UNFCCC Meeting Report HLMD NCQG

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Date: December 3, 2023 11 a.m. to 1:30 p.m.

Session/Agenda Item: CMA 10e

Location: UNFCCC COP 28, Dubai, UAE

Room Number: Meeting Room 5 / Overflow in Meeting Room 8

Date and Time: December 3, 2023 10 a.m.

Participants (name and organization):

- President Al Jabar
  - Two of the most important issues are finance and cost
  - We took a huge step forward on Day 1 with Loss and Damage but there is much more we can do.
  - We are closure to meeting the $100 B pledge but we cannot repeat the same painful process
  - We should not repeat creating a new trust deficit
  - Critical to improve transparency reporting of the past
- Professor Jeffrey Sachs, Columbia University
  - The world economy produces $100 T in output each year
  - $5 T or more is not that big for climate finance
  - $100 B is not that significant. It is 1/10th of 1 percent of output. This is not an effort it is a disguise by powerful countries
  - We need to count accurately the levels of finance
  - We don't come close to talking about realities, we hide them
  - No single solution to channeling financing
  - $27 T are saved each year (this is the output available for financing)
  - The biggest single problem is that very little of it reaches the bottom half of the world
  - Most savings remain bottled up in high and middle income countries
  - Of the 82 low and middle income countries, 79 do not have an investment grade credit rating so saying the market will solve their problems will not happen under the current system
  - We have not cracked this problem but we are not looking at it honestly
  - 5 big issues that need to be taken up
    - 1) We need a global levy on CO_2 emissions both historical and current in order to fund the global needs

        - Its quite clear with 40 B tons of CO_2, even a modest $5/ton levy produces $200 B a year
            - If we restrict only to high income countries, would be $100B/year
        - This is the most basic point we should be considering for the needs of the low/middle income countries. That is what is called climate justice and is necessary for efficiency
        - We need to talk about global taxes on emissions to fund adaptation outplays
        - We have a fundamental injustice that everyone at this table understands totally
        - Politicians in US say we do not face any responsibility
        - This is the essence of justice and need
        - We need a CO_2 levy on the global level
        - Can be imposed on coal mines, oil fields, etc
        - Creates a pool of funding that we are struggling to create
    - 2) Scaling up of the MLDB
        - MDBs need more capital in order to leverage capital
        - Politics is blocking this
        - We need to adjust the voting shares for the changing geopolitical realities.
    - 3) Direct private capital market flows
        - Problem here is that the credit rating systems are completely out of date and out of sync w/ reality
        - Idea of credit rating systems is that countries get scores but if you are borrowing for causes that have absolute necessity, they should be determined through a different lens
        - We should use themed (i.e. SDG) bonds in more creative/effective matter
        - Current raters do not have an up to date rating methodology
        - The debt sustainability framework is out of date. It blocks access to capital. They have bureaucratic rules within the organizations that make them keep silent
    - 4) Multilateral initiatives
        - These are should not be competing initiatives
        - Every time a US official talks about Belt and Road they bad mouth it. This is false. It is important. It could play a major role in financing transition. We should partner with it. Stop thinking of it as competition, think about it as global cooperation

        - 5) In UNFCCC, it says that our actions must be taken consistent with sustainable development. We must not finance climate action by itself. It is also education, agriculture, health, SDG agenda broadly
            - We can afford to be decent on this planet easily
            - If we stop the horrendous wars, we could cut a substantial part of the military outlays and use those savings for sustainable development agenda
    - Always think about $100 T, that is the denominator for what we should be spending on climate finance
    - We can afford everything we do but the rich companies need to do their part. We need carbon levy, MDBs, modernize credit system, cooperate at level of multilateral initiatives, and we need to keep all of this in the context of sustainable development
    - Remember that SDG 16 is about peace. We need to solve the political issues.
- Simon Stiell, UNFCCC Executive Secretary
    - We all know the urgency of tasks
    - The progress we have made towards meeting $100B goal is welcomed but that goal was set more than a decade ago
    - The size and scope of needs has changed
    - Urgency has increased
    - We need to achieve more with less time to do so
    - Science says we are on course for 3 degree C rise
    - If we do not engage in a fundamental change from fossil fuels to renewables, we will see a reversal of growth
    - Climate action is managed changed
    - It is a channeling of global resources to economic stability and growth
    - Climate action is an investment, not a cost
    - Climate finance is the great enabler of climate action
    - When climate finance flows to the right things, new crops planted, new schools, new renewables, prevent L&D and respond to those that experience it
    - $1.3 T CG in 2022 with roughly equal from public and private but most went to developed countries
    - Developing countries need nearly $6T to put into action climate plans by 2030
    - The new goal will be a central building block for the NDCs that must be delivered by 2025
    - W/o a strong outcome on NCQG, the ambition needed in the new round of NDCs and the action we need will not happen
    - Significant progress in this area is absolutely fundamental to how we move forward

