# WWF Submission to the

# Ad-hoc Work Programme on the

# New Collective Quantified Goal

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In response to the Call coming from Decision 1/CP.21 as well as the decision on the New Collective Quantified Goal taken during COP 26 of UNFCCC, WWF is pleased to submit the inputs below to the Ad Hoc Work Programme on New Collective Quantified Goal. This submission presents some of the key issues and reflections on the needs of the developing countries that we believe parties should consider in the discussion and design of the goal.

**Key recommendations:**

* **The New Collective Finance Goal must take into account needs of developing countries, drawing on all available sources, including IPCC reports, SCF reports, NDCs, LTS and NAPs and considering conditional elements of developing countries NDCs.**
* **There should be separate goals within NCQG for the main pillars, including goals for mitigation, adaptation and loss and damage, while taking into account cross-cutting issues.**
* **Finance provided should be accessible, predictable and sustainable, also responding to needs and considering capabilities of developing countries in this regard. Parties must contribute in a way which reflects common by differentiated responsibilities and capabilities.**
* **We need to consider all available sources of funding, but public funding is a must, especially for adaptation and loss and damage.**
* **All financial flows need to be transparent – and take into account not just national, but also local circumstances.**
* **Needs of the developing countries will evolve over time, therefore we should include a cyclical updating of the goal, possibly anchoring it within the GST process.**

# Introduction

The New Collective Quantified Goal should take into account the needs and priorities of developing countries. The discussion and specific elements of the goal should be based on existing and emerging information sources (e.g. IPCC 6th Assessment Report) that will inform the process through to 2024, as well as be open to new information that will be available in the following years.

# Sources of information

Main sources of information that will outline the needs of developing countries include the following:

## **Needs Determination Reports.**

The first Needs Determination Report (NDR) was prepared by the Standing Committee on Finance (SCF) in 2021. It includes a plethora of information on developing countries’ needs in terms of adaptation, mitigation and loss and damage, based inter alia on developing countries NDCs submitted to date.

However, there is a second NDR that is due to be prepared by the SCF in 2024. Its findings should be also taken into account when finalizing the goal during COP 29. The second NDR report should include not just the NDCs but also other relevant nationally determined climate pledges including, for example, National Adaptation Plans and Adaptation Communications (AdCom).

## **IPCC 6th Assessment Report**

The most recent IPCC 6th Assessment Report includes information on investments and required financial flows. It concludes that there is a climate financing gap which reflects a persistent misallocation of global capital, and that fundamental inequities in access to finance contribute to a worsening outlook for a global just low carbon transition. Further, the relatively slow implementation of commitments by countries and stakeholders in the financial system to scale up climate finance fails to reflect the urgent need for ambitious climate action, nor the economic rationale for ambitious climate action.

The full findings of the 6th Assessment Report must be considered a key Source of Input, and reflected in the NCQG. This includes considering the balance of climate finance across Mitigation, Adaptation and cross-cutting issues as well as including adequate share of finance for addressing Loss and Damage, as well as global public investment needs in line with a just, equitable and cost-effective 1.5°C pathway meeting the objectives of the Paris Agreement. In responding to the 6th Assessment Report, the NCQG should also consider long term risks including delayed climate investments and financing – and limited alignment of investment activity with the Paris Agreement including implications on loss and damage, carbon lock-ins, stranded assets, and other additional costs.

## **Global Stocktake (GST) and its outcomes**

The first Global Stocktake and its outputs will be available in 2023 ahead of COP 28. The GST provides a global checkpoint between the long-term goals of the Paris Agreement and nationally determined contributions, as well as other climate actions and commitments, including National Adaptation Plans and Adaptation Communications. The outcomes of the GST should support Parties in informing the enhancement of their current efforts at the national level *as well as in enhancing international cooperation*.

While developments in the New Collective Quantified Goal will provide important inputs to the GST including, for example, the Standing Committee’s work to establish a UN definition for climate finance; the GST (and its Sources of Input) will alsocomprise of key information to inform on the NQCG development. Finance and finance flows are considered under the theme as Means of Implementation. Here, the GST will assess areas including progress on financial flows, adequacy of climate finance provisions (including with regard to mitigation, adaptation and loss and damage); and recommendations to scale up with the aim of meeting the objectives of the Paris Agreement. Further, a key output of the GST will be a reflection on the realization of USD100 bn goal, including recommendation on how to ensure integrity in a NCQG. This process can therefore provide important inputs and guidance a year ahead of the time for finalizing the new goal.

## **Nationally determined pledges and actions under the Paris Agreement**

Parties’ climate ambition are reflected in climate commitments to the UNFCCC made in documents including, Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs) Long-term low Emissions Development Strategies, (also known as ‘LTS’), National Adaptation Plans and Communications, as well as potential outcomes of Mitigation Work Programme, etc. The UNFCCC keeps registries of the latest inputs from Parties, and ahead of COP27 will publish a LTS synthesis report alongside the annual NDC synthesis report. These resources provide a rich source of information on financial needs and provisions and should be considered during the final discussions of the NQCG, including documents published after the cut-off date of NDR sources.

