of policies, processes, and investment profiles, where feasible;
  9. *Further emphasizes* the need for ongoing, long-term collaboration between climate finance delivery channels to reduce fragmentation and develop a climate finance architecture that operates as a coherent system.

### **Views on TED11 and MAHWP3**

As recognized in [8/CMA5](#), Canada reiterates the view that the ad hoc work programme must be inclusive, transparent and open. To ensure this, co-chairs, Parties and non-Party actors must foster respectful and collaborative deliberations that are accessible to a wide variety of rights holders, stakeholders, and partners, including Indigenous Peoples. Canada also encourages co-chairs and participants to account for gender equity considerations and intergenerational equity throughout the deliberation process.

As deliberations on the NCQG continue in the months leading up to CMA6, it will be essential to maintain and refine best practices, notably the breakout group format, which has led to collaborative and interactive discussions, and serves as an option for virtual participation. Drawing on lessons learned, Canada also encourages co-chairs to increase the participation of experts and actors underrepresented in previous dialogues, e.g. Indigenous Peoples, philanthropies, youth, and private sector, and to adequately leverage their expertise to inform decision-making.

To enable progress, Canada suggests the co-chairs consider scheduling the Eleventh Technical Expert Dialogue (TED11) at the mid-point of the third meeting under the ad-hoc work programme (MAHWP3). Opening a space to discuss issues that remain contentious or topics that Parties feel require further unpacking before moving into the final phase of MAHWP3 will set the stage for productive deliberations. Among the issues that require unpacking, Canada suggests a dedicated discussion on the quantum and contributor base, specifically the linkages between both elements, with a view to inform the co-chairs' input to the High-Level Ministerial Dialogue (HLMD). While the nexus between these two topics is vital to the goal's scope and structure, discussions on the matter have been limited. This will enable experts to inform the final session of MAHWP3.

Given the planned sequencing of the work, with MAHWP3 to take place prior to the HLMD, Canada reiterates its suggestion for co-chairs to prepare a brief report to Ministers in advance of

the HLMD. This report should outline various NCQG packages, explicitly linking different elements together to emphasize different plausible types of outcomes. Such a report would, for example, set out options for the quantum of the goal related to its structure, sources of finance and timeframe. As we look to CMA6, it will be important for political engagement to take place with a clear understanding of the potential range of outcomes and their implied trade-offs.