- Hope Parties use CMA5 to get to end of some important issues so it isn't left to next year
- The agreement for the fund of L&D is very encouraging. It shows the potential for this process for COP to build the much needed bridges to get to the agreements that are needed
- The ability to show flexibility was essential to get through TC5 and opening of agreement at this COP
- If we fail to do this, the ambition and actions that are needed in developing the new round of NDCs will be put at risk
- The Secretariat is here to provide all the support we can

- Fiona Gilbert and Zaheer Fakir, Co-Chairs of the AdHoc Work Program on NCQG
  - Milestones achieved in 2023
    - A total of 45 options were identified
    - We recognize these options are not exhaustive but can provide basis for text year
  - Reflections
    - Transition to refining identified options and translating them into draft text decision text
    - Greater involvement by Ministers throughout 2024 would be helpful
      - We need guidance from ministers on
      - sources/channels of CF
      - Approach to defining quantum
      - Establishing collective understanding of Article 2.1C and clarify its relationship w/ Article 9…this could be provided on Dubai
    - Sources/channels of climate finance and in what time frame
    - Approach to quantification to the NCQG
    - Collective understanding of the nuances in Article 2, paragraph 1(c), of the Paris Agreement and clarify its relationship with Article 9.
    - Transition to refining identified options and translating them into draft decision text
- Yasmine Fouad, Minister of Environment: 3 guiding questions for Discussions
  - 1) How should the goal reflect sources, channels of CF and in what time frame?
  - 2) how should the quantification of goal be approached taking into account needs and priorities of developing countries?
  - 3) how should further political level engagement continue in 2023 to compliment successful outcome of NCQG at CMA6?
- Amar Bhattacharya, Brookings Institute Senior Fellow
  - When discussing climate finance, it is important to be clear on finance for what? → We need a framework for how we judge if finance is accurate
  - Priorities are quite clear:

        - Successful energy transition that drives sustainability and development
        - Adaption and Resilience
        - In terms of inclusive fiance, we must focus on just transition
    - The less progress we make on mitigation, the more loss and damage
    - Climate and nature are linked → we have to look at sustainable agriculture
    - We must give focus to Just Transitions
    - $2.4 T a year by 2040 should be what we aim for
    - Important point: this is investment
        - It creates better growth
        - And prevents cost
        - This is opportunity
    - Even though the imperative is clear, we are falling behind
    - Clear in GST but we are falling behind on developing countries in particular
    - GST tells us we are not investing sufficiently in what must happen
    - If we look at the clean energy investments, only 7% has been made in developing countries besides China
    - While 90% of natural capital is in developing countries, 80% of expenditure is in developed
    - Short term priorities
        - Need to restore trust
            - $100 B is only foundation
        - Replenish GCF is essential
        - We must deliver not just on SDRs
        - We need to address debt
    - Framework
        - UAE framework is building consensus on way forward
        - All the talk of finance is academic unless we can find the means to put in place investment programs at scale. We are not doing that right now
        - We need country led programs for scaling up investments
            - This is not easy work
            - Requires commitment on both sides and implementation plan
        - We need to recognize that delivery is bringing together finance
            - Only synergy between financing
            - Domestic resource mobilization will be fundamental
            - In order to make further progress, we need to make tax reform w/ international cooperations. We need to get rid of ???
        - The private sector is key
            - If you look at private finance, it is largely coming from domestic sources

