New collective quantified goal on climate finance (NCQG)

10th Technical Expert Dialogue (TED)

Date: 3 June 2024, 15:00-18:00, Room Nairobi

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<table>
<tr><td>UNFCCC Exec Sec
Simon Stiell</td><td>Opening Remarks
Core: growth to clean energy economies, growth in industry, growth in national budgets. In order to build this, we must create a finance ecosystem. Accessible structures that work for all countries.
Urge Parties to narrow down options so that the most pressing issues can be passed to the political level.
If we trust each other and work together, we can make a quantum leap in climate finance.</td></tr>
<tr><td>NCQG Co-chairs</td><td>Introduction and stocktaking of progress (slides presented)

TED10 elements to be discussed: Ambition, qualitative elements, structure, transparency</td></tr>
<tr><td>UNFCCC Secretariat
Tibor Lindovsky</td><td>ETF arrangements under the NCQG (slides presented)
ETF for action and support
Two key milestone decisions (MPGs: 18/CMA.1 // Operationalization of MPGs: 5/CMA.3 – CTFs, CRTs, outlines BTR, NID, TER, trainings)
Key principles of ETF: 1) builds on existing MRV systems, 2) acknowledges different starting points for different Parties, 3) gives flexibility in light of these differences, 4) continuous improvement, 5) support for capacity building
First BTRs due by 31 December 2024 – “all Parties shall” with exception of SIDS and LDCs which have discretion
BTR Chapter IV (provided and mobilized) and Chapter V (support needed and received) most relevant for NCQG
Chapter IV
Table III.1 – III.3: Relevant information in a tabular format, for the previous two reporting years without overlapping with the previous reporting periods
Chapter V
Table III.6 – III.7:</td></tr>
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	○ Support needed is forward looking, so it should be reporting year onwards ○ Support received, ongoing or planned since the previous BTR (for the last two years)
Mohamed, Egypt	• Highlight as missing from the presentation, communications on Article 9.5 are very important to climate finance
NGO	• What options are there for bringing qualitative elements into the NCQG?
Mohamed, KSA	• Review of ETF in 2028 is only on the MPGs – correct? (received nod from secretariat) • Could you describe the elements of the MPGs that are • How is double counting covered in the MPGs? • Timeline-wise, if we have reports in 2028, we would have 2 years of the NCQG accounted for, and would that allow for a substantive aggregation report?
Kevin, USA	• Methods – what's the process for understanding underlying definitions
Answers from Secretariat	• Subject section of the MPGs was more difficult to negotiate than anything else. In BTRs, there should be a footnote or link next to every number that would help all readers understand how exactly the numbers were received. Underlying assumption. ○ [from the notetaker: see decision 18/CMA.1, Annex, Section V, Sub-section B "Underlying assumption, definitions, and methodologies"] • On timelines, in 2028, BTRs should include data from 2025-2026 on provided and mobilized.
Panel #1 **Ambition** Sofia Vargas Lozada, Colombia Gard Lindseth, Norway **Qualitative Elements** Outi Honkatukia, Finland Michai Robertson, Samoa	

Colombia, Sofia	• Most interested in how the NCQG can support and not penalize ambition. Colombia has had negative impacts following its declaration of intention to cease fossil fuel production • How dis-enablers of finance can be addressed • Regulators and regulating agencies need to be addressed • How to make concessional finance work for countries like Colombia, Colombia is being left behind • Implementation very important, and acknowledged in the GST • Deeply concerned by suggestions that Colombia become a part of the contributor base
Norway, Gard	• How Parties have framed ambition today: 1) references to what individual Party ambitious climate actions are, 2) ambition being related to the size of the quantum, 3) ambition being linked to a larger contributor base • Very difficult to operationalize ambition and caution against linking NDCs to ambition too closely • For Norway, ambition is related implementation and means to an end. Norway sees a need to have a broad scope, which would include a larger contributor base so that it can be more responsive to the needs of vulnerable countries, as well as a multi-layered approach. • But it also includes a support target, which is very key.
Finland, Outi	• System change very important, and qualitative elements key to this end. Need to have qual elements in place in order for the NCQG to have an impact. • 1) Enablers of finance flows: enabling environments, reduced cost of capital • 2) Elements to scale up supply of finance: domestic resource mobilization, private sector mobilization, • 3) Cross-cutting: access, enhanced safeguards, gender, • 4) calls to action: highlight role of the MDBs, need for reform of IFA, role of finance, role of philanthropies • Need to have regulations and standards in place to incentivize investments (also removing fossil fuel subsidies) • NCQG needs capacity building for enabling environment and enhancing absorptive capacity. Beyond project pipelines, countries will need to put policies in place • Mainstreaming climate finance into macroeconomic activities really should fall to Finance Ministries. • Shareholders of MDBs need to do a better job ensuring that MDBs mobilize greater finance and implement climate priorities.

