Sixth technical expert dialogue under the ad hoc work programme on NCQG
12-13 June 2023

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DAY 1 – 12 June

Time	9:00 – 16:45 CEST
Chair(s)	Zaheer Fakir – Senior Advisor Negotiations UAE COP28 Fiona Gilbert – Director, Climate Finance and Adaptation for Australian Department of Climate Change, Energy, the Environment and Water
Dynamic	Session was composed of two introductory context-giving presentations, followed by extensive working group discussion on options for developing the NCQG, with feedback to the plenary. First presentation elaborated on the findings of a report that dissected past 10 years of climate finance studies with the aim of aggregating key findings to consider when developing NCQG. Following this, member of IEA presented on elaborate statistical projections around climate finance based on different scenarios.
Key outcomes of session/Progress achieved during session	• Concern around the purpose of the technical dialogue when the issue of finance will ultimately be a politically decided one, thus how to link results from technical discussion to political side of things. • NCQG will be highly dynamic unlike previous models. • Acknowledgement that there are and will be gaps in data, e.g., at country, sectoral level, but that this should not be an obstacle for progressing with finance and that the NCQG cannot be everything for everyone. • Issue of complexity raised around a variety of topics including financial sources, reviews, flexibility, clarity of NCQG itself, predictability and accountability. • Prominent discussion around the issue of needs-based NCQG model • Contested areas included relevance/ consideration of 2.1.c within the NCQG – how this mandated part of the PA could influence the NCQG

Opening remarks

- Zaheer Fakir
  - Opening remarks
- Fiona Gilbert
- Simon Stiell: Exec Secretary UNFCCC
  - Need to have bold and creative thought to unlock challenges around finance
  - GST at COP28 will confirm our pledges are not enough
  - New goal is an opportunity to mobilise finance and regain trust
  - Parties called for reforms of international finance system
  - Can help restore trust in adequate and accurate provision of funds for climate action
  - Mobilise goal of 100bilion dollars a year
  - Use time constructively, think creatively
- AMB. Mohamed Nasr – COP27 Presidency lead negotiator
  - Quantum
  - Mobilisation
  - Provision
  - Needs to be ambitious and realistic

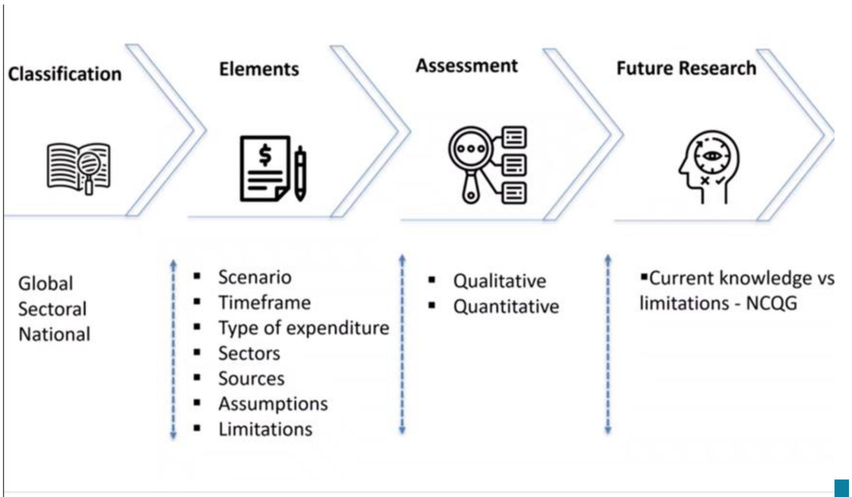
- Fiona
  - Since leaving Vienna in March, have developed a workplan setting an overall plan for the ad-hoc workplan for this year. Topics for each TED
  - Prepared a summary note of TED5
  - Shared questions for Party and non-Party stakeholders to guide understanding
  - During May, informal bilateral consultations with Parties
- Zaheer
  - Moving to focus of TED6, focusing on
    - 1. Options for identifying ways to determine quantum
    - 2. Identifying options on mobilisation and provision of financial resources
  - Start dialogues with 2 presentations
  - TED6 will be focused working group discussions, just as TED 5
  - Focus today is HOW to determine quantum, not so much WHAT the quantum will be
  - **Tomorrow's WG will also be on HOW, also for options to be considered at CMA5**
  - For working groups, have given options – discuss pros and cons of each option
  - After, open discussion between WGs

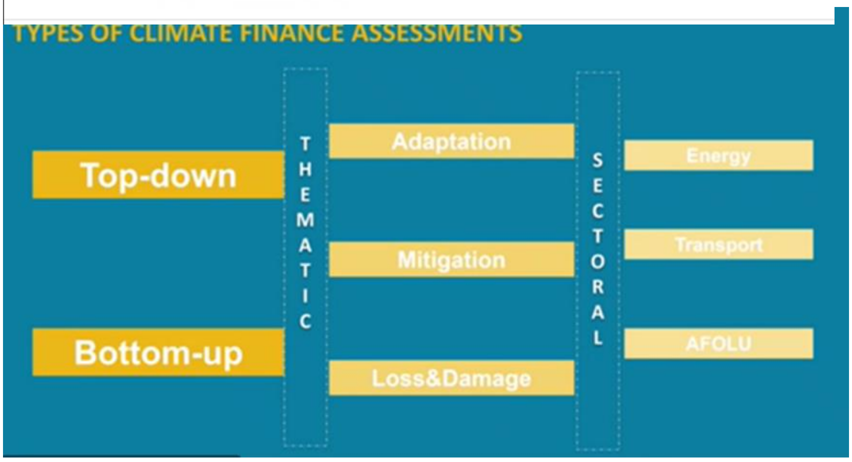
Scene-setting presentations (9:15 – 10:40)

- Fiona

Molly Caldwell and Natalia Alayza (WRIS, Climate Finance Manager)

- Natalia
  - Will be presenting our report on the analysis of all the reports
  - Sharing context of past 10 years of reports on global mitigation/adaptation finance, some report have broken down at a sectoral level. Purpose of presentation is to explain why there are differences in the numbers
  - 4 step methodological approach was adopted in reviewing these reports:

