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Sixth biennial high-level ministerial dialogue on climate finance

Note by the President*

Summary

This document contains a summary of the sixth biennial high-level ministerial dialogue on climate finance under the Conference of the Parties, held during its twenty-ninth session. It has been prepared by the President of that session with the support of the secretariat. The dialogue was informed by the second report on progress towards achieving 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, prepared by the Standing Committee on Finance.

* The present report was submitted to the conference services for processing after the deadline for technical reasons beyond the control of the submitting office.

Abbreviations and acronyms

COP	Conference of the Parties
LDC	least developed country
MDB	multilateral development bank
NCQG	new collective quantified goal on climate finance
NDC	nationally determined contribution
OECD	Organisation for Economic Co-operation and Development
SCF	Standing Committee on Finance
SIDS	small island developing State(s)

I. Introduction

A. Mandate

1. The COP decided to convene a biennial high-level ministerial dialogue on climate finance starting in 2014 and ending in 2020 and requested the Presidency of the COP to summarize the deliberations of the dialogue.1 The first dialogue was held during COP 20, the second during COP 22, the third during COP 24, and the fourth during COP 26.

2. COP 26 decided that continued discussions on long-term climate finance will conclude in 2027. The COP also decided to convene biennial high-level ministerial dialogues on climate finance in 2022, 2024 and 2026.[2]

3. COP 29 welcomed the deliberations at the sixth high-level ministerial dialogue on climate finance and looked forward to the summary thereof, to be prepared by the President of COP 29 for consideration at COP 30.[3]

B. Scope

4. The key messages from the sixth high-level ministerial dialogue on climate finance are presented in chapter II below, followed by information on the proceedings of the dialogue in chapter III below. Chapter IV below summarizes the presentation and discussions that took place during the dialogue.

C. Possible action by the Conference of the Parties

5. COP 30 may wish to consider this summary as input to its deliberations on long-term climate finance.

II. Key messages

6. Parties have divergent views on whether the goal of developed country Parties of mobilizing jointly USD 100 billion per year in climate finance for developing countries was met by 2022. While progress towards fulfilling the USD 100 billion goal has been significant, the delay in achieving the goal on time, along with the lack of an agreed methodology for accounting climate finance provided and mobilized as well as the lack of a definition of climate finance, have undermined some Parties' trust and confidence in the multilateral process.

7. There is no 'one size fits all' approach to climate finance, which must be aligned with developing countries' individual needs, circumstances, pathways and priorities. However, there is a critical need for accessible, predictable and sustainable climate finance to support developing countries in implementing their NDCs, national adaptation plans and long-term low-emission development strategies.

8. The barriers to developing countries, especially those that are particularly vulnerable to the adverse impacts of climate change and/or are facing capacity constraints, accessing climate finance need to be addressed by simplifying and streamlining application processes across funds, lowering transaction costs and speeding up funding approvals.

9. Providing climate finance in the form of grants and highly concessional loans is critical to avoid further increasing the debt burden of developing countries and to free up fiscal space for climate action, for example by expanding the use of debt relief and debt-forgiveness clauses, and debt swaps.

[1] Decision 3/CP.19, para. 13.
[2] Decision 4/CP.26, paras. 18 and 20.
[3] Decision 1/CP.29, para. 5.

10. Strategic public–private partnerships are required to unlock private sector investment at scale, coupled with a conducive policy environment and sustained demand-led capacity-building. Mobilized private finance must be aligned with national circumstances and priorities to ensure that it supports long-term sustainability.

11. Adaptation remains underfunded despite growing needs. Public finance is particularly important for adaptation action. A shift is needed towards achieving more of a balance between adaptation and mitigation finance and action, and grant-based finance and concessional loans need to be promoted for adaptation where market-rate loans may not be an option.

12. The availability of predictable, grant-based, easily accessible climate finance, by means of establishing minimum allocations and simplifying access modalities, for example, is particularly important for the LDCs and SIDS, recognizing their vulnerability to the adverse impacts of the climate change and significant capacity constraints.

