Submission of the United States of America: New Collective Quantified Goal

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ACCELERATING CLIMATE ACTION IN THIS CRITICAL DECADE

Combating the climate crisis is a top priority for the United States. The 2020s is the critical decade for taking robust and urgent action if we are to achieve an overall emissions trajectory that keeps 1.5°C within reach and secure a climate-resilient future for all. Significant progress was made on the road to and during COP26, but it is clear that much more remains to be done.

The United States views the work ahead as requiring an "implementation...plus" approach. Put differently:

- It is critical that all actors follow through on the various goals and commitments that have already been undertaken. This is the "implementation" prong. It includes following through on existing ambitious NDCs, on the goal to collectively mobilize $100 billion in climate finance - which developed countries must fully achieve as soon as possible and no later than 2023 - and on many other elements.
- But implementation of existing goals and commitments is not enough. This is the "plus" prong. It includes the strengthening of those NDCs that are not yet aligned with the Paris Agreement's temperature goal, acting on Article 2.1(c)'s call to Paris-align the trillions of dollars in the global economy, increasing resilience to the adverse effects of climate change, continuing to decarbonize critical sectors, and much more.

Climate finance is a core component of the Paris Agreement, and the United States is deeply committed to supporting ambitious and effective developing country actions to achieve Paris Agreement goals. In this regard, the manner in which new collective quantified goal ("the new goal" is structured has the potential to substantially enhance the effectiveness of the mobilization effort as we seek to secure the levels of investment – public and private – required for keeping 1.5C within reach and achieving a climate resilient future.

The world is in a markedly different place now than it was in 2009, when the goal to collectively mobilize $100 billion was originally developed. It is essential that the new goal be developed against an evolved backdrop, i.e., considering not only the Paris Agreement's three goals (temperature limit, enhanced resilience, and aligned finance) but also the respective roles of various actors in leveraging and aligning finance with a low-emissions, client-resilient future.

Importantly, the new goal should be designed to contribute to the achievement of our key objectives – limiting warming to 1.5°C through rapid, deep and sustained reductions in global greenhouse gas emissions, enhancing adaptive capacity and building resilience, and reducing vulnerability to climate change – rather than be an end in itself.

LEARNING FROM EXPERIENCE: LESSONS FROM THE $100 BILLION GOAL

In 2009, developed countries committed, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly $100 billion per year by 2020 to address the needs of developing countries; in Paris, they extended that goal through 2025. Certain lessons can be drawn from the goal and its implementation that are relevant for its successor. The upcoming technical expert dialogue on the new goal should consider these and other lessons learned from the $100 billion goal.

Lesson 1: The goal served to mobilize more finance than likely would have been the case without the goal.

- An important success of the $100 billion goal has been its instrumental role in increasing climate finance ambition. Since 2009, climate finance provided and mobilized, as measured by the OECD, has increased dramatically, reaching nearly $80 billion in 2019, rising from $52 billion in 2013.
- Notwithstanding the fact that a $100 billion goal was considered a very challenging "stretch" goal at the time it was adopted, the relevant Parties have worked in good faith since 2009 on the various components needed to achieve it.
- The scaled-up climate finance flows have been driven principally by the provision of new public finance. While information is not yet available for climate finance provided and mobilized in 2020, the Climate Finance Delivery Plan, produced by climate finance contributors in partnership with the OECD, suggests that the $100 billion goal will be fully delivered in 2023, in view of significant climate finance increases announced by countries prior to and during 2021.

Lesson 2: The goal did NOT serve to mobilize/align "the trillions" needed to put the world on a sustainable climate pathway.

- Perhaps because the goal was developed in a pre-Paris context (and simply extended in Paris), it was not designed to serve the third objective of the Paris Agreement – which in turn serves the first two objectives of the Paris Agreement.

Lesson 3: Private finance was mobilized at a lower rate than anticipated or desired.

