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Call for new finance goal of at least US$ 1.3 trillion per year

Baku, Nov 13 (Meena Raman) – Developing countries led by the **G77 and China** has called for the new collective quantified goal on finance (NCQG) "to be ambitious and to be an amount of at least USD 1.3 trillion per year from developed to developing countries with a significant provision component for adaptation, mitigation, and loss and damage."

This call was made by **Uganda** for the **G77/China** at the contact group under the Conference of Parties to the Paris Agreement (CMA) to consider the matter of the new collective quantified goal on finance (NCQG), which convened it first session in Baku, Azerbaijan, on 12 Nov, and is co-facilitated by **Zaheer Fakir (UAE)** and **Fiona Gilbert (Australia)**. (Fakir and Gilbert, as co-chairs of the Ad hoc work programme on the NCQG had produced a "substantive framework for a draft negotiating text" under their own authority).

The G77/China said that the framework produced "cannot be accepted as a basis for negotiations" and requested co-chairs to produce another text before the next session of the contact group. The next session of the contact group will take place on 13 Nov.

In its intervention, apart from stating the quantum of the goal, the G77/China also highlighted the following requirements: "An NCQG that is exclusively for all developing countries; is aligned with Article 4 of the UNFCCC and Articles 9.1 and 9.3 of the Paris Agreement (PA) and decision 1/CP.21 paragraph 53, and in line with the principles of equity and CBDR-RC (common but differentiated responsibilities and respective capabilities). The goal is the sole obligation of developed countries to provide and mobilize climate finance to developing countries." It also stressed that "we cannot accept any text as a basis for negotiations that includes criteria to shift developed countries' obligations onto developing countries", adding further that the NCQG is "a provision and mobilization goal from developed countries to developing countries only," and that it "is not an investment goal. "A global investment goal does not fit the mandate and is not a subject of negotiation (and) neither does it reflect the evolving needs and priorities of developing countries", added the G77/China further. It also said that "brackets (in the text) should only be used to indicate options" and "that therefore, no other brackets should be included."

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It also said that "the NCQG text must clearly outline what does not count as climate finance under the goal from an accounting perspective, including non-concessional loans and export credits which cannot count towards the progress on the delivery of the goal. Resources under the NCQG must be new and additional, predictable, adequate, affordable, grant-based and concessional, enhancing fiscal space without creating fiscal constraints, and non-debt inducive. There cannot be any conditions for finance access, and all elements of the goal must respect countries' sovereignty." The G77/China also said that "dis-enablers of finance often exacerbated by and within developed countries, including through an asymmetric international financial architecture must be addressed to enable access to quality and concessional climate finance and decision-making by developing countries." It also added that "the Enhanced Transparency Framework (ETF) is the basis for transparency and reporting of the NCQG and should not be renegotiated."

In addition to the NCQG, the G77/China called on developed countries to deliver the arrears of the USD 100 billion commitment to developing countries. It also said further that "the NCQG must accurately reflect the establishment of operational features to give full effect to Articles 9(4) and 9(9) of the PA in line with the needs and priorities of developing countries."

(Article 9(4) provides that *"The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, … and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries (LDCs) and small island developing States (SIDs), considering the need for public and grant-based resources for adaptation",* while Article 9() states that *"The institutions serving this Agreement, including the operating entities of the Financial Mechanism of the Convention, shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the LDCs and SIDs, in the context of their national climate strategies and plans."*)

The sub-groups of the G77/China also echoed these views.

Group SUR, comprised of **Argentina, Brazil, Ecuador, Paraguay and Uruguay** said that "the NCQG is a crucial tool to improve the capacity of developing countries to implement both the Convention and its PA during this critical decade. We expect it to be the foundation for a higher level of ambition in the next round of national determined contributions (NDCs). For this, the NCQG must be set in a level compatible with the identified needs of developing countries; compatible with climate actions that will set us on a pathway to keep the average rise of the global temperature bellow 1.5° C." It also stressed "the principles of CBDR-RC, the right to sustainable development and the efforts to eradicate poverty." It added that it is unfortunate that at CMA6, there is no clear indication from developed countries on the quantum of the NCQG. On the contrary, we see the process still focused on the attempt of reopening Article 9 of the PA and shifting commitments that are based on historical responsibilities towards some developing countries."

