C2ES CENTER FOR CLIMATE AND ENERGY SOLUTIONS

INTERNATIONAL

The New Collective Quantified Goal on Climate Finance: Elements for Consideration

Discussion paper

11 July 2024 *Center for Climate and Energy Solutions*

Introduction

1. The new collective quantified goal (***NCQG***) on climate finance is expected to be agreed at COP29, representing a new era of climate finance for Parties. It is also an opportunity to reinvigorate the climate regime by building confidence that finance necessary for the implementation of more ambitious Nationally Determined Contributions (***NDCs***) will be available.

2. This discussion paper consolidates and considers prevalent positions of Parties on various emerging elements of the NCQG. These elements, as reflected in the NCQG co-chair's updated input paper released during the UN Framework Convention on Climate Change (***UNFCCC***) 60th sessions of the Subsidiary Bodies (***SBs***),[1] mirror the structure of the co-chair's updated input paper to the extent possible.

Questions for consideration

- Which elements of the NCQG should be prioritized for political engagement, including the high-level ministerial dialogue on climate finance?
- How can progress continue to be made at the technical level following the SBs, and what should be the areas of focus?
- What further changes need to be made to the climate finance landscape outside the UNFCCC process to provide confidence in the scale and availability of finance? How can the NCQG and COP29 help to accelerate this?

A. Preamble and Chapeau

Element 1	Guiding principles, objectives, and context of the NCQG.
Element 2	References to articles relevant to climate finance under the Paris Agreement.
Element 3	References to articles relevant to climate finance under the UNFCCC.

Further questions & issues for consideration

3. Options within the chapeau could include references to common but differentiated responsibilities and respective capacities in light of different national circumstances, the criticality of new and additional finance, the collective nature of the NCQG, efforts to pursue climate action in line with a 1.5 degree C and climate resilient future, etc. UNFCCC mandates for the NCQG in Decision 1/CP.21, para 53 and Decision 14/CMA.1 might also be referenced.[2]

B. Structure and Quantum

4. There seems to be prevailing agreement that the NCQG would have a **baseline quantum of public finance provided and mobilized to developing country Parties**. Additionally, considering the deep interlinkages between the many elements related to structure and quantum, the options below could be combined in a number of configurations and are not necessarily mutually exclusive.

Options related to thematic groupings	
Option 1	Baseline public finance quantum provided and mobilized to developing country Parties, with an additional thematic quantitative sub-goal or floor, or qualitative recognition of balance for mitigation and adaptation priorities.
Option 1a	Inclusion of thematic sub-goals for mitigation, adaptation, and loss and damage (***L&D***), reflecting language that L&D funding arrangements do not involve liability.[3]
Options related to contributor base	
Option 2	Baseline public finance quantum provided and mobilized to developing country Parties by developed country Parties.
Option 2a	Baseline public finance quantum provided and mobilized to developing country Parties, provided by Parties with the capacity to provide, determined via a static or dynamic list based on indicators such as greenhouse gas emissions, GNI, or GDP per capita.
Option 2b	Baseline public finance quantum provided and mobilized to developing country Parties by developed country Parties, with further encouragement of voluntary contributions by Parties with the capacity to do so.
Option 2c	Baseline public finance quantum provided and mobilized to developing country Parties by developed country Parties, including burden-sharing arrangements between developed country Parties.
Options related to multi-layered approaches	
Option 3	Baseline public finance quantum provided and mobilized to developing country Parties, plus an additional quantum representing overarching global investment needs of developing country Parties.
Option 3a	Baseline public finance quantum provided and mobilized from developed to developing country Parties and overarching global investment layer which captures thematic sub-targets for mitigation, adaptation, and L&D in qualitative terms.

Further questions & issues for consideration

5. The baseline option reaffirms the core commitment in Article 9.1 and 9.3 that financial resources be provided and mobilized.[4] Would a status quo replacement of the $100 billion goal be able to reach the scale of finance necessary to meeting developing country Party needs?

6. Could the inclusion of L&D contributions, with recognition of no liability, within the NCQG reassure countries that the L&D fund will be capitalized further?

7. An expanded contributor base could allow for a greater total quantum to be raised. However, do Parties have the necessary political capital to agree methodology to determine such a list of contributors?