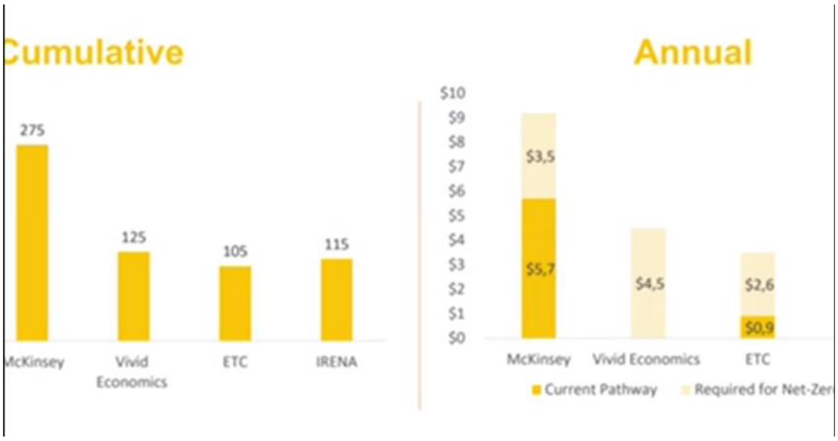




TIGATION ASSESSMENT REPORTS

	McKinsey	Vivid Economics	Energy Transition Committee - 2023	IRENA - 2023
ario	Net-Zero by 2050	Net-Zero by 2050	Net-Zero by 2050	Net-Zero by 2050
eframe	2021- 2050	2021-2050	2021-2050	2030-2050
of enditure	Capital expenditure physical assets investment	Direct capital expenditure investment	Capital Investment (net incremental) Concessional/grant payments	N/A
ors	Energy: power, industry, mobility, buildings Land use systems: agriculture, forestry and waste.	Energy-related sectors (electricity, fossil fuels, low emission fuel supply, industry, transport, and buildings	Power, hydrogen, buildings, transport, industry, removals	Energy: Renewables, energy conservation and efficiency, electrification, hydrogen, CC bioenergy
ces of finance	N/A	2021-2025 $1.82 Private: (e.g., Households, Corporations, Commercial Fis, Infra.Fund) $0.78 Public: Government, DFIs, SOEs, SOFIs)	N/A	2021-2030 $0.8 public funding $56.2 private funding
Trillion	$9.2 per year (current + new) $275 cumulative	$4.5 per year (starting 2026) $125 cumulative	$0.9 per year (current low estimate) $3 per year (new) $101.5 cumulative	$3.5 trillion per year (curren $115 trillion cumulative

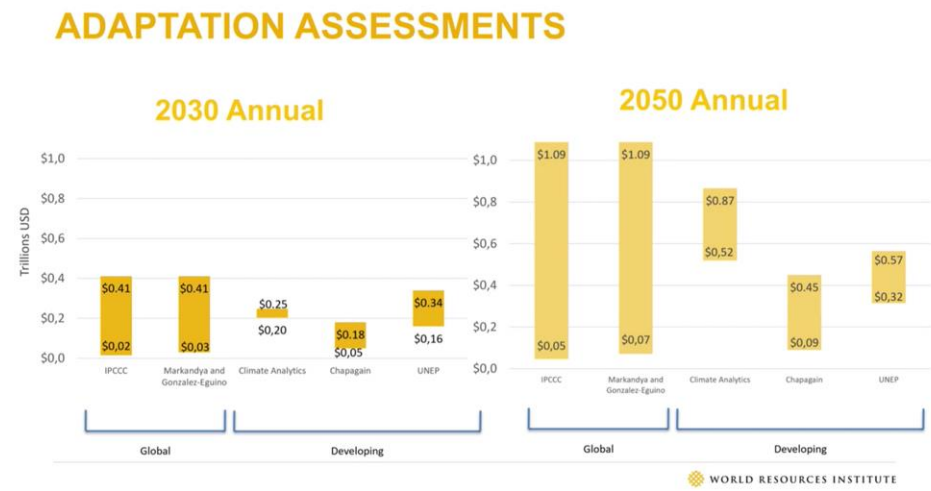
- Speaker muted for a period
- In the reports, looking at who are the sources of finance – see above image. Only 2 reports included a specific number but only for a limited period, 2021-2030.
- Different report expands on difference between public and private sector
    - When discussing a ministry, talking about regulations
- Finally, identified different quantitative information. Wanted to unpack why these numbers differ – why is the baseline different?
- Below image: Total annual and cumulative assessment
    - Annual investments range between 3.5 and 9.2 trillion dollars per year at a global level
    - McKinsey includes more comprehensive information



- Molly
    - Looked at sectoral breakdowns when analysing these reports – looking at mobility and transport
    - McKinsey included more extensive information when compared especially to the etc.
    - In addition to mitigation assessments, also looked at adaptation reports. Focused on 5 reports.
    - Wanted to focus on IPCC as lot of outdated information
    - Methodology for each of the assessments 0 IPCC took a median and range after looking at 5 studies. Some looked at specific models

Report	Assumptions	Sub-sectors
Vivid Economics, 2021	Costs differ based on 5 or 10-year time frames and include up-front costs of electric vehicles.	Vehicles Road chargin
McKinsey, 2022	Up-front costs per vehicle and the cost of installing electric and hydrogen charging infrastructure, includes aviation and maritime transport infrastructure. Consumer spending included.	Vehicles Road chargin Aviation Shipping Rail
ETC, 2023	Investments in charging infrastructure for electric passenger cars and light commercial vehicles gross basis, Consumer expenditure not included	Road chargin ($0.13) Aviation ($0.0 Shipping ($0.

IPCC 2022	Markandya and Gonzalez-Eguino 2019	Climate Analytics, Baarsch et 2015	Chapagain et a. 2020	UNEP 2022
2030, 2050	2030, 2050	2030, 2050	2030, 2050	2030, 2050
Global, includes studies of both	Global, disaggregation by regions included	Developing (have global estimates)	Developing	Developing
Median and range from 5 studies in 2005 priced in US$ bn	Breakdown by RCP 2.6, INDC 2.7 C, INDC 3C and CPP with the low being RCP 2.6 and the high being CPP for each scenario	AD-RICE Model (Adaptation Regional Integrated Model of Climate and Economy)	Meta-analysis of 20 rigorous bottom-up adaptation cost estimates (not national plans) to develop a model	Extrapolation,



- Molly
  - Loss and damage studies
  - 2 approaches: residual damage approach (looking at saved costs if adaptation measures in place) and then macro damage by climate analytics

LOSS & DAMAGE ASSESSMENTS

	Climate Analytics, Baarsch et. al, 2015	Markandya and Gonzalez-Eguino, 2019	Böll L&LC, 2023
Timeframe	2030 2050	2020 – 2100 (breakdown by decade)	2020-2050 (breakdown by decade)
Methodology	AD-RICE	IAM Low and high damages ranges using low and high discount rates 2005 US$ values	a. Major extreme climate and weather events 2022 (AON+Updates Pakistan) b. Update Markandya and Gonzalez-Eguino 2023 US$ values
Finance Type	Macroeconomic damages (US$ 2012 bn)	Residual damage costs (L&D minus adapt. costs)	a. Costs of major extreme climate and weather events b. Residual damage costs
Type of economic impact	Health, agriculture, effects on leisure activities, water resources, energy, and sea level rise	Only economic losses	Only economic losses
Countries	Developing, includes global in report	All	Only developing
Source	N/A	N/A	Developed countries and key industries (e.g., international aviation and maritime through taxes/levies)