It added further that the new goal is a commitment from developed countries to developing countries to assist them in the achievement of the long-term goals of the PA" and "must not become limited to a creative accounting tool to inflate the numbers with activities that are neither for climate action, nor for the support of developing countries, including the inclusion of domestic resources in the goal. Furthermore, it must not be a way to impose additional conditionalities for accessing climate finance by developing countries." It further said that "the success of this negotiation depends on the establishment of a solid goal based on the provision of public finance to developing countries. Once we can agree on a provision target, we could then move on to the discussion of a mobilization target that complements the need for grants and highly concessional resources."

The **Least developed countries** (**LDCs)** said an "an ambitious NCQG provision and mobilization quantum of 1.3 trillion is a lifeline for our vulnerable communities. Our quantitative estimates of the financial support needed for implementing our NDCs stand at $1.48 trillion by 2030. This translates into a requirement of $220 billion per year for the LDCs alone. And we would want to underscore that is a significant underestimation of our needs". It also called for the reflection of "operational features that give full effect to Articles 9(4) and 9(9) of the PA, aligning with the needs and priorities of developing countries" and "must also incorporate tailored features for (SIDS) and LDCs." It also added that "resources must be delivered predominantly as grants for adaptation and loss and damage, while mitigation efforts should be supported through highly concessional financing and long-term financing due to heightened fiscal constraints and the high cost of capital." It wanted the NCQG "to provide a clear definition of climate finance, addressing loss and damage alongside adaptation and mitigation actions. Furthermore, we urge the NCQG to ensure that 20% of the allocation flows through the financial mechanisms of the UNFCCC to enhance transparency, accessibility, and impact for vulnerable communities."

The **Africa Group** said that "ambitious climate action does require equally ambitious levels of means of implementation, particularly finance". It said the framework document produced "is unbalanced and does not adequately reflect the views and calls of developing countries including Africa's long held views." It emphasized that "COP 29 must be set an ambitious finance goal of USD 1.3 Trillion per year by 2030 with a burden sharing arrangement between developed countries and strong transparency arrangements", adding further that "finance provided at market rate loans and export credits shall not be counted in the aggregate of what counts as climate finance" and that "climate finance shall be additional to development finance". It also called for addressing "the current barriers to enhancing adequacy of climate finance and take into account debt burden and sustainability in the provision and mobilization of climate finance". It also said further that "we cannot reopen elements of the Convention and its PA."

The **Independent Association of Latin American and the Caribbean (AILAC)** said that the NCQG "should be of an amount of at least USD 1.1-1.3 trillion per year from developed to developing countries for a period of 10 years." It also wanted mention of the concerns of developing countries advancing climate action "in the context of multiple development challenges, high-cost of capital, limited fiscal space, high-levels of debt, and other dis-enablers of finance, since this impacts their ability to advance in the implementation of the PA and imposes additional burdens to them." It also stressed that climate finance is additional to ODA and is climate specific, and requested for "regional allocation floors to guarantee access to all developing countries". On the quality of finance, it said that "we cannot replace a climate crisis with a debt crisis", adding that "instruments like guarantees, first-loss capital, as well as other instruments that help to redistribute and manage risk, including currency risk, are highly encouraged as well as concessional finance to be able to structure blended finance instruments, and others that contribute to free-up fiscal space and deal with debt issues to increase the financial means available for climate action."

It also said that "dis-enablers of finance created by developed countries and an asymmetric international financial architecture must be addressed to enable appropriate climate action by developing countries. We must ensure fairer implementation arrangements" and to send "strong signals directed to supervisors, rating agencies and regulators in the sources of capital to facilitate shifting financial flows to the geographies where it is not flowing, so that we can advance eliminating barriers to redirecting capital to climate action in developing countries."

The **Alliance of Small Island States (AOSIS)** said that PA embodies the 1.5 degree C limit on ambition, a global goal on adaptation, and a commitment to respond to loss and damage and that defending this framework is a matter of priority. It said that "Article 9 of the PA sets out that finance shall be provided by developed countries to all developing countries and that developed countries should continue to take the lead to mobilize finance. It does not make provision for any commitment related to investment" and stressed that "none of the NCQG decisions on mandate included a consideration of an investment dimension to the goal. An investment commitment lacks a common understanding. An investment commitment will shift the burden of climate finance to private sector and disadvantage SIDS even further. In that case, SIDS unique features including diseconomies of scale and high-risk climate profiles would not be considered favourably for investments."

