



SUBMISSION BY FRANCE AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

Subject: Submission on New Collective Quantified Goal on Climate Finance

Paris, 8 March 2022

1. Introduction

The EU and its Member States welcome the decision taken by CMA3 in Glasgow, setting up a process for the deliberations on the new collective quantified goal on climate finance (NCQG). In our view, the NCQG will differ significantly from previous climate finance goals in terms of its content and the multiple dimensions that need to be considered. In this context, we particularly welcome that Parties agreed to conduct the deliberations in an open, inclusive and transparent manner to set up the new climate finance goal in 2024.

We see our submission as a means to increase mutual understanding on the objective of the NCQG and to provide a set of guiding principles for the deliberations on setting the NCQG. In our view, this constitutes a good starting point and we look forward to working with all Parties on this key task to reach the Paris goals.

2. Objective of the NCQG

Recalling decision 1/CP.21 paragraph 53 and decision 14/CMA1, and in response to decision 9/CMA.3 paragraph 17, the objective of the NCQG is to serve and contribute to the objectives of the Paris Agreement. In our view, this particularly entails the following:

The Convention calls for global cooperation in an effective and appropriate international response to stabilise greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system, in a manner that does not impede sustainable economic development.

The Paris Agreement reemphasises the principle of equity and common but differentiated responsibilities and respective capabilities in light of different national circumstances, and recognises the need for effective and progressive responses to climate change, on the basis of the best available scientific knowledge. The Paris Agreement establishes that significantly reducing the risks of climate change requires the increase in the global average temperature to remain “well below 2°C” above pre-industrial levels and aims to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels. In this context, the Glasgow Climate Pact defined that keeping the temperature increase below 1.5°C is unequivocally the overarching commitment that global climate action must respond to. Further, the Paris Agreement aims to increase the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production.

The Paris Agreement also recognizes that “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development” is how “the global response to the threat of climate change” can be strengthened, “in the context of sustainable development and efforts to eradicate poverty”. This constitutes our global finance goal aimed at enhancing the implementation of the Convention. Moreover, the Agreement calls for the provision of resources provided by developed countries to developing countries to achieve a balance between adaptation and mitigation, as well as explicit consideration of the needs and priorities of developing country Parties.

In conclusion, it is the main objective of the NCQG to support implementation of the Paris Agreement in a most ambitious manner. This means making every effort to keep the temperature increase below 1.5°C, and mobilizing the resources enabling the transformation that reaching this goal entails. The NCQG should be a milestone towards setting climate finance priorities in this critical decade, and be supportive in building a framework to finance a 1.5°C world. It should also consider the broader finance landscape and contribute to align all finance flows.

3. Guiding principles for the deliberations of the NCQG

In order to contribute effectively to the implementation of the Paris Agreement as outlined above, it is key to draw from the lessons learned from implementing the USD 100 billion goal and improve efforts based on past experience. To this end, we suggest taking into account the following non-exhaustive list of guiding principles during the deliberations:

- **Accelerate efforts to ensure financial flows are consistent with a pathway towards low greenhouse gas emissions and climate-resilient development (Article 2.1.c)**

The coming deliberations on the goal must consider how the goal itself can most effectively help to attract finance for mitigation and adaptation action in line with the long-term goals of the Paris Agreement, taking steps forward in making all finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Ensuring that fiscal and economic levers, such as carbon pricing and the phasing out of fossil fuel subsidies, are designed and applied to green global financial flows; climate considerations are mainstreamed into all investment decisions globally, as well as budgets and development cooperation; and additional finance is mobilized from all sources, is fundamental for the NCQG to have the biggest possible impact globally.

- **Scaling up finance for adaptation and achieving a balance between adaptation and mitigation actions**

We need to scale up finance for adaptation and aim to achieve a balance between adaptation and mitigation. As an important lesson learned and in the context of the commitment of taking into account needs and priorities of developing countries in the deliberation on the NCQG, we recognise the need to better target adaptation finance to the most vulnerable countries and communities, such as LDCs and SIDS.

