CENTER FOR CLIMATE AND ENERGY SOLUTIONS

INTERNATIONAL

Issues and Options: Transparency Arrangements Under the New Collective Quantified Goal on Climate Finance

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Center for Climate and Energy Solutions

A. Summary

1. Parties must land an ambitious outcome for the new collective quantified goal (***NCQG***) on climate finance at COP29. Most of the substantive topics remain unresolved, but transparency arrangements might prove a useful element in finding a way forward on highly contentious issues.
2. Existing guidelines under the Enhanced Transparency Framework (***ETF***) cover in detail the reporting of support provided and received, though depending on the final structure and elements included in the NCQG, adjustments may be necessary to capture new components (e.g., loss and damage (***L&D***), innovative sources of finance, or shifting of fossil fuel subsidies).
3. The ETF's modalities, procedures, and guidelines (***MPGs***)[1] note that information of South-South flows of climate finance 'should' be provided in transparency reports, and an ambitious NCQG outcome should encourage Parties to follow through with this mandate while recognizing reporting capacity constraints. Guidance to this effect could be strengthened within the NCQG decision without amending obligations and provisions of the Paris Agreement. Better understanding of South-South cooperation could be an important piece of the larger climate finance puzzle.
4. Several options for data aggregation and tracking have been discussed in NCQG negotiations, though some Parties have suggested that these might be addressed in a workplan extending past COP29.

Questions for consideration

- Could renewed focus on transparency arrangements help to loosen gridlocked issues related to the contributor base, quantum, or structure of the NCQG?
- Will the ETF capture sufficient information to track progress towards achieving the NCQG, or are additional data and subsequent reporting guidelines needed?

B. The state of NCQG negotiations

5. Parties are set to meet for the final round of discussions on the NCQG at COP29, where expectations are high that they reach a robust outcome on climate finance. As the U.S. $100 billion goal sunsets in 2025,[2] negotiators must work together to reach agreement on a successor capable of responding to the urgent and growing financing needs for climate action in developing countries.

6. After three years, eleven technical expert dialogues, and three ad hoc work programme sessions, there is still much progress to be made in resolving substantive issues.[3] Foundational elements of the NCQG are still yet to be decided, including: the quantum; a possible inclusion of thematic sub-goals for mitigation, adaptation, and L&D; a possible expansion of the contributor base; a single-layer or multi-layered structure; and how progress towards these many configurations might be tracked.[4]

7. NCQG discussions thus far have included frequent mention of the financing needs in developing countries. Parties acknowledged the cost of implementing developing country nationally determined contributions (***NDCs***) in the outcome of the first global stocktake (***GST***) at U.S. $5.8-5.9 trillion in the pre-2030 period,[5] though other estimates are also under discussion.

8. Despite these needs, public international finance in climate has remained fairly stagnant, and development aid has fallen to developing countries.[6] Maximum pressure should be placed on rich countries to make and fulfil ambitious climate finance pledges. But given that trillions per year are needed to successfully realize net-zero and resilience goals, the NCQG must also include other sources of finance, such as the multilateral development banks (***MDBs***), innovative financing instruments like levies, and—crucially—effective tools to attract and mobilize private finance at scale, such as guarantees or blended finance arrangements.[7] It is clear that public finance from a limited number of countries is not going to be sufficient.

9. The contentious nature of these remaining elements indicates a serious need for constructive discourse to make substantive headway. During the 60th meetings of the Subsidiary Bodies, the NCQG co-chairs suggested transparency arrangements as one of several possible starting points for discussion focused on commonalities.[8]

10. In order to capture the full breadth of climate finance, the NCQG could include a multi-layered structure to capture the greatest possible amount of information on the state of finance provided globally. To this end, it is vital that transparency arrangements for the NCQG are comprehensive enough to allow for detailed tracking and aggregation.

