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State the quantum for new climate finance goal – say developing countries

Delhi, 25 June (Indrajit Bose and Prerna Bomzan) — Developing countries made fervent calls to discuss the quantum of the new collective quantified goal on climate finance (NCQG), and for developed countries to reveal how much money they are willing to put on the table. These calls were however in vain, as developed countries refused to respond to them. These discussions happened during the second meeting under the Ad Hoc Work Programme (2nd AHWP) on the NCQG, which was held in conjunction with the recently held climate talks under the UNFCCC's subsidiary bodies from 3-13 June in Bonn, Germany.

The **Group of 77 and China** referred to "quantum" as being one of the most consequential elements of the goal, which must be based on developing countries' priorities and evolving needs, including loss and damage responses. Developed countries however, were focused on discussion about expanding the contributor base (to go beyond developed countries and include developing countries too).

The 2nd AHWP meeting convened over several sessions and differences continued among developing and developed countries. (The first meeting under the AHWP was convened in Cartagena, Colombia on 25-26 April. See related TWN update.)

Meanwhile, Co-Chairs of the AHWP **Zaheer Fakir (South Africa)** and **Fiona Gilbert (Australia)** prepared several iterations of their input paper, and Parties reacted to the iterations during the deliberations in Bonn.

(At COP 28/CMA 5, Parties decided to transition into a mode of work to enable them to engage in developing the "substantive framework for a draft negotiating text" on the NCQG for consideration by CMA 6 in Nov. later this year. Before the start of the 2nd AHWP meeting in Bonn, the Co-Chairs had presented to Parties a 63-page input paper. As the discussions evolved during the Bonn session, the input paper was streamlined into a 45-page input paper on 7 June, which was further streamlined into a 35-page input paper on 9 June in accordance with Parties' suggestions and views.)

Several developing countries though were not happy with the latest version of the input paper and said that it was not balanced, and could not therefore serve as the basis for the substantive framework. They called on the Co-Chairs to prepare a new version that is shorter and more balanced, and added that the input paper reflects more of developed countries' views and much of the content went beyond the scope of

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Third World Network is an independent non-profit international research and advocacy organization involved in bringing about a greater articulation of the needs, aspirations and rights of the peoples in the South and in promoting just, equitable and ecological development.
Address 131, Jalan Macalister, 10400, Penang, MALAYSIA.
Tel 60-4-2266728/2266159 Fax 60-4-2264505
E-mail twn@twnetwork.org Website https://twn.my/

the mandate of the NCQG. The discussions were often intense and passionate, followed by applauses for particular developing country interventions. (See highlights of exchange below).

Following the discussions, **Fakir** informed Parties that the Co-Chairs would send a set of guiding questions prior to the 3rd meeting of the AHWP, and invite submissions which would help the Co-Chairs update the input paper and consolidate views on bridging proposals. The date and venue of the 3rd AHWP meeting will be announced later.

HIGHLIGHTS OF INTERVENTIONS

At the closing plenary of the Bonn climate change talks, **Uganda** for **G77 and China** expressed the sentiments of 134 developing countries and said "the NCQG is of maximum priority and it must be delivered in Baku", and called for the goal to be delivered by developed countries to developing countries, based on the principles of equity and common but differentiated responsibilities (CBDR) and for the need to start engaging in concrete language (in the text for negotiations). It reiterated that the NCQG must be delivered via provision of public finance in a grants-based or concessional manner to address macroeconomic constraints of developing countries. (During the AHWG group meetings, **Argentina** for **G77 and China** had voiced common messages for the group (see related update).

Saudi Arabia for the **Arab Group** expressed disappointment with the latest iteration of the Co-Chairs' input paper, referring to it as being imbalanced and comprising views largely of developed countries and presented guidelines to the Co-Chairs for the next version of their input paper. It said the overarching principles (as regards the input paper) included removing redundancies; removing elements outside of the scope and mandate (for the NCQG negotiations) and which are misaligned with principles and provisions of UNFCCC and its Paris Agreement (PA), including discussions around contributor base, recipient base, Article 2.1 (c) of the PA; and removing elements that are redundant or are no longer relevant; and removing elements that called for guidance on how to set the NCQG because it was time to set the NCQG. (Article 2.1(c) of the PA refers to refers to "making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development").