13. Using innovative financial instruments and mechanisms, such as blended finance, debt-for-nature swaps and green bonds, offers the potential for scaling up financial resources while freeing up fiscal space. Public capital should be used strategically to de-risk and incentivize private investment, particularly through local currency lending, guarantees and first-loss structures, recognizing that public resources are limited.

14. MDBs can play a key role in scaling up climate finance, including by implementing capital adequacy reforms, optimizing their balance sheets, mobilizing increased private capital, and deploying instruments such as guarantees, risk capital, local currency lending and blended finance structures.

15. A transparent and inclusive process for setting the NCQG is important. The NCQG must be ambitious and sufficient to meet the growing needs of developing countries. Lessons learned from the USD 100 billion goal must inform the design of the NCQG, including the need to prioritize grant-based and highly concessional finance and strive for a balance between mitigation and adaptation finance.

III. Proceedings

16. The sixth high-level ministerial dialogue on climate finance was convened on 14 November 2024 during COP 29 by the President thereof, Mukhtar Babayev. The COP 29 President, with the support of the secretariat, prepared the programme for the dialogue and invited Parties and observers, United Nations organizations and intergovernmental organizations, and UNFCCC constituencies of non-governmental organizations to participate therein. The programme, recording of the dialogue and other relevant documents are available on the UNFCCC website.[4]

17. The dialogue was co-moderated by Amos Lugoloobi, State Minister of Finance, Planning and Economic Development of Uganda, and Jennifer Lee Morgan, State Secretary and Special Envoy for International Climate Action of Germany.

18. Simon Stiell, UNFCCC Executive Secretary, and Mukhtar Babayev delivered opening remarks; and a scene-setting presentation was delivered by Gabriela Blatter and Richard Muyungi, members of the SCF, on findings from the second report on progress towards achieving 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.[5]

[4] https://unfccc.int/event/6th-high-level-ministerial-dialogue-on-climate-finance-mandated-event-by-invitation-only.

[5] SCF. 2024. *Second report on progress towards achieving 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*. Bonn: UNFCCC. Available at https://unfccc.int/process-and-meetings/bodies/constituted-bodies/standing-committee-on-finance-scf/progress-report. See document FCCC/CP/2024/6/Add.3–FCCC/PA/CMA/2024/8/Add.3 for the executive summary.

19. Finally, an open discussion was held among ministers, senior officials and heads of organization, guided by the following questions formulated by the COP 29 Presidency:

(a) What are the lessons learned from the delivery of the goal and which good practices could be maintained and improved by governments and international climate finance providers to address the needs of developing countries?

(b) How can climate finance delivery strike a balance between responding to mitigation and adaptation needs?

(c) How can the use of innovative instruments further scale up climate finance mobilization, particularly concessional finance for climate action in developing countries?

IV. Summary of presentation and discussion

A. Presentation on the second report on progress towards the USD 100 billion goal

20. The second report on progress towards the USD 100 billion goal was prepared by the SCF in response to a mandate from COP 27.[6] The report considers progress in relation to the three dimensions of the goal: mobilizing jointly USD 100 billion per year by 2020 through to 2025; addressing the needs of developing countries; and achieving the goal in the context of meaningful mitigation actions and transparency on implementation.

21. The report presents information derived from diverse sources of data obtained using varying accounting methods. It indicates that, according to an OECD report, climate finance provided and mobilized by developed country Parties reached USD 115.9 billion in 2022.[7] Preliminary estimates collected by the SCF in preparing its sixth biennial assessment and overview of climate finance flows indicated that climate-specific finance provided and mobilized to amounted to USD 67.1 billion in 2022, excluding outflows from multilateral organizations; while Oxfam estimated that climate finance provided in grants and grant-equivalent terms was in the range of USD 28–35 billion in 2022.[8] According to all three sources, there has been an increase in climate finance flows to developing countries since 2020, with one even concluding that the USD 100 billion goal was met and exceeded in 2022.