LOSS & DAMAGE ASSESSMENTS

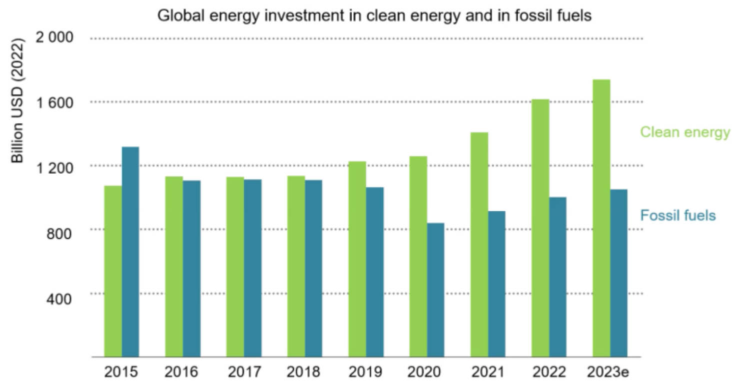
- Molly
  - Lot of limitation in these studies to be discussed later in this week.
  - For geography, variety of ways countries have been grouped and data aggregated
  - Sources most difficult to break down by source

- Fiona
  - Thanks for identifying challenges of these reports
  - Cecilia presenting latest findings of 2023 world energy investment report
  - Cecilia senior investment analyst at the IEA

Cecilia Tan, Senior Investment Analyst at IEA (online)

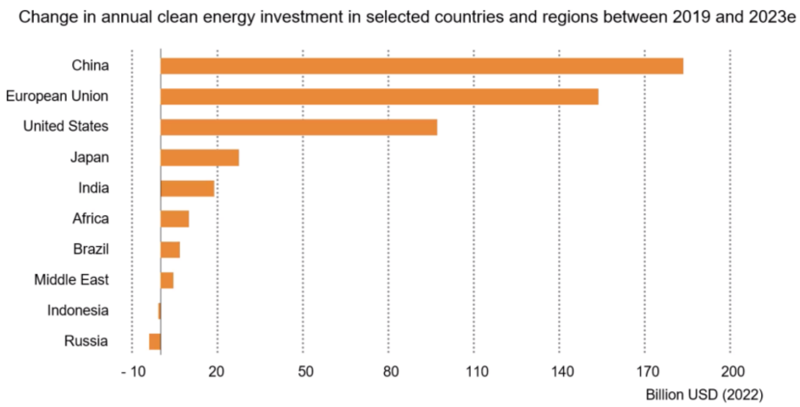
  - not picking up even after PA – IEA highlighted surge in investment needed
  - Recovery from pandemic and response to climate change
    - Favourable costs
    - Supportive policies
    - Considerations for industrial strategy and employment
  - Countries looking to position themselves in the new climate economy

Clean energy investment is widening the gap over fossil fuels



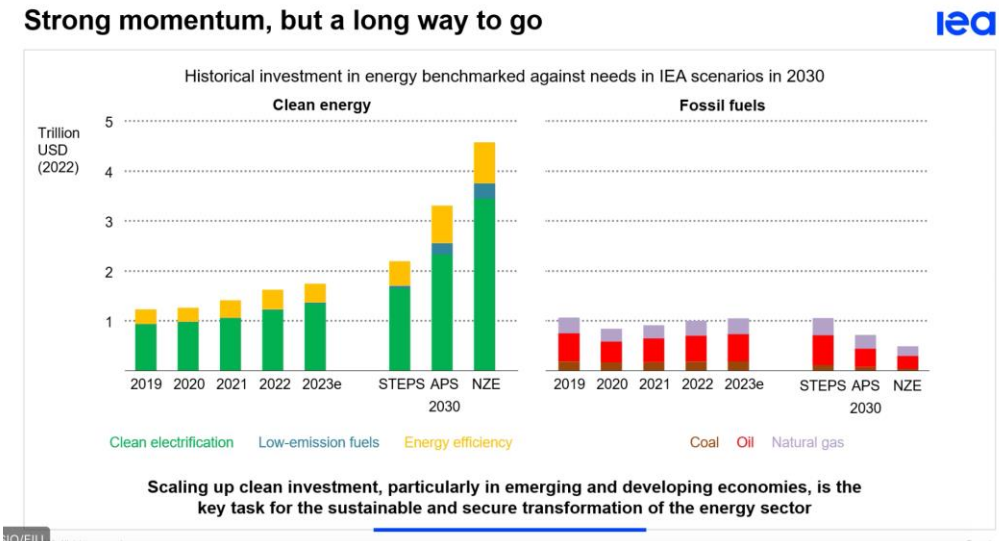
For every dollar invested in fossil fuels, about 1.7 dollars are now going into clean energy. Five years ago, this ratio was one-to-one

Growth in clean energy investment has been strong, but uneven

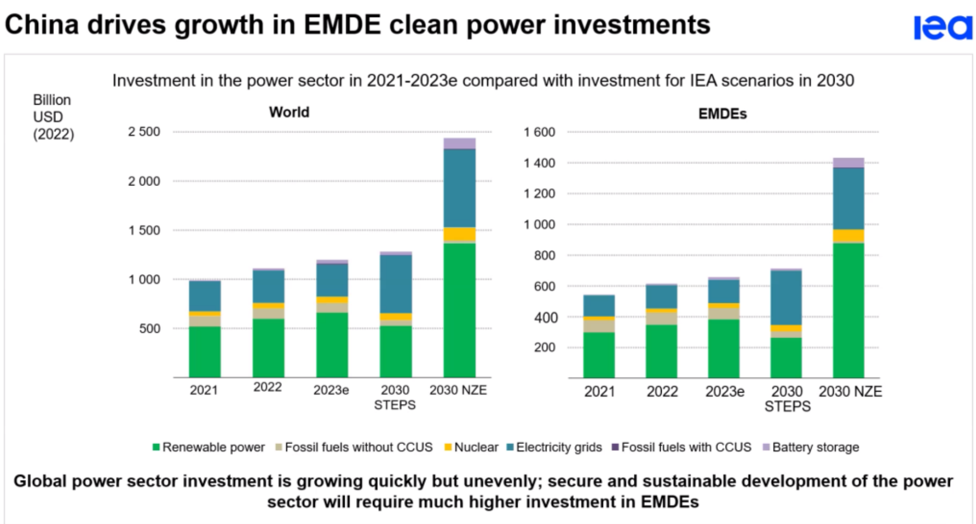


There are bright spots in other countries, but more than 90% of the increase in clean energy investment since 2021 has taken place in advanced economies and China.