C. A role for transparency

Existing ETF guidelines for support provided or received

11. Parties have yet to agree on the basis of the transparency arrangements for the NCQG. The transparency provisions agreed under the Paris Agreement could make for a strong foundation. The MPGs relating to reporting support provided, mobilized, or received are extensive, though it may need adjustment during the upcoming 2028 MPG review.[9]

12. The MPGs in Decision 18/CMA.1 mandate the reporting of financial support provided as follows:
    - "Developed country Parties shall provide information pursuant to Article 13, paragraph 9, in accordance with the MPGs in chapter V."[10]
    - "Other Parties that provide support should provide such information and, in doing so, are encouraged to use the MPGs in chapter V."[11]

13. Chapter V[12] referenced above provides guidance on reporting information on financial support provided and mobilized under Article 9 of the Paris Agreement. Paragraphs 123-125[13] outline the common tabular format (***CTF***) data requirements for financial support from bilateral, regional and other channels, multilateral channels, and public interventions as:[14]

Bilateral, regional and other channels	Multilateral channels	Finance mobilized through public interventions
a) Year (calendar year, fiscal year) b) Amount (in US$ and domestic currency)(face value and, on a voluntary basis, grant-equivalent value) c) Recipient, including information on the region or country and the title of the project d) Status (disbursed, committed) e) Channel (bilateral, regional, multi-bilateral, other) f) Funding source (ODA, OOF, other) g) Financial instrument (grant, concessional loan, non-concessional loan, equity, guarantee, insurance, other) h) Type of support (adaptation, mitigation, cross-cutting) i) Sector (energy, transport, industry, agriculture, forestry, water and sanitation, cross-cutting, other) j) Subsector, as available k) Additional information l) Whether it contributes to capacity-building and/or technology development and transfer objectives, as available	a) Year (calendar year, fiscal year) b) Institution (multilateral fund, the operating entities of the Financial Mechanism, entities of the Technology Mechanism, multilateral financial institution, international organization) c) Amount (in US$ and domestic currency)(face value and, on a voluntary basis, grant-equivalent value) d) Core-general or climate-specific, as applicable e) Inflows and/or outflows, as applicable f) Recipient (country, region, global, project, programme, activity, other) g) Status (disbursed, committed) h) Channel (multilateral, multi-bilateral) i) Funding source (ODA, OOF, other) j) Financial instrument (grant, concessional loan, non-concessional loan, equity, guarantee, insurance, other) k) Type of support (adaptation, mitigation, cross-cutting) l) Sector (energy, transport, industry, agriculture, forestry, water and sanitation, cross-cutting, other) m) Subsector, as available n) Whether it contributes to capacity-building and/or technology development and transfer objectives, as available	a) Year (calendar year, fiscal year) b) Amount (in US$ and domestic currency)(face value and, on a voluntary basis, grant-equivalent value) c) Amount of resources used to mobilize the support (in US$ and domestic currency) d) Type of public intervention used (grant, concessional loan, non-concessional loan, equity, guarantee, insurance, policy intervention, capacity-building, technology development and transfer, technical assistance) e) Recipient (country, region, global, project, programme, activity, other) f) Channel (bilateral, regional, multilateral) g) Type of support (adaptation, mitigation, cross-cutting) h) Sector (energy, transport, industry, agriculture, forestry, water and sanitation, cross-cutting, other) i) Subsector, as available j) Additional information

Figure 1: Data requirements for reporting information on financial support provided and mobilized under Article 9 of the Paris Agreement by developed country Parties and other Parties

14. The MPGs also mandate the reporting of financial support received, noting that:

- "Developing country Parties should provide information on financial, technology transfer and capacity-building support needed and received under Articles 9, 10 and 11 of the Paris Agreement, in accordance with the MPGs in chapter VI."[15]

15. Chapter VI,[16] referenced above, provides guidance on reporting information on support needed and received by developing country Parties under Article 9 of the Paris Agreement. Paragraphs 132-134[17] outline the CTF data requirements for support needed and received by developing country Parties:

Financial support needed by developing country Parties under Article 9 of the Paris Agreement	Financial support received by developing country Parties under Article 9 of the Paris Agreement
a) Title (of activity, programme or project)	a) Title (of activity, programme or project)
b) Programme/project description	b) Programme/project description
c) Estimated amount (in domestic currency and in US$)	c) Channel
d) Expected time frame	d) Recipient entity
e) Expected financial instrument (grant, concessional loan, non-concessional loan, equity, guarantee or other)	e) Implementing entity
f) Type of support (mitigation, adaptation or cross-cutting)	f) Amount received (in domestic currency and in US$)
g) Sector or subsector	g) Time frame
h) Whether the activity will contribute to technology development and transfer and/or capacity-building, if relevant	h) Financial instrument (grant, concessional loan, non-concessional loan, equity, guarantee or other)
i) Whether the activity is anchored in a national strategy and/or an NDC	i) Status (committed or received)
j) Expected use, impact and estimated results	j) Sector and subsector
	k) Type of support (mitigation, adaptation or cross-cutting)
	l) Whether the activity has contributed to technology development and transfer and/or capacity-building
	m) Status of activity (planned, ongoing or completed)
	n) Use, impact and estimated results

Figure 2: Data requirements for reporting information on financial support needed and received by developing country Parties under Article 9 of the Paris Agreement

Possible adjustments to ETF guidelines

16. Though the direction provided by the MPGs is extensive, it is still unclear if the final structure and elements of the NCQG—yet to be determined—will align with the current specifications of the ETF. Based on developments at COP29, key adjustments to the MPGs might be considered to ensure thoroughness.

- Depending on the NCQG outcome, some have suggested that agreed CTFs may need to be adjusted to account for L&D as a type of finance provided or received, and new guidance may be needed for reporting finance from innovative instruments or shifted from the phaseout of fossil fuel subsidies.[18]
    - Under the MPGs, Parties do have the option to reference financial support for L&D provided, needed, and received in Table III.1 through III.11 under the 'Additional Information' column, which encourages Parties to "[r]eport, to the extent possible, information on the project/programme and […] as appropriate, support to activities related to averting, minimizing and addressing loss and damage […]."[19]
- In addition to mobilization of finance, the separate and distinct catalyzation of finance may be considered anew as a relevant reporting area. Though Parties have shown disinterest at the prospect of including a catalyzation element, this could be important for several reasons:
    - Catalyzation captures finance from a wide range of public interventions and circumstances that often cannot be attributed to any one Party, while still contributing to improved financing outcomes and enabling environments for developing country Parties.20
    - MDBs closely track catalyzation as part of their climate and broader development investments. Ignoring the catalyzation of finance may open opportunities for misalignment of methodologies, more complicated verification and tracking of finance, and ultimately confusing or misleading narratives on finance for civil society and the media.[21]

17. Parties could also call on outside organizations (e.g., MDBs or private lending institutions) to provide information as part of the NCQG tracking process, as an extension to information captured in the *Joint Report on Multilateral Development Banks' Climate Finance*.[22]

18. It remains to be seen if Parties will be able to come to agreement on the contentious topic of a definition for climate finance, though it has been raised in the context of the NCQG. The existing operational definition of climate finance set by the SCF[23,24] allows for national determination of methodology. However, if a new definition were to be agreed, such a methodology for determining what counts and does not count as climate finance would need to be updated within the ETF and subsequently the MPGs.

Improving reporting of South-South flows

19. With the NCQG intended to address the growing financial needs of developing country Parties, greater transparency of all climate finance pledged, provided, and disbursed globally could assist in understanding the complete landscape of climate finance available.

20. Some Parties have suggested an increase in the number of countries contributing financial resources to climate action in developing countries might result in an overall increase of the total amount of climate finance flowing to vulnerable developing countries in need. Noting that contributions from developing countries are voluntary under the Paris Agreement,[25] reaching a formal agreement at COP29 on expansion of donor base will be challenging.

21. As part of the efforts to find a way forward, transparency around climate finance—with an outcome encouraging all Parties which provide climate finance, including Parties other than developed country Parties in line with Article 9.5 and 9.7 of the Paris Agreement as well as the enhanced requirements of the MPGs, to report this information in an agreed manner—from all sources could form part of the solution.