22. In terms of assessing how the USD 100 billion goal addresses the needs of developing countries, the report compares the proportional distribution of climate finance flows with the distribution of needs of developing countries outlined in the second report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. Adaptation finance constituted between 24 and 44 per cent of total climate finance flows in 2020–2022; while adaptation needs constitute 14–48 per cent of expressed needs and 16–58 per cent of identified costed needs, depending on whether the figure is derived from national reporting in NDCs, national communications or biennial update reports of Parties not included in Annex I to the Convention.

23. Regarding mitigation actions and transparency on implementation, the report highlights an increase in Parties updating their NDCs. As at July 2024, 95 per cent of Parties included in Annex I to the Convention and 98 per cent of Parties not included in Annex I to the Convention had submitted NDCs, 78 per cent of which were updated NDCs. The aggregate impact of the mitigation actions reported in NDCs as at 30 September 2023 indicates a projected reduction in greenhouse gas emissions of 11.4–12.0 per cent by 2030 compared with the 2016 level; however, according to the Intergovernmental Panel on Climate

[6] Decision 13/CP.27, para. 15.

[7] OECD. 2024. *Climate Finance Provided and Mobilised by Developed Countries in 2013-2022*. Paris: OECD Publishing. Available at https://www.oecd.org/en/publications/2024/05/climate-finance-provided-and-mobilised-by-developed-countries-in-2013-2022_8031029a.html.

[8] Oxfam. 2024. *Climate Finance Short-Changed, 2024 Update*. Oxfam. Available at https://oxfam.app.box.com/s/q32guouexhj6proorwm8f14sv6nvan77.

Change, a reduction in emissions of 43.0 per cent by 2030 compared with the 2019 level would be required to align with pathways for limiting global warming to 1.5 °C.[9]

24. Further, the report highlights that, while innovative instruments are being deployed, challenges in scaling up climate finance persist, particularly in scaling up financing from MDBs and mobilizing private capital. Developing countries face difficulties attracting private investment owing to broader investment environment conditions, the small scale of activities, and high real or perceived risks in developing countries. Additionally, many key multilateral providers lack business models designed to address these challenges.

25. Lessons learned from the USD 100 billion goal by climate finance providers underline the importance of supporting country-level de-risking approaches, developing secondary market assets to aggregate smaller projects across diverse market and country risk profiles, and incentivizing MDBs and other institutions to maximize the potential for mobilizing climate finance, which can be achieved through target-setting, enhanced support for risk-sharing mechanisms, and more local currency lending initiatives to address difficulties effectively.

B. Summary of the discussion based on the guiding questions

1. Lessons learned and good practices from delivery on the USD 100 billion goal

26. Reflecting on the presentation on the second progress report on the USD 100 billion goal by SCF members, participants emphasized the need to apply lessons learned from the USD 100 billion goal when setting the NCQG. A group of Parties recognized that, while affirming that the USD 100 billion goal was met in 2022, further efforts are required to bridge the gap between current climate finance flows and the financial needs of developing countries. Some participants noted the negative impact of the delay in achieving the USD 100 billion goal set for 2020 on some Parties' trust in the multilateral process.

27. Some participants raised concerns about the lack of an agreed accounting methodology for the goal and a definition of climate finance, which leads to discrepancies in reported financial figures. These discrepancies were attributed to the varying sources and instruments included in the accounting for the goal, such as loans at market rates and export credits, which, according to some Parties, should not be counted towards the goal as this could lead to double counting of climate finance flows. In this context, some participants emphasized the need for a clear and common definition of climate finance to enhance transparency in tracking financial flows and assessing progress towards achieving climate finance goals, such as the USD 100 billion goal and, ultimately, the NCQG.

28. Many participants highlighted that the climate finance needs of developing countries have grown exponentially due to the increasing frequency and severity of climate-related disasters. They argued that the USD 100 billion goal was insufficient when it was agreed, and that the gap between climate finance flows and the needs of developing countries has increased since then. Adaptation needs, in particular, are increasing as developing countries experience more extreme weather events.