# Elements of the goal

Based on the sources of information, we should elaborate further on the main elements and design of the goal. Elements of the new goal should include *inter alia*:

1.   Quantity and Adequacy

2.   Quality of finance

3.   Scope of thematic areas

4.   Access to finance

5.   Sustainability and predictability

6.   Sources of funding and fair shares of contributions

7.   Transparency of the goal

8.   Local needs, priorities and capacities

9.   Cyclical nature of the goal in the context of the 5 year ambition cycle

Based on those basic elements we should strive to design a new goal that will both meet the test of time, and will assist us in reaching the global goals of the Paris agreements.

# Elaboration of the elements

## **Quantity and Adequacy**

Adequacy of climate finance is a huge gap. Decision 1/CP.21 sets the goal as starting with the floor of 100 bn USD/year. Despite the fact that the floor hasn’t been reached so far, this promised amount is still far below the necessary flows required to tackle the climate crisis.

Existing and new sources of information should therefore be taken into account, and allow for scaling the finance provided and mobilized to the amounts necessary in the circumstances. The climate crisis is a global problem and without political will, adequate resources, and a coordinated global response we will be unable to tackle it.

Existing gaps should also be recognized (and possible new gaps identified), leading all in all to scaling up finance to the necessary levels, especially in LDCs, SIDS and the most vulnerable countries – that both bear the highest burden of the climate crisis, and frequently are unable to mobilize necessary response themselves.

## **Quality of finance**

The discussion about the goal should not just focus on the aspect of its size, but also on the quality of finance (i.e. grant based financing for adaptation and loss and damage, the extent it helps decrease total debt of developing countries) and projects, programs and measures delivered.

First of all, the new financial goal must provide the real impact on the ground. It’s not only about creating a new and additional financial flows, but about ensuring financial flows are supporting real and meaningful mitigation actions, proper actions to adapt to climate impacts and addressing loss and damage, as well as . There is a need to use the mobilized financial flows with the greatest impact, and safeguard the most vulnerable people and nature.

One important issue that should be taken into account is ensuring finance flows deliver/accelerate low carbon and climate resilient development in developing countries – all the projects that are created should be assessed in terms of expected environmental changes – to avoid multiple investments in the same infrastructure in the future as much as possible. In line with the findings of the 6th Assessment Report this should include actions which also combine strategies to adapt to climate change, actions to reduce greenhouse gas emissions and to support sustainable development.

## **Scope - thematic areas covered by goal**

While the decision 1/CP.21 speaks about a “new finance goal”, there should be a consideration of making the separate quantified goals for the main pillars of the existing UNFCCC system. Pillars in question would be:

* Mitigation
* Adaptation
* Loss and Damage

Each of those pillars should have its own quantified goal and quality of delivery.

**Mitigation** is necessary to achieve the global goal of keeping the global temperature in check – stabilizing it at 1.5 degrees Celsius above the pre-industrial levels. This will require heavy investment both in reducing the existing emissions from energy use, industry and the land sector, but also in renewable infrastructure development in developing countries, to phase out fossil fuel use and at the same time allow for increased standard of living. Required investments and disinvestments should be quantified (taking into account the potential for  local and private finance flows as well, where applicable) – and be the basis for mitigation goal. It will also be influenced by conditional parts of the NDC.

But even stabilization of the temperature to the Paris Agreement will not allow us to avoid the impacts of climate change – so there is a need to assess the necessary **adaptation** finance needs, taking into account existing sources of information (NAPs, AdCom, NDC etc), as well as new sources when they will become available. This should take into account an issue of the sustainability of projects and their results.

**Loss and damage** goal is the hardest to quantify ahead of time – as the needs are based on the specific extreme weather events that may vary from year to year, as well as on the infrastructure affected. Future loss and damage is also intrinsically linked to current and future global efforts to address the climate crisis, including supporting increased resilience. WWF suggests a specific loss and damage financial mechanism will allow some flexibility in needs, and in this case – the goal has to be informed using past information as well as future projections where available, and be set over a longer time period, rather than annually.

Within those goals, there could as well be a sub-goals for several cross-cutting issues, that have to be taken into account. Those crosscutting elements include:

* Transfer of necessary technologies for mitigation and adaptation, as well as capacity building for preparing implementation plans and projects.
* Taking into account gender issues in each of those pillars.
* Agriculture
* Forestry
* Oceans – including the integrity of land and ocean sinks, and the role of nature based solutions.

The goal also has to take into account equity and human-rights – including the need for safeguards for market-based mechanisms.

## **Access**

No matter the scale of the global goal, there is a need for proper channels of delivery of the funds to the beneficiaries. While some existing channels are good models for delivery, there are still several challenges ahead of us.

First and foremost, direct access modality that was introduced in Adaptation Fund and was then applied in other funds, should serve as a model for the delivery of all the finance flows within the goal. Easy access to finance should allow timely delivery of the required projects when it’s needed the most.

