

Diverging views on New Financial Goal

Dubai, 5 Dec (C. Radhika) — Governments discussed the way forward on determining the new collective quantified goal (NCQG) on climate finance at the high-level ministerial dialogue held the Dubai climate talks on 4 Dec.

Discussions showed the divergence of views between developed and developing countries around the sources, timeframe, quality and quantum of the NCQG.

There were also differences around the issue of the modality of work next year of the NCQG. Developing countries indicated a preference for working towards a negotiated text at a technical level, while developed countries expressed the need for greater political guidance in the process.

(The decision from the Conference of Parties to the Paris Agreement (CMA) last year acknowledged the need to significantly strengthen the ad hoc work programme on the NCQG in order to set the new finance goal in 2024, taking into account the needs and priorities of developing countries. The work programme was set up from 2022 to 2024 and was responsible for conducting 4 technical expert dialogues [TEDs] each year. The TEDs and the high-level ministerial dialogues were organized in a process with each informing the other).

On the question of sources, developed countries stressed the need for relying on the private sector and expanding the contributor base, while the developing countries highlighted the need for the sources of finance to be largely derived from public sources.

Some developed countries also emphasized the need for aligning finance flows in light of Article 2.1(c) of the Paris Agreement (PA), adding that the finance should go to the most vulnerable countries. (Article 2.1(c) speaks of “*making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*”).

Developing countries emphasised the need for the NCQG to be new, additional and predictable, and the basis for which must be data on the needs and priorities of developing countries.

Regarding the timeframe for the new goal, most developing countries expressed a preference for a shorter time frame of five years, with proper review mechanisms, to ensure the delivery of pledges made. Some developed countries on the other hand showed a preference for a long term an “aspirational” and “actionable” goal that could extend up to 2050, but with a shorter time frame of ten years.

The ministerial dialogue was presided over by **Yasmine Fouad, Minister of Environment, of Egypt** and **Stephen Guilbeault, Minister of Environment and Climate Change, of Canada**. The dialogue was kicked off by **Dr. Sultan Ahmed Al Jaber**, the COP 28 President.

Urging the delegates to maintain the momentum of COP28, **Dr. Jaber** said, “we are here to discuss the most important topics – finance and trust. We took a huge step forward on day one of COP28 (referring to the adoption of the decision to operationalize the Loss and Damage Fund). There is much more that we can and we should do. We may now be close to US\$ 100 billion goal. But we cannot repeat same exercise on NCQG. We must learn lessons or we will just create another trust deficit which we should not repeat nor can afford.” He said there was a need for the process “to work towards an NCQG that meets the expectations of the Global South, with a clear plan to deliver.”

Simon Stiell, Executive Secretary of the UNFCCC said that climate finance should be viewed as “an investment, not a cost.” Mentioning the total climate finance figures reached in 2022, he pointed out the sobering fact that a majority of it went to developed countries. He said the NCQG would require a strong outcome on the ambition, as without that, the needed course correction would not happen.

Highlights of key interventions made at the dialogue

Spain speaking on behalf of the **European Union (EU)** said that the NCQG would be a key element of the overall climate finance goals at COP28 and reaffirmed its commitment to assist with finance. The EU said the NCQG must reflect “dynamic reality and capture new realities” (in an apparent reference to broadening the contributor base).

On the issue of sources of finance, the EU said, “We need a new a goal to respond to the current challenges; a goal that looks beyond public finance,” adding that “There was a need to align all finance flows to the PA”. It also pointed out that “the mobilization of climate finance needs to be a global effort and requires an expanded contributor base.”

The EU also mentioned carbon pricing mechanisms, guarantees, equities, and levies on the fossil fuel sector in accordance with the principle of polluter pays as means of leveraging finance for the NCQG.

Regarding the timeframe, it expressed preference for a ten-year time frame to indicate climate actions. On the quantum of the goal, the EU said it “cannot be reduced to a single figure.” Speaking about the need for taking into account qualitative aspects of the goal, the EU acknowledged the need for thinking about how to structure debt relief. It also said there was a need to be transparent, and therefore it was critical to track the goal, which is one of the important lessons learnt from the past.

Germany said that the stakes are quite high for the NCQG. “We all know the temperature rises that we are already seeing now, what that means for people and the most vulnerable countries. Having this dialogue where we have technical inputs are so important to understand the science of these requirements” (in reference to the TEDs).