- **Variety of sources, public finance and mobilization of private finance**

As outlined in Article 9.3 of the Paris Agreement and recalling decision 14/CMA1, climate finance should come from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies. In this context, increasing private investment in the fight against climate change – both for mitigation and adaptation – is absolutely crucial, not to replace public finance, but as a necessary supplement to reach the Paris goals. The efforts needed to build adequate measures for the necessary mitigation and adaptation action must rely on a range of instruments (including innovative financial instruments) in order to deliver on contributing adequately to these efforts. This requires unlocking more of the huge potential of private finance through the targeted use of public climate finance to more effectively and efficiently leverage private sector funding as well as ensuring an attractive investment climate. In this context, public finance especially on concessional terms is of vital importance, particularly considering the need to continue to provide support for the most vulnerable countries and communities to the impacts of climate change. Resource mobilisation should as always be based on the principles of the Addis Ababa Action Agenda.

- **Climate finance as a global effort**

We stress that mobilising climate finance is a global effort with the aim to strengthen the global response to climate change. According to Article 9.1 and 9.3 of the Paris Agreement and as part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance. At the same time, it is important to acknowledge that the world has changed in the last decades and that a climate resilient society needs to involve all stakeholders in all countries. In order to contribute effectively to the objective of the Convention and to implement the Paris Agreement, the NCQG needs to be seen as a global effort and in this light, Parties, other than developed country Parties, that are in the position to do so should also provide financial support. Those already providing support should be recognized for their efforts. Only in global cooperation can we enable the climate action that is urgently needed.

4. Process of the deliberations

The process to establish the NCQG must be inclusive and transparent. Therefore, the deliberations on the NCQG must hear all voices to deliver effective cooperation and be transparent in its processes and implementation to facilitate accountability. We believe that ownership and engagement from all Parties around the new goal and a transparent and inclusive approach are essential factors involving stakeholders outside the negotiations based on the widest possible sectoral and geographical representation like private sector, civil society, international organisations, academia and science.

While we emphasize the importance of the experience and lessons learned within the context of the USD 100 billion goal, we also believe that the process must **ensure a long-term thinking approach**. It must be open in considering innovative financial solutions, encourage a mind-set change to design the elements of an NCQG which most effectively contributes to achieving the objectives of the Convention and the Paris Agreement.

We look forward to cooperate with the co-chairs in organizing the technical expert dialogues and developing the structure and content of the work programme to prepare for effective deliberations by the CMA. We also look forward to cooperate with the President of the COP in ensuring complementarity and effective cyclical integration between the technical and political processes.

In organizing the technical expert dialogues (TEDs), a wide range of actors from the financial sector should be involved, as well as experts on domestic and international finance, fiscal policies and on “brown” investments. The dialogues, which should ensure substantive progress as we approach 2024, would help identifying the mission, the guiding principles and the elements of the NCQG, informed by the submissions, the annual report of the co-chairs including key findings of the previous expert dialogues, as well as the high level ministerial dialogues and the related summary reports by the President of the COP.

The TEDs to be held in 2022 should start acknowledging the very initial stage of the process, taking a broad approach and bringing together a wide range of visions and technical inputs. The initial TEDs should encourage “thinking out of the box” and systemic thinking, taking the perspective of finding how to effectively support developing countries in their contribution to the global efforts to reach a 1.5°C world. TEDs should be organized to enable a strategic approach to scale up climate finance, mobilize additional investments, catalyse more resources and align all finance flows with the long term goals of the Paris Agreement.



Topics that would merit an in-depth discussion at the TEDs in 2022 could include *inter alia*, sources of funding and scope of the NCQG. Discussing these important substantive issues could be beneficial for a later discussion on *inter alia* access features and effectiveness of finance. We look forward to collectively advance on this joint task under the guidance of the co-chairs.