            - If cost of capital is too high, private finance is not solution it is a problem
        - MDBs–where is money going to come from?
            - Ways to raise money
                - They can use their capital more efficiently
                - There are new ways to amend the pool of MDB contributors
                - We will need more capital and putting capital into MDB is the most efficient form of climate finance that we know
    - Concessional finance and what will be necessary to mobilize
        - Need amend concessional finance
        - Important that developed country leads
        - Call for tripling of bilateral concessional finance by 2030
        - 2 ways to ramp up concessional finance
            - Tax the bad in order to create predictable resources for good
                - Tax high emitting sectors
            - Tapping voluntary contributions
                - Do so on systemic basis
                - Voluntary carbon markets with integrity
                - SDR rechaneling
                - Big opportunity to use much more targeted philanthropy
                    - I.e. B20

→ ***Country Statements***

- Austria
    - Conversations on NCQG are crucial element on climate finance discussions
    - Highly aware that climate finance is potential game changer on unlocking mitigation and adaptation action
    - Before we embark on the new goal, must consider what we have learned from the $100B goal
    - More support from developed countries is needed but also must note that public funding alone is never going to be enough
    - Must widen our perspective on where the crucial support must occur
    - Must broaden the contributor base to maximize overflow from more sources
    - At this COP, would like to see as strong CMA decision to prepare us for next year
    - NCQG that is ambition and achievable and based on contributions from all sources and that unlocks the entire toolbox of financial flows to ensure this happens
- Bangladesh
    - 2 issues flagged

            - 1) definition for climate finance. How can we discuss goal w/o defining?
            - 2) Needs of the developing countries are going to be very dependent on the degree of temperature rise
                - 3 degrees will change needs dramatically
                - Bangladesh is preparing for 1.5 but we may need more
    - "When I speak for Bangladesh I also speak for LDCs"
    - Need objective basis for quantum
        - It has to be based on needs
        - $100 B was a political figure with no relation to reality
        - There are many tools available: GST, Needs Determination Report, etc
        - It must be informed by science. Not just IPCC, also the most recent available science
    - Source should be grants
        - Don't want to increase debt burden
    - Looking at developed countries to lead on provision and mobilization
    - NCQG must have periodic reviews
        - We don't want to have the same experience as we had with $100B
    - Timeline
        - Will also submit written paper
        - Looking at long term
        - What is more important is having periodic reviews
- Pakistan
    - Setting NCQG presents one of the most critical and pivotal opportunities to accelerate climate actions
    - The world must learn lessons from previous goal
    - Quantum of NCQG cannot just be arbitrary political number → need to base it in science
    - Urge that NCQG process be guided by the following principles
        - Though the NCQG must be set from a floor of $100B, the developing world needs trillions of dollars. And needs will change as realities on ground changes
        - Setting the NCQG must be based on the best available science and data
            - $100 B was a political statement
        - Formalization and operation of NCQG must be bound on UNFCCC on climate justice
        - NCQG must be dynamic and updated periodically to reflect realities of the most vulnerable
    - Structure
        - NCQG must be established a s a matrix that considers based on mitigation, adaptation, and L&D w/ subgoals under each of these components

        - The funding allocated for adaption/resilience must be at least half of NCQG
        - NCQG must increase every 5 years with ????
            - Must be as clear, detailed as possible
        - Updating the NCQG post 2025 should be based on GST
    - Sources/modalities
        - All sources must be easily accessible for developing countries
        - Need new sources and justice adjusted modalities
        - Must be in form of grants
    - Must be framed in consultation with stakeholders for both private and public finance
- EU
    - Need a new goal to respond to the climate challenges
    - NCQG needs to include all financial flows
    - Mobilization of climate finance must be a global effort
    - All finance sources should be in line with Paris Agreement
    - Should include a 10 year timeframe
        - Short time is very important
    - The NCQG must not be reduced to a single figure
    - Need to come to COP29 with lessons learned from $100B goal
    - NCQG must reflect the dynamic reality
        - Must capture facts that private flow is happening and we must ensure it is equitable
    - Needs to be transparent
- Samoa - on behalf of SIDS
    - TEDs cannot legally create negotiations
    - Need political guidance to move to negotiations
    - From TEDs, it is important to conclude that NCQG should
        - Include subgoals
        - Need for goal with 10 year time and 5 year midpoint
    - AOSIS has made a technical proposal to transition us to negotiation space
    - On political level, process should ensure that next year should include discussions throughout the year
    - AOSIS approach to quantification
        - Based on articulated needs and priorities of developing countries
        - Having a near term focus of 10 years would allow of integration of urgency
        - Quantum must ensure that all Parties effectively contribute
    - The NCQG is the must needed life to fulfill the spirit of the Paris Agreement
- Norway

