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## **Conference of the Parties serving as the meeting of the Parties to the Paris Agreement**

### **Fifth session**

United Arab Emirates, 30 November to 12 December 2023

Agenda item 10(e)

### **Matters relating to finance**

### **New collective quantified goal on climate finance**

## **2023 high-level ministerial dialogue on the new collective quantified goal on climate finance**

### **Summary report by the President**

#### *Summary*

This document contains a summary of and recommendations arising from the deliberations at the 2023 high-level ministerial dialogue on the new collective quantified goal on climate finance, convened with a view to providing guidance on the further direction of the ad hoc work programme on the new collective quantified goal on climate finance for 2024, and has been prepared by the President of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session, with the support of the secretariat, for consideration at that session. The dialogue included consideration of the information provided by the co-chairs of the ad hoc work programme, who organized the dialogue with a view to facilitating interactive discussions, thereby substantively advancing shared understanding of the goal.



## I. Introduction

### A. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) decided to convene high-level ministerial dialogues (HLMDs) starting in 2022 and ending in 2024, ensuring effective political engagement and open, meaningful and robust discussion, with a view to providing guidance on the direction of the ad hoc work programme on the new collective quantified goal on climate finance (NCQG) for the following year, and invited the President of the Conference of the Parties to ensure the coherence and complementarity of the dialogues.<sup>1</sup>
2. CMA 4 invited the President of CMA 5 to organize the 2023 HLMD on the NCQG, taking into consideration information provided by the co-chairs of the ad hoc work programme,<sup>2</sup> with a view to facilitating interactive discussions, substantively advancing shared understanding of the NCQG and providing guidance for work in 2024.<sup>3</sup>
3. The President of CMA 5 was requested to prepare a summary of the deliberations at the 2023 HLMD, including recommendations, for consideration at CMA 5.<sup>4</sup>
4. Furthermore, CMA 4 decided that deliberations on setting the NCQG will continue at CMA 5 and CMA 6 (November 2024), taking stock of progress made and providing further guidance on the ad hoc work programme, taking into consideration the annual reports<sup>5</sup> by the co-chairs of the ad hoc work programme, including the key findings therein, and the summary report,<sup>6</sup> including the recommendations therein, on the HLMDs.<sup>7</sup>

### B. Scope of the note

5. The proceedings of the 2023 HLMD on the NCQG are outlined in chapter II below. The summary of the deliberations at the dialogue (see chap. III below), including the recommendations derived from the deliberations, is intended to provide guidance on the further direction of the ad hoc work programme on the NCQG for 2024.

### C. Possible action by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

6. CMA 5 may wish to consider this summary report, including the recommendations herein, in its deliberations on setting the NCQG.

## II. Proceedings

7. The 2023 HLMD on the NCQG was co-moderated by Steven Guilbeault, Minister of Environment and Climate Change of Canada, and Yasmine Fouad, Minister of Environment of Egypt.
8. Sultan Ahmed Al-Jaber, President of the twenty-eighth session of the Conference of the Parties, the eighteenth session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and CMA 5, and Simon Stiell, UNFCCC Executive

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<sup>1</sup> Decision 9/CMA.3, paras. 10 and 13.

<sup>2</sup> In accordance with decision 5/CMA.4, para. 11(f).

<sup>3</sup> Decision 5/CMA.4, para. 15.

<sup>4</sup> Decision 9/CMA.3, para. 11.

<sup>5</sup> The 2022 annual report and its addendum are available at <https://unfccc.int/documents/620425> and <https://unfccc.int/documents/622915> respectively. The 2023 annual report and its addendum are available at <https://unfccc.int/documents/633513> and <https://unfccc.int/documents/632325> respectively.

<sup>6</sup> Available at <https://unfccc.int/documents/623053>.

<sup>7</sup> Decision 5/CMA.4, para. 16.

Secretary, delivered opening remarks. These were followed by a keynote address by Jeffrey Sachs, Director of the Center for Sustainable Development at Columbia University, and a scene-setting presentation by Zaheer Fakir and Fiona Gilbert, co-chairs of the ad hoc work programme on the NCQG in 2023.