- China leading the way
- Some energies growing at rates required to meet the scenarios

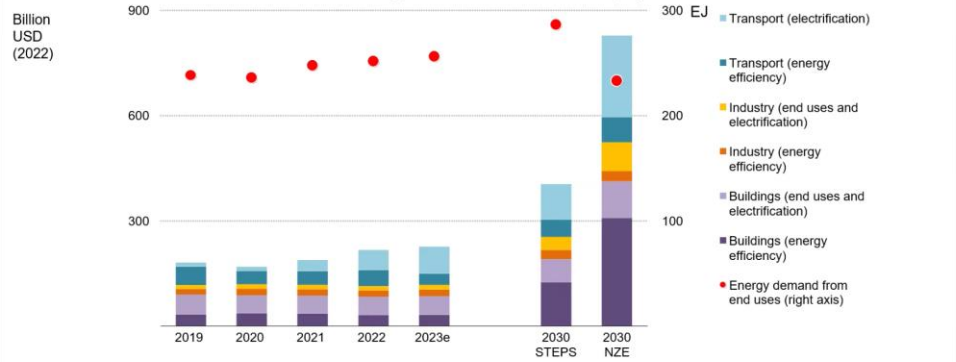


- Risks of locking in fossil fuel use are clear



Transport electrification driving spending in end use sectors

EMDE investment in energy efficiency, electrification and renewables for end uses and energy demand for end uses compared with the annual average investments needs in 2030, by scenario

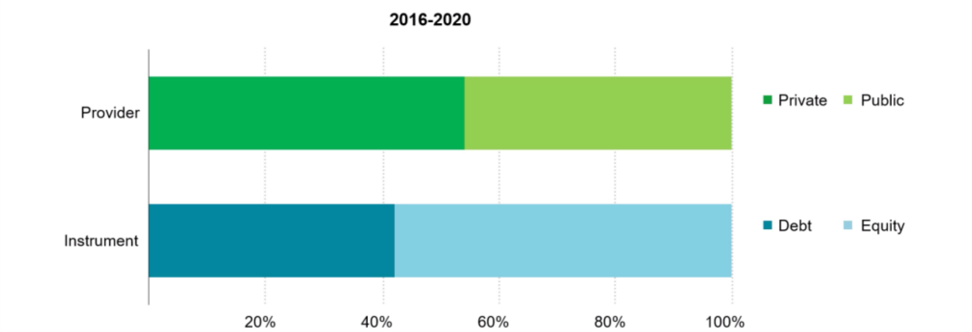


Close to a quadrupling is needed in energy efficiency, electrification and other end use decarbonisation to maintain energy demand level to 2020 levels in 2030

- Investments would need to reach over 800billion in the NZE scenario

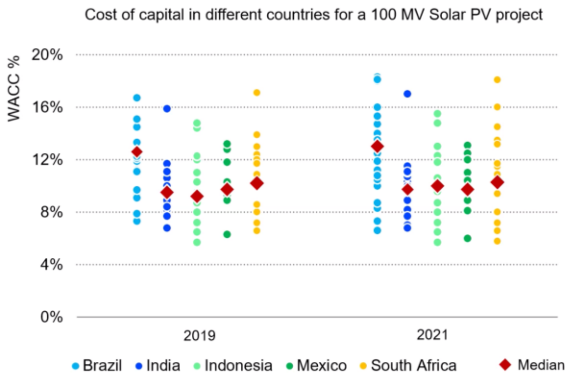
A rapid mobilisation of private capital is needed for transitions

Primary sources of finance for energy investments in emerging and developing economies



While public sources are critical to catalyse investment, over 70% of clean energy investments are financed by private capital in climate-driven scenarios, as clean energy projects increasingly rely on availability of higher shares of debt

The cost of capital is a pivotal indicator for energy transitions



The cost of capital is 2 to 3 times higher in emerging market economies relative to advanced economies, reflecting real and perceived risk factors. De-risking projects can make a huge difference to the overall cost of transitions

- Insights into new report that will be released next week – will quantify public finance needs to mobilise private sector, at least a tripling required by early 2030s.
- In developing estimate, number of different assumptions were taken
- Important to consider such factors and assumptions

Upcoming joint IEA-IFC report will shed further light

- Clean energy investments are currently not on track to meet either the Paris Agreement aligned pathway, or the commitments made by countries.
- Scaling up investments in EMDEs will be challenging, but represents major opportunities. It will require a massive increase in private finance.
- New report to be published next week ahead of the Summit on a New Global Financing Pact (22-23 June, Paris)
  - Provides detailed regional and sub-sector clean energy investment needs to 2035.
  - Quantifies public climate finance needed to mobilise private capital for clean energy investments in the NZE scenario.
  - Limited public funds must work harder to more effectively leverage higher multiples of private.
  - Focus on blended finance for de-risking projects to improve risk adjusted returns needed to attract private capital and highlights different financing instruments.
  - Country examples to highlight good practices in clean energy policy and regulation.

- Questions
- Ricardo

- 2 things to speak to quickly. 1st issue of coming to understanding of what needs are relative to L&D – cannot have a determination on this without knowledge of what we're providing for and what the shortfall is (and what the impacts of this are). 2nd point – energy transition and cost of capital. Biggest issue in developing countries is currency exchange – can't afford investors paid in an external currency. Risks of projects, cost of capital skyrockets.
    - As Barbados in addition to BRIDGETOWN, partial affects guarantee which should be added to total cost. No viable project if not considering these costs.
    - Other limiting factor is storage and access in current markets
- Appalonia from UN
    - Specific question to IEA presentation – have you considered reform of fossil fuel subsidies and how this variable can influence cost of clean energy and acceleration of public finance mobilisation? How this can be useful for the just transition in mobilising finances for this also
- Mohamad
    - IEA – difficult to make accurate projections based on short time frames. What are the confidence levels of these scenarios? Also to IEA, would you recommend policymakers look at one scenario or multiple scenarios? For Saudis, we use multiple scenarios
    - How does the IEA take into account info at the disaggregate level? Bottom up approach?
- Fiona
    - Turn to Cecilia
- Cecilia
    - First question in terms of fossil fuels subsidies reform, continue to track progress on this and reform – can be an important source of public finance if shift is made. Is also a major obstacle of competitiveness of other technologies.
    - Question on different models/discrepancies with NGFC numbers, have to take a closer look but IEA's scenarios are not a projection of the future but the requirements to meet a given goal. Agree that dynamics are very fluid, which is why IEAA updates scenarios every year to integrate changes in technology costs etc.
    - Using one or multiple scenarios for policymakers? Depends on what the end goal is. Regularly compare what other organisations are doing – different scenarios typically have different boundaries, evaluation must clearly state boundary and goals. Looking at multiple pathways can be beneficial
- Fiona
- Natalia
    - When consolidating all the reports, when looking at L&D assessments, some other methodologies consider L&D minus adaptation costs. Some efforts being made to combine three thematic scopes. Reports are based on 3rd party economic models, but would be interesting to look at the exchange rate and how these are affected.
    - Info is not out there in the reports, need to gather all info from different elements
- Molly
    - On adaptation assessments, 2030-2050 (1.5 is when we exceed), L&D usually assume a 2.4 and go up from there.
    - Question on FF subsidies – big difference in what reports consider in how much reduction of subsidies will occur, some reports included a transition in investment - lots of different assumptions
- Fiona
    - Time for one more question
- Gareth Philips from AfDB
    - Struck by different sources, quality of sources. Based on research, why do you think such a discrepancy and what guidance can you give us to correct the finance?
- Molly
    - Issues with integrated assessment models, inputs are sometimes weak into the modules – can't really be adjusted for. Models are still comprehensive, issue is less the numbers

but more the sources and other breakdowns. Adaptation assessment tends to focus on specific sectors,

- Natalia
    - In terms of guidance, try to complement info that is already out there. Not only about the number but the other info informing the number (the source, the sector). Main guidance, look at what we have and the limitations and how we can close this gap.
- Fiona
    - Thanks again to presenters
- Zaheer
    - Detail on working groups. Each working group to be facilitated by a moderator after the coffee break. Further info on working groups, moderators from UN, ChristianAid, ADB
    - Identify on clear options to determine as opposed to the quantum itself. Discuss rationale, pros and cons of each options

Break

Virtual breakout group run by Esmyra P. Javier, Senior Climate Change Officer ADB (11:20-12:30)

Please find below the list of non-exhaustive list of options for Question 1.

