Submission from Norway on new collective quantified goal on climate finance: Objectives and elements to be considered.

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Introduction

Norway welcomes the opportunity to provide our views on objectives and elements to be considered in the deliberations on setting a new collective quantified goal. The discussion on the new goal will encompass a broad set of issues. Below, we present some general views on the key issues that need to be discussed and questions to be answered.

Contributing to achieving article 2 of the Paris Agreement

The new goal aims at contributing to accelerating the achievement of Article 2 of the Paris Agreement. Total global net anthropogenic GHG emissions have continued to rise the last decade across all sectors. The available NDCs of all 191 Parties taken together imply a sizable increase in global GHG emissions in 2030 compared to 2010. According to the latest IPCC findings, such an increase, unless actions are taken immediately, may lead to a temperature rise of about 2.7°C by the end of the century and would put limiting warming to 1.5°C out of reach. Although some progress was made at COP 26, there is an urgent need for NDC enhancements in order for global emissions levels to get on track with what is needed to keep global warming within the temperature goal of the Paris Agreement.

Limiting warming in accordance with the Paris Agreement temperature goal involves major energy system transformations. Adaptation to climate change will be required everywhere, but will be essential for the most vulnerable people with the fewest resources to cope with climate hazards.

Several studies show that current financial flows fall short of the levels needed to achieve mitigation and adaptation goals across all sectors and regions. Fortunately, there is sufficient global capital and liquidity available today to close the investment gap, but lack of economic incentives prevent this from happening. The new finance goal needs to contribute to the global transition to a low-emission and climate-resilient development.

The contributors to the goal

The new goal will be set in accordance with Article 9 paragraph 3 of the Paris Agreement. Mobilization of climate finance is to be a global effort, where developed country Parties should continue to take the lead while other countries are encouraged to provide or continue to provide such support voluntarily. Considering the broad objective of the goal, it is crucial to maximise the collective efforts and broaden the contributor base beyond what has been the case for the existing USD 100bn commitment.

The scope of the goal and the sources of funding

An important issue to be discussed is whether the new goal should be a single figure target, like the US$100 billion, or include several targets or sub-targets. Considering the broad objective of the goal, including reference to article 2, a single target might not be conducive for maximized effort. In line with article 9.3, the goal should also comprise a wide variety of sources of funding.

Public funding continues to be important, in particular for adaptation activities and for LDCs and SIDS. The SCF Needs Determination Report (NDR) encompass a wide range of financial, technology development – and transfer, and capacity building needs that developing countries have identified. Public finance will be important to address many of these needs.

However, public finance can never the meet the full needs of developing countries transformation to a low-emission and climate-resilient development. It will be key to understand how limited public funds can catalyze, mobilize, redirect and increase private investments. In particular there is a need to ramp up private finance for adaptation. This will include, among others, increasing the bankability of adaptation activities and increasing capacity to identify and develop adaptation project pipelines in the private sector.

The deliberations on the new goal will further need to consider how financial flows can be made consistent with pathways towards low-emissions and climate-resilient development (ref. article 2.1c of the Paris Agreement). Financial flows and stocks in GHG intensive activities and fossil fuels subsidies by far outweigh global climate finance. It will be critical to consider climate finance flows within the broader finance flow, and look at tools, policies and measures that can help investors assess investments, like for example sustainability reporting and climate risk assessment.

We also need to look at how the new goal can further effective fossil fuel subsidy reform that remove incentives for wasteful fossil fuel consumption and production. Eliminating harmful fossil fuel subsidies will support the global transition to renewable energy and further the objectives of the Paris Agreement. Resources saved from removing such subsidies can be used for other priorities, such as health and education.

Finally, we should consider what role other sources of funding, like carbon pricing, taxes and levies have in the new goal. Carbon pricing will make greener solutions more profitable and incentivise investments in climate measures.

The quantity of the goal

Decision 14/CMA.1 states that the new goal will be set from a floor of USD 100 billion per year. This sets the floor for ambition, but it does not prescribe the scope of the new target. The goal should be ambitious, realistic and achievable. The actual number will be the end product of the deliberations under the ad-hoc work programme from 2022-24 and will depend on a wide range of elements, including the scope of the goal.

The quality of the goal

The new goal is a means to an end. It should contribute to accelerating the achievement of Article 2 of the Paris Agreement. The deliberations should build on the lessons learned from the implementation of the USD 100bn goal. This includes how the USD 100bn goal was decided in context of meaningful mitigation actions and transparency of implementation, and as appropriate also adaptation action. It also includes considering the effectiveness and efficiency of climate finance, results delivered and the drivers for climate finance. As mentioned in the Standing Committee on Finance (SCF) 4th Biennial Assessment and Overview of Climate Finance Flows (BA), drivers for climate finance flows can consist of both demand-and supply actions. We need to discuss how enabling conditions, like policy targets, support mechanisms and national plans, facilitate climate finance mobilisation.

The access features

Understanding how access to multilateral funds, private finance and bilateral sources can be enhanced is key. We also need to make an assessment of the sectors that are most in need of climate finance. We do in particular look forward to the IPCC Working Group III contribution to the Sixth Assessment Report and its findings in this area.

Transparency arrangements to track progress towards achievement of the goal

We should build on what we already have under the UNFCCC, like the SCF Biennial Assement (BA). We also envision that the lessons learned from the Global Stocktake in 2023 will inform the tracking system for the new goal. Country reporting under the enhanced transparency system should also be considered.

We also highlight that we need to further the tracking of article 2.1.c of the Paris Agreement. As stated in the SCF-BA, there is no dedicated process under the UNFCCC for responding to this goal, nor a common vision among parties on what information that may be relevant. The deliberations on the new goal should include assessment of consistency of finance flows in accordance with the climate objectives in article 2.1.c, and the methodologies, data and indicators to track progress towards implementing article 2.1c.