It also underscored the importance of not trying to change the PA itself through the NCQG. It referred to a quantum of USD 1.1 trillion per year from developed countries to developing countries for the NCQG, not including arrears of the USD 100 billion goal (per year, from 2009 for the old finance goal). It said it is open to updating the USD 1.1 trillion number based on the 2nd Needs Determination Report (being prepared under the UNFCCC's Standing Committee on Finance) of developing countries, which should be available by October this year.

Saudi Arabia said in 2022, government expenditure of Annex 2 countries (under the Convention) had reached USD 13 trillion. It said that 3.4% of the amount would be USD 441 billion, which represents 0.8% of the GDP of Annex 2 countries. It also said that if USD 1 would mobilise USD 1.5, that would deliver the USD 1.1 trillion to cover the cost of NDCs that were costed. So, the ask from developed countries is to provide less than 1% of their GDP to mobilise the USD 1.1 trillion per year. It also provided guidance on where the revenues for the USD 441 billion could be generated. "We realise military emissions represent 5% of historical emissions and one potential idea is to tax defence companies in developed countries. Financial transaction taxes can also generate a lot of revenue as well," said Saudi Arabia further.

It said that developing countries are not begging for money, adding that "there are obligations defined in the Convention and its PA" and "we are here to define those obligations". It also said developing countries are being told to be ambitious and transform economies at scale and speed due to the urgency of climate change, but their socio-economic realities are being ignored, and there is no such urgency on delivery of means of implementation (MOI) to developing countries. Saudi Arabia added that finance was easily mobilized at the scale of trillions from public funds for Covid as well as swift approvals by legislative bodies to fund conflicts but on NCQG, even after three years of discussions, developing countries had not heard once of any concrete proposal on what the quantum will be from developed countries.

It also expressed disappointment that the focus of discussions was not the quantum of the NCQG. To arguments of developed countries on delinking the NCQG from the Convention, Saudi Arabia said it did not understand that reasoning, especially since the mandate of the NCQG comes from a COP decision (1/CP.21, which adopted the PA) and added that it feels like another attempt by developed countries to dilute their responsibilities. It referred to an old version of Article 9 (of the draft PA while it was being negotiated) where developed countries had tried to dilute their responsibilities back then too, but were not successful, since the PA mandates that developed countries shall provide finance to developing countries. "Are we opening up the PA? If that is the case, let us stop discussing the NCQG and start discussing what articles can be added to the PA," retorted Saudi Arabia.

It also called for a stronger reflection of dis-enablers of climate finance in developing countries. It referred to the carbon border adjustment mechanism (CBAM), and said the tax would reduce just 0.1% of global emissions but it will cost developing countries USD 6 billion in lost income, whereas developed countries are set to gain USD 3 billion. It also referred to "substantial subsidy packages that exist in the world that are set to increase economic output for all sectors within one country from USD 150 billion to USD 490 billion, while decreasing economic output for all sectors in large parts of developing countries by USD 90-350 billion". It said the idea of reverse flows (from developing to developed countries) must be discussed further as a dis-enabler of climate action for developing countries.

Expressing frustration, Saudi Arabia said, developing countries are committed to climate action with or without the PA. "If we continue to be left alone as developing countries, have targets imposed on us in a top-down manner, and receive no support under MOI, we have to ask ourselves why do we need the PA," expressed Saudi Arabia further.

On the quantum and particularly in response to the US, Saudi Arabia said proposals have to be concrete. (The US had called for the inclusion of "from a floor of USD 100 billion under quantum. See US intervention below.) "From a floor of USD 100 billion is not quantum; it is a criterion," said Saudi Arabia. "We want to discuss the ideas from our partners on quantum. We are being gaslit and it is not a fair position to be put in," responded Saudi Arabia sharply, to applause in the room.

