

## **Submission by Japan on New Collective Quantified Goal on Climate Finance**

11 March 2022

### **◆ Introduction**

Japan fully appreciates the opportunity to submit its views on the objectives and elements of the New Collective Quantified Goal (NCQG) on Climate Finance, in line with Decision 9/CP.26, para. 15 and 16.

Japan recognizes climate finance as a main tool among the Means of Implementation to help support activities against climate change in developing countries. Japan also recognizes that developed countries, including Japan, are committed to continue the existing collective goal through 2025 to mobilize annually USD 100 billion climate finance to developing countries.

In this regard, Japan made multiple financial pledges in 2021; firstly, Japan committed to mobilize approximately USD 60 billion, both from public and private, from 2021 to 2025 at the G7 Cornwall Summit in June 2021. Furthermore, at the World Leaders Summit held during COP26, Japan made, by initiative of Prime Minister KISHIDA, additional commitment of up to USD 10 billion on top of the previous commitment, during the same period.

Japan remains committed to contribute to the achievement of USD 100 billion joint climate finance mobilization goal as early as possible through 2025.

With regard to the NCQG, Japan believes that this new goal should be discussed from a broader perspective as the goal should reflect on-going realities of the world towards decarbonization and adaptation to address adverse impacts of climate change. The goal should also address emerging challenges in mitigation and adaptation, namely efforts to limit the temperature increase to 1.5 degree above pre-industrial levels, and to avoid, avert, and address loss and damage.

Based on the above understanding, Japan submits the following information as its views on the NCQG.

### **◆ Objectives of the NCQG (Decision 9/CP.26, para 15)**

First and foremost, the NCQG needs to contribute to the achievement of the long-term goals of the Paris Agreement, stipulated in Article 2. In particular, the NCQG is ought to be a vehicle to give assistance to mitigation efforts towards a 1.5 degrees pathway.

The NCQG also has to address the emerging need of adaptation support given the aggravation of climate impact in developing countries. Japan takes note of the enhancement of adaptation finance as confirmed by the COP 26 Glasgow Climate Pact.

The NCQG needs to take into account that efforts to address climate change has a risk of hampering achievement of other development targets, in particular SDGs. There are some issues, e.g. agriculture, that mitigation efforts in agriculture may hamper economic development in the same area. Thus, co-benefits of these efforts should be explored.

The NCQG needs to be realistic and feasible and is supposed to present clear direction for all stakeholders toward climate actions. It should not be mere outcomes of the COP negotiations.

◆ **Elements to be discussed at the NCQG (Decision 9/COP26, para 16) :**

Japan considers that the following elements should be taken up at the upcoming discussions of the Technical Expert Dialogue (TED). They are accompanied by Japan's views.

**Component of the NCQG:** It comprises both public climate finance and private climate finance. Mobilization of private finance in the context of meaningful mitigation action is essential given the fact that private sector plays a pivotal role in climate investment in major mitigation areas, namely energy and transportation, and in other economic development areas which should be aligned with climate actions.

**Mitigation:** Further efforts to reduce GHG emissions are far more important than ever for a 1.5 degrees pathway. The role played by forest in mitigation should not also be neglected. Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (REDD+) needs to be enhanced as effective tool to promote mitigation efforts in developing countries.

**Adaptation:** Given the aggravation of the adverse effects of climate change, adaptation efforts need to be enhanced. Collective commitment by developed countries at COP 26 to at least double their adaptation finance from the level of 2019 in 2025 is their testimony to support adaptation efforts in developing countries. The importance on the relevance of adaptation with SDGs should be noted. Spirit of Article 2.1 (c) of the Paris Agreement should also be applied to development finance, and co-benefits and synergies among adaptation and other SDGs should be explored.