9. The interactive dialogue, which involved one Head of State, seven ministers and 27 high-level representatives, including from intergovernmental and non-governmental organizations, began with an ice-breaker intervention delivered by Amarendra Bhattacharya, Senior Fellow at the Global Economy and Development programme at the Brookings Institution. Nicholas Stern, IG Patel Professor of Economics and Government, Chairman of the Grantham Research Institute on Climate Change and the Environment, and Head of the India Observatory at the London School of Economics, also delivered remarks during the dialogue.

10. Subsequently, participants engaged in discussion on the basis of guiding questions provided by the CMA Presidency:

(a) How should the goal reflect sources/channels of climate finance and in what time frame?

(b) How should the quantification of the goal be approached, taking into account needs and priorities of developing countries and review of delivery?

(c) How should further political-level engagement continue in 2024 to complement the technical work for a successful outcome on the goal at CMA 6?

11. Information regarding the HLMD is available on the UNFCCC website, and a live webcast with interpretation in the official United Nations languages was provided. Parties and observer organizations were invited to submit their statements for publication on the UNFCCC website.<sup>8</sup>

### III. Summary of the deliberations at the 2023 high-level ministerial dialogue on the new collective quantified goal on climate finance, including recommendations

#### A. Summary

12. Participants shared views on the elements of the NCQG, including quantity, quality, scope and access features, sources of funding, and transparency arrangements and time frame and in the written statements provided by participants. The summary below aims at providing a non-exhaustive overview without prejudice to the various views expressed.

13. Overall, the views shared during the HLMD highlighted the role of the NCQG in driving ambition in climate action in line with achieving the goals and objectives of the Convention and the Paris Agreement and in accordance with Parties' national plans and strategies, notably in nationally determined contributions. Therefore, the NCQG should be ambitious, aspirational, transformative, actionable and achievable, and incentivize the transition needed.

14. On the **quantity**, it was widely recognized that the NCQG must take into account the needs and priorities of developing countries and the fact that such needs and priorities are evolving and affected by global temperature increases. Some participants pointed to the need to set the quantum in a manner that enables all Parties to accelerate their efforts to limit the global average temperature increase to below 1.5 °C.

15. Setting the quantum of the NCQG should be informed by the best available science, including but not limited to the findings of the Intergovernmental Panel on Climate Change,

<sup>8</sup> Information on the dialogue, a recording of the webcast and the submissions are available at <https://unfccc.int/event/2023-high-level-ministerial-dialogue-on-the-new-collective-quantified-goal-on-climate-finance>.

the latest report in the adaptation gap report series<sup>9</sup> and the first and second report of the Standing Committee on Finance on the determination of the needs of developing country Parties in relation to implementing the Convention and the Paris Agreement (for 2021 and 2024), the global stocktake and the latest reports of the International Energy Agency and the International Renewable Energy Agency. Some participants proposed numerical targets for the scale of the NCQG, such as including that the quantum should be set at USD 1.1 trillion from developed to developing country Parties or as a share of at least 1 per cent of the gross domestic product of developed country Parties. Other participants emphasized that the NCQG must not only consist of a quantum, but also take into account qualitative elements.

16. Some participants envisaged subgoals under the NCQG that could be framed as qualitative and/or quantitative subgoals on mitigation, adaptation, and loss and damage, while others called for a balance between mitigation and adaptation. One participant called for quantitative subgoals for recipients of climate finance such as the least developed countries and small island developing States, while another participant called for at least half of the funding to be provided and mobilized for adaptation and resilience, and another called for annual goals.

17. In terms of the purpose of financial support provided under the NCQG, some participants shared their views that such support should be for just transition, climate-resilient infrastructures, fresh water, sustainable agriculture, decarbonization of the industrial sector, biodiversity measures and recovery efforts in post-conflict regions, with co-benefits including poverty eradication and sustainable development.