	• Gender-responsiveness—need to build capacity of women who are disproportionately impacted by climate change.
Samoa, Michai	• There has been a decrease in the amount of grants and loans that SIDS and LDCs have received in the past few years. • A definition of quality must include what constitutes 'good quality finance' • 'New and additional finance' – GEF 1994 said 'money that was additional to ODA and finance committed under other regimes' • Quality – have non-concessional and export credits being associated with climate finance, it is inherently unjust, especially when you look at SIDS getting non-concessional loans to address climate change. For SIDS, the key point of the goal should be concessionality, or else why are we engaging in this new goal at all? o Interest rates, risk periods, maturity periods, admin fees, debt resilient clauses. • Debt-servicing capacity – need to see the operationalization of Article 9. SIDS and LDCs should get the highest level of concessionality. • Response times – mitigation can respond to lending. But adaptation and L&D must be grant-based. • Transparency – need climate finance to be defined solely as public finance and grant-based. • Access – needs to be at all levels. And needs to be further than the multilateral climate funds, which frankly do a better job at access than the MDBs. Bilateral providers are a black box. How can we simplify access? National interest does come up a lot in the context of why countries provide, but we are all committed to the climate regime in the context of humankind. • Fiscal space and debt sustainability – solutions to these are being done in a space where there are no SIDS and LDCs represented. Common Framework does not include all SIDS and LDCs.
NGO (Center for Global Development)	• Climate finance needs to be reported in grant-equivalent terms • Contributor base – CBDR necessitates that many countries who are not in the Annex II group do have a responsibility to contribute. • New CGD analysis shows that 20-30% of whatever public international figure quantum could come from current non-Annex II countries. SIDS/LDCs/lower-middle income countries (over 100) are around 2% of finance contributions by this model, so they could really be left out of this contribution.

	Recognize that grant equivalence is what matters.
NGO (Save the Children International)	- Encourage Parties to continue to support the inclusion of quantitative indicators - Child's rights informing the qualitative elements of the goal - How can we best mainstream the needs/rights of children in the NCQG? - All said children's rights very important to process. None elaborated.
Canada, Kelly	- How will we turn what you've mentioned into decision text? - Q for Sofia – how do we address Colombia's challenges in the NCQG? - A: At least 2 elements: 1) talking to the dis-enablers of climate finance (and can include calls to external intl financial architecture); 2) leave no country behind - Q for Gard – What lessons can we learn from $100B that we can turn into ambition? - A: Lesson learned – did not describe the context and objective of the goal adequately - Q for Outi – how would capacity building for enabling environments look in the goal? How would you think the $100B could've been improved with - A: strengthened Sharm el Sheikh Dialogue - Q for Michai – More on what kind of information you would like to see with respect to access from bilateral providers and why important? On corruption, how would you see that addressed in NCQG? - A: 37-47% of climate finance is from bilaterals. Main thing is that access needs to be demystified beyond bilateral arrangements - A re corruption: more context-specific
KSA, Mo	- Welcomed the intervention by the CGD and wanted to respond. - CGD bases emissions data starting at 1979, whereas industrial revolution not addressed and must include 200+ years of historical cumulative emissions. - Invoked the ambition of Icarus - Qs for Gard and Outi – developed countries will continue to have obligations – how much should developed countries contribute? - A: very important, really depends on the number of contributors - A: depends on contributors

