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

Reflections note by co-chairs

I. Introduction

1. This note aims to reflect on the rich discussions during the first technical expert dialogue on the new collective quantified goal on climate finance (NCQG) held on 24–25 March 2022 in Cape Town, South Africa.[1] It was prepared under our own responsibility and presents a non-exhaustive set of views to help us structure our discussions.

2. We have organized the first technical expert dialogue to help us initiate work on all aspects outlined in the relevant decisions. While we believe that we have met this objective by providing sufficient space for all participants to share their views on these aspects, we also recognize that there is a need to provide space for more targeted and focused discussions on specific issues at subsequent technical expert dialogues, including on those issues that arose in the first technical expert dialogue.

3. We are encouraged that the first dialogue created space for frank and open discussions, and we endeavour to continue providing such an environment for the subsequent dialogues.

4. Section II of this note provides background information and the context of the mandates of setting an NCQG. Section III presents our impression of the landscape of issues identified during the first technical expert dialogue. Finally, section IV outlines possible topics arising out of the first technical expert dialogue, for further discussion, including during the second technical expert dialogue.

II. Background

5. 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.

4. 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]

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

[2] Decision 14/CMA.1.

[3] Decision 9/CMA.3.

6. About 80 in-person participants and 140 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 first technical expert dialogue.

III. Landscape of issues identified

7. The first technical expert dialogue was designed in a manner that provided a structure to initiate work aimed at covering all aspects in relevant CMA decisions. Accordingly, it provided space and opportunity to exchange views on the following:

(a) How the NCQG can contribute to the achievement of provisions outlined in Article 2 of the Paris Agreement;

(b) Lessons learned from the mobilization of climate finance;

(c) The needs and priorities of developing countries;

(d) Quantity, quality, scope and access features, as well as sources of funding for the goal and transparency arrangements to track progress towards achievement of the goal;

(e) Other elements for consideration in the ad hoc work programme.

8. The interactive and hybrid format allowed for rich discussions that were facilitated by presentations, panel discussions and break-out group discussions during the two-day dialogue, which we have endeavoured to capture in the form of a ‘landscape of issues identified’. This should enable us to transition to the second technical expert dialogue in a manner that captures the breadth and spirit of the discussions of the first technical expert dialogue while allowing for flexibility to ensure that all issues will be included, covered and be given sufficient time in the future. We should like to stress 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 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

9. 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 by supporting developing countries in implementing their nationally determined contributions (NDCs). 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.

10. We also heard that the NCQG 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. 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.

11. Furthermore, the NCQG presents an opportunity to create incentives for both providers and recipients of climate finance to efficiently allocate financial resources in a manner that makes climate finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

2. Lessons learned

12. We heard that the new goal presents an opportunity to build on the lessons learned from the goal of mobilizing jointly USD 100 billion per year and address barriers experienced by countries both from the provider and recipient side.

13. accessing climate finance remains a challenge for developing countries, range from the process of accrediting national entities to different climate funds, and limited capacity to access finance owing to cumbersome application requirements to slow disbursement of climate finance. They delay implementation on the ground.

14. 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 poorer and harder-to-invest countries and communities.

15. The imbalance between adaptation and mitigation was 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 as well as intensifying efforts on aligning existing finance commitments with science-based mitigation and adaptation targets and actions. Participants also highlighted the importance of tracking delivery of the NCQG as well as the impact and effectiveness of climate finance.

3. Role of the private sector

16. A key and consistent message pertains to the importance 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.

17. When engaging the private sector, it is pivotal to recognize that the private sector comprises a diverse stakeholder group, ranging from banks, corporations, institutional investors, asset/funds managers and households, both from developed and developing countries. Therefore there seems to be merit in engaging with private sector stakeholders individually to better understand barriers and drivers of private investments and in defining private sector involvement under the new goal.

18. The limited discussion on barriers faced by the private sector was largely due to the limited participation of private sector representatives. Climate vulnerability of developing countries and perceived market barriers were raised frequently as challenges, posing risks to tapping into financial markets. This seems to be particularly the case for adaptation projects that tend to result in lower levels of financial return compared with mitigation projects. We further heard the need for

clarifying definitions of climate finance with the highest degree of granularity for the private sector so as to better inform investment decisions.