Egypt for the **African Group** stressed on the need to discuss the quantum and not just go into a narrative of what the NCQG should be. It added that it had not heard the vision of developed countries of the quantum. To references on the recipient base (as to which developing countries should receive the finance), Egypt said that while there are (countries with) special circumstances, it was not a competition as to who is vulnerable (and who is not), and called for the recipient discussion to not be portrayed as such. On access to climate finance, it said that the world is aware of access related challenges, and yet the conditional nationally determined contributions (NDCs) of developing countries have not been supported. It also said that developing countries want to submit ambitious NDCs; however, developed countries are reluctant when it comes to providing support to developing countries. "From an African point of view, developed countries need to discuss the quantum which is USD 1.4 trillion per year, based on reports and not from thin air and is based on current NDCs," said Egypt and asked if there is willingness to engage on it.

India for the **Like Minded Developing Countries (LMDC)** urged the Co-Chairs to restore balance in their input paper and said that "despite being the most important, the quantum section appears hidden whereas those elements that are outside of the mandate were scattered across the input paper. These include references to the contributor base (as to who should contribute to climate finance), differentiation across beneficiaries, an outcome-based NCQG, top-down policy prescriptions, and a multi-layered goal," said India. It further added that the LMDC objects to the inclusion of Article 2.1 (c) since there is no common understanding on it. India further said that references to international financial architecture (IFA), financial regulators, risks, disclosures and standards, credit rating agencies, international regulators are also "not within the mandate of UNFCCC and not at all in line with the mandate of the NCQG". It further provided the group's feedback on each of the sections of the input paper.

Speaking in its national capacity, India said developed countries GDP is due to their high emissions in the past, and they continue to proceed on a similar path, while not having achieved the necessary emissions reductions, nor in keeping with the ambition required for climate action. It further said that the developing countries face the consequence of historical emissions, to which they have not contributed to.

The **Least Develop Countries (LDCs)** and the **Alliance of Small Island States (AOSIS)** in a joint statement recalled the international recognition and commitment to address their special needs and circumstances and presented their priorities as well as specific asks for COP 29 in the context of the NCQG. They said their priorities included reaffirming the commitments by all Parties to accelerate climate action within this decade, based on the best available science, equity and the principle of CBDR and respective capabilities (CBDR-RC), in the light of different national circumstances, including transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner. They also called for the reaffirming of commitments by all Parties to undertake rapid emissions reductions in accordance with the best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases well before 2050 and for the NCQG to support all developing countries in effectively implementing the PA, within the context of these commitments. They also said that for the NCQG, "at a minimum, (it must) include loss and damage response alongside mitigation and adaptation as respective sub-goals"; and for climate finance to be "new and additional to any finance classified as official development assistance (ODA) and other official flows (OOF) and finance committed under other international regimes, as opposed to retagged or repurposed ODA, OOF, and finance committed under other international regimes, and recognising that all these types of finance and assistance need to be scaled up respectively in their various contexts".
Their specific asks also included: the need for scaled-up financial resources and targeted provision to LDCs and Small Island Developing States (SIDs) to meet their needs, and based on the best available science; ensuring efficient and effective access to financial resources, in particular for LDCs and SIDS; need for all channels (i.e. bilateral, regional and multilateral channels) to undertake specific measures to enhance access, which could include creating minimum allocation floors for them, standardising and prioritising direct access, ensuring that concessionality levels take into account their levels of debt sustainability; financial resources provided and mobilised for adaptation, and loss and damage response shall be primarily public and grant-based resources with the highest level of concessionality given to LDCs and SIDS; transactions for readiness support and transparency support shall be solely public and grant-based resources, in particular for LDCs and SIDS; transparency arrangements must require disaggregation of data or information provided to or mobilised for SIDS and LDCs, including for instruments".

