

Submission to the Ad Hoc Work Programme on the New Collective Quantified Goal

United States of America, August 2024

Introduction

- The United States welcomes the opportunity to provide further views on the new collective quantified goal (NCQG).
- Combatting the climate crisis, including limiting warming to 1.5 degrees Celsius and building climate resilience, will require a global effort and a transformative level of investment across the global economy. Unlocking climate finance is a top priority for the United States at home and abroad.
- Within the United States, the Biden-Harris Administration has overseen the largest investments in climate action in U.S. history through the Bipartisan Infrastructure Law and the Inflation Reduction Act.
- The United States is also firmly committed to supporting our developing country partners as they pursue ambitious climate action and take steps to build climate resilience. This includes through President Biden's pledge to work with Congress to scale up U.S. international public climate finance to over \$11 billion per year by 2024, including over \$3 billion per year for adaptation under the President's Emergency Plan for Adaptation and Resilience (PREPARE). We are pursuing such support for developing countries through a whole-of-government effort, alongside complementary efforts with key partners such as the MDBs (including through MDB evolution), philanthropies, the private sector, debt-related initiatives, and voluntary carbon markets (including the Energy Transition Accelerator [ETA] and LEAF initiatives).
- It is imperative that Parties seize the opportunity of the NCQG to find consensus on an approach that is fit-for-purpose for the Paris Agreement and rises to the challenge of combatting the climate crisis in this critical decade.
- This submission is divided into two parts.
 - The first addresses conceptually four key issues for the establishment of the NCQG.
 - The second proposes several textual elements for inclusion in the next iteration of the co-chairs' paper.
- We look forward to engaging with other Parties and continuing to refine these and other ideas.

Part I – Key Issues for a Fit-For-Purpose NCQG

Key Issue #1: A Multi-Layered Approach

- In the U.S. view, the NCQG requires two layers.
- It is widely recognized that the amount of finance needed to meet both the temperature and resilience goals of the Paris Agreement is very large – well above \$1 trillion – no matter whether one considers climate investment needs broadly (e.g., all sources of finance – public and private, domestic and international – in all countries) or

more narrowly (e.g., the needed sources of finance, domestic and international, for climate action in developing countries).

- Public international climate finance and the funding that it mobilizes will continue to be a core component of meeting climate needs. However, it is clear that public international finance alone cannot reach such levels. And the support goal must reflect this reality.
- The support goal should be ambitious and impactful, i.e., it should push contributing Parties to do more than they would otherwise do – as the \$100b goal has; at the same time, it must be realistically achievable.
 - First, the support goal is not intended to meet the totality of needs. Rather, the mandate from Paris to the CMA is to “tak[e] into account” the needs and priorities of developing countries.
 - Second, there is a fine line between a support goal that stretches contributing Parties and one that is so unrealistic that it actually diminishes incentives and potentially undermines the Paris Agreement process.
- On the other hand, if the NCQG were *only* to set forth a realistically achievable support goal, it would not convey the enormity of the finance task before us. Having decided at COP 28 on various imperatives concerning both the 1.5 degree C limit and adaptation/resilience, the Parties would convey the wrong impression – i.e., that the support goal itself somehow answers the call – while in fact it must be a piece of a larger goal and a larger set of actions.
- Thus, we are of the view that there is a need for the NCQG to include two layers:
 - **Global investment goal:**
 - One layer should reflect the larger finance goal. This is the outer layer and in our view should include all global investment.
 - **Support goal:**
 - One layer should reflect an impactful and realistically achievable goal of contributing Parties to support mitigation and adaptation action in developing countries. This is the inner layer and is at the core of the NCQG.
- The inner layer will be a significant (but not the only) contributor to the outer layer. It will contribute directly to the achievement of the global investment goal and also indirectly, e.g., by sending market signals to scale up climate investments in developing countries, by incentivizing climate action across economies, etc.
- Both of these quantified layers will be further complemented by other, qualitative elements that will describe the other actions to be pursued toward these aims.

Key Issue #2: An Ambitious/Impactful and Realistically Achievable Support Quantum

- The question then arises how we should go about designing the support goal layer of the NCQG.
- As noted, the goal needs to be carefully balanced so that is sufficiently ambitious/impactful (i.e., to cause contributing Parties to stretch in terms of their mobilization efforts), yet realistically achievable.

- Methodologically, the mandate set out in the decision accompanying the Paris Agreement tells us that it is a bottom-up exercise, i.e., “from a floor of USD 100 billion per year.”
- We therefore need to identify the factors that would enable the quantum to move upward beyond USD 100 billion. These would include, e.g.:
 - Anticipated increases through bilateral sources;
 - Anticipated increases from multilateral sources, including MDBs;
 - Anticipated increases from mobilized private finance, including philanthropy;
 - Anticipated contributions from new sources, including new contributing Parties, innovative sources, etc.
- The time horizon for the NCQG will, of course, also be relevant.
- Finally, the mandate to set the NCQG from a “floor of” USD 100 billion presupposes use of a methodological approach consistent with that of the USD 100 billion goal, namely that funding will come “from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance.”