- What are options for ways to determine the quantum of the NCQG for example these could be:
    1. Increasing provisions of climate finance from a baseline of existing provisions by a factor x (doubling/tripling/etc.)
    2. Setting a quantum through information on the needs and a carve out for the NCQG within those needs;
    3. Setting a quantum based on outcomes to be achieved in the context of Article 2 of the Paris Agreement;
    4. Setting a quantum based on a defined mobilization target (e.g. similar to the GEF mobilization target)
    5. Setting a quantum dependent on the scope and structure of the goal;
    6. Setting up a quantum based on breadth of contributors including private sector, philanthropy and others?
    7. Others?

- Esmyra
    - Introduction to questions, opening for
- Bertha Argueta, GermanWatch
    - Initial reactions to the questions, think it is supposed to be needs-based. Other than that, don't think the different options are exclusive, e.g., no.5 don't see it as necessarily exclusive. Combination of needs (for 3 thematic areas) and structure
    - Worry with the first one using a baseline, baseline used now would be on existing provision of finance – highly inadequate. Needing to multiple this so much, wouldn't be a useful baseline
    - No.2 – introducing complication with article 6.2.1.c - reality is not clear on understanding of this on adaptation and resilience, no L&D here being taken into account
    - No.6 – wrong way of looking at the problem by looking at current provisions. Minimum amount will likely be reflected, private sector introduces complications. No conversation of donor base would be had and we need this to expand the base – biased way of going into this conversation.
    - Combination of needs based and scope and structure.
- Esmyra

    - Really about needs of country indeed.
    - As a participant for now, I agree with last point on contributors on limiting us on their ability to contribute – goal has to be ambitious
- Rachel Simon, Climate Action Network Europe
    - Agree, quantum should be needs and science based and scope and structure of the goal
    - Need to be learning lessons on 100 billion. Need to ignore approaches such as number 1 – political mode when we know there are many problems with current baseline.
    - In terms of needs, clear link to principles of UNFCCC
    - Should be formed of subgoals
    - Take account of different financing needs. No.4 is important – presentations have shown various sources that there is a lot of difficult and disparity in climate action. Need to underline importance of grants based and public finance.

Discussion continued – recap to be collected in later session

Lunch break 12:30-1:30

Resumed Discussion

- Rachel
    - Issue of debt. How can a highly indebted country interact with climate action – issue of debt cancellation very important alongside any NCQG
- Host

General discussion
- Sector needs for climate finance – challenging to aggregate for sectors, energy and transport are main but identifying for others is tricky, data quality also varies
- But then how to address this sector gap – best practices.
- Interdependence on mitigation, adaptation, L&D costs – what range to develop to look at
- Effectiveness has to be looked into
- Gap in data provision,
- For tomorrow's agenda: How to account for what it looks like to include article 6.1.2.b into the NCQG – aligning financial flows, need more info on how to build in transparency

Reponses summarised for Section 3

Coffee break

Report back of working groups and open discussions

Note: Referring to suggested options for way to determine NCQG, participants vary between using numbers and letters (thus, a = 1, b = 2 etc.)

- Fiona
    - Feedback for each feedback group and then general round of discussions
    - Start with working group Stenzelberg
- Ciara
    - Determining quanta should rely on
        - NCQG should revert back to principles of PA, including article 2, 9 and 7 but also principles such as equity etc.
        - Quantum is only a part, need to highlight qualitative objectives – can't all be translated into a number
        - Quantum will ultimately be a political decision

        - Bottom up, local needs etc. and top-down, quantum needs to be informed by science
        - Another option: as a percentage of GNI or GDP of contributors, doesn't ensure predictability in case of recessions etc.
        - Dependent on structure, elements and scope of NCQG – not one number but multiple quanta
        - Different quanta for the three themes, also for different roles.
        - Consider dynamic concept of NCQG, including inflation or macroeconomic conditions, changing economic status of contributors or recipients – needs to be linked to period review processes
        - Could consider avoided costs
        - Needs to be based on needs however there would be data gaps – how to aggregate this
        - Imbalance on info on thematic areas (e.g., more on mitigation)
        - Difficulty in fulfilling assessing role of sources
        - Solutions: not tons but to address these gaps, allocate more funds for studies/research. MDPs can plug this gap but funding needs to be available
        - Aspirational goals for areas with more uncertainty
- Fiona
    - Questions at the end of all report backs
- Raju
    - Focus on needs, preference for e and f
    - B and c could be merged, also b and f to be merged.
    - A and d not super discussed due to confusion over mobilisation target
    - To move forward, suggestion not all options mutually exclusive.
    - Goal for public finance to inspire other actors
    - Needs-based came into be
    - Temporal and flexible aspect – need to adjust plans in the future
    - Has to be based on principles and qualitative elements, as mentioned before
    - Discussed gaps
        - Data and information, quantification of needs still required for lots of developing countries
    - More data and instrument on helping private finance on what is needed
    - Important aspect – may be limitation of info and data but this should not be an obstacle
    - Transparency and accountability – quality of finance
    - Process is going to be complex but look not for perfections, acknowledge there will be limitations
- Ilaru
    - Concern about option A, specific baselines wouldn't correlate with needs of developing countries.
    - Global direction of trouble involving all financial flows – need to capture total investment needs and support
    - Scope, structure and quantum
    - Evaluation of implementing NDCs – methodological challenges to capture etc.
    - Need to be greater clarity on what the goal is for
    - Sense that everything that can be counted will be attributed
    - Sense that different interpretations of quantum – whether to meet needs or just take needs into consideration
    - Role of private sector highlighted but issues of predictability and commitment
    - Importance of data and science to determine the quantum – bottom up info on national reports complimented with science reports
    - Timeframe options for NCQG and how this relates with different processes
    - How issues like fossil fuel subsidies – finance flows aligning with PA – such issues more pertinent relating to article 1.2.c, best not to conflate these two. '