22. Developing country Parties may, however, face capacity and resource constraints in meeting reporting obligations and are encouraged in the MPGs to provide available information to the extent possible. Capacity-building resources available to all Parties through the Global Environment Facility Capacity-building Initiative for Transparency (***CBIT***) might assist in improving data availability and ease of reporting over time. Additional capacity-building resources, including multilateral and bilateral opportunities, have been noted by the Secretariat.[26]

Option 1: Recall the ETF provisions

23. As covered above, transparency arrangements under the MPGs note that Parties other than developed countries "that provide support should provide such information" and are encouraged to do so in accordance with the respective CTFs.[27]

24. Some developing countries Parties have already reported financial support provided to other developing country Parties. For example, South Korea's 4th Biennial Update Report (***BUR***) included support provided in the BUR tabular format.[28] The United Arab Emirates similarly included quantitative estimates of its provision of support to developing countries in its 1st BUR, though it provided the information qualitatively rather than in the BUR tabular format.[29]

25. The NCQG decision could recall the MPG requirements[30] and include further encouragement to all Parties to include information on provision of support in biennial transparency reports in the agreed CTF format for comprehensive tracking, pursuant to the agreed MPGs.

Option 2: Strengthen the ETF provisions

26. Given the criticality of an understanding of the complete climate finance landscape, Parties could alternatively update and strengthen the language in the MPGs to mandate that all Parties that provide support to developing country Parties, including on a voluntary basis, be required to report this information in the first Biennial Transparency Reports (***BTRs***) in the agreed CTF formats.

Option 3: Article 9.5 as voluntary reporting separate from the ETF

27. Article 9.5 states that "[d]eveloped country Parties shall biennially communicate indicative quantitative and qualitative information related to paragraphs 1 and 3 of this Article, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties. Other Parties providing resources are encouraged to communicate biennially such information on a voluntary basis."[31]

28. Many contend that Article 9.5 is not linked to Article 13[32] and it lacks mention in the MPGs, meaning that the forward-looking, ex-ante communications provided under Article 9.5 are not subject to the same reporting obligations as BTRs and other ETF reports, which are backward-looking, ex-post communications.[33]

29. Echoing the process of the Article 9.5 biennial communications,[34] a similar transparency report submitted for the purposes of NCQG tracking, yet independently of the MPGs, could allow Parties flexibility in their approach to reporting requirements for support provided and mobilized.

Data aggregation and tracking progress

30. After national reporting and data collection on finance provided and received is completed, total global finance must still be aggregated in order to track progress towards meeting the NCQG.

31. This step is key to measuring the progress of Parties towards collectively meeting the quantum of the NCQG but needs to be done in a manner that avoids double counting. This is particularly challenging

given a context of potential multiple donors and the continued lack of agreement on the definition of climate finance.

32. The task of data aggregation and tracking progress might be adopted by the Standing Committee on Finance (***SCF***) or even by an external body such as the Organisation for Economic Co-operation and Development (***OECD***), though some Parties have expressed concerns about how data might be included UNFCCC Parties that are not members to external bodies (e.g. not members of the OECD).

33. An outcome might reasonably task the SCF, with the support of the Secretariat, with this type of aggregation as a separate report, similar to the *Report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year by 2020 through to 2025*.[35] Alternatively, Parties could request the SCF include the tracking of NCQG progress to be included within the *Biennial Assessment and Overview of Climate Finance Flows*.

34. Importantly, Parties would need to decide the extent to which this report would track progress towards the NCQG, and whether this definition would extend to meeting the needs of developing country Parties identified at almost U.S. $6 trillion by 2030.

Prospects for continued transparency workplan past COP29

35. As suggested by some Parties during the second meeting of the NCQG ad hoc work programme, it may prove overly onerous to agree detailed transparency guidance in the NCQG outcome expected at COP29.

36. There might be space for a limited term workplan to agree the details of such transparency arrangements.

37. Ideally, expectations could be set to conclude a workplan by the close of COP30 to allow Parties to implement the transparency guidance in 2026 in line with the cadence of the second BTR deadline to enable progress tracking well ahead of a future review or revision of the NCQG.

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[13] UNFCCC, *Modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Paris Agreement,* Decision 18/CMA.1, Annex, Chapter V, ¶ 123-125.

[14] UNFCCC, *Modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Paris Agreement,* Decision 18/CMA.1, Annex, Chapter V, ¶ 123-125.

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