However, existing direct access might not be enough – applying for direct access quite often still requires an elaborate process of certification and creation of dedicated institution. This still might be a barrier for small countries and communities, especially in the countries where there is a lack of proper capacities (which are usually those most vulnerable and least developed). This might call for creating a new access facility for such countries and communities.

Another factor of access that has to be taken into account is timeliness of delivery. In many cases the project cycle is too long, and doesn’t meet the urgency of community needs (this might be especially true in some adaptation projects). Therefore shortening of the investment cycle would be required. One of the solutions could be preparation of specific investment or project templates for the most common needs, to minimize the required paperwork.

The next thing that should be mentioned is a preference for LDCs, SIDS and the most vulnerable countries. Those countries should not only have easier access to finance (which might take into account one of the former forms), but also a specific envelope for those countries within the goal and privileged access to grant-based finance.

Lastly, especially for adaptation and loss and damage, “bankable projects” shouldn’t be a prerequisite like some funds currently require. Climate finance should not be subject to profit or loss considerations, but needs to serve the purpose for which it was created and access should be simplified. Other aspects including contribution to long term resilience, avoidance of loss and damage and sustainable development are equally important (and in some cases, more so). Yet, placing limits and conditionality for the access to funds risks a technology-driven, mitigation focused approach which is not fit for purpose for the goals of the NCQG: Climate finance needs to be as country-driven as possible while also facilitating economic change.

## **Predictability and Sustainability**

One of the problems that developing countries have with existing financial goal is its lack of predictability and sustainability. Long term investment planning requires a proper multi-year financial flow for specific investments. While recognizing the range of budgetary processes in developed countries, there should be a way to achieve proper multi-year sustainable and predictable investment. One of the possible solutions could be using existing multilateral institutions (like GCF) and creating a multi-year window for specific types of projects. This would of course require a higher capitalization of such institutions, to allow for really impactful investments and projects, especially in LDCs, SIDS and the most vulnerable.

## **Sources of funding and fair shares of contribution**

As the new goal will be a commitment made by countries, public finance will have to be a core of the promise, especially for adaptation and loss and damage. Without proper public funding from Parties with a greatest historical responsibilities, *and/or* capabilities, the necessary scale won’t be achieved – this is one of the lessons learnt we can take from the 100 bn commitment.

The NCQG should include within its structure a framework to establish transparent and comparable reporting of public finance for climate action. There will be a role for private finance – especially in some mitigation projects – but even this finance can be mobilized (and should be counted) only when triggered by a proper public intervention, including some triggering public finance flows. In this regard, we need to highlight, that there should be specific finance flows into projects created under article 6.8 of the Paris Agreement (non-market mechanisms, especially based on Nature Based Solutions) - as those will require a specific financial source.

At the same time, there will be eventually a need to take into account fair shares of contributions from relevant Parties, as well as fair share of financial flow to beneficiaries, taking into account capabilities of all parties. Therefore all financial flows, but especially public ones, should be based on the principles of common but differentiated responsibilities and respective capabilities.

While some alternative, innovative and other financial sources might eventually become available, the new goal, while recognizing that possibility, should not be dependent on such speculative financial flows, as they haven’t been really reliable so far.

## **Transparency arrangements**

Art. 13 of the Paris Agreement established a new transparency framework, which includes transparency of support both delivered and received. Such transparency arrangements should be used to account for the delivery of the goal within the UNFCCC process.

In this regard, maintaining a proper quality of information on support received will require sufficient financial and capacity support for developing countries, which is not yet available. This could however be addressed – for example by creating a common registry of existing climate projects – with all projects being registered there as they are deployed. Such a registry could allow for greater transparency for both providers and beneficiaries and lead to increased trust, if properly maintained.

## **Regional and local needs, priorities and capacities**

The needs of developing countries should not be considered only on country level. Financial flows should also take into account funding for subnational jurisdictions to meet local and regional needs in specific countries. We should avoid a “one size fit all” outlook and also look into regions and local communities while designing the goal.

Projects prepared under the new goal should always take into account local priorities, of which central governments might not be aware, as well as local capacities. This is especially true when considering needs and priorities of indigenous peoples, whose outlook may vary from the central governments needs. The NCQG must also recognize needs across all levels and promote direct access through its structure. It should facilitate access to funds directly to indigenous peoples and rural communities in line with local climate action needs and priorities.

## **Cyclical nature of the goal**

Decision 1/CP.21 decided to establish a new collective quantified goal for the period after the year 2025. However, this should not be the final number, as we have less confidence about the global needs for climate finance the further into the future we consider. Therefore the goal should be updated periodically in the upcoming years.

A 5-year cycle of the NDCs and GST presents a good template for the update of the Collective Quantified Goals in the future. In this regard, current discussions and negotiations should prepare a strong framework for the future discussions. This should avoid lengthy negotiations on the scope and nature of the goal, contributors, etc., and each time focus mainly on potential update of the numbers – and if necessary new elements, as the global situation will develop.

With such a framework, the next discussion on the CQG would take place in year 2029, and then every 5 years.

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