Egypt, Mo	• Q for Gard - if you want to delink NDCs and climate finance, do you also want to delink transparency and NCQG? And if you delink it, how do you want NDCs (ambitious or realistic)?
	    o Gard A: would not de-link transparency, rather add to it.
	    o Sofia A: we need to turn this into a race to the top.
	• Q for Outi – expand on climate absorptive capacity. Why is absorptive capacity constraint not applied to the multilateral climate funds (GCF, GEF, AF)? They already have a pipeline of bankable projects.
	    o A: Yes there needs to be increased finance flows, but there should also
	• Q for all panelists – what do you think of the Paris Agreement? We have rules of procedure. What do you think of its linkages.
	    o Gard A: we very much like the PA, it was a milestone in most of our lives.
	    o Outi A: absolutely love the PA, but it needs to be better implemented
	    o Michai A: this is the most consequential and most legitimate agreement on climate, need to use this to leverage changes.

Barbados, Ricardo	• Ambition – must speak to the reality of our circumstances. Issue is much broader than climate finance. • Don't give me a cart before you give me a horse. • Outi response: rules of the finance game are changing outside the UNFCCC bubble, but if the regulatory frameworks and institutions are not fit for purpose, they need to be changed.

Switzerland, Gabby	• Q for Sofia – what do countries like Colombia need to see to build confidence on access for the push and pull of finance in certain sectors? Which finance can be replicated or taken into account?
	• Q for Outi – any suggestions on how to strike a balance on qualitative and having a goal that is trackable?
	    o A: Prioritize very simple ones – cost of capital can measure, FF subsides can measure, price of carbon Y/N. Very simple list of indicators that would give you sense of whether enabling environments are improving.
	• Q for Michai – would you want to see differentiated language for Parties with highest access needs?
	    o A: Art 9.9 is the north star here. "AOSIS is not backing away from this this year."

Brazil, David	• Need a climate finance definition. • In Brazil's perspective, additionality, concessionality, etc. • Outi response: from perspective being on SCF, recommendation not to get bogged down in a specific climate finance definition as it will take up all space in the negotiation
India, Amit	• Q for Outi – enabling environment have any link to level of development? Do you think that enabling environments similar to those of Europe can be achieved? Do you believe regulatory changes will lead to lower cost of capital in developing countries? ○ A: there is literature saying that there is a correlation between enabling environments and level of development, but it's not linear. But private finance is driven by risk/return, so policy elements important to shore up these risks are key.
UK, Isabel	• Ambition is constantly at the core. • So the NCQG can't be everything to everyone. But it does need to be something for all of us. PA says relationship between finance and ambition needs to be mutually reinforcing.
Vanuatu, Christopher	• NCQG should not penalize ambition and respond adequately to harm and L&D. • Can the NCQG include L&D finance?
Panel #2 **Structure** Ben Abraham, New Zealand Chao Feng, China **Transparency** Gabriela Blatter, Switzerland Julius Mbatia, Kenya	
New Zealand, Ben	• Starting with the structure of the $100B. Pros: simple. Cons: not at the scale needed to meet the goals of the PA. Not supported by real descriptions of actions or wider range of actors that need to be engaged, and it didn't speak to quality. • Work through the whole financial ecosystem, need to aim high, and see structure as a way to layer up ambition. • Protect key things • Structure is also how we signal – to governments, private sector, individuals, intl financial architecture.