18. With respect to the **quality** of climate finance, many participants underscored the importance of considering the quality and effectiveness of climate finance as part of the NCQG. In this context, many participants shared their experience and challenges in attracting private finance, as well as challenges related to deploying instruments and using blended finance due to limited fiscal space, high costs of capital and high levels of indebtedness. Therefore, it was highlighted by various participants that financial sources under the NCQG must be just, sufficient, predictable, affordable and new and additional, without further exacerbating levels of indebtedness in developing countries.

19. Regarding **access**, many participants underlined their existing challenges in accessing climate finance and underscored the importance of ensuring enhanced and simplified access to financial resources under the NCQG, with some emphasizing the need to simplify access for the least developed countries and small island developing States, for example through a dedicated subgoal or by setting a certain share of the goal.

20. Regarding **sources** of climate finance, the importance of reflecting the role of public finance in the NCQG and especially grant-based finance in the context of adaptation was recognized by many participants. Acknowledging that public sources of finance alone cannot meet the needs and priorities of developing countries, which were referenced to be in the scale of trillions of United States dollars, some participants underscored the role of public finance in mobilizing private finance, including from international and domestic sources. In that regard, participants emphasized the importance of mechanisms that leverage private capital at scale, also noting the importance of considering costs of capital. Some participants shared views on how the private sector could be incentivized and mobilized in a manner that addresses limitations in the mobilization of private finance, including in the adaptation context, and lessons learned from the goal of mobilizing jointly USD 100 billion by 2020, by creating the necessary enabling environment, deploying de-risking instruments such as guarantees, equity and blended finance, introducing carbon pricing, taxing financial markets and addressing issues such as fossil fuel subsidies. Further, drawing on lessons learned and embedding accountability and transparency frameworks as part of the NCQG for the mobilization of private finance through public interventions were emphasized by a number of participants.

21. Additionally, it was highlighted by some participants that setting the NCQG could send a strong signal to the international financial system, including but not limited to multilateral development banks and international financial institutions, to ensure that

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<sup>9</sup> See <https://www.unep.org/resources/adaptation-gap-report>.

financial resources flow at scale to the developing countries that most need them. A few participants referred to the need for reform of multilateral development banks.

22. On structuring sources of climate finance under the NCQG, some participants noted the following options:

(a) An annual goal for support mobilized and provided on a global scale from developed to developing countries;

(b) A multilayered goal, with public sources of finance at its core;

(c) A goal focused on capturing all finance flows, including public and private, domestic and international;

(d) A goal on domestic and other policy incentives aimed at making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, pointing to the need to shift trillions of United States dollars available climate finance flows;

(e) A goal that combines the elements mentioned in paragraph 22(c–d) above, similar to the resource mobilization framework established under the Convention on Biological Diversity.

23. Regarding the **contributors** of climate finance under the NCQG, many participants acknowledged the existing obligation of developed country Parties to continue to take the lead in providing and mobilizing climate finance to developing countries from a wide variety of sources, instruments and channels, in line with the principles of equity, historical responsibility, common but differentiated responsibilities and respective capabilities, as laid out in the Convention and the Paris Agreement, notably in Article 4 of the Convention and Article 2, paragraph 2, and Article 9 of the Paris Agreement. In this context, some participants highlighted the need to discuss burden-sharing arrangements among developed countries in the context of the NCQG and shared the view that existing budgetary processes and approvals in developed countries represent a barrier to scaling up climate finance, which could be addressed by reforming those processes. Others expressed the view that climate finance should come from a broader contributor base and reflect a global effort and evolving circumstances and the expectation for scaled-up climate finance flows.

24. Regarding the **time frame** for the NCQG, participants provided a range of options, including:

(a) Incrementally updating the NCQG every five years, on the basis of an accountability and inclusive review process;

(b) A short-term time frame (2025–2030);

(c) A 10-year time frame, consisting of two five-year operational periods (2025–2030 and 2030–2035), with a review process occurring between those periods, and without an end date for the NCQG;

(d) An aspirational and actionable time frame, providing a long-term vision in the light of achieving the long-term goals of the Paris Agreement, accompanied by a shorter-term time frame of 10 years aimed at signalling the scale of global action required during that decade;

(e) A long-term time frame until 2050 with built-in review periods.

