SUBMISSION BY COLOMBIA ON BEHALF OF THE AILAC GROUP OF COUNTRIES COMPOSED BY CHILE, COLOMBIA, COSTA RICA, HONDURAS, GUATEMALA, PANAMA, PARAGUAY AND PERU

New collective quantified goal on climate finance

Introduction

Following the invitation by Decision 9/CMA3, paragraph 16, the AILAC group of countries welcomes the opportunity to provide views on how the new collective quantified goal on climate finance (NCQG) should take into account the needs and priorities of developing countries and include, inter alia, quantity, quality, scope and access features, as well as sources of funding, of the goal and transparency arrangements to track progress towards achievement of the goal.

The NCQG represents a unique opportunity to guide demand for low-emissions and climate-resilient finance and to scale availability of climate mitigation, adaptation and loss and damage-compatible finance as we approach 2030 –when global emissions must be reduced by 45% with respect to 2010 levels, as per the findings of the Intergovernmental Panel on Climate Change (IPCC)[1]- and in setting out trajectories to reducing emissions to net zero and ensure development patterns are climate-resilient by 2050. It should delineate how finance flows are made consistent with these new models and revamp the climate financing system, with an underlying strategy towards effectively stimulating accelerated prototyping and scaling of these new solutions capable of the kind of disruptive innovation urgently required, particularly in the developing world while favouring economic recovery options that are climate compatible.

The climate crisis needs a system designed to marshal the investment, financing, market and consumption choices of relevant stakeholders –governments, development finance institutions, commercial financial institutions, private equity, venture capital, infrastructure funds, institutional investors, credit rating agencies, corporate actors (banks, asset managers, pension funds, insurers, credit rating agencies, accounting firms, shareholder advisory services, enterprises), households and project developers– to foster climate-compatible development pathways.

This new system's design must be driven by international cooperation provided and mobilized by developed countries to developing countries in transitioning, in a just manner, towards low emissions, resilient development, as enshrined in the UN multilateral regime under the UNFCCC and the Paris Agreement. The sectoral and economic transformation that this transition entails is on a scale and within a timeframe faster than any in human history. This transition depends on plans and policies, not only to phase out polluting sectors but also for the creation of new jobs, new industries, new skills, new investments and the opportunity to create a more equal and resilient economy[2] that is respectful of human rights and fosters climate justice, so to ensure that no-one is left behind when designing and aligning policies and investments with these new development models.

In this logic, we would like to underline the key messages that AILAC is seeking to portray to be part of the decision-making process of this NCQG as follows:

[1] IPCC, 2018: Summary for Policymakers. In*: Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. P.rtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. P.an, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)], p. 12

[2] Just Transition Centre, *Just Transition, A Report for the OECD*, May 2017, p. 1

Needs and priorities of developing countries

From AILAC's perspective and experience, in the past seven (7) years since the adoption of the Paris Agreement, its actual implementation poses significant challenges to all developing countries for:

(a) the elaboration and implementation of **long-term strategies for low-emissions and resilient development,** which include transformation pathways and policy and institutional changes required to make these possible in line with the long-term goals of the Agreement;
(b) the progressive and effective formulation, update and implementation of **Nationally Determined Contributions (NDCs)** consistent with these long-term transformation pathways;
(c) the identification, planning and implementation of priorities, needs and actions on **adaptation**;
(d) improved knowledge, planning and implementation strategies to averting, minimizing and addressing **losses and damages** derived from climate change adverse effects;
(e) planning, innovation, development, assembly, rollout, commissioning and operation of climate-compatible **technologies;**
(f) the formulation and execution of **climate finance strategies** and the very alignment of public and private financial flows to decarbonization and resilience development pathways;
(g) the establishment and consolidation of **transparency systems**;
(h) climate change **education, training, public awareness**, public participation and public access to information; and,
(i) the implementation of **Article 6** market and non-market mechanisms.

All of these needs must be addressed through the new goal on **quantitative and qualitative levels** to operationalize the obligation of developed countries to provide financial resources to developing countries and their leadership in mobilizing climate finance. Needs of developing countries are **factually linked to different temperature scenarios**, that is, as the global average temperature increases, so, too, do the vulnerabilities and risks augment, therefore demanding additional climate finance.

It is in this sense that from our perspective, the