



NEW ZEALAND
Submission on the new collective quantified goal on climate finance

March 2022

New Zealand is pleased to respond to the request in paragraph 17 of Decision 9/CMA.3 to submit our views in line with paragraph 15 on the objective of the new collective quantified goal on climate finance.

Context

2. New Zealand recognises climate finance as the broad set of finance flows addressed by Article 2.1c of the Paris Agreement and looks at provision of support pursuant to Article 9 as a subset of this. New Zealand has taken steps to align finance flows with the Paris Agreement goals, including passing a law requiring mandatory climate-related risk disclosures. Internationally, we continue our work advocating for fossil fuel subsidy reform. New Zealand has committed to providing developing countries with NZD1.3 billion in climate financing over four years (2022-2025). Of this, at least 50 per cent will be provided to Pacific Island countries, and at least 50 per cent (of the total) applied towards climate adaptation.

Purpose of setting a goal

3. We know from the Working Group I contribution to the IPCC Sixth Assessment Report that without immediate large-scale emissions reductions, limiting temperature rise to 1.5 degrees, or even 2 degrees above pre-industrial levels, will be out of reach. Climate change impacts are widespread, rapid and intensifying, and the adverse impacts on people and nature will continue to increase as a result. The development of a new climate finance goal presents an opportunity to align global efforts to provide support to countries built on our understanding of the action required.

4. We consider there should be two objectives to the new goal:

- i. incentivise all finance actors to increase collective ambition so that countries are supported to accelerate their climate action, thus narrowing the gap between resources available and resources needed for enhancing mitigation and adaptation efforts;

- ii. maximise coherence between the support provided by donor governments, domestic public finance flows, and the efforts of other actors in the financial sector.

5. New Zealand proposes that we progress toward the new goal by engaging all finance actors, including public and private sector, so as to build a shared understanding of the climate finance landscape. By engaging all finance actors, the resulting goal will enable the global community to drive meaningful action as we align finance flows with Article 2.1c and generate further finance for climate action, such as through the elimination of fossil fuel subsidies and market mechanisms such as broad carbon pricing. Together we must leverage the transformation foreshadowed by Article 2.1c to optimise support available to the developing countries that need it most.

Shape of the new goal

6. New Zealand considers that the new collective goal should reflect collective finance ambition. Our shared responsibility is to direct financial contributions towards the most effective, urgent and impactful interventions, in order to generate meaningful climate outcomes. The goal must integrate a number of elements. A single monetary target is an inadequate indicator of our ambitions.

Measures of effectiveness

7. Including a measure for effectiveness in the goal is important for maintaining focus on ensuring the best possible outcomes through climate finance. Measuring the effectiveness of climate finance will also help to align investment and climate policies to support partnerships across governments, development partners and the private sector. This in turn will incentivise further action to make all finance flows, both public and private, consistent with the Paris Agreement goals.

8. A mechanism for tracking and reporting on the outcomes of climate finance would build confidence that resources are getting to where they are needed most, are linked to the right outcomes, and are being deployed in the most efficient and effective way. It is important the goal reflects the need for climate finance to be delivered:

- (a) in ways that encourage and support countries to set their own strategies for responding to climate change;
- (b) using simplified procedures to avoid duplication, allow for flexibility, and ensure efficiency and transparency;
- (c) with priority given to delivering mitigation and adaptation results that are able to be measured, reported and verified; and
- (d) without crowding out private sector investment.

Recognising the full donor base

9. New Zealand considers that in order to ensure the collective goal reflects the objective of Article 2.1c, there should be an acknowledgement of the wide-range of climate finance available. Recognising support provided voluntarily, as well as complementary finance flows and contributions of private finance, is necessary to create incentives to increase the ambition of the actors involved. This acknowledgement is critical to mobilising the finance needed to achieve the Paris Agreement goals.

Prioritising Least Developed Countries (LDCs) and Small Island Developing States (SIDS)

10. For New Zealand, it is essential that the new climate goal improves climate finance outcomes for Pacific Island countries (PICs), and other SIDS and LDCs that are increasingly vulnerable to climate change but struggle to access financing.

11. In line with the agreed enhanced transparency framework, there needs to be increased transparency around the provision, receipt and measurable outcomes of climate finance. The establishment of the goal provides an opportunity to improve clarity, in particular, around the type of finance provided to LDCs and SIDS. A commitment to ensuring that climate finance is provided in ways that is responsive to their needs, while also providing support to increase their capacity to effectively and efficiently utilise finance, would create a pathway to improve access to resources for those most vulnerable to climate change.

12. Related to this objective, and while welcoming consideration of the full spectrum of possible finance instruments, New Zealand notes the importance of delivering to these most vulnerable countries through grant-based finance to avoid exacerbating unsustainable debt levels.

13. We also propose in the framing of the goal, deliberate measures are included to mandate simplifying access procedures, and commitments to strengthening country institutional capacity to access and use climate finance effectively and efficiently.

Adaptation finance

14. New Zealand acknowledges the urgent need for countries to build resilience and adapt to the adverse impacts of climate change, and is committed to the provision of adaptation finance — particularly for our Pacific neighbours. We support proposals for the new goal to recognise the need for adaptation finance and suggest inclusion of a collective commitment to achieving balance between finance for adaptation and mitigation, while acknowledging that investing in mitigation is one of the most effective ways of limiting the impacts of climate change, hence limiting adaptation needs.

15. Emerging ideas around how to generate resources for adaptation (such as the inclusion of adaptation finance in Article 6 negotiation outcomes) illustrate opportunities to identify innovative mechanisms for generating adaptation finance. In any cooperation

carried out under Article 6, New Zealand is committed to delivering a share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.

Loss and damage

16. New Zealand recognises many countries are experiencing permanent loss and unavoidable damage caused by climate change. We want to ensure that vulnerable countries, particularly our Pacific neighbours have access to predictable, adequate and transparent sources of finance for activities to address loss and damage. The concurrent Glasgow Dialogue on finance for loss and damage, as well as the further operationalization of the Santiago Network, will be instructive for understanding how current arrangements fall short of meeting needs of SIDS and LDCs. We look forward to a constructive resolution of this issue in the context of the collective goal.

Further Considerations

17. Submissions by other Parties have addressed a number of potential elements of the new goal. New Zealand is open to further deliberation on these proposals, including on actions for addressing loss and damage, the mobilization of private finance, fossil fuel subsidy reform and a fair share arrangement in the context of a goal with a number of targets and a fluid donor base.

Conclusion

18. New Zealand looks forward to the establishment of a goal that contributes to accelerating the achievement of Article 2 of the Paris Agreement and responds to the needs of developing countries. We are committed to contributing actively through the ad hoc work programme and technical expert dialogue in order to develop a high-quality goal in an open, inclusive and transparent manner. We look forward to engaging with other Parties on the new goal ahead of the up-coming sessions of the Subsidiary Bodies in June 2022.