SB58- 6th Technical Expert Dialogue (TED6)
New Collective Quantified Goal (NCQG) on Climate Finance – Day 2 (June 13, 2023)
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I. Background *(Agenda @ TED6 site; 2023 workplan; TED6 Party inputs ; Webcasts: Day 1, Day 2)*

The NCQG 6th Technical Expert Dialogue (TED6) was held June 12-13, led by 2023 Co-chairs, Fiona Gilbert (AU) and Zaheer Fakier (AZ). Format for both days= a) scene-setting presentations; b) focused working groups to identify and develop options for specific NCQG elements; c) report backs and discussion. There was good engagement and constructive sharing of views. These Day2 notes cover Breakout group report backs, discussion, stocktake and next steps.

Objective: Discuss and identify:

- Options for ways to determine the quantum of the NCQG, in the context of its aim of contributing to accelerating the achievement of Art. 2 of the PA
- Options on the mobilization and provision of financial sources

Day 2 Working group questions:

A. Ways/options to reflect potential sources of finance within the NCQG in line with PA Art.9, e.g., through: 1) referring to the type of sources; 2) differentiating between mobilization, provision and/or alignment in quantitative or qualitative manner; 3) referring to contributors in both qualitative and quantitative manner; and 4) identifying quantitative and qualitative elements & resources which lead to a reduction of GHG-intensive or non-resilient development resources?
B. Ways to reflect the relationship between the NCQG with Art. 2, particularly its para 1(c), as it relates to finance, in the outcome setting the NCQG, e.g.: 1) as part of the context of the NCQG (chapeau); 2) within/as part of the NCQG; as an outcome/aim of the NCQG (e.g., reiterating the Glasgow dec); and 3) others?

II. Breakout Group Report Backs

A. Reflecting potential sources of finance within the NCQG – Participants generally concurred on including arenas (1)-(3) in various ways. One report back noted the benefit of combining source and contributor areas. There was little mention of how to reflect and respond to sources that are GHG-intensive or that further non-resilient development. Specific elements:

1) Type of source
    - Needs-based and scientific.
    - Distinct and multiple pillars, including both public and private (Art.9, paras 1 & 3)
        - Public: Total investment target? Key multi-faceted role for this source
        - Private: How to engage the private sector; How not to dilute responsibility of the developed countries; Role of policies to drive investment
    - Unconditional and conditional
        - No non-concessional sources- Finance should not increase the debt load of developing countries; Grant basis essential for adaptation and loss & damage.
    - How sources are fit for purpose and for which purpose; sources usually linked with instruments; Developing countries' needs = key when considering sources & instruments.
2) Differentiation- provided, mobilized, and/or aligned
    - Needs to be both qualitative and quantitative

- Mobilized - Need common frames of reference: what it means/how to measure it - greenwashing hazard; who will be responsible for mobilizing $ from private sources and philanthropies? mobilization can take many forms.
- How to create tracking, transparency, address accountability absence and/or shortcomings (e.g., MDBs); arrangements under ETF; capital source info
- Lessons learned from what did not work for achieving $100 bill/year by 2020 commitment.
- Consider broader mobilization arenas-wider dissemination of developed world innovations.
- Re: alignment – clear linkages with biodiversity / climate-aligned investments in biodiversity

3) Contributors
   - Include roles and the types of finance provided by each
   - Specify who is responsible for what (e.g., Art. 9.1) and who is invited to do what
   - MDBs, sub-national sources, philanthropies, other actors
   - Country context matters
   - Multiple references to COP27 call for transformation of global financial system

4) Elements and resources leading to reduction of counter sources
   - Consider net goal (provided and mobilized minus GHG-intensive and non-resilient development aligned)

B. Reflecting NCQG and Art 2.1(c) relationship in the NCQG outcome – Divergence was noted between: a) a broader framing (NCQG = more than support to developing countries) that can explore linkage between NCQG and 2.1c.; and b) a view of the NCQG as focused on the core provision (means to achieve NDCs and NAPs)

- Too early to address
- Art.2.1.c goes beyond UNFCCC ("Shifting financial flows"); NCQG = core of the onion, but where do we draw the boundaries of the size of that onion?
- Some opportunity to feed into what 2.1.c includes
- Needs to be led by developed countries, public finance provision and complementary

III. Discussion

- Warning against market system focus in global matters; World Bank is engine of private finance, this is good, but cannot have a zero-sum game for climate diplomacy.
- COP27 confirmed the need to reform multi-lateral institutions, but private finance not moral, and government sector not regulating it. Need new instruments (maritime levy, solidarity levy)
- How to align national interests with solving global climate problem

IV. Stocktake

The co-facilitators asked participants for their views on 2 questions:

1) What questions need further discussion in subsequent dialogues?
2) What issues identified in TED6 require consideration at the ministerial level (e.g., at COP28)?

1. Issues for future dialogues

- Loss & damage (L&D) – addressed in a robust and meaningful way
- Integrating 2.1.c into the new goal (US)
- Scaling down of non-aligned flows (US)

- Quality & transparency (G77)
  - Distinctions between instruments and sources (G77+Ch); + instruments and their interactions (AGN)
  - Avoiding increase in developing countries' debt loads (Grant-based finance)
  - Avoid reinventing the wheel (e.g., connect to ETF)
  - Ways to measure progress (Norway); Assess impacts / link resources to the outcomes they are intended to enable.
- Explore and elucidate what the goal is meant to be/what it is meant to achieve.
  - Inputs/outcomes/results/outputs/impacts (effectiveness) (not just a politically declared goal) (AGN, Norway)
  - Grounded in current and evolving needs of developing countries (Norway) and how the NCQG meets those (Arab Group)
- Characterize/articulate distinctions between what can be done within the UNFCCC process and what can be leveraged from it to reach beyond. (AGN); Capture all efforts to catalyze and mobilize (recognizing technical limitations to this discussion) (US)
- Leveraging: what role countries can play in C pricing, addressing risks, & for RE investments
- Begin conversation on timeframe (AGN)
- Improve future dialogues: Structures to ensure stakeholder engagement (TUNGO), including financial regulators, civil society, etc (YOUNGO), and private sector (can speak to sources) (CA)

2. <u>Issues for Ministerial Level</u>

- Fit for purpose goal:
  - Type of goal needed to ensure success (both politically feasible and addressing needs)
    - Nature, structure, scope (EU, US, Norway)
    - Treatment/place of 2.1.c in the goal (EU, CA)
  - What constitutes a global effort? And what does the wider architecture look like? (US)
  - Lessons learned from the failure of developed country Parties to meet the $100 billion/year by 2020 commitment (SAU, US)
    - How to address the failure (SAU) and build on the lessons learned (US)
    - Limitations around political declarations and commitments and reality (AGN)
    - Reporting needed on budgetary limitations and barriers to mobilizing finance (SAU)
  - Clarity on thematic sub-goals
    - + Include specific thematic level for L&D (G77+Ch)
- How to frame (make distinction between) finance provided and that mobilized + in relation to investment needs (CA and others)
- Who the contributors need to be (SAU) (…?)
  - Responsibilities of Parties- defining the space we are in to determine the goal (AGN))
- Timing of NCQG reviews to capture evolving needs.
- Climate finance definition critical (India, YOUNGO, LDCs) for understanding the quantum.
- How developed country Parties can better coordinate and collaborate to advance burden-sharing arrangements, reform budget cycles, create fast-track approval and scaling up (SAU).

V. Next Steps: Bi-laterals and informals with Parties and non-Party stakeholders; TED6 summary report; TED7 info; call for TED7 submissions. TED7 = end of September.