    - Need dialogue to provide further direction
    - Need an NCQG that is ambitious
    - The new goal should provide a strong signal as to how to deal w/ private finance
    - NCQG must be evidence based
    - Evidence based goal should ensure that finance flows to the geographic and thematic places that it is most needed
    - It should enhance nationally led financing
    - It must be both aspirational and actionable
    - Goal that spurs the widest possible action
    - TEDs should help clarify options for the goal
        - To do that, need to find a balance between the technical and political aspects
        - There is a need for increased ministerial engagement so that we are ready for next year
- Philippines
    - NCQG should have a 5 year timeline
    - The development of the NCQG must sustain and enhance the quality and quantity of climate finance
    - Need to scale up financing by using all finance options
    - Science and evidence based
    - Provision of climate finance should be demand driven
- United Kingdom
    - Public and private finance
    - Urge more public finance from those who can afford it
    - Should use climate finance to leverage more investment
    - Need climate to de-risk projects that the private sector is unwilling to invest in
- China
    - *No translation was available*
- Indonesia
    - $100B lessons are not encouraging
    - Want to leverage MDBs and public funding
    - Public private finance is very complicated
    - Want to explore more public and private options and offers their own experience
    - Grant and concessional finance is what is needed but this needs to be fair in terms of the subsidizing especially in terms of private sector
    - Priority of allocation
        - Need to make sure adaptation/biodiversity is put in priority
        - Need to make sure that the modality will be workable
- Ireland
    - Should include a mosaic of financing solutions

- It should embody the pollution taxing method
- The quantified goal must follow the north star of 1.5 degrees C
- $1.4 to 1.5 T must go to developing countries, excluding China
- Must phase out use of fossil fuels
- Must break down North-South divide and increase East-West collaboration
- This is the peace project of our time
- Set ourselves a 10 year goal to turn conception into delivery

- Germany
  - Needs to be a key enabler for adaptation and mitigation
  - Need to act big
  - Need to consider all sources
  - Need to identify how each will be effective and for what
  - Public finance needs to be at the core of the NCQG but need private and domestic investments as well
  - Need a long term aspirational goal but also need a shorter term one
  - Agrees with 10 year goal
  - Need to be granular and comprehensive
  - Need further work on contributor base and interlinkages
  - Need to be clear on our timing. Can't take decisions too early
- Bolivia - on behalf of LMDCs
  - Climate Finance has been a sore issue for developing countries
  - Need to learn lessons from the $100 B goal and not repeat its mistakes → Need to be able to track financing
  - The private sector has not delivered. It has left gaping hole for developing countries
  - There is not a replacement for public finance. The source of finance must remain public finance
  - The AWP must meet at least 3 times to work on negotiation text
  - Parties may want TEDs s well but it is not a substitute for Party-driven negotiations
  - $100B was pulled from thin air
  - CMA6 must set quantum taking into account needs and priorities based on needs and priorities reports
  - Need to move from words to actions
- Nepal
  - Should be SMART
  - Ambitious goals w/ subgoals on adaptation, mitigations, and L&D
  - Deliver on the expectations of developing countries
  - Simplify process of accessing grant over loan
- Jamaica