    - Analysis on public finance so far would be important – e.g. standing from developed countries perspective
    - More discussions on instruments and pros and cons on these
- Lorena
    - Many common elements so will only focus on novel points
    - Political nature of the process did come up – how to frame next steps and technical process
    - Need to articulate an approach that builds on lessons learnt at domestic level, country level
    - Notion of the layers also brought up – acknowledging that the more specific you are is more effective
    - Building synergies between processes – in terms of outcome of first GST
    - Group used time for options b, c and e. Linkages between finding sources.
    - Framing from this new goal is different from when 100 billion was set.
    - Process for lessons learnt – e.g., reporting of climate finance
    - Much more specificity on policy based interventions needed for enabling environments
    - Discussions on classic topics including mobilisation of private sector, additionally etc.
    - One gap signalled was how trust could build help for some momentum for this process
- Marlind
    - Different options and elements
    - Option 1 – not much favour for this
    - Option 2 – some elements but also options from option 6, keeps goal simple
    - Goal should specify all developing countries
    - Concern of dilution of responsibilities – how to make private sector accountable
    - Reference to article 2 linked to option 3, linked also to article 9
    - Could take conditional elements of NDC and start from there
    - Developed countries to help reshape financial infrastructure
    - What falls under the goal, different instruments, lack of information on tracking
    - Needs of developing countries
    - To use proxies when data is not available
    - Other gaps – knowledge gaps for SIDS etc.
    - Fossil fuel subsidy reform
- Esmyra
    - Mixed option as the optimal suggestion
    - Setting quantum base on needs
    - Addressing needs could make finance truly transformational
    - Need to look at allowing access to different types of finance
    - Option A definite no
    - How to define indicators, what is outcome
    - How to cope with increasing information gaps – focus more on adaptation and instruments
    - Debt cancellation – if any consideration will come into the framework, determining sector needs very challenging. More data need – transformative climate action
- Fiona
    - Opportunity to complement points but secretariat has been in the meetings taking notes
- Mohamed
    - Quantum based on needs, top-down info can be complementary.
    - Chance to create recurring methodology
- Fred
    - Why in a technical process when this is actually a political decision – need to understand this
    - Ricardo made an important point– the goal cannot be everything for everyone
    - If you take it in the context of b and c, looking at temporal scope – NDC is something that is worth looking at. While adequate needs aren't quantified,

- Camille
    - None of the options were exclusive, NCQG has to consider multiple dimensions – won't be a unique figure
    - Need to have something in the middle – political levers
    - Goal will need to be a political package
- Ben
    - Still quite clear on what goal this is, layered approach. Size and type of finance different for different countries
- Kamal
    - Gap in this process – issue of legal mandate linked to this. Article 9.1 – obligation, commitment to act as locomotive for NCQG determination.
    - If sticking to legality, we do need to use article 9.1 that says countries have to legally provide support towards PA
    - Must be needs based approach
    - Option 2 states needs but this option doesn't respond to needs of developing countries, excludes certain elements of mandate we have under 9.1
    - Provoked gap in this process to not comply
- Gabi
    - Nobody questioning agreements
    - Need developed countries to act to be able for less economically developed countries to follow
- Kamal
    - Further discussion on legality of the mandate

DAY 2 – 13 June

Time	14:00 – 18:00 CEST
Chair(s)	Fiona Gilbert & Zaheer Fakir
Dynamic	This session was divided in two parts, organizing the discussions by working groups and discussing the key remarks and opening the floor to participants regarding two leading questions. Conversation were very enriching and participants were eager to share their ideas and contributions. Interest in the topics was evident.
Key outcomes of session/Progress achieved during session	• Progress has been made, but further discussions and unpacking of the issues are required. • The goal is to come up with recommendations and refine elements by 2024. • The next step is to continue the discussion at the 7th Technical Expert Dialogue (TED) with a focus on quality and transparency. • The coordinators of the groups are encouraged to arrange bilateral consultations with the secretariat. • An informal consultation on enhancing stakeholder engagement will be held.

Opening remarks by chairs

- Fiona Gilbert
    - Focus of today session: identifying clear options on ways of framing the mobilization and provision of financial sources and focus on identifying options to integrate into annual report.
- Zaheer Fakir

- For the working groups, focus is options for mobilization and provision of financial resources.
- WGs moderated by: Salam from the Global centre on adaptation; Andres Mogro from Fundacion Avinas; [Valkenburg Leanne from Heinrich; Marston from WWF?]; Virtual working group Sandra Guzman (Climate Finance Group for Latin America and the Caribbean).

Working groups

- Non-exhaustive list of options for Questions 1 and 2:
  - What are ways/options to reflect potential sources of finance within the NCQG in line with Art. 9 of the Paris Agreement, e.g.:
  - Through referring to the type of source (international and / or domestic, public and / or private, concessional and / or non-concessional finance, innovative sources)
  - Through differentiating between mobilization, provision and / or alignment (private sources without mobilization through public intervention) in quantitative or qualitative manner
  - Through referring to the contributors (for example Party contributions, with developed countries taking the lead, sub-regional governments, private sector, philanthropy and others) in both qualitative and quantitative manner.
  - Through identifying quantitative and qualitative elements and resources which lead to a reduction of those sources which are GHG intensive or non-resilient development
  - What are ways to reflect the relationship between the NCQG with Art. 2, particularly its paragraph 1(c), as it relates to finance, in the outcome setting the NCQG, e.g.:
  - As part of the context of the NCQG (chapeau)
  - Within/as part of the NCQG (part of the goal)
  - As an outcome/aim of the NCQG (e.g. reiterating the Glasgow decision)
  - Others?

Report back of WG (Working Groups) open discussion:

- UNFCCC Reporter WG 1:
  - Public finance alone is not enough to meet the financial needs for climate action.
  - Private finance and philanthropies should complement public finance for developing countries.
  - The responsibility for mobilizing private sector funding needs to be determined.
  - Differentiation between financing for adaptation and mitigation is important, with adaptation financing being grant-based and not increasing developing countries' debt.
  - Domestic actions should trigger more private sector finance, and the question of who should help raise private sector funding for climate action was discussed.
  - The relationship between the 21st Century (21C) and the Common Policy Guide (CPG) was explored, emphasizing the need for developed countries to lead in public finance while others provide complementary support.
  - Qualitative and quantitative aspects of finance were considered, with the agreement that both private and public financing should be pursued.
  - Provision and mobilization of finance were identified as key points of agreement.

- UNFCCC WG2:
  - Reflection on how sources are reflected in relation to their fit for purpose and addressing the needs of developing countries.

- Recognition of the significant role of public finance, especially for adaptation, but also acknowledging that public sector alone is not sufficient as a source of resources for the institution.
- Discussion on contributors, obligations, legal commitments, and the lead role of certain actors in providing financial support.
- Consideration of the private sector, MDBs, and national sources as additional contributors, with a focus on tracking and accountability.
- Need for accountability and transparency in tracking the allocation and mobilization of resources, including discussions on attribution and causality.
- The importance of current instruments and frameworks such as the Enhancement Plan and the transparency framework in measuring and monitoring accountability.
- Limitations in measuring mobilization caused solely by public interventions.