19. Public–private partnerships constitute a critical driver for the scaled-up mobilization of private sector finance, driven by countries' goals and national investment plans. Such partnerships could range from addressing market failures, provision of data and information and the provision of de-risking instruments.

20. The financial sector has shown interest to transition away from carbon-intensive investment, with 45 per cent of the financial system having set net zero targets. We heard that what is needed to support this process is to create and foster enabling environments, provide further clarity on how to measure such transitions, including interim milestones, and put forth ideas to incentivize the remaining 55 per cent of the financial system to move capital away from high-carbon investments.

4. Needs and priorities of developing countries

21. We heard 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 quantity and quality, and 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.

22. We have also heard that the NCQG may be based on 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.

23. 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.

24. Furthermore, the work of the Standing Committee on Finance (SCF) on 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, the report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year, 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.

5. Elements of the NCQG

25. 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.

26. We also heard a set of **principles** or characteristics of the NCQG, namely, being accessible and inclusive, adequate, effective, predictable, time bound and responsive to the needs and priorities of developing countries.

27. 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.

28. 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 enable 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.

29. 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. We have also heard views on qualitative elements in the context of enabling policy environments conducive to supporting finance flows. 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.

30. **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 (also in terms of finance received), transparency and additionality. Furthermore, the possible dimensions or subgoals could also be framed in qualitative and quantitative terms.

31. 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 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.

32. On **transparency**, there is general recognition that the enhanced transparency framework under the UNFCCC provides a solid basis for tracking progress towards

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

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 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 NCQG and other ongoing processes

33. 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.

34. 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.

35. 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 report by the SCF on progress towards achieving the goal of mobilizing jointly USD 100 billion per year;

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

IV. Possible topics for further discussion

36. Based on our reflections above, we have attempted to identify some areas for further discussions. This non-exhaustive set of issues does not represent any order of prioritization; rather, it serves to aid subsequent discussion on this matter.

37. **On the role and objectives:**

(a) How should the NCQG be structured? What should the NCQG contain (e.g. principles, targets and subtargets and other elements)?

(b) How should the scope of the NCQG be defined further?

(c) Recognizing the global nature of the NCQG, how could the NCQG be relevant to a whole range of different actors, also at the regional and local levels?

(d) How can the NCQG contribute to achieving a transformation of the climate finance architecture in the way climate finance is currently mobilized, accessed and delivered? Which actors should be involved?

(e) How should work on the NCQG be informed by the broader context of sustainable development, just transition and economic recovery from the coronavirus disease 2019 pandemic?

(f) How can the NCQG contribute to making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development?

38. **Needs and priorities of developing countries:**

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

(b) What is the relationship between the NCQG and developing countries' identification and costing of needs by sector and subsector?

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

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

39. **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?

40. **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 role of the private sector finance actors, barriers to and drivers of private finance and investments;

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

(iii) 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?

41. **Quantitative and qualitative elements:**

(a) What considerations should be taken into account in the identification of quantitative and qualitative elements?

(b) What is the landscape of quantitative elements that should be addressed (e.g. adaptation finance subgoal, financial instruments, etc.)?

(c) What is the landscape of qualitative elements for consideration in the future (e.g. effectiveness, type of financing, and type of support)?

(d) Recognizing the challenges faced by many developing countries with respect to the limited fiscal space, how can the NCQG avoid creating debt stress for developing countries while offering a variety of financial instruments to enable scaled-up provision of climate finance?

42. **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?

43. **Transparency arrangements:**

(a) Further clarity should be provided on the key aspects related to the enhanced transparency framework that should be considered to effectively track progress towards achievement of the new goal:

(i) Which aspects, if any, are currently not covered under the enhanced transparency framework, and how should they be addressed?

(ii) Which aspects are or may be dealt with in other processes (e.g. work of the constituted bodies or processes outside the UNFCCC) and when and how can these aspects feed into the NCQG discussions?