- The $100 billion goal was designed to reflect the important roles of public and private finance for advancing climate action. In 2016, developed countries prepared the Roadmap to $100 Billion, which relied on quantitative analysis from the OECD. According to the roadmap, climate finance pledges made by developed countries would boost climate finance provided to roughly $67 billion in 2020. Alongside modest assumptions about the rate at which public climate finance would leverage additional private funds, the Roadmap concluded that a number of plausible pathways existed to fully deliver the $100 billion goal in 2020 as intended. However, in 2019 the OECD found that, while public climate finance had reached nearly $63 billion, private finance mobilized had reached a plateau at around $14 billion since 2017.

- While finance provided largely tracked the levels that were anticipated in 2016 would be needed to achieve the $100 billion goal, mobilization rates were lower than anticipated, and far short of what will be necessary in the future if scarce public funds are supporting leveraging from the private sector.
- In 2021, the Climate Finance Delivery Plan demonstrated how additional public climate finance has been pledged to account for shortfalls in expected private climate finance mobilization.

Lesson 4: "Mobilization" has been defined/accounted for in a narrow, self-defeating manner.

- Importantly, mobilization in the context of the $100 billion was defined and accounted for in a narrow manner - to include only private finance leveraged through public funding, mostly at the project level.
- In contrast, funding mobilized and leveraged through policy support - which is the focus of much grant-based finance and which is potentially far more impactful with respect to the global climate effort - was not accounted for in the pre-2020 period.
- This approach had the effect of providing a more robust, conservative accounting in the pre-2020 period, but it also resulted in disincentivizing some of the most important actions needed to drive the climate effort, namely, supporting policy and investment environments that align with Article 2.1 and help channel investments toward the goals of the Paris Agreement.
- In the future, it will be necessary to have an improved approach to tracking and incentivizing actions taken to mobilize and align finance to the Paris Agreement.

Lesson 5: There was far more focus on the quantitative element of the goal than the qualitative elements.

- The $100 billion goal was undertaken with two important qualitative elements, namely "in the context of meaningful mitigation actions and transparency on implementation" and "from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources."
- Despite the importance of these qualitative features, efforts to consider progress toward the $100 billion goal have focused mostly on the quantum of finance provided and mobilized. In contrast, relatively less attention has focused on the "pull" component of mobilization – namely the extent to which policies and investment environments are developed such that the mobilization effort can have maximum effect.
- In a context where Parties have agreed on the three goals of the Paris Agreement, as well on measures to implement them, there is an opportunity and an imperative to focus more on the qualitative aspects of a collective goal in the post 2025 context – and in particular on the extent to which the new goal is in the context of the global effort to mobilize finance in the service of the Paris Agreement and decisions thereunder, including the Glasgow Climate Pact.

MOVING FORWARD

Moving forward, we should not take a rote approach to updating the collective goal. Rather, we should take the opportunity to stand back and consider the core objective(s) of the goal, in light of the Paris Agreement's objectives and subsequent CMA decisions, including the Glasgow Climate Pact. We should then work backwards to consider how best to get there, taking into account both lessons learned from the $100 billion and a wide range of future-oriented issues.

In the U.S. view, the core objective should be to align "the trillions" with our temperature and resilience objectives. This has numerous implications for the new goal, including, e.g., the need to look anew at what we mean by concepts such as "mobilizing" and "aligning," how best to incentivize actions in all places and across all sectors, and how to engage all actors, including national governments, multilateral climate funds, the multilateral development banks (MDBs), sub-national and local governments, private sector businesses, private financial institutions, and more.

Among other things, the process should focus on where the effort to mobilize and align finance is working and where it is not. This will necessitate not only looking at donor flows, but how Parties from various regions are taking action to drive financial flows in the right direction – whether this is at the national, regional or global level, with a view to deepening understanding about what has worked and what has not. In particular, the process needs to look anew at the role of policies and investment environments in mobilizing and aligning finance, and how polices best interact with public finance to secure the quantum of private investments that will be required to achieve the Paris goals.

