24 May 2024

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

## Summary note

## I. Introduction

### A. Mandate

1. The Conference of the Parties (COP) decided that, prior to 2025, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) shall set a new collective quantified goal on climate finance (NCQG) from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries.[1]

2. CMA 1 decided to initiate at CMA 3 deliberations on setting the NCQG, in accordance with Article 9, paragraph 3, of the Paris Agreement, from a floor of USD 100 billion per year in the context of meaningful mitigation actions and transparency of implementation and taking into account the needs and priorities of developing countries, and agreed to consider in those deliberations the aim of 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 greenhouse gas (GHG) emissions and climate-resilient development.[2]

3. CMA 3 established an ad hoc work programme on the NCQG for 2022–2024 and decided to conduct four technical expert dialogues (TEDs) per year thereunder.[3] CMA 4 acknowledged the need to significantly strengthen the ad hoc work programme in the light of the urgency of scaling up climate action with a view to achieving meaningful outcomes from the deliberations on all elements and setting the NCQG in 2024 taking into account the needs and priorities of developing countries.[4]

4. CMA 5 decided to transition to a mode of work that enables the development of a draft negotiating text on the NCQG for consideration at CMA 6 and requested the co-chairs of the ad hoc work programme to develop and publish by March 2024 a workplan for 2024 taking into account submissions from Parties.[5] The CMA also decided to conduct at least three TEDs in 2024 to allow for in-depth technical discussions on the elements of the NCQG, to be held back-to-back with three meetings under the ad hoc work programme to enable Parties to engage in

[1] Decision 1/CP.21, para. 53.
[2] Decision 14/CMA.1, paras. 1 and 2.
[3] Decision 9/CMA.3, paras. 3 and 5.
[4] Decision 5/CMA.4, para. 8.
[5] Decision 8/CMA.5, paras. 1 and 12(a).

developing the substantive framework for a draft negotiating text, capturing progress made.[6]

5. CMA 5 also requested the co-chairs to prepare a summary of the discussions at each TED and information on progress made at each meeting under the ad hoc work programme and the way forward following each meeting.[7]

## B. Event details and objectives of the dialogue

6. TED 9 was held from 23 to 24 April 2024 in Cartagena, Colombia, and hosted by the Government of Colombia, which was represented by the Ministry of Foreign Affairs. More information on the event, including the programme, presentation slides and webcast recordings, is available on the dedicated web page.[8]

7. The objectives of the dialogue were to identify further options in areas identified by Parties for further consideration, streamline and refine the options identified in the co-chairs' 2023 annual report,[9] and explore interlinkages between options.

## C. Preparatory activities

8. Ahead of the dialogue, the co-chairs of the ad hoc work programme, Zaheer Fakir and Fiona Gilbert, prepared the workplan[10] for 2024 which includes themes for in-depth technical discussions at the technical expert dialogues and the approach to preparing the substantive framework for a draft negotiating text. The co-chairs also issued a notification to Parties and non-Party stakeholders[11] inviting them to submit views on TED 9, including suggestions for topics and subtopics and the format of the event.

9. In addition, the co-chairs indicated that they were available for bilateral consultations upon the request of Parties or groups of Parties interested in sharing their views on and expectations for TED 9.

## D. Proceedings

10. The dialogue was opened by the co-chairs of the ad hoc work programme and began with opening remarks by Daniele Violetti on behalf of the secretariat; Elizabeth Taylor Jay, Vice Minister of Multilateral Affairs, Government of Colombia; and Omar Ahmed Al Braiki on behalf of the COP 28 Presidency. The co-chairs then took stock of the work undertaken under the ad hoc work programme to date and reflected on progress, providing key highlights from technical discussions, including the elements of the NCQG and options identified for each element, as contained in the co-chairs' 2023 annual report. The co-chairs also presented an overview of the 2024 workplan,[12] which outlines the overall approach

6 Decision 8/CMA.5, paras. 9–10.

7 Decision 8/CMA.5, para. 12(d).

8 https://unfccc.int/event/ninth-technical-expert-dialogue-under-the-ad-hoc-work-programme-on-the-new-collective-quantified.

9 FCCC/PA/CMA/2023/11.

10 Available at https://unfccc.int/documents/637635.

11 Available at https://unfccc.int/documents/637362.

12 Available at https://unfccc.int/documents/637635.

to the organization of the work on the NCQG, including milestones and timelines, and summarized the organization of, and expectations for, the dialogue.