They also stressed the need to address systemic inequities such as high cost of capital, high transitions costs, capacity constraints, and indiscriminate assumptions of corruption, which impact access for developing countries, in particular LDCs and SIDS; the importance of cost of capital being well below medium-term growth rates of their countries and the need for all LDCs and SIDS to be included in the G20's 'Common Framework for Debt Treatments Beyond the Debt Services Suspension Initiative' and to expand debt suspension to also include debt relief, debt forgiveness and debt servicing assistance.
Brazil for **Group SUR (Argentina, Brazil, Uruguay** and **Paraguay)** called for real progress on substantive matters such as quantum, qualitative elements, access and definition of climate finance and added that the Co-Chairs' input paper comprised several suggestions that were not in line with the "legal framework of the UNFCCC and its PA". "We want a goal that is clear, concrete, consistent with the PA and its principles. We want a goal that can make a real difference in the world and not impose additional burdens on developing countries," said Brazil further, adding that they need to hear from developed countries on how much they are able to contribute based on their historical responsibility and evolving needs of developing countries.

Venezuela for the **Bolivarian Alliance for the Peoples of Our America (ALBA)**, said developed countries must take the lead in providing financing and MOI to developing countries, adding that the NCQG must have reference to the negative impact of unilateral coercive measures, since the adoption of the goal would have a strong impact on people, economies and development.

Colombia for the **Independent Alliance of Latin America and the Caribbean (AILAC)** spoke about the urgency of climate action and being "burned" with "flames of indifference" by "those who care very little about us". It said climate finance is not flowing to developing countries and that the NCQG is for developing countries. The group urged the Co-Chairs to restore balance to the input paper and stressed the importance of discussion about the quantum.

China reiterated the mandate of the NCQG several times during the discussions to make clear that it is developed countries' obligation to deliver the goal for developing countries and pointed to the hypocrisy in the stance of developed countries. It said that developed countries have failed to achieve the USD100 billion annual target for 14 consecutive years, adding that "this persistent shortfall has deeply disappointed developing countries and demonstrates a lack of willingness by developed countries to fulfill their commitments." It also said that it had heard developed countries emphasize that they will take the lead, but "without providing the necessary financial commitments, it is unclear how this leadership can be effectively demonstrated. We would like to understand how leadership can be shown without fulfilling the financial obligations," asked China.

Pointing to the hypocrisy of developed countries, China further said, "Over the past 200 years, developed countries have sacrificed the Earth's environment to become developed countries. But 200 years later, you undermine the free market economy you endorsed by imposing high tariffs on new energy products from developing countries, hindering the planet's recovery. You committed financial support to help developing countries address climate change, asking us to join the Convention and agree to Article 4 (of the Convention). But 30 years later, you propose that developed countries can contribute voluntarily, while redefining yourselves, the wealthy ones, as recipients," retorted China sharply.

It said further that "15 years ago, developed countries had pledged to mobilise USD 100 billion in Copenhagen; however, now they "proudly present a problematic report (by the Organisation for Economic Cooperation and Development), full of loans that increase the burden on developing countries and repackage existing bilateral aid as part of fulfilling commitments".

It also stressed that when developed countries signed the PA, they reaffirmed their financial obligations under Article 9. "However, 10 years later, they selectively highlight articles from the PA, in an attempt to evade their obligations, responded China adding that "In the past few days, we have felt that we are not engaging with honest and committed developed countries. Instead, we have been dealing with a few insincere and self-serving nations that have no intention of honouring international treaties."

It also asked developed countries to "please stop claiming" to "care about the 1.5°C target", as by "acknowledging commitments, yet failing to fulfill them and refusing to pay for the loss and damage", developed countries were expecting (the) "victims to bear the burden." "The term disappointment can no longer capture the feelings of developing countries. Shocking has become the new norm," emphasised China further.