8. Could encouragement for Parties with the capacity to further contribute of their own volition be seen as an accentuation of Article 9.2, in which Parties are "encouraged to provide or continue to provide such support voluntarily"? Would greater transparency or tracking of financial support be useful in understanding the extent of action under the climate regime?

9. In recognition of developed country Party obligations to lead in the provision and mobilization of climate finance, some Parties have proposed that burden-sharing arrangements be put in place to define a fair share of climate finance to be provided by each contributor Party. Could burden-sharing provide greater confidence among Parties that adequate climate finance will be provided?

10. Developing country needs must be central to the NCQG, which needs assessments including the Standing Committee on Finance (***SCF***) first Needs Determination Report (***NDR***) and recognized in the Global Stocktake (***GST***)[5,6] reached $5.8-5.9 trillion in the pre-2030 period. These needs could grow considering the forthcoming publication of the second NDR at COP29. Would an overarching global investment target allow for a quantum which could realistically scale to the trillions needed? How could a global investment target contribute to the increase the level of private finance mobilization, given the historic lags of private finance?

C. Sources

Option 1	Recognition of public finance provided and mobilized from a wide variety of sources, in line with Article 9.3.[7]
Option 1a	Additional recognition of climate finance catalyzed.
Option 2	Recognition that the core of the NCQG is based in public finance provided and mobilized from a wide variety of sources, with outer layers of the goal inclusive of all sources of finance: public, private, international, and domestic.
Option 2a	Additional recognition of the role for the future development of innovative sources of finance, to include global taxation efforts, debt swaps, scaling of blended finance and use of guarantees, and other innovative measures.
Option 2b	Call for continued reform of IFIs and MDBs and implementation of the capital adequacy framework recommendations,[8] as well as continued efforts to improve MDB alignment with the goals of the Paris Agreement.
Option 2c	Call for further resource mobilization in developing countries.

Further questions & issues for consideration

11. Reflecting the structure of the $100 billion goal, a recognition of public finance provided and mobilized could be considered the baseline, critically noting that the mobilization of climate finance should represent a progression beyond previous efforts.

12. A recognition of finance sources catalyzed could assist in the capture of combined impact from a wider range of public interventions (such as capacity building or policy support) and broader conducive circumstances often that cannot be attributed to any one Party, but nevertheless contribute to improved financing outcomes and enabling environments.[9]

13. An acknowledgement of all sources of finance could allow for the distinctive attributes and limitations of each source to be harnessed to maximize the scale and impact of climate finance utility. Would the tracking domestic resource mobilization, including by developing country Parties, allow for the adequate consideration of developing country Party needs within the NCQG?

14. Would openness to all sources of finance NCQG allow for easier inclusion of innovative sources or calls to reform multilateral development bank (***MDBs***) and international financial institutions (***IFIs***)?

D. Temporal scope of the quantum

Option 1	Short-term timeframe of 5 years.
Option 2	Medium-term timeframe of 10 years.
Option 3	Additional long-term target of 25 years for an overarching global investment goal, with optional targets or reviews at 5- or 10-year intervals.
Option 4	Combination of timeframes for different aspects of the goal.

Further questions & issues for consideration

15. A short-term timeframe aligns well with UNFCCC cycles for NDCs and the GST. Tracking progress and informing revision of the goal may prove difficult, however, given that average reporting lags of 2-3 years will greatly limit the data available during the revision period.

16. A medium-term timeframe may better allow for alignment of national budget cycles of contributing Parties and increase predictability for recipient Parties. It is also aligned with NDC and GST cycles, as well as Biennial Transparency Report (***BTR***) cadence, with the disruption of reporting lag possibly less impactful with more time allotted to verification and tracking.

17. A long-term target would align well with 2050 net zero milestone, however such an option may not reflect the urgency to scale climate finance.

18. How would each of the options for the goal's temporal scope support the sustainable mobilization and availability of climate finance? Which of these options might have the greatest positive impact in this regard?

E. Relationship between the NCQG and Article 2.1(c) of the Paris Agreement

Option 1	Integration or reflection of Article 2 within the NCQG.
Option 2	No recognition of Article 2 or Article 2.1(c).
Option 3	Reflection of NCQG as a portion of effort towards the achievement of Article 2.1(c), and incorporation of linkage to outcomes of the Sharm el-Sheikh Dialogue (***SeS Dialogue***).