    - $100B was failure
    - Jamaica does come from a position that is all doom and gloom but believes must do more
    - Must address ease of access
    - Look at the sources and emphasized Sachs messages
    - Acknowledge the ease of access and keep in mind economic realities
- Fiji
    - Address the urgent needs of vulnerable developing countries, especially LDCs and small island countries
    - Should be ambitious and aligned w/ 1.5 degree C
    - Must take into account L&D financing
    - Must address impact of emissions on small island states, indigenous groups, unequal impact of CC on women, children
    - "Lets work together and stay committed"
- Morocco
    - There is a trust gap from previous promises
    - Must enhance transparency and accountability
    - Calling on agreement at COP28
        - Substantial developments
        - Necessary processes and decisions to guide next 12 months
    - NCQG points
        - Structure
            - Should have 3 areas: mitigations, adaptation, L&D
        - Lessons from 100B
            - Grant based finance
        - Timeframe
            - New goal should be reviewed on a cyclical basis
        - At CMA5, we must agree on
            - Develop at TEDs three thematic areas for goals based on considerations on cost considerations from needs reports
            - Consider submissions based on new framework for goal on adaptation
    - In 2024, ask ourselves how much public finance can developing countries expect from developed countries?
    - Developed countries should be committing at least 1% of GDP to addressing climate worldwide
    - Urge developing countries to recognize their responsibility to take the lead
- Australia
    - "We are off track"
    - "We need ambitious action to keep 1.5 in reach"

    - "We must maximize scale and impact"
    - NCQG must include public finance and more
        - Public finance will not get us to scale
    - Must ensure it includes public/private, international/domestic contributors
    - The world has changed a lot since determining Annex I countries
    - The scale of NCQG must be based on breadth of financial imports
    - Must calibrate technical and political process to ensure it is fit for purpose
- Cabo Verde
    - Fundamental need to address barriers in particular for small island states
    - NCQG should be aligned w/ real needs of developing Parties
    - A wide source of funding is needed
- Lord Nicholas Stern
    - This is finance for a purpose
    - Align with the Paris Agreement
    - Go up by a factor of more than 10
    - The contribution of developed nations needs to increase by 3 times
- Yemen
    - *No translation was available*
- Honduras
    - *No translation was available*
- Seychelles
    - The Seychelles are considered middle to high income but feel they should not be because they can not afford the cost
- Somalia
    - Access to resources has been a challenge
    - Maintain transparency
- Tonga
    - *Mainly repeats AOSIS*
- Colombia
    - *No translation was available*
- Gambia
    - LDCs are on the forefront of the impacts of climate
    - Financing local-led actions
    - Going along with what was stated in the Paris Agreement
- Moldova
    - Must establish rules
    - Focus on the elements
        - Cooperation
        - Climate neutrality to 1.5
    - Adaptation, Mitigation, and Loss/Damage focus

- Oman
    - *No translation was available*
- Russia
    - *No translation was available*
- Italy
    - Fundamental that NCQG be set in context of its mandate
    - Process remain transparent and inclusive
- Belgium
    - Should not lose site of the quality of finance
- Marshall Islands
    - Ambitious NCQG and based on the needs of the countries that are on the first line
    - Both quantum and quality is important
    - Political leaders must dedicate time and attention to NCQG
- Switzerland
    - See need for early political engagement
    - Sources: public finance will not be sufficient. We need all sources
    - Must engage all relevant actors/sources
    - Timeframe: longer goal, net zero 2050, actionable goal by 2035
    - Improve private financing. Set the right framework
    - Goal should be informed by needs of developing countries
- Japan
    - 3 issues
        - While public finance is important, it should not be limited to public finance. It should include private
        - Ambitious and actionable…we need to make clear what kind of actions are possible in shorter time
        - To move discussions forward, we need to narrow options on scope, quality/quantity, and sources
    - Consider giving mandate to co-chairs to produce texts
    - Could use occasions such as UNGA for ministers to get together
- France
    - *No translation was available*
- US
    - Options
        - What should additional quantum be? Who are contributors going forward? Should we take the same approach to mobilization?
        - Global in scope – captures all finance flows
            - Change behavior of actors at all levels
        - Focus on domestic and other policies
        - Or hybrid or multilayer approach

    - Doesn’t think options should should bed narrowed this year
- Armenia
    - *Missed notes*
- Sweden
    - Public finance needs to be at the core but should be incentive for private finance investment
    - Carbon pricing and phasing out fossil fuels can be part of the transparency
- Ukraine
    - Should be multilayered, public private
    - Public must be at the core
- Turkiye
    - Developing countries need large and long-term investment
- *Several more statements were made, but the overflow room was kicked out and thus I do not have more notes*