Key Issue #3: Contributors to International Support

- Looking back at the decision in Paris in 2015 to extend the USD 100 billion goal through to 2025, we recall that there was, among other issues, a difference of view between:
 - those Parties that sought to extend the goal through 2030, limited to the then-contributing Parties; and
 - the then-contributing Parties, which did not want to extend the goal beyond 2020 unless additional contributing Parties joined.
- The compromise was to extend the goal through 2025 and adopt a new goal by 2024, leaving open who the contributing Parties to a future goal would be.
- Thus, from a negotiating history point of view, it is entirely legitimate, indeed appropriate, to consider the issue of contributing Parties when developing a new support goal.
- It is also entirely fair to add new contributing Parties, given the ongoing evolution of economic realities and capabilities.
- Existing contributing Parties will, of course, continue to provide support to developing countries – no one is walking backwards – but those with the capacity to support others in pursuing mitigation and adaptation must also be accountable for delivering on the NCQG’s support layer.
- Their contributions will also enable a larger quantum for the support layer of the NCQG.
- Identifying contributing Parties could be done in a number of ways, e.g., through a definitional approach, a criteria-based approach, a *de facto* approach, or otherwise. We are open to discussing various options. In no event are we thinking of a large number of new contributing Parties.
- It should be noted, as a legal matter, that any Party that contributes to the support goal does so on a voluntary basis. Certain Parties have a collective legal obligation to provide

an unquantified level of finance (see Article 9.1 of the Paris Agreement); however, no Party has a legal obligation to mobilize finance or, beyond that, to be part of a quantified collective goal.

Key Issue #4 – Structure of the Decision Establishing the NCQG

- As discussed, the NCQG needs to be a multi-layered goal, consisting of two layers.
- The support goal (or inner layer of the NCQG) will be a critical contributor to the global investment goal (or the outer layer of the NCQG), alongside a suite of further complementary qualitative elements.
- These qualitative elements could address issues such as:
 - Enhancing access;
 - Debt sustainability and fiscal space;
 - Concessionality;
 - Cost of capital;
 - Country platforms;
 - MDB evolution;
 - Increasing private sector mobilization;
 - Innovative sources; and
 - Enabling environments.
- In terms of the decision text, we consider that:
 - the outer layer of the goal would be reflected as a chapeau paragraph;
 - the elements contributing to the outer layer would be set out in sub-paragraphs, with (a) setting out the support goal and (b), (c), (d), etc., setting out the other contributing qualitative elements.
- Conceptually, the “NCQG” would be understood as the chapeau and its sub-paragraphs, which would reflect the outer layer investment goal, the inner layer support goal, and the complementary qualitative elements contributing to the outer layer.
- The decision text would likely not need to be longer than two pages.

Part II – Views on Various Textual Elements of the NCQG

Element #1 – Preamble

- The United States favors a short, factual preamble to the NCQG decision. It should recall previous decisions that are explicitly related to the NCQG and welcome progress made under the ad hoc work programme, as follows:
 - *Recalling* decision 1/CP.21, paragraph 53;
 - *Recalling* decisions 14/CMA.1, 9/CMA.3, 5/CMA.4, and 8/CMA.5;
 - *Expressing appreciation* for the work of the ad hoc work programme on the new collective quantified goal, including the work of the co-chairs.

- To the extent that there is to be a more extensive preamble, it could additionally recall relevant articles of the Paris Agreement, additional relevant decisions, and other relevant contextual information, such as:
 - *Recalling* Article 2, paragraph 1(c), and Article 9, paragraph 3, of the Paris Agreement;
 - *Welcoming with appreciation* that developed countries fully met the goal of jointly mobilizing USD 100 billion per year in 2022, mobilizing a total of USD 115.9 billion; and
 - *Recognizing* the role of policies and enabling conditions in contributing to the NCQG and *encouraging* Parties to continue enhancing their enabling environments.

Element #2 – Context

- The context for the existing \$100b support goal is equally applicable to the new support goal and should be reiterated, i.e., that it is undertaken “in the context of meaningful mitigation action and transparency on implementation.”
- In today’s terms, meaningful mitigation action relates to, among other things, keeping a 1.5-degree C limit within reach, and transparency relates to the enhanced transparency framework under Article 13 of the Paris Agreement.

Element #3 – The Outer Layer of the NCQG – a Global Investment Goal

- As noted above, the chapeau to the decision should reflect the outer layer of the NCQG, which, in our view, should reflect a global investment goal.
- It could be drafted in a number of ways, such as:
 - *Establishes* a goal of investing USD [X] trillion globally in climate action by [timeframe] from all sources, public and private, domestic and international, in all Parties, and in furtherance of this goal:

Element #4 – The Inner Layer of the NCQG – the Support Goal

- As noted above, the NCQG’s inner layer should be a support goal reflecting finance to be mobilized by the contributing Parties for mitigation and adaptation.
- This goal would sit in the first sub-paragraph under the chapeau containing the global investment goal.
- The support goal would be at the core of the NCQG and would contribute to the achievement of the global investment goal.
- It could be drafted in a number of ways, such as:
 - *Establishes* a support goal of mobilizing USD [100+] billion for mitigation and adaptation in developing countries by [timeframe] from [contributing Parties], from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance, in the context of meaningful mitigation action and transparency on implementation.”