Further questions & issues for consideration

19. What aspects of the relationship to Article 2, or specifically Article 2.1(c) might usefully contribute to the formation of the NCQG? Would reference to the SeS Dialogue prove useful?

20. Would a lack of formal relationship between the NCQG and Article 2.1(c) be at odds with the Decision 14/CMA.1 mandate that the NCQG "strengthen the global response to the threat of climate change […] including by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development"?

F. Qualitative features

Option 1	Integration of qualitative elements throughout various elements of the NCQG (e.g. context or principles, structure, etc.)
Option 2	Creation of dedicated qualitative section within the NCQG text particularly for qualitative features that might be operationalized.
Qualitative features for independent consideration include:	a) Access to climate finance b) Inclusivity for gender, children and youth, and Indigenous Peoples c) Gender-responsiveness of finance d) Timely delivery and adequate delivery channels
Qualitative features that could be operationalized as a qualifier of finance include:	a) Definition of climate finance b) Addressing disablers of climate action (e.g. debt distress, cost of capital, or unilateral measures) c) Definition of concessionality d) Quality of finance, as a measure of concessionality e) Recognition of particularly vulnerable and capacity constrained Parties, including Least Developed Countries (***LDCs***) and Small Islands Developing States (***SIDS***) f) Recognition of developing country Party ambition through quality financing g) Articulation of recipient Parties on the basis of (e) or (f) above h) Policies that promote enabling environments (e.g. investment planning, country platforms, transition frameworks) i) Tracking impact, effectiveness, and outcomes of finance

G. Transparency arrangements

Option 1	Utilization of the Enhanced Transparency Framework (***ETF***) as the basis of the NCQG's transparency arrangements.
Option 2	Utilization of existing tracking and reporting systems, to include the SCF, MDBs, Intergovernmental Panel on Climate Change (***IPCC***), and the Organisation for Economic Cooperation and Development (***OECD***).
Option 3	Establishment of transparency arrangements specific to the NCQG, to be determined once a common understanding on structure has emerged.

Further questions & issues for consideration

21. Through Party BTR submissions, the ETF would allow for the tracking of financial support provided and mobilized, finance flows, needs, impact and effectiveness, and qualitative features as well as optionally provides a place to report on loss and damage finance. Would this data be sufficient for aggregation within an ETF synthesis report?

22. Could aspects not reported in the ETF be captured through supplemental or other reporting means until the first regular review of the ETF in 2028?

23. What body should be responsible for the aggregation of finance provided and received reports, to allow for the tracking of progress towards the NCQG? Would it be helpful for the SCF to conduct expanded reporting on NCQG progress, in line with efforts on the Biennial Assessment and Overview of Climate Finance Flows report?

H. References

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[1] UNFCCC, "Updated input paper for the second meeting under the ad hoc work programme on the new collective quantified goal on climate finance." (June 2024). https://unfccc.int/sites/default/files/resource/MAHWP2_second_update.pdf
[2] C2ES, "NCQG Issues and Options." (February 2024). https://www4.unfccc.int/sites/SubmissionsStaging/Documents/202403271101---20240326%20C2ES%20NCQG%20Submission%20FINAL.pdf
[3] Decision 5/CMA.5, "Operationalisation of the new funding arrangements, including a fund, for responding to loss and damage." (2023). https://unfccc.int/sites/default/files/resource/cma2023_16a01E.pdf
[4] UNFCCC, "Paris Agreement, Article 9." (2015). https://unfccc.int/sites/default/files/english_paris_agreement.pdf
[5] UNFCCC SCF, "First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement." (2021). https://unfccc.int/sites/default/files/resource/54307_2%20-%20UNFCCC%20First%20NDR%20summary%20-%20V6.pdf
[6] UNFCCC, Decision 1/CMA.5, para 67. "Outcome of the first global stocktake." (2023). https://unfccc.int/sites/default/files/resource/cma2023_L17_adv.pdf
[7] UNFCCC, 2015.
[8] https://www.dt.mef.gov.it/export/sites/sitodt/modules/documenti_it/news/news/CAF-Review-Report.pdf
[9] OECD, "The New Collective Quantified Goal on climate finance: Options for reflecting the role of different sources, actors, and qualitative considerations." (May 2024). https://doi.org/10.1787/7b28309b-en