- UNFCCC WG3:
    - The importance of considering a combination of options rather than choosing between one or the other.
    - Lessons learned from the 100 billion target, including the need for a clear understanding of contributions from public and private sources.
    - Discussions on various figures and elements in the discourse, such as total investment targets, alignment with Article 2.1 C, and qualitative aspects.
    - Consideration of transparency, accountability, and mandates under the transparency framework.
    - Questions regarding the responsiveness of smaller publicly defined goals and the focus on public provision.
    - Recognition of the importance of biodiversity-aligned investment.
    - Acknowledgment of other financial flows that may counterbalance the mobilization discourse of Article 2.1 C, particularly in developed countries.

- UNFCCC WG4:
    - Discussion on differentiating between years of the union and tables as a way to categorize and quantify the additionality of funds.
    - The importance of context and how it influences the activation of domestic resources and the role of public and private sectors.
    - Need for agreement on terminology, particularly in terms of mobilization, to have a common frame of reference.
    - Brief conversation on the concept of a net goal and the potential lessons to be learned from the agreement last fall on reducing spending on harmful issues.
    - Limited time for discussing question two, with some expressing clear views on construction and others suggesting it was too early due to parallel processes.
- UNFCCC WG5:
    - Emphasis on the core role of public finance, but recognition of the role of other sources of finance within the NCG
    - Importance of concessional finance and limited role of non-concessional finance.
    - Discussions on mobilization of finance and the involvement of private finance in the agreement.
    - Concerns about the performance of the private sector and the absence of punitive arrangements in the bottom-up nature of the Paris Agreement.
    - Fear of developed countries shouldering responsibility and the potential impact on their sources of revenue.
    - Alignment of financial flows and support for developing countries' domestic actions.
    - Disagreements on the clarity of the role of Article 2 and Article 2.1C and how to track their implementation.

- Need to understand the upcoming Article 2.1C forum in July and its relation to the NCG.
    - Divergent views on how Article 2.1C should be related to the CPG, including its inclusion in the goal or as a contextual factor.
    - Recognition that Article 2.1C has domestic and global implications for all financial flows.

- UNFCCC WG6:
    - Comments on the need to combine options A and C of Article 9 to address sources and contributors of financial support, particularly emphasizing the role of developed countries in leading provision from public sources for long-term predictability.
    - Importance of considering qualitative aspects, such as grants, to support adaptation actions in developing countries without creating additional burdens.
    - Emphasis on providing information on the type of sources to facilitate tracking processes and make them easier.
    - Discussion on the careful inclusion of private finance, highlighting the need for transparency mechanisms and avoiding greenwashing.
    - Conversations on the connections between the NCG and Article 2.1C, as well as other elements in Article 2, to ensure better linkages with adaptation, mitigation, loss and damage, and other mechanisms within the Paris Agreement.
    - Recognition of the transformative approach and catalytic effect the NCG can have on climate finance mobilization and compliance with Article 2.1C, while acknowledging the importance of exploring further options and emphasizing connections.
    - Diverse views on whether the NCG is solely about Article 9 or extends to transforming the financial system.

- Intervention, Saleem Huq (?):
    - Refers to the dysfunctionality of the current world order and its reflection in the climate finance system.
    - Questions the effectiveness of the neoliberal market system and emphasize the need for a stronger public responsibility in climate finance.
    - The role of the private sector, led by the World Bank, is highlighted, acknowledging its importance for national development but suggesting that it should not be solely relied upon for climate finance.
    - Unique nature of climate diplomacy, which requires a cooperative-based approach rather than a zero-sum game.
    - Stress on the need for reform within multilateral financial institutions to address climate change and climate justice issues.
    - The role of the private sector in mobilizing climate finance needs to change, and the government should regulate financial mechanisms to align national interests with climate goals.

Stocktake session

- Chair
    - Focus on the next two questions for discussions:
    - <u>What are the questions that we need to further discuss in subsequent dialogues?</u>
    - <u>What are the issues identified here that may require consideration at the political level, such as in the high-level ministerial dialogue in the UAE?</u>

- Saudi Arabia obo Arab Group
    - inputs on what the high-level ministerial dialogue on the CQG (Climate, Quality, and Gender) should discuss:

- Developed countries need to better coordinate and collaborate to establish burden sharing arrangements, ensure clear predictability, and provide project finance.
- Reforms to budgetary cycles and approval processes for funding are necessary, including the consideration of a fast-track approval process to expedite funding allocations due to the urgency of scaling up finance in developing countries.
- Clear reports should be developed to indicate the budgetary limitations within each developed country and the barriers they face in mobilizing finance.
- Lessons learned from the previous USD 100 billion commitment should be discussed, particularly the lack of mobilization of private finance. The high-level ministerial dialogue can explore ways to address this issue.
- The issue of contributors and their roles should not be appropriate at the technical or practical level.

- XX
  - The transitional committee is working on one part of the damage issue.
  - By the end of the process, they expect to have enough information to inform the end security.
  - The committee's mandate only covers certain aspects of loss and damage.
  - They anticipate addressing loss and damage in a full third session, possibly in early 2024.
  - The second question about global mobilization of funds has been discussed in their group, but there hasn't been enough time for in-depth exploration.
  - They mention the current global effort of mobilizing 100 billion, agreed upon after the Copenhagen conference.
  - They highlight the need for a political discussion on the joint mobilization of funds by developed countries and the contributions of all countries.
- XX
  - Emphasizes the importance of considering the political context in addition to the technical level discussions.
  - Inputs from a political level are seen as relevant and necessary to make progress.
  - The presenter highlights the need to address the 2°C target and its linkages at the political level.
  - It is important to bring these discussions to the political table for comprehensive and effective decision-making.
- Kelly
  - suggests that at the political level, guidance should be provided regarding goals that are political in nature, such as the 100 billion goal.
  - Additionally, guidance is needed for goals that are informed by needs, which may have more diverse sources and include considerations like the 2.1°C target.
  - Distinguishing between these types of goals and understanding their relationship with Article 2 can help steer discussions and delve into deeper issues during the technical expert dialogues.
- Kevin
  - Two areas in which we can improve:
  - **Future Discussions:**
  - Explore options for integrating Article 2.1C into the new goal, requiring more technical thinking on how it would work.
  - Consider approaches for scaling down non-aligned financial flows and expanding the conversation beyond positive sources.
  - Discuss approaches for capturing all efforts to catalyze and mobilize finance, including policy-based efforts.
  - **High-Level Ministerial Dialogue:**

Comentado [MS1]: The following speakers didn't introduce themselves so I couldn't catch the names or organizations. At some point later someone asked speakers to introduce themselves before speaking

- Frame the dialogue around building on lessons learned from the 100 billion goal to create a new collective quantified goal that aligns with the Paris Agreement.
- Take stock of what worked and what didn't under the 100 billion goal and determine the type of goal needed for success.
- Seek political guidance on the nature, structure, and scope of the new goal, as well as the concept of a global effort and how countries participate.
- Overall, there is a need for deeper discussions on integrating Article 2.1C, addressing non-aligned financial flows, and capturing comprehensive efforts to mobilize finance. The high-level dialogue should focus on creating a goal fit for the Paris Agreement and addressing the global effort concept.