11. To facilitate interactive, outcome-oriented discussions, participants were divided into six working groups and tasked with identifying elements that, in their view, have not been sufficiently discussed, and developing options on those elements, including the rationale for each option and associated challenges and opportunities. Participants were also asked to identify and discuss linkages across elements and consider each element's impacts on other elements of the NCQG.

12. Following those discussions, the moderator of each working group reported back to the plenary on the options identified, and an open discussion among all participants followed.

13. Elmaddin Mehdiyev, a representative of the incoming COP 29 Presidency, delivered closing remarks, and the co-chairs outlined the next steps to be taken prior to TED 10, which include preparing a summary note of the discussions at TED 9 and preparing for the next dialogue.

# II. Summary of discussions

## A. Options for outstanding elements of the new collective quantified goal on climate finance

14. Recognizing that some options relate to multiple elements of the NCQG, participants discussed elements for which no or insufficient options were identified in 2023, including following.

<u>Context</u>

15. Participants acknowledged the importance of providing context when setting the NCQG, including by:

(a) Recognizing that the NCQG is in the context of operationalizing the three long-term goals of the Paris Agreement, as stipulated in its Article 2, paragraph 1(a–c);

(b) Reiterating Article 4, paragraph 5, of the Paris Agreement, which states that support shall be provided to developing country Parties for the implementation of Article 4, in accordance with Articles 9–11, recognizing that enhanced support for developing country Parties will allow for higher ambition in their actions;

(c) Reiterating Article 4, paragraph 7, of the Convention, which states that the extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of the developing country Parties, with some participants arguing that references to the Convention are not relevant in the context of the NCQG;

(d) Reiterating that the NCQG is in the context of paragraph 53 of decision 1/CP.21;

(e) Recognizing the ongoing reforms in the global financial architecture;

(f) Recognizing the realities and constraints currently faced by developing countries in implementing their national plans, including nationally determined contributions (NDCs) and national adaptation plans (NAPs), and that an ambitious NCQG could incentivize developing countries in formulating ambitious NDCs, adaptation communications, NAPs and biennial transparency reports (BTRs);

(g) Recognizing that the NCQG will take into consideration the outcomes of the first global stocktake (GST) and the United Arab Emirates Framework for Global Climate Resilience ;

(h) Recognizing historical cumulative GHG emissions;

(i) Recognizing the special circumstances of the least developed countries (LDCs) and small island developing States (SIDS);

(j) Recognizing that the NCQG will be set in the context of:

(i) Meaningful mitigation action and transparency of implementation;

(ii) Pursuing climate action in line with efforts to limit the global average temperature increase to 1.5 °C above pre-industrial levels;

(iii) Efforts to scale up investments and climate action from all sources, including domestic, international, public and private sources;

(iv) Efforts by all Parties to take policy actions to incentivize climate action;

(v) The evolving needs and capacities of all Parties;

(k) Recognizing the current climate finance gap for loss and damage and sending a strong signal to the international financial architecture to respond to filling that gap;

(l) Acknowledging the efforts already made by developing countries to take adaptation action and address loss and damage through domestic resources;

(m) Recognizing the relationship between climate goals and development, including the Sustainable Development Goals;

(n) Recognizing the importance of technology development and transfer;

(o) Reflecting the needs of workers, including farmers, and finance for just transition pathways.

Principles

16. Building on the options related to principles identified in 2023, participants identified predictability, effectiveness, additionality, fairness and intergenerational equity as additional principles. Participants also reiterated Article 2 of the Paris Agreement, noting that the NCQG will be in the context of sustainable development and efforts to eradicate poverty and reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.

Structure of the NCQG:

17. Options identified include:

(a) Defining a single-layered goal, similar to the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation;

(b) Defining a single-layered goal with sub-goals for mitigation, adaptation, and loss and damage;

(c) Defining a thematic structure based on Article 9 of the Paris Agreement, which articulates the need for financial support for adaptation and mitigation; however, some participants emphasized the need for the NCQG to reflect a balanced provision of financial support for adaptation, mitigation and addressing loss and damage;

(d) Setting subtargets for the provision and mobilization of climate finance;

(e) Defining a multilayered goal with:

(i) An overarching investment goal indicating the level of global investment until 2035 required to achieve the goals contained in Article 2, paragraph 1(a–b), of the Paris Agreement from domestic, international, public, private and innovative sources;