“We have worked on temporal scope, structure, quality, quantitative elements of the goal. We need a new kind of goal, one that acts as key enabler for climate action both in mitigation and adaptation”, it added further.

Germany said there is need to think and act big and to consider all sources of finance, pointing to the need to develop innovative sources, and to think about how those innovative instruments could be developed, with public finance at the core, as well as both private and domestic investments that need to come in. In this context Germany also made a reference to Article 2.1.c of the PA.

On the timeframe of the goal, Germany shared that a shorter term goal of ten years is a good timeframe, adding that the timeframe, nature of goal and the contributor base has to be dynamic.

Acknowledging the problem of debt that many countries are facing, Germany said there was a need for a broader debate for making the financial architecture fit for purpose so that could deliver on the challenge. The goal, it said, “needs to be both granular and comprehensive” and should be clear on the purpose, adding that more thought needs to

go into how the goal takes the needs and priorities of developing countries into account for the goal.

Australia said that the NCQG must help deliver the goal of keeping 1.5°C within reach. “To achieve these we must maximize scale and impact. The new goal must include public finance. But we must do so much more. Public finance alone will not get us anywhere in terms of needs required,” said Australia.

It added further that “we need to equip the goal so it is fit for purpose, with the intent of crowding in, mobilizing, and scaling up. We have to ensure that the new goal includes both public and private finance, both provided and mobilized.”

Regarding the sources, Australia highlighted that “in terms of contributors, we have to acknowledge that the world has changed since 1992 when we first chose the countries listed in the annexes (to the Convention). We are arguing that climate finance must come from as broad a base as possible”.

On the way forward, it believed that “the technical process has done well so far but we do need to change gears now. We need to move from elements to text. We see the need for ministerial engagement in the process to guide the technical process.”

Switzerland expressed the need for early political engagement in the process of NCQG for the next year. On the question of sources, it said, “we would like to see a broadening of donor base, sources and scope...International public finance play a big role. But it won’t be sufficient. We will need all sources of finance – public, private, international and domestic. We will need a dynamic contributor base and also build on capacities of countries and Parties. We need to take into account the changing responsibilities considering the past, present and future emission of Parties.”

“This goal should focus on supporting those who are most in need, including the most vulnerable countries”, added Switzerland.

Speaking about the timeframe, it said, “we see this goal as a long term aspirational goal of 2050, with near term actionable goal of 2035, paving the way for 2050”.

The **United States (US)** said, “We should ensure that the NCQG supports the effort to unlock the trillions. The core question for this is what is the best way to achieve finance at scale.” The US elaborated on various options discussed by the TEDs regarding the possible funding mechanisms, but concluded its intervention by saying, “we don’t think time is right to narrow options this year or to take decisions on specific aspects”.

Norway, Ireland, France, Japan, Belgium, United Kingdom, and Italy made similar points in their interventions.

Norway said, while the TEDs helped clarify the significance of the goal, “in 2024 we need to find a balance between the technical and political process”, and expressed a preference for increased political guidance in this process.

Italy said there were many options for political engagement on the way forward in the NCQG process. For instance, “there could be a political facilitator in 2024 and the next high level ministerial could take place in June”.

Belgium said, “we believe visionary and clear political guidance is needed – the political level needs to be closely engaged with the process next year”.

Bolivia, speaking on behalf of the **Like Minded Developing Countries (LMDC)** said that climate finance has been a sore issue for developing countries. It pointed out that the US\$100 billion goal per year by 2020 remains ever elusive, while the needs of developing countries to tackle climate change run into trillions of dollars. In an apparent reference to the recently published report of the OECD on the status of the \$100 billion goal being likely met in 2022, it said that “It is deeply concerning that we are still talking about the likelihood of the \$100 billion goal having been met, three years after the deadline. This is not to say we have any clarity on the quality of whatever has been achieved so far.” Learning from the lessons of the \$100 billion goal, Bolivia said it was important to be able to track the new goal.

On the question of relying on the private sector for mobilising resources for the goal, it said, “Let us also have a frank conversation here. The private

sector has not delivered. The constant push to rely on the private sector to fulfil the obligations of developed countries has left a gaping hole in meeting the needs of developing countries.”