* Matthew:
    - Regarding **Work Plan and Quality/Transparency Arrangements**:
    - The distinction between innovative instruments and sources needs further clarity, particularly regarding the quality of instruments.
    - There is a strong interest in advancing and scaling up grants as a form of finance, given the high levels of indebtedness in many developing regions.
    - Anticipating the last substantive discussion of the year, it would be beneficial to identify convergent elements from previous discussions on quality and transparency, leveraging existing transparency arrangements under the Convention and the Paris Agreement.
    - **Regarding High-Level Political Dialogue:**
    - Climate finance for loss and damage is expected to be a key discussion at COP 28, and the MQTT can benefit from clear directions from high-level political leaders.
    - Specific thematic areas for addressing loss and damage can be identified during the high-level dialogue.
    - There is a need for further discussions on the quality and transparency of climate finance instruments, leveraging existing frameworks, and aligning with the discussions on loss and damage at COP 28.
* African Group
    - Tease out the expected outcomes or results of the goal and conduct further technical work to define and align them with commitments by political leaders from different agendas.
    - Engage in a technical conversation on working creatively within the UNFCCC process, leveraging its principles and considering what can and cannot be achieved within this framework.
    - Advance the work on understanding trends and realities in delivering finance, including examining the interaction of instruments within the public and private sectors and addressing any interruptions or challenges.
    - Consider the perspectives of the Convention and the principles of the Paris Agreement when discussing the trends and realities of delivering finance.
    - Initiate conversations on the time frame of the goal to provide direction for addressing technical elements effectively.
    - Learn from the limitations of political declarations and commitments in terms of financial provision and the realities of delivering on those commitments, especially in unlocking resources at the country level.
    - Discuss the responsibilities of parties to define the scope and framework of the goal and ensure their commitment to fulfilling it.
* XX
    - there is a need for discussions on outcomes and impacts, building evidence, quantifying finance flows, exploring renewable energy and other production aspects, seeking political guidance on scope and structure, and addressing challenges for inclusive implementation.
* Iraq:
    - Suggests addressing the following two subjects:

- How can the goal of climate finance meet the needs and priorities of developing countries by facilitating and simplifying funding mechanisms?
- How can we develop and update access to finance mechanisms for climate action, specifically focusing on the needs of developing countries?
- Highlight the importance of ensuring that climate finance adequately supports the needs and priorities of developing countries and exploring innovative mechanisms to enhance access to financial resources for climate-related initiatives.

- OXFAM:
    - Seek political guidance on key issues related to the goal, such as the distinction between support provision and finance mobilization.
    - Consider having clear sub-goals for support and investment needs, as well as semantic sub-goals for adaptation, mitigation, and loss and damage.
    - Request a ministerial engagement to discuss loss and damage in a technical expert dialogue.
    - Seek clarity on regularly reviewing the goal to address evolving needs.
- Andres:
    - Emphasize the need to link finance goals with their intended impacts and outcomes.
    - Highlight the importance of assessing the effectiveness of resources allocated.
    - Advocate for avoiding a reporting exercise and focusing on achieving tangible results.
- Camille France obo EU:
    - Call for clarification on whether the goal pertains only to provisional public finance or broader financial mobilization.
    - Suggest considering a broader approach that includes various sources of finance and a global effort involving public and private engagement.

- Carlos Delgado (Banco Central, Dominican Republic):
    - Emphasizes the primary role of public funds in determining the goal.
    - Suggests involving financial regulators in discussions to assess the compatibility of financial frameworks with climate finance definitions.
    - Seeks feedback from ministers on the feasibility of modifying financial frameworks in their countries, particularly in developing countries.
- India:
    - Highlights the importance of addressing access issues and transparency.
    - Calls for a discussion on the time frame, which is linked to determining the quantum (amount) of finance.
    - Proposes that ministers discuss the definition of climate finance to build trust.
    - Stresses the historical responsibility of developed countries to provide support to developing nations.
    - Raises concerns about private finance flows and their impact on developing countries.
- YOUNGO, Julie:
    - Advocates for a clear definition of climate finance.
    - Urges consideration of limits and alternatives to high-cost solutions like CO2 capture and nuclear energy.
    - Emphasizes the need for inclusion of civil society in the dialogue and decision-making process.
    - Calls for addressing urgent issues and involving financial regulators to align climate finance definitions with international finance architecture.
- XX:
    - Raises the question of the extent to which ongoing work and conversations on the new quantified code should be considered at the political level.
    - Emphasizes the need to combine various tracks, including just transitions, mitigation, and control, to address the ongoing work comprehensively.
- Ricardo, Barbados:

- Highlights the need to record and address the issues raised during the discussions.
    - Stresses the importance of clearly defining and solidifying the NCG.
    - Calls for a statement within the NCG process that outlines the specific aspects it needs to address.
    - Emphasizes the importance of knowing both the quality and quantity of financial flows.
    - Urges providing an informed decision-making process by sharing the outcomes of the discussions and the reasons behind the raised issues.
- Jeremy:
    - Highlights the importance of stakeholder engagement in climate action discussions, including workers, women, indigenous groups, and youth.
    - Emphasizes the need to include civil society leaders in discussions on quality and mobilizing public support.
    - Mentions the discussions on the just transition work program and its significance.
- David:
    - Calls for a comprehensive understanding of how countries are faring with regards to Sustainable Development Goals (SDGs) and financial flows for sustainable development.
    - Raises the issue of illicit flows of funds from developing countries and the need to address them.
    - Expresses the importance of boosting countries' capacities to finance development and climate challenges.
- Kelly:
    - Supports Jeremy's idea of including more stakeholders, particularly Indigenous representatives and youth.
    - Suggests utilizing the private sector through the NCQG dialogue and involving them in the conversation about sources.
    - Calls for feedback from the political level on the contributor base and the 2.18 agenda.
- Chair:
    - **Summary**
    - A summary of the discussions will be prepared, along with guiding questions for submissions on possible subtopics and format of the dialogue.
    - Preparations for TED7 will be initiated, aiming to hold it in conjunction with the 2.1.C event in Geneva at the end of September.
    - **Next Steps:**
    - Engage with parties and non-party stakeholders through informal bilateral consultations.
    - Convene an informal consultation on enhancing stakeholder engagement.
    - Prepare a summary of discussions and the way forward.
    - Publish guiding questions for submissions on subtopics and format for TED Seven.
    - Initiate preparations for TED7, potentially in September.
    - Receive closing remarks from the incoming COP 28 presidency.