(ii) A quantified sub-element of international support stating, in the context of ambitious NDCs and adaptation communications and transparent, accurate, complete, comparable and consistent BTRs, the total amount, in United States dollars, that will be provided and mobilized annually from a variety of sources with a variety of instruments by 2035 by all Parties with a GNI above xx USD and direct emissions above xx tCO2eq to support the implementation of Article 2, paragraph 1(a–b), of the Paris Agreement in developing countries, in particular the LDCs, SIDS, and fragile and conflict-affected States, and for the most vulnerable groups;

(iii) A policy layer as a sub-element requesting Parties to increase the policies which ‘push’ and ‘pull’ investment into the geographies and sectors where it is most needed to finance the transition to a low-emission and climate-resilient future. This policy layer of the goal could also include quantified aspects, such as commitments to remove fossil fuel subsidies by 2035, restructure of x % of sovereign bilateral debt through debt-for-climate swaps by 2035, or establish domestic carbon pricing policies by 2035;

(f) Defining a multilayered goal that:

(i) Has an overarching global investment layer with a 10-year time frame;

(ii) Articulates a goal for international public finance provided and mobilized with a 10-year time frame and annual targets;

(iii) Articulates context for a global investment goal and a goal for public finance provided and mobilized;

(iv) Includes a reflection of a contributor base (i.e. those with capacity to pay) in line with current economic realities, including contributors and providers who do not currently report on climate finance provided and mobilized, and expanding the base of contributors to non-traditional contributors;

(v) Makes reference to enhancing access to climate finance, including a reference to adequate allocation of climate finance for particular subgroups;

(vi) Makes reference to policy guidance and calls to action related to achieving certain actions and enabling and achieving the investment goal;

(vii) Recognizes that there is enough global capital, but it is not channelled correctly;

(viii) Makes reference to measures for unlocking, scaling up, attracting and de-risking investment globally, particularly in developing countries;

(ix) Makes reference to the high cost of capital, considerations with respect to bilateral sovereign debt, Climate Resilient Debt Clauses and other mechanisms, the merits of sustainable finance taxonomies and their interoperability, and climate risk disclosures and their utility in supporting alignment of climate flows;

(x) Has a measurement to support scaling up of domestic flows;

(xi) Makes reference to the need for capacity-building and technology development and transfer;

(xii) Makes reference to the role of multilateral development banks (MDBs) and International financial institutions;

(xiii) Has quantitative indicators, including in relation to gender-responsiveness, youth and children, and Indigenous and local communities;

(g) Defining a multilayered goal with:

(i) A core of public finance provision and mobilization by a defined set of contributors, based on capabilities, to a dynamic set of recipients, recognizing that the core layer is essential to supporting action and reaffirming commitment to providing public finance;

(ii) Qualitative elements that are related to quantitative elements, such as the need for innovative instruments and sources to be leveraged to enhance the delivery of climate finance, concessionality, access, the role of climate funds and calls to action for greater ambition from actors such as MDBs to help increase and improve public climate finance provided and mobilized;

(iii) An overarching global investment goal to embed a public finance goal, capturing all flows (international, domestic, public and private) to ensure that the NCQG sends the right signal to all stakeholders, who should unlock the finance needed to achieve the goals of the Paris Agreement. This should be accompanied by qualitative elements linked to effectiveness, encouraging implementation of policies that facilitate alignment of all financial flows, reflect national circumstances, enable action and capacity-building, include calls to action for the private sector to reallocate flows to climate-resilient development and philanthropic foundations and refer to reforms of international financial institutions and efforts by the financial sector to align financial flows with the goals of the Paris Agreement;

~~(h)~~ Linking the quantum of the NCQG to Article 2, paragraph 1(c), of the Paris Agreement; some participants suggested incorporating provisions related to Article 2, paragraph 1(c), within a larger target and adding potential subtargets in a layered structure, while others were of the view that any references to Article 2 under the NCQG should be related to Article 2 in its entirety.