AOSIS said that "any future text that may be developed, there should no option in such text that would force a compromise which ultimately undermines the PA provisions for SIDS and LDCs" adding that the PA addresses SIDS special circumstances in its climate finance provisions in Article 9 and that these provisions must finally be operationalised. Simple references or recognition to SIDS special circumstances will not suffice" and called for "focus on scaled up finance and enhanced access includes the adoption of respective minimum allocation floors for SIDS (at least USD 39 billion per year) and LDCs (at least USD 220 billion per year) within the provision goal of the NCQG."

The **Like-minded developing countries (LMDC)** said that the framework document cannot be accepted as a basis for negotiations. It also asked for a new iteration to be produced. It said further that "the climate issue is much worse than it was at the time the Convention and the PA came into existence, mainly because of the inaction of the developed countries, over and above their historical emissions," and called for "an ambitious NCQG to deal with climate change, on top of our development priorities that are still to be met." It also called for a quantum running at least USD 1.3 trillion per year…as the sole responsibility of the developed countries and exclusively provided and mobilised for developing countries with a significant provision component for adaptation, mitigation, and loss and damage."

"The NCQG is a provision and mobilization goal from developed countries to developing countries only, (and) cannot be turned into an investment goal, against the mandate of COP 21. Any discussions on global investment goal are not a subject of negotiation neither does it reflect the evolving needs and priorities of developing countries", stressed the LMDC.

It also wanted the NCQG text "to clearly outline what does not count as climate finance under the goal from an accounting perspective, including non-concessional loans and export credits which cannot count towards the progress on the delivery of the goal. Climate finance under the NCQG must be new and additional, predictable, adequate, affordable, grant-based and concessional, enhancing fiscal space without creating fiscal constraints, non-debt inducive." It said further that "a strong outcome for the NCQG at COP 29 is a crucial anchor on the road to COP 30, by which time all Parties are expected to have presented their NDCs."

The **Arab Group** said that it sees "a clear retreat from multilateralism and the spirit of cooperation and upholding agreed principles and agreements. Our partners have gone on in this way across numerous topics, discussions and negotiations – shying away from their leadership role and their historical responsibilities towards the environment and developing countries. We see inaction and chaos permeating the world, at a time when their leadership is most needed and the fulfillment of promises would be most impactful. As with the story of history, we developing countries suffer the consequences. What developing countries are left with are scraps of paper, across negotiation rooms and multilateral discussions, we are clinging on to what is left of this international system that serves our peoples. Instead of getting leadership we are getting smokescreens, diversions and backtracking." Elaborating further, it said, "the contributor base (discussion) is a distraction, a tactic to waste time and avoid owning up for historical responsibility and obligation", adding further that the PA is clear on the mandate of deciding a new finance goal and the obligations of developed countries in providing the means of implementation to developing countries". "Multilayers and investments goals are smokescreens actors outside of the UNFCCC process are just that, outside the process, outside our jurisdiction and outside our control. Nothing guarantees their delivery or accountability. Additionally, it is another tactic to make the pie look bigger, and set the stage for more promises that will not be delivered. This is outside of the mandate and we will not accept", said the Arab group further.

"We hear, public funding is not enough. We say enough of the misinformation and diversion. There are enough public funds, we saw that during the response to COVID, we see these in other activities our partners are funding. There are funds, there is no political will," it said, adding that "to the world, these diversions are designed to avoid discussing the quantum, the hope is to push these discussions behind the veil, where your eyes and ears are not welcomed. With hopes enough tricks and smokescreens can help avoid delivering. We say, give us the quantum. What is your commitment? The world deserves to know."

It also said the framework paper is not balanced and cannot be accepted as a basis for negotiations and requested the Co-chairs to produce a draft text taking into account their reflections and provided a list of concerns. It said "our positions diluted, grouped and made non-operational, while developed countries' positions are well-preserved".

On the other hand, developed countries said that the "quantum" and "contributor base" are issues for the political level (next week, for the Ministers) so technical issues such as "quality, access, instruments, context" can be worked upon and advanced this week at the technical level.