Element #5 – Qualitative Elements

- The United States considers that the NCQG should also include several qualitative elements, reflecting the breadth of complementary efforts that relate to the achievement of the global investment goal and support goal. These would sit below the chapeau and after the sub-paragraph reflecting the support goal.
- For purposes of the next iteration of the Co-Chair’s input paper, we propose the following elements for inclusion as potential options, recognizing the importance of continuing to discuss and elaborate on these important issues with other Parties:
 - **[Access to Finance]** Urges Parties and other relevant actors to continue to promote efforts to enhance access to climate finance, in particular for LDCs and SIDS;
 - **[Debt Sustainability and Fiscal Space]** Urges Parties and other relevant actors to take fiscal space and debt sustainability into consideration in the mobilization of financial resources, as appropriate, in particular in developing countries;
 - **[Concessionality]** Encourages shareholders of IFIs and DFIs to continue to support developing countries, including through local currency lending and concessional finance, as appropriate;
 - **[Cost of Capital]** Encourages Parties and other relevant actors to continue to support borrower countries’ efforts to reduce their cost of capital for climate action, as appropriate;
 - **[Country Platforms]** Urges Parties and other relevant actors to continue to enhance their climate finance coordination efforts, including through the use of, inter alia, country platforms, as appropriate;
 - **[LDCs and SIDS]** Urges Parties and other relevant actors to continue to take into account the special circumstances of LDCs and SIDS in the provision of climate finance;
 - **[Vulnerable Groups]** Urges Parties and other relevant actors to promote the inclusion of vulnerable communities and groups in climate finance efforts, including women and girls, children and youth, people with disabilities, Indigenous Peoples, migrants and refugees, and workers;
 - **[Safeguards]** Urges Parties and other relevant actors to promote the application of robust financial, environmental, social, and governance safeguards in the implementation of climate financing efforts;
 - **[MDBs]** Encourages shareholders of the MDBs to continue to advance efforts to promote an evolution agenda for better, bigger, and more effective MDBs to address global challenges and maximize impact in developing countries;
 - **[Private Sector]** Encourages Parties to work with private sector actors to continue to scale-up private sector investments in mitigation and adaptation action across all geographic regions and sectors, in particular in developing countries;
 - **[Innovative Sources]** Encourages Parties and other relevant actors to explore the use of and scale-up, as appropriate, innovative sources of finance, including, inter alia, debt for nature swaps, green bonds, and high-integrity voluntary carbon markets;
 - **[Policies and Incentives]** Urges Parties to establish policies and incentives, as appropriate, to promote ambitious climate action, including by adopting credible, effective, and transparent climate plans and strategies;

- **[Net-Zero Targets and Disclosures]** *Recognizes* that many firms and financial institutions have announced net-zero emissions targets and have begun to publicly disclose their transition plans and strategies and *calls upon* more financial institutions to make and follow through on this commitment, as appropriate;
- **[Domestic Resource Mobilization]** *Urges* Parties to enhance their efforts to significantly increase domestic resource mobilization and improve enabling environments for ambitious climate action; and
- **[Subsidies]** *Calls upon* Parties to phase-out inefficient fossil fuel subsidies that do not address energy poverty or just transitions as soon as possible, in line with decision 1/CMA.5, paragraph 28(h).

Element #6 – Transparency Arrangements

- The NCQG decision should also speak to transparency arrangements, such as how data relevant to progress toward the achievement of the NCQG is collected, how such data is compiled, and whether or how that progress is considered by Parties.
- In terms of assessing progress, questions have been raised in particular about how collective progress might be assessed toward the outer layer of the NCQG. In this regard, we note that the Biennial Assessment and Overview of Climate Finance Flows, prepared by the Standing Committee on Finance, already speaks to the breadth of issues proposed to be addressed under the NCQG and does so by drawing on existing sources of information. As such, we consider that future Biennial Assessments could usefully serve to assess progress made toward achieving the NCQG. This approach could be reflected in text as follows:
 - *Requests* the Standing Committee on Finance, as part of the Biennial Assessment and Overview of Climate Finance Flows, to assess the collective progress made toward the achievement of all elements of the NCQG for the consideration of the CMA, drawing on all relevant sources of information.
- In terms of assessing progress toward the support layer, the following approach should be reflected:
 - *Encourages* contributing Parties to the support layer of the NCQG, established in sub-paragraph [X(a)], to consider producing a regular report on collective progress made toward the achievement of the support goal, taking into consideration the preparation of the Biennial Assessment and Overview of Climate Finance Flows by the Standing Committee on Finance and other relevant Paris Agreement processes.
- In terms of potential revisions to the NCQG, the United States supports the inclusion of the option that there would not be revisions to the NCQG; to the extent the decision provided for such revisions, in particular adjustments to aspects of the quantified layers, this would necessitate the further consideration of all other elements of the NCQG.