29. Many participants underscored that a key lesson learned from the USD 100 billion goal is the importance of ensuring accessible, predictable and sustainable climate finance flows for developing countries. They highlighted the challenges faced by developing countries, particularly the LDCs and SIDS, in navigating complex and bureaucratic procedures for accessing climate finance, excessive co-financing requirements and long disbursement periods. Many participants underscored the need to remove existing barriers to accessing climate finance by simplifying and streamlining application procedures within and

[9] IPCC. 2018. *IPCC Special Report on the Impacts of Global Warming of 1.5 °C above Pre-industrial Levels and Related Global Greenhouse Gas Emission Pathways in the Context of Strengthening the Global Response to the Threat of Climate Change, Sustainable Development, and Efforts to Eradicate Poverty*. V Masson-Delmotte, P Zhai, H-O Pörtner, et al. (eds.). Geneva: World Meteorological Organization. Available at https://www.ipcc.ch/sr15/.

across multilateral climate funds and enhancing direct access modalities while ensuring a more equitable allocation of climate finance flows among developing countries.

30. Some participants acknowledged that the USD 100 billion goal fell short of expectations as it was initially intended to mobilize substantial private investment alongside public funding for developing countries. Some Parties noted a major lesson learned in this regard, namely that private finance cannot be assumed to flow automatically without strong policy incentives, risk guarantees and enabling environments, and that the tracking of private finance flows needs to be improved.

31. Some participants reiterated the importance of aligning climate finance with the national needs, circumstances and priorities of developing countries, particularly those outlined in their NDCs and national adaptation plans, to avoid applying a 'one size fits all' approach and ensure that funds are directed towards achieving impactful outcomes that contribute to meeting the goals of the Paris Agreement.

32. Recognizing that public sources of climate finance will not be sufficient to meet developing countries' needs, some participants stressed the importance of strategic public–private partnerships for unlocking private investment at scale. Several participants highlighted the importance of blended finance to de-risk private sector investment and called for policy environments to be established in both provider and recipient countries that are conducive to attracting private investment.

33. Many participants noted with concern the increasing debt burden of developing countries resulting from the high provision of loans and high costs of capital. Several participants emphasized the need to avoid further increasing developing countries' debt by deploying highly concessional and grant-based finance rather than market-based loans, particularly for adaptation, addressing loss and damage, and supporting the LDCs and SIDS. Participants also highlighted the need to scale up measures to create fiscal space, such as through the use of climate-resilient debt clauses and debt-for-nature swaps.

34. Some participants saw the principles of equity, fairness and common but differentiated responsibilities as a foundational pillar for climate finance, stressing that the NCQG should reflect these principles in addition to being ambitious but achievable.

2. Achieving a balance between finance for mitigation and adaptation

35. Many participants highlighted the lack of adaptation finance despite the growing need for it and stressed the importance of public finance in supporting adaptation efforts where private sector investments are less likely to generate financial returns. In response, some Parties reiterated their commitment to increasing their provision of adaptation finance, including in response to the decision urging developed country Parties to at least double their collective provision of climate finance for adaptation to developing country Parties from the 2019 level by 2025, in the context of achieving a balance between mitigation and adaptation in the provision of scaled up financial resources.[10]

36. Many participants stressed the need for more grant-based finance and concessional loans for financing adaptation while ensuring that mitigation finance is directed towards ensuring long-term sustainability and low-carbon emission pathways. Some participants suggested encouraging MDBs, as part of their institutional reforms, to increase their provision of concessional finance for adaptation efforts.

37. Many participants noted with concern the imbalance between mitigation and adaptation finance, stressing that adaptation needs exceed adaptation finance flows, with many adaptation projects remaining underfunded. Some participants called for adaptation finance to be doubled or tripled as part of the NCQG so as to address vulnerabilities of countries exacerbated by climate change and the historical underfunding of adaptation finance.

38. Many participants highlighted the importance of scaling up climate finance for responding to loss and damage and identified the operationalization of the Fund for responding to Loss and Damage as a critical step towards addressing climate-induced losses

[10] Decision 1/CMA.3, para. 18.

and damages. Participants called for the Fund’s immediate implementation to provide support to affected communities.