China, Chao	• Crucial to know the mandate and history. From the process, several things have changed. • Chao contests NCQG mandate of Decision 14/CMA.1, para 53, noting that the first part of the mandate says "developed countries intend to continue their existing collective mobilization goal through 2025 in the context of meaningful mitigation actions and transparency on implementation." • Art 9.3 is the NCQG mandate, but we never talk about Art 9.1. But we need to if we talk about the Paris Agreement in its entirety. • Need highly concessional finance • On transparency – there's no definition of climate finance. Need a robust reporting mechanism under 9.5, 9.7, 13. • Financial commitment and enhanced cooperation – China contesting OECD report on \$100B. Says \$27B is existing ODA.
Switzerland, Gabby	• Collective goal should have a collective tracking progress framework. Collective elements would ideally apply to all Parties, as well as transparency reporting and tracking. • Amend the SCF Biannual Assessment to track progress to NCQG. • Recognize there's likely going to be a gap of information needed by the ETF. Problem is that we will only know the elements once the goal is agreed. Need 2-year program of SBSTA to comment on • Tracking timeframe of 2 years would best align – • Reporting time lag means that 2025-2026 data will only be had in December 2028, which means that if you want to aggregate that, it would only make sense to do that in 2029. • Also \$100B reports are mandated that run to 2027. • On review, if the review has a 5 year timeline, in 2030, Parties will only have access to 2025-2026 data. • If review is a revision of the quantum, it is a no go. But if the review is about giving guidance to Parties, Switzerland could engage on that. • Article 9.5 – yes, ready to communicate ex ante contributions as part of this. But don't see 2 year revision so reporting would just be 2 years of ex ante information separated from the collective.
Kenya, Julius	• ETF is supposed to allow us to build mutual trust. Sees the ETF as the basis of the NCQG transparency arrangements. • Must have space to talk about the NCQG, and that it should be in the context of Article 9. ETF as it is now has not been applied and we cannot build trust.

	• MPGs underlying assumptions and methodologies, there are gaps because we don't have agreed methodologies. • What counts as climate finance? Does not consider loans, or development assistance as climate finance. • Article 9.5 forward looking finance communications should be central. • GST should tell us whether we are getting finance for NDCs at the level which is needed.
Australia, Britt	• Q for Ben – expand on how structure as tool, including finance, flows, and sources / how different sources and roles • For Chao – didn't get a clear sense of what structure would be for China, can you expand? IPCC AR6 says there is enough finance • For Julius and Gabby – interested to know about thoughts around using ETF as a baseline and other instruments?
Karima?	• Q for all – on potential role of SCF, how would existing reports capture qualitative dimensions?
Kenya, Fred	• Q for Chao – in the context of a bottom-up approach of the Paris Agreement, how do you see getting a common definition of climate finance? • For Gabby – in terms of BA process, what information is in BA that isn't accommodated in the ETF? To what extent does that information align with the principles of transparency?
UK, Soloman	• Q for Chao – In response to your comments on 9.3 and the NCQG mandate. But everything we've heard today about needs and reforms, how can we talk about all of those things if we just limit ourselves to a replacement of the $100B?
India, Amit	• Q for Ben – you said structure is required to raise ambition, but how are we defining ambition? • For Gabby – Once quantum is decided, why can't the quantum be included as ex ante information under Art 9.5?
Egypt, Mo	• Q for all – how crucial is definition of climate finance in enhancing transparency? • Q for Gabby – on sources that might be outside UNFCCC, how do they engage on the transparency process? BA does include some outside sources, but how would they be incorporated

NGO (GFLAC Sandra)	• Q for Gabby – how do you see relationship between revision and transparency, in light of evolving needs?
USA, Kevin	• Q for all - $100B goal not fit for purpose, what is the best way structurally in the goal to respond to changes needed? • Q for Gabby – on timing, how many years of data would we need for an informed view on how we're doing on the NCQG? • Q for Julius – on transparency reporting and definitions, the ETF allows for countries to provide information on their methodological processes, and how the ETF would allow for national determination or not?
NGO	• Q for Gabby – given evolving needs, how do you think we can have a transformative goal that does not address evolving needs?
KSA, Mo	• Q for Ben – how much should developed countries contribute to public international finance? • Q for Gabby – how would the multilayered approach
	Session ran out of time, Zaheer closed the queue and said that questions will have to be addressed bilaterally.
COP29 Presidency, Elmaddin Mehdiyev	• Fair and ambitious NCQG • Two pillars of COP29 presidency – enable action and enhance ambition • NCQG important to renew confidence in PA, repair trust. • Need to build unstoppable momentum.