In speaking about the developed countries, China though exempted countries such as Norway, France, Sweden, Denmark, Germany, Switzerland, Luxembourg, and the Netherlands who it said exceeded "their fair share of support" to developing countries in 2022. "My previous remarks are not for you, as you give the world hope," said the Chinese representative, further urging Parties to "bring hope to the world, (and) not shame".

Switzerland for the **Environment Integrity Group (EIG)** disagreed that discussions on the contributor and recipient base and Article 2.1 (c) are outside of the mandate of the NCQG. It said it had heard a number of commonalities and convergence among Parties. One commonality it said was on the principle that the goal should support developing countries implement the PA and therefore should take into account their needs and priorities.

It said Parties also converged that the context should include Article 2.1 (a) (on the temperature goal) and 2.1 (b) (on the global goal on adaptation), but that there was divergence on Article 2.1 (c) (on aligning financial flows). It further noted convergence around building on previous decisions on the NCQG; consistent with obligations of Parties under the PA and on the goal reflecting the principle of country driven-ness. It said further that international public action should be at the core of the goal; access challenges of population groups and countries which are highly vulnerable and have capacity constraints in particular LDCs and SIDS; that access should be improved and simplified for all developing countries and the need for harmonised access procedures. On transparency arrangements, Switzerland said it had heard about common elements around the collective tracking of progress and the use of the existing Paris architecture which should serve as the basis for this collective tracking progress, including the Enhanced Transparency Framework, Article 9.5 (of the PA) and the role of the Standing Committee on Finance.

The **European Union (EU)** expressed discomfort at the multiple references to the Convention and its principles but did not ask them to be taken off at this stage. It said inclusion of broad financial flows was a top priority for the EU, and noted the importance of improving access of bilateral and multilateral finance particularly for LDCs and SIDS. On the quality of finance, it said quality is related to efficiency and effectiveness and there is a need to keep qualitative and quantitative elements together. The EU said it does not see the need for the NCQG to have loads of language on principles. On the contributor base, it said that the discussion has never left the table. "Just as the needs and priorities are evolving, and are dynamic, the same is true for the responsibility, economic capability, and the ability to contribute. Development is a dynamic concept, it is not static," it said further. On the recipient base, it said it would be very useful to "support the most vulnerable countries and those with the greatest need".

Australia suggested ideas for the informal note to be streamlined and suggested that discussion on contributor base is part of the mandate. Responding to calls by developing countries to the Co-Chairs to not include anything that is not part of the mandate, it said it is not comfortable with Co-Chairs judging what is and is not part of the mandate. Over the course of the discussions, Australia expressed disappointment and said "the discussions had been a game of wordcount and they will not be able to land in Baku if Parties' positions on the mandate were a tug of war." It said discussion on quantum is dependent on structure, timeframe and the breadth of the contributor base of the NCQG. It suggested to the Co-Chairs to present less text but not less substance where everyone's proposals could be presented holistically as distinct proposals.

The **United States (US)** said it is clear that in this critical decade, the investments required to reach the shared goals are well into the trillions of dollars and Parties need to be serious and ambitious about responding to the needs, globally, taking into account all sources of finance, viz. international, domestic, public and private. It said it is clear that Parties need to draw on the widest sources of finance, including an expansive base of contributors. It further said that the world had changed dramatically since not only the annexes (under the Convention) but also in 2009 when the USD 100 billion goal was adopted "voluntarily by a group of Parties who wanted to show their commitment to supporting others".

The US said it sees a multilayered goal, and stressed that the goal is relevant to Article 2.1 (c) of the PA. On the quantum, it said that it would like to see the mention of "from a floor of USD 100 billion". Alluding to Saudi Arabia's intervention, the US expressed "less sympathy" for questions of "why we need the PA" and clarified that the NCQG is to fulfill the goals of the PA and that the goal should be fit for purpose and address all aspects of the PA, and "not just Article 9". Referring to the input paper of the Co-Chairs, the US said it needed to be balanced and found several elements missing and requested a more "healthy iteration" the next time.