39. Some participants suggested leveraging resources for financing nature-based solutions and climate-resilient infrastructure that deliver adaptation and mitigation co-benefits, emphasizing the potential to address negative climate change impacts while achieving long-term sustainability. Climate finance can be more effective where it addresses adaptation needs as well as contributing to progress towards global mitigation goals, ensuring that both adaptation and mitigation needs are met without creating competing priorities.

40. Some participants strongly emphasized the need to ensure resource allocation that is in line with the principle of equity for the LDCs and SIDS, which are particularly vulnerable to the adverse effects of climate change. Some participants called for financing frameworks and financial instruments tailored to the unique challenges faced by the LDCs and SIDS, ensuring that these countries receive the financial resources they require for adaptation, mitigation and addressing loss and damage in a fair and timely manner, for example through establishing minimum allocations under the operating entities of the Financial Mechanism and the Adaptation Fund.

3. Scaling up climate finance mobilization for developing countries through innovative instruments

41. Some participants welcomed the increased use of innovative finance, such as blended finance, debt-for-nature swaps and green bonds, as means of scaling up climate finance while reducing fiscal risk for developing countries.

42. Some participants highlighted that blended finance could help to address concerns related to catalysing private investment and leveraging innovative financial mechanisms to scale up climate finance without increasing the debt burden of developing countries. Some Parties suggested making greater use of the solutions, such as debt relief and debt-forgiveness clauses and debt-for-nature swaps, to create fiscal space. Some participants emphasized the importance of using strategic partnerships to enhance credit ratings of developing countries and to de-risk investments in climate action to attract private sector participation.

43. The ongoing reforms within the international financial architecture were broadly recognized as being necessary to make it fit for purpose. Key aspects of these reforms include enhancing the lending capacity of MDBs, optimizing their balance sheets, mobilizing increased private capital and increasingly deploying financial instruments such as guarantees, risk capital, local currency lending and blended finance structures. Some participants called for developed countries and MDBs to align their efforts in order to reduce fragmentation of support provided to developing countries and enhance the coordination of climate finance delivery.

44. Some participants discussed creating enabling environments through regulatory approaches and following nationally determined pathways in transitioning away from fossil fuel subsidies, which do not support just transitions or address energy poverty, towards clean, and sustainable renewable energy, in order to mobilize private sector finance. Participants stressed the importance of improving investment conditions for attracting private capital, noting that private sector contributions can help to scale up climate finance and achieve the goals of the Paris Agreement.

45. Some participants proposed deploying innovative instruments, such as global levies designed to generate additional financial resources for climate action in developing countries in line with the ‘polluter pays’ principle, while others cautioned against using international levies owing to their potential negative impacts on national economies.

46. Some Parties advocated strongly for broadening the contributor base of climate finance, recognizing that some countries that have become key players in the global financial economy are well positioned to contribute to climate finance efforts. Other Parties voiced significant concerns about the concept of a broadened contributor base, referring to the obligations to provide and mobilize climate finance set out in the Convention and the Paris Agreement, and called for equitable burden-sharing arrangements among developed country Parties.

4. Announcements on mobilizing climate finance

47. A representative of Sweden announced its pledge of 8 billion Swedish kronor for the second replenishment of the Green Climate Fund, making Sweden the largest provider on a per capita basis to the Green Climate Fund, as well as a pledge of 200 million Swedish kronor to the Fund for responding to Loss and Damage.

48. A representative of Australia announced that the country’s annual support for climate adaptation tripled between 2019 and 2023. As part of this effort, Australia committed an anchor investment of USD 100 million to the Pacific Resilience Facility, a Pacific-owned and -led initiative for climate finance, designed to be a vital source of support for locally led adaptation efforts, disaster preparedness and projects for addressing loss and damage.

49. A representative of the United Arab Emirates announced that, through its Action Agenda, it raised USD 85 billion, created a USD 30 billion innovative financial instrument for climate finance and implemented a USD 4.5 billion programme of assistance for renewable energy penetration in African countries.