Time frame

18. In addition to proposals for defining the time frame for the NCQG as a 5- or 10-year period or a combination of time frames, participants also discussed whether to set annual targets or a cumulative time frame, as well as whether the NCQG should have a 'ramp-up' period. Participants raised the following considerations for defining the time frame of the NCQG:

(a) The importance of setting the time frame that helps to make the NCQG achievable and enables the delivery of outcomes aligned with the goals of the Paris Agreement;

(b) The need to reflect the urgency of climate action in the time frame of the NCQG;

(c) The importance of aligning the time frame with processes under the UNFCCC, particularly the NDC and GST cycles; to that end, some participants advocated a five-year time frame, whereas others called for a 10-year time frame, a combination of long-term, medium-term and short-term time frames or a long-term qualitative time frame that is defined as an aspirational goal combined with a short- or medium-term quantitative time frame;

~~(d)~~ Defining the time frame for the NCQG should strike a balance between fairness and predictability of delivery of financial support.

<u>Quantitative elements</u>

19. Some participants identified considerations in this area for setting the NCQG, including:

(a) The NCQG should be informed by the best available science and the needs and priorities of developing countries for a given time frame, especially those articulated in NDCs, adaptation communications and NAPs, to ensure that the NCQG is outcome-oriented, recognizing that the updated NDCs expected to be submitted in 2025 will contain updated information on climate finance needs of developing countries, and questioning how such needs will be considered when setting the NCQG;

(b) Ensuring that climate investment needs of conflict-affected areas are reflected;

(c) Ensuring that the cost implications of the outcomes of the GST and the global goal on adaptation are reflected in the NCQG, in particular in relation to potential thematic subgoals or targets such as those on health, water, sanitation and hygiene and food security;

(d) Ensuring that the goals of the Paris Agreement, particularly 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, are reflected in the NCQG;

(e) Ensuring that the NCQG reflects financial resources that are new and additional and the need for scaled-up resources for adaptation;

(f) Emphasizing that the quantum of the NCQG should be set as a ‘floor of’ a financial amount.

20. In this context, some participants proposed setting the quantum of the NCQG at USD 1.1 trillion per year, which could be adjusted on the basis of the findings in the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, and in this regard, proposed that the Standing Committee on Finance (SCF) present the findings in that report at TED 11. Other quantitative targets proposed include setting the NCQG at USD 1 trillion per year or USD 1.3 trillion per year.

<u>Qualitative elements</u>

21. Some participants felt that options previously identified under qualitative elements predominantly relate to principles and that options for operational elements were missing. Participants identified options for, inter alia:

(a) Enhancing access to climate finance, which could be achieved through the options identified in paragraph 220 below;

(b) Tracking delivery and impact of the NCQG, for example in relation to the outcomes of the GST, including support provided in grant-equivalent terms and the climate specificity of financial support;

(c) Acknowledging and avoiding challenges faced by developing countries in relation to non-concessional financial instruments and associated debt distress, unilateral measures, cost of capital, etc.;

(d) Unlocking new sources of finance through the NCQG and enhancing enabling environments, including domestic efforts to incentivize private investments, blended finance and financial disclosures;

(e) Clarifying additionality of climate finance and ensuring balanced finance for mitigation, adaptation and addressing loss and damage under the NCQG;

(f) Clarifying how ambition of developing countries to fulfil their obligations under the Convention will be rewarded through quality financing, without increasing debt or jeopardizing fiscal stability, and promoting highly concessional instruments;

(g) Reflecting gender considerations, which could be addressed in the context of qualitative principles, but also through the following options:

(i) Formulating gender-sensitive instruments like gender action plans;

(ii) Integrating a call to action to various actors to mainstream gender-responsiveness in the context of funding programming;

(iii) Defining gender-sensitive indicators for tracking under the transparency arrangements to be agreed.

Enhancing access

22. While access was discussed in the context of qualitative elements, some participants emphasized the need for access to be a stand-alone element, encompassing:

(a) Setting allocation targets as part of the NCQG, such as for the LDCs and SIDS, Indigenous Peoples, local communities, youth and children and/or defining considerations such as gender-responsiveness;

(b) Calls to action for the adoption of certain programming modalities or best practices;

(c) Incentives for greater coordination among climate finance providers;

(d) The harmonization of application processes across climate finance providers and channels; including through coordination and coherence; and enhanced shared understanding of all stages of access;

(e) Efforts to reform international financial institutions;

(f) Enhancing enabling environments;

(g) Enhancing delivery of climate finance;

(h) Increased and more targeted readiness and capacity-building support.