<u>Moving forward, the United States considers that the new goal must be developed with an eye on the respective, mutually supportive roles of various actors.</u>

- First, national governments play a central role, both in their international and domestic actions. Internationally, governments can cooperate to advance climate action, including through providing finance, technical assistance, or policy support. Domestically, national governments also have a key role in establishing policy frameworks to incentivize, drive, and align investments with Paris Agreement goals – these frameworks are the critical ingredient for attracting and mobilizing climate finance at scale.
- Second, multilateral climate funds including the operating entities of the Financial Mechanism of the Paris Agreement, are relevant actors. Multilateral climate funds play key roles in directly financing climate action, in line with their existing mandates and policies. These funds also support reporting and transparency efforts, as well as the development of National Adaptation Plans. Additional efforts could be undertaken by multilateral climate funds to support the enhancement of Nationally Determined Contributions.
- Third, the MDBs must also be engaged. As central players in international development, MDBs bring to bear significant resources and expertise which should be utilized and contribute to achieving the goals of the Paris Agreement. Shareholders of MDBs also play an important role in this regard to shape institutional priorities, as appropriate.

- Fourth, sub-national and local governments play an essential role. Climate action, particularly adaptation, can be highly context-specific, and should be designed taking into account a diversity of perspectives. Sub-national and local governments can also supplement the work of national governments or the private sector.
- Fifth, private sector businesses will necessarily play a key role in a global clean energy transition, working to build clean energy generation capacity, innovate where new technologies are required, and provide good paying jobs in the process. Private businesses can also support adaptation and building resilience by building climate-resilient infrastructure and homes, and working to identify, manage, and reduce climate risks in their own portfolios and supply chains. The public sector can play an important role facilitating these efforts.
- Sixth, private financial institutions, including private banks, investment funds, and asset managers, are also key players, especially with respect to aligning financial flows with the goals of the Paris Agreement.

SPECIFIC ELEMENTS IDENTIFIED IN 9/CMA.3

In addition to the lessons learned from the $100 billion goal, paragraph 16 of the decision 9/CMA.3 identifies a number of potentially relevant elements for consideration during the deliberations, including, *inter alia*, quantity, quality, scope and access features, sources of funding of the goal and transparency arrangements to track progress toward the achievement of the goal. Consistent with the above, we offer preliminary views on key considerations for each element, noting that they are necessarily interlinked:

Scope

The scope of the goal should address the range of finance that contributes to progress on mitigation and adaption towards achievement of the Paris Agreement's long-term goals, with a view to mobilizing the trillions. As noted above, to that end the new goal should capture a much wider scope of finance than the $100 billion goal, and the nature of the "mobilization" effort should be aligned with a scope that engages all actors.

Quantity

It should be considered whether there is one goal, more than one goal, and/or sub-goals; quantity should follow the quality of the goals or goals.

Quality

As noted above, the qualitative elements of the current collective goal are an integral part of the current goal, and we would anticipate updating them to reflect the Paris Agreement goals and an effective global effort to mobilize for their achievement.   This can be addressed through identifying qualitative elements, which should be a major focus of the design, drawing on the lessons learned above.

Access Features

There should be a definite focus on the importance of enhancing access to climate finance. This includes finance both supporting mitigation ambition and building the resilience of Parties that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States.

Sources of Funding

As noted above, the new goal should be designed to draw on the respective roles of many different types of actors, both public and private.

Transparency Arrangements to Track Progress Towards the Achievement of the Goal

Any transparency arrangements developed for the new goal should not focus solely on matters related to the quantum of finance provided and mobilized by relevant actors – especially in light information already provided in that regard through the SCF's biennial assessments and other products — but should increase transparency related to qualitative or contextual elements of the goal. Among other things, this should include transparency on actions taken by different actors, including recipient countries, to improve enabling environments or otherwise facilitate finance flows towards Paris-aligned objectives. In considering transparency arrangements, to avoid duplication, Parties should consider what is already addressed in existing processes - including the enhanced transparency framework and the work of the Standing Committee on Finance - and identify any gaps where additional arrangements could add value.