**Loss and damage:** Japan is keenly aware of the urgent need of developing countries to avoid, avert and address loss and damage associated with the adverse effects of climate change. Developed countries are already carrying out some assistance to loss and damage in their framework of adaptation support. Notable assistance in this area is disaster risk finance, in particular establishing regional risk pool mechanisms. Japan conducts its assistance in the South-East Asian and Pacific regions, namely Southeast Asia Disaster Risk Insurance Facility (SEADRIF) and Pacific Catastrophe Risk Assessment and Financing Initiative (PICRAFI).

**Access to finance:** Although not directly linked to the NCQG, access to finance stands as also an important element to be discussed. While international organizations, multilateral climate funds and Multilateral Development Banks conduct their climate assistance, the procedures and funding modalities are complex and cumbersome for developing countries. This needs to be rectified. It is crucial to simplify the modalities of access and enhance the swift access to finance. It is also important to improve enabling environment in developing countries to induce more public and private climate investment. Improvement of affordability of finance within the current ODA eligibility criteria is also a key to enhance access to finance.

**Sources of funding:** A grant finance is undoubtedly the main source of funding. Nevertheless, concessional loan has a significant role to play in addressing climate challenges. In particular, concessional loan is a useful tool for financing large investment in some areas such as energy, transportation and infrastructure. Japanese Yen Loan given by the Japanese Government is considered as high concessional finance thanks to high Grant Equivalency ratio and contributes to improvement of these areas in many developing countries.

**Allocation of finance:** Japan respects eligibility criteria articulated in the UNFCCC that all developing countries are eligible for receiving funding of climate assistance. Prioritization of allocation of resources should be made on LDC, SIDS and Africa, in terms of adaptation finance. Nevertheless, while mitigation assistance can be allocated to middle-income countries and emerging economies, we should encourage developing countries, especially emerging countries which can make efforts towards decarbonization on their own, to give support to more vulnerable countries rather than being a recipient.

**Better balance between mitigation and adaptation:** Japan agrees to general direction to achieve better balance between mitigation and adaptation. Japan, however, is not in favor of setting numerical target on the balance. It should be noted most mitigation projects such as energy power plants and transport are bigger in their value than adaptation projects.

**Broadening donor-base:** Japan considers that the NCQG needs to be considered in a new context as the whole world tackles the adverse effects of climate change. Thus, involvement of private sector and some developing countries, especially emerging countries, in the NCQG, is imperative. While developed countries shall provide financial resources to assist developing countries as stipulated Article 9.1 of the Paris Agreement, it is also necessary to mobilize further actions conducted by other actors. Such actions include these by private sector and some developing countries which conduct South-South cooperation. Such cooperation on climate, both bilateral and trilateral, should contribute to better address the needs and priorities of developing countries on climate change. Such work should be a collective one of entire international community.

**Consideration of roles of private finance sector on the NCQG:** As recent development on climate actions, private finance sector is taking a lead to foster efforts to address climate change, making finance flows aligned with climate related efforts. Their role is not negligible in the context of realization of Article 2.1(c) of the Paris Agreement. Thus, roles of private finance sector on the NCQG need to be taken into consideration.

◆ **Modalities of discussion under the Ad Hoc Work Programme on the NCQG**

- ✓ Japan looks forward to participating in the Ad Hoc Work Programme on the NCQG, in particular through the TEDs. Making use of the TEDs, convened four times a year, Japan expects to discuss various issues related to the NCQG, from broader perspectives and seek convergence of views. Japan expresses its appreciation to Ms. Federica Fricano of Italy and Mr. Kishan Kumarsingh of Trinidad Tobago for assuming a role of Co-Chairs of the Ad Hoc Work Programme and looks forward to their co-chairpersonship.
- ✓ On the modalities of the work, Japan expects establishing linkage between bottom-up discussion at the TEDs and top-level discussion at the HLMD to make negotiation cycle work and make progress.
- ✓ Broad stakeholders, in particular OEFMs, MDBs and private sector should be involved in this Ad Hoc Work Programme on the NCQG.

End