Contributors

23. While some participants argued for the need to define a contributor base for the NCQG, others raised concerns that the contributor base is already defined in Article 9, paragraphs 1–3, of the Paris Agreement, noting that since any attempt to change these provisions would require an amendment to the Paris Agreement, they do not see a need for such an element. Proponents of this element identified the following options that could be reflected under this element:

(a) A list of countries, which could be either static or dynamic, with a set of criteria and indicators such as gross national income, gross domestic product, foreign direct investment, level of GHG emissions or economic capacities;

(b) Thematic framing, including all major economies;

(c) Different contributor bases for different layers of the goal, should Parties agree on a multilayered goal;

(d) A specific percentage from developed countries and public sources, with some recognizing that the process to set the NCQG should highlight the difference between contributors and sources;

(e) Developing criteria for burden-sharing arrangements among developed countries to facilitate predictability, transparency and accountability.

24. Other participants were of the view that Article 9, paragraph 3, of the Paris Agreement encompasses efforts on the global scale, and that Article 9, paragraph 1, is a subset to it.

Recipients

25. Some participants identified the need to define options for recipients under the NCQG; suggested options including:

(a) Recognizing all developing countries as recipients under the NCQG;

(b) Defining minimum floors for recipients under the NCQG, such as for the LDCs, SIDS and conflict-affected States;

(c) Recognizing the level of ambition outlined by developing countries in their national reports.

26. Other participants argued that such discussions would be outside the scope of the NCQG, pointing out that relevant decisions refer to the needs of all developing countries informing the NCQG.

Sources and actors

27. Some participants discussed ways to increase private finance flows in the context of the NCQG, recognizing that the private sector has no obligations under, nor is it accountable to, the UNFCCC. Nevertheless, some participants recognized the importance of policies and regulations for incentivizing private investments to achieve scale. Others questioned this view given the low levels of mobilized private finance flows in the context of the USD 100 billion goal. In this context, some of the options identified are as follows:

(a) The NCQG could provide clarity on how different sources relate to different types of needs and priorities and on this context, recognizing the need for grants and concessional finance for adaptation and addressing loss and damage;

(b) The NCQG could provide clarity on the role of different actors that channel international public finance and have potential to mobilize scaled-up concessional finance and private finance, such as MDBs, international finance institutions and bilateral channels in the context of achieving the NCQG;

(c) National, subnational and local governments, climate funds, international and domestic private sector actors and financial institutions were identified as actors whose roles require further elaboration by, for example, allocating targets by actor and defining programming modalities, calls to action or incentives for greater coordination.

Transparency arrangements

28. Adding to the options identified at TED 7, participants identified the need to further clarify aspects related to reporting, tracking and review of the NCQG, and the need to ensure accountability, which will contribute to building trust among Parties. Additional options for transparency arrangements under the NCQG include:

(a) Building on the enhanced transparency framework under the Paris Agreement, with potential adjustments with regard to mandatory reporting of grant equivalence, the inclusion of loss and damage as a category for the type of support category and the reporting of private finance flows;

(b) Using biennial communications submitted in accordance with Article 9, paragraph 5, of the Paris Agreement as forward-looking reporting arrangements, including as a potential reporting opportunity for the implementation of provisions related to Article 2, paragraph 1(c);

(c) Clarifying approaches to addressing what counts as climate finance and how to account for it to enable tracking of financial flows under the NCQG, including through a climate finance definition or by agreeing on elements to enable accounting;

(d) Harmonizing reporting on climate finance flows, including by indicating that overseas development assistance is different from climate finance;

(e) Clarifying periodic reviews in relation to the quantum of the NCQG to account for the evolving needs and priorities of developing countries based on the best available science, with some participants arguing that there may be no need for a review. If any review is agreed in the context of the NCQG, it should encompass all elements pertaining to the goal;

(f) Measuring impacts and effectiveness; for example, by defining indicator-based outcomes to be achieved through the NCQG and measuring the degree to which climate finance is aligned with the goals of the Paris Agreement and the needs and priorities of developing countries;

(g) Defining clear burden-sharing arrangements among developed country Parties;

(h) Ensuring equitable distribution of financial resources across all regions.

Article 2, paragraph 1(c), of the Paris Agreement

29. While some participants considered this aspect to have been insufficiently discussed in previous TEDs, other participants recognized that the Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement is the appropriate space for discussing considerations regarding its implementation and argued that it should not, therefore, be discussed in the context of the NCQG. The following options were identified in the context of referring to Article 2, paragraph 1(c), of the Paris Agreement in the NCQG:

(a) No reference;

(b) A reference as part of the framing of the NCQG (e.g. through its objective, or an overarching or longer-term vision in the chapeau of the decision on the NCQG);

(c) A reference in quantitative terms (e.g. in the form of an investment layer, policy targets (e.g. alignment of X USD by X year or domestic/all finance flows to be aligned with the Paris Agreement by X year);

(d) A reference in qualitative terms (e.g. through policy recommendations that help deliver on the ambition that could be set by the quantified part of the goal);

(e) A reference in the context of innovative sources of finance (e.g. taxes);

(f) A reference under transparency arrangements (e.g. in the form of a call to action to actors other than governments to increase transparency);

(g) A reference in the context of the needs of developing countries that could not be met through public sources of finance, such as unconditional needs communicated in NDCs that require other sources of finance;

(h) Recognizing the need for capacity-building support for developing countries to implement Article 2, paragraph 1(c).

<u>Principles of just transition and finance for implementing just transition</u>

30. Some participants identified options for mainstreaming principles of just transition and finance for implementing just transition across the elements of the NCQG, including its time frame, a qualitative goal or sub-goal that focuses on financing for labour transition programmes, criteria to account for the financial needs of just transition programmes, a share the quantum for just transition measures, incorporating principles of equity and social justice into the core principles of the NCQG, developing and implementing tracking systems to monitor the effectiveness of just transition financing and encouraging the integration of just transition financing into broader national and international climate policies.

## B. Linkages and interdependencies

31. Participants identified and discussed linkages across each element of the NCQG, building on the options identified in 2023 and reflecting on variations of the structure for the NCQG resulting from such linkages.

<u>Time frame and quantum</u>

32. Participants underscored that placing the quantum across different time frames has implications for predictability and availability of funding for the implementation of NDCs and NAPs and related climate investment plans. As such, some participants emphasized the need to further explore synchronizing the time frame of the NCQG with other UNFCCC processes, such as the NDC, GST and/or BTR cycles. Additionally, some participants proposed that the NCQG should consider the timelines of the Intergovernmental Panel on Climate Change assessment reports in order for it to be informed by the evolving needs of developing countries.

33. Participants highlighted the potential relationship between the length of the time frame and the opportunity to increase the quantum of the NCQG. Accordingly, a 10-year time frame would contribute to increasing ambition and scaling up the financial resources needed to achieve the long-term goals of the Paris Agreement and would align with national budgetary cycles. However, it was noted that a longer

time frame might result in a less accurate reflection of the needs of developing countries.

34. Proponents of a five-year time frame argued that a shorter time frame could ensure that the quantum of the NCQG reflects the evolving needs of developing countries through regular reviews and adjustments, unlike a longer time frame. Some argued for a time frame of five years (2025–2029), with a review in 2030, ensuring that the NCQG is aligned with evolving needs and potentially enhancing ambition, sending a strong signal on the urgent need to scale up finance, while others highlighted challenges in articulating needs over a five-year span owing to capacity, data or technological constraints. Furthermore, while setting a short-term quantum aligned with NDCs, NAPs and the GST process seems predictable, discrepancies in reporting frequencies could disrupt this alignment.

35. Recognizing the challenges of increasing the quantum of the goal from USD 100 billion to USD 1 trillion, participants suggested framing the NCQG in a manner that combines annual and cumulative targets, such as setting an annual goal of x in United States dollars with a view to achieving a certain cumulative target. In this context, some participants also discussed whether or not defining annual targets would result in scaled-up financial resources every year.

36. Some participants also identified the need to clarify the start year of the NCQG (i.e. whether it applies from 2025 or 2026).

<u>Structure and quantum</u>

37. Participants discussed the overall design of the NCQG and linkages between the quantum, structure and sub-goals. Questions were raised about the various approaches to the structure of the NCQG and their implications for reporting and transparency arrangements. Furthermore, participants called for a holistic approach and for silos to be avoided, emphasizing the need to include qualitative sub-goals, such as on access and gender, and acknowledged that the structure of the NCQG will directly affect the quantum.

38. Some participants argued in favour of applying a multilayered approach encompassing targets for international public finance alongside targets for public–private, domestic and international finance and including a layer for the mobilization and provision of public sources of finance, while also strengthening enabling environments and policy incentives for implementation. A multilayered approach such as this could potentially increase the quantum of the NCQG. However, others voiced concerns that involving a range of actors, including those that are not Parties to the UNFCCC, could result in a lack of accountability.

39. Others voiced a preference for establishing thematic sub-goals for adaptation, mitigation, and loss and damage. Proponents of this structure underscored the need to prioritize the provision of public funding in the form of grants and concessional finance, particularly for adaptation and addressing loss and damage. It was noted that, while there is broad consensus on including mitigation and adaptation within the NCQG, more discussion and clarity is needed regarding the treatment of loss and damage.

40. Concerns associated with setting thematic sub-goals include the potential impact on bilateral financial flows; since the provision of bilateral financial flows is based on the needs of the recipient countries and discussions between recipient countries and providers, following a bottom-up approach, setting thematic sub-goals could result in a top-down approach where allocations of climate finance would be determined with a view to achieving the NCQG.

Contributors and quantum

41. Some participants emphasized the need to define a contributor base for the NCQG as a key parameter for setting the quantum. A wider set of contributors, including non-traditional providers in the light of evolving capabilities, could lead to a significant increase in the quantum of the NCQG in a manner that reflects the needs and priorities of developing countries, which are estimated to be in the range of trillions of United States dollars, recognizing that the intent is not to allow more to contribute less, but to enable more to contribute more.

42. Other participants argued that contributors are set by mandate, and the platform of the NCQG is not the right place for discussions of non-traditional providers. Those participants also argued that the contributor link to the quantum can also refer to appropriate burden-sharing arrangements and budgetary reforms aimed at expanding the pool of traditional climate finance providers and ensuring that the agreed quantum is predictable and delivered transparently.

43. Concerns were raised about the lack of clarity regarding the quantum of the goal from developed countries for the provision and mobilization of the climate finance. Despite intentions to continue collective efforts, there has been no clear communication regarding the specific quantum that developed countries are willing to provide or mobilize.

44. Discussions also evolved around the role of private finance in the NCQG and the opportunities to increase finance at scale, with some recognizing that the private sector has no obligations under, nor is accountable to, the UNFCCC. In this context, participants also considered how to define contributors (e.g. as sources (public/private) or Parties).

Sub-goals and quantum

45. Participants noted that sub-goals offer a targeted approach to supporting the implementation of the Paris Agreement, aligning with its provisions on support for mitigation, adaptation, responses to loss and damage, capacity-building and transparency, and that there may be various approaches to articulating sub-goals and their relationship to the overall quantum. Some raised concerns that defining sub-goals could lead to a lower quantum; therefore, any considerations for setting thematic sub-goals would need to result in balanced allocations of finance for adaptation, mitigation and addressing loss and damage, which should be country-driven and needs-based and informed by science.

46. In addition to potentially setting thematic sub-goals, participants also identified opportunities to define sub-goals to reflect outputs or outcomes in the quantum, such as the target to triple renewable energy capacity globally, as set out in the outcome of the first GST[13].

Sources and structure

47. There was broad acknowledgement that sources play a central role in achieving an ambitious NCQG, capable of meeting the goals set forth in NDCs. As such, some participants proposed adopting a multilayered approach to sources within the NCQG framework, suggesting a core layer primarily consisting of public finance and finance mobilized through public interventions, and an outer layer encompassing a broader range of sources, including public, private, domestic and international sources.

48. There was acknowledgement of the varying levels of predictability associated with different sources of finance, with public sources of finance

[13] Decision 1/CMA.5, para. 28(a)

contributing to enhanced predictability and clarity of financial flows. In this context, some participants suggested incorporating strong policy signals that could enhance the role of the private sector and increase predictability, rather than excluding it from the goal. Therefore, there were suggestions to continue discussing these nuances in future meetings and throughout 2024.

49. Furthermore, some participants suggested that separating public finance provision and mobilized private finance could be more effective, proposing separate sub-goals for the provision of public finance and the mobilization of private finance, with private finance contributing to a broader investment goal.

50. Participants also recognized the need for the NCQG to have the capacity to influence and track various types of sources, especially beyond the public sector, including innovate sources, such as carbon markets, energy transition accelerators, special drawing rights, taxes and philanthropic funds, capturing South–South flows as well as negative flows that could be tracked.

51. Furthermore, participants considered how to reflect ongoing efforts to reform the international finance institutions and architecture in the NCQG, with some noting that doing so would require careful consideration and decision-making with regard to whether and how such reform initiatives could be included within the NCQG or whether this should be pursued through separate channels.