25. In the context of time frames, some participants underscored the need to embed **review and adjustment** mechanisms according to predefined time frames, which could be aligned with the cycles of the global stocktakes, in order to ensure that the NCQG remains dynamic in nature and continues to reflect the changing needs and priorities of developing countries.

26. Regarding **transparency arrangements** under the NCQG, some participants recognized the importance of establishing regular tracking processes, including by tasking a body or institution with developing regular progress reports, and the need to make data and information on climate finance provided and mobilized more transparent. Some participants spoke about the importance of reconciling methodological approaches to avoid double

counting, including by developing a common definition of climate finance, prior to setting the goal to enable effective tracking of financial flows.

27. Noting progress made on the work under the ad hoc work programme in 2023, some participants indicated that substantive decisions on this matter should be taken at CMA 5, including on issues related to the structure of and sources of climate finance under the NCQG and time frames for its implementation, while other participants indicated that taking decisions on substantive matters at this stage would be premature and may prejudice the outcomes of deliberations, recognizing the interlinkages among the elements of the NCQG.

28. Most participants recognized the need to advance deliberations under the ad hoc work programme in 2024 and emphasized the need to change the mode of work for 2024, with some expressing concerns that the format of the technical expert dialogues under the ad hoc work programme may not be appropriate for advancing work on draft decision text. A wide range of views were expressed on how to accomplish a shift in the working modalities, including:

(a) Establishing a Party-driven process in which at least three meetings would be held under the ad hoc work programme in 2024, to develop draft decision text for consideration at CMA 6, where such meetings could be complementary to the technical expert dialogues;

(b) Recognizing the interplay between the technical and the political processes of the NCQG, such that discussions held at the technical expert dialogues could further clarify options and consider packages of options for the elements of the NCQG with a view to moving to drafting decision text;

(c) Mandating the co-chairs of the ad hoc work programme in 2024 to develop, on the basis of submissions, draft decision text or options for text well in advance of CMA 6 for consideration by Parties;

(d) Establishing an ad hoc working group tasked with developing draft decision text whose meetings are held in conjunction with the technical expert dialogues.

29. Many participants underscored the importance of the technical process being complemented by political-level engagement and guidance throughout 2024. Various proposals for political-level engagement in 2024 were made to build political momentum and provide necessary guidance for the technical work, highlighting the need for inclusivity and transparency, a new and innovative format and a balanced approach between technical work and political engagement. Their suggestions include:

(a) Appointing two high-level co-chairs;

(b) Appointing ministerial co-facilitators;

(c) Holding the next high-level ministerial dialogue in June 2024;

(d) Organizing multilateral ministerial consultations;

30. Participants raised various issues that require further deliberation in 2024 at the technical and political level, including the interlinkages between the different elements of the NCQG, the consideration of developing country needs and priorities, the thematic scope and the contributor base.

## **B. Recommendations**

31. The below recommendations, which are based on the deliberations during the 2023 HLMD on the NCQG, are intended to provide guidance for the further direction of the ad hoc work programme on the NCQG for 2024.

32. Given the sense of urgency conveyed by Parties, the CMA way wish to provide further guidance for the deliberations on the NCQG in 2024, including on procedural and substantive aspects, with a view to facilitating the significant advancement of deliberations under the ad hoc work programme in 2024.

33. On **process-related** aspects of the NCQG, while acknowledging the significant progress in 2023, Parties may wish to:

(a) Transition to a mode of work in 2024 that is conducive to reaching an agreed outcome at CMA 6, bearing in mind the different views expressed on how such a transition could be implemented, particularly with a view to preparing draft decision text for consideration at CMA 6;

(b) Consider the need for enhanced high-level engagement in early 2024 or throughout the year, while ensuring that such political engagement is inclusive, transparent and participatory.

34. On **substantive** aspects of the NCQG, recognizing the interconnectedness of the various elements of the NCQG, Parties may wish to consider a substantive outcome at CMA 5, including the following elements of the NCQG:

- (a) Structure;
  - (b) Time frame;
  - (c) Sources of finance;
  - (d) Transparency arrangements.
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