On the question of sources, Bolivia said, “there is no replacement for public finance and going into the NCQG, grant-based public finance from developed countries must remain the source of finance under the climate regime based on historical responsibility and common but differentiated responsibilities (CBDR) (between developed and developing countries) and on the obligations outlined in Article 9 (of the PA).”

Bolivia further stated that progress could be made by keeping in place “certain foundational elements, such as differentiation between developed and developing countries and the obligations of developed countries to provide and mobilise climate finance” to frame the goal. “All discussions within finance must proceed in line with the principles and provisions of the Convention and its PA, and these should not be called into question or opened for discussion, in particular equity and CBDR. The obligations and responsibilities outlined in Articles 9 and 2.2 of the PA shall frame the discussions”, it added further.

Regarding the timeline of the goal, Bolivia said it should be for a period of 2025-2030 with a renewal of the goal, including a revision of the quantum.

On the way forward, Bolivia said that “the 2024 process within the ad hoc working programme (AWP) must be a facilitated negotiated space for Parties to drive textual-based negotiations, based on the annual report of the AWP Co-Chairs. This AWP would have to meet at least thrice in 2024, to work on negotiated text that would lead to the final consideration of the new goal at COP29.”

Emphasizing the need for a Party driven process in setting the NCQG, Bolivia said “Parties may wish to continue work in the TEDs as a complementary process, but it is not a substitute for Party-driven negotiations”.

It said further that lessons learnt from the past indicate that there is a need for discussions to continue at the technical level, rather than be driven by the political level.

“The \$100 billion goal was determined in a purely political process and the number was determined from thin air - not based on needs and priorities and not reflective of technical deliberations. CMA 6 must set a quantum taking into account the needs and priorities of developing countries as outlined in the Needs Determination Report (NDR) (produced by the Standing Committee on Finance)” and looked forward to the updated NDR next year, added Bolivia further.

Bangladesh and **Gambia**, who both spoke on behalf of the **Least Developed Countries** stressed the need for continued and periodic reviews to ensure delivery of pledges. “The funding should be transparent and additional to ODA.” **Gambia** said given that the least developed countries are at the forefront of climate impacts, a specific portion of the goal should be allocated for those that are most vulnerable.

Samoa, speaking on behalf of the **Alliance of Small Island States (AOSIS)** said, that the TEDs cannot legally produce a text for negotiations. Sharing an indicative structure for the goal, Samoa said there is a need for differentiated sub-goals for adaptation, mitigation, and loss and damage.

Regarding the timeframe of the goal, Samoa said it could be an annual goal with a ten-year review period and have a review process like that of the Global Stocktake or like the process of the Intergovernmental Panel on Climate Change (IPCC).

AOSIS shared a preference for the need for political guidance in which the process would have to ensure that the COP President engages broadly in an inclusive and transparent manner.

Regarding the quantification of the goal, Samoa said it should be based on the articulated needs and priorities of developing countries, particularly the Small Island Developing States, with a clear focus of ten years. The “quantum must ensure that all Parties are able to accelerate climate action in this critical decade”, it added further.

Pakistan said that “Climate finance is the key to unlocking ambitious climate action by developing countries. There is a need to define what climate finance means to ensure there is no double

counting. Setting a NCQG presents one of the most critical and pivotal opportunities to accelerate global climate action and enabling developing countries in climate action.”

Speaking about the quantum of the goal, Pakistan said it cannot be arbitrary. The goal of “US\$ 100 billion was a political number. We need to correct that. We need to base it in science”.

It also mentioned four principles for guiding the goal. “First, that the goal should be set from a floor of US\$ 100 billion, and going upwards, keeping in mind that developing countries need trillions of dollars per year.” Citing different estimates from the NDR and the Adaptation Gap Report, Pakistan highlighted that the needs would change every year.

“Second, the NCQG must be based on best available climate science and data. Third, the formulation and operation of the NCQG should be bound within

the UNFCCC and the PA, anchored on justice. Fourth, the goal should be dynamic in nature and periodically updated.”

In terms of the structure, Pakistan said that the “NCQG must be established as a matrix” that would address mitigation, adaptation, and loss and damage, with specifics on qualitative and quantitative aspects. The goal, it said should be new, predictable and additional.

Speaking about the sources and modalities of the goal, it said “all finance flows under the NCQG must be easily accessible to developing countries,” adding further that at least half of the modes of finance should be grant based.

Pakistan also said that the NCQG should be framed keeping in mind the goals of sustainable development and poverty eradication.