<u>Time frame and transparency</u>

52. Participants discussed transparency provisions aimed at ensuring accountability and facilitating the tracking of financial flows under the NCQG, with a particular focus on opportunities to align frequency of reporting under the NCQG with the BTR cycles. In this context, participants acknowledged the importance of considering additional transparency arrangements depending on the final outcome of the goal, with some proposing that the SCF could address such missing elements. Given that the enhanced transparency framework will be under review in 2028, some participants suggested including experience from the first years of the NCQG in this review process, enabling valuable insights and adjustments to be made. Other participants considered setting up bespoke arrangements to enabling reporting, tracking and review.

53. It was noted that a longer time frame for the NCQG could:

(a) Allow for more data gathering on impacts and effectiveness, which provides an opportunity for course correction; it would be difficult to gather such data within a shorter time frame;

(b) Result in increased and enhanced data for review, particularly considering the time lag for data availability.

54. Additional considerations related to transparency arrangements raised by participants include:

(a) Using existing arrangements under the UNFCCC, where BTRs could provide backward-looking information on reporting on finance provided and mobilized, and biennial communications under Article 9, paragraph 5, of the Paris Agreement could provide forward-looking information;

(b) Putting in place transparency arrangements tailored to the delivery of private finance, should Parties agree on defining private sources as part of the NCQG.

55. Moreover, recognizing that various arrangements under the NCQG encompass a two-year reporting time frame, such as BTRs and biennial communications, participants proposed that aggregate reporting and measuring progress towards achieving the NCQG could also be done biennially. Proposals for aggregate reporting include:

(a) Requesting the SCF to prepare an aggregate report using existing reports, such as the biennial assessment and overview of financial flows;

(b) Requesting the SCF to prepare a new bespoke report;

(c) Applying various reporting methods, including backward-looking reporting, forward-looking reporting, and assessment of progress towards the goal, with participants underscoring the complexity of transparency considerations in climate finance mobilization.

56. In addition, recognizing that putting in place transparency arrangements alone does not ensure the impact of results, participants suggested exploring other mechanisms to ensure delivery of financial flows and guarantee ambitious outcomes.

57. Discussions also evolved around the linkages between transparency arrangements and quantum, with some participants emphasizing the importance of ensuring transparency and accountability across funding sources to enhance predictability. Some suggested sending signals to incentivize larger capital pools, including innovative sources, recognizing the need for clarity on expected funding amounts.

58. In terms of review of the NCQG, some participants underscored that the review should occur after the next phase of the NDC cycle, considering the outcomes of the first GST, whereas others argued that aligning it solely with NDCs may not encompass all of the required climate action identified by countries, and the NCQG should therefore be aligned with a broader framework, incorporating other national plans and actions such as NAPs, national communications and technology needs assessments, as well as national climate strategies and plans.

Other linkages identified

59. Participants identified and reiterated various linkages between the elements of NCQG, highlighting the importance of considering those linkages for the success of the NCQG, including:

(a) Exploring the linkage between ambition and the quantum of the NCQG, recognizing that while a higher quantum is necessary, this alone would not be sufficient to achieve climate ambition, and vice versa, indicating a two-way relationship between ambition and quantum, and that the NCQG could provide a global understanding of financing and unlock additional flows from various stakeholders;

(b) Framing qualitative sub-goals, including on access, gender, just transitions and economic development and growth, and response measures, , particularly concerning workers, Indigenous Peoples and other stakeholder groups;

(c) Exploring the potential inclusion of policy sublayers considering both enabler and dis-enabler of the quantum or flow. This includes examining trade measures, a assessing the percentage of debt restructured or using different indicators based on concessionality;

(d) Understanding the distinct roles of the international financial architecture, the NCQG and Article 2, paragraph 1(c), of the Paris Agreement, as well as their complementary roles and the linkages between them;

(e) Addressing the outcomes of the GST concerning the involvement of various stakeholders, including the private sector, MDBs and commercial banks;

(f) Distinguishing between direct investments in climate mitigation and adaptation activities on the one hand and climate-aligned development on the other to avoid overlapping or mixing concepts in reporting finance as development and climate finance are becoming increasingly intertwined, suggesting that much of development finance will have climate linkages in the future;

(g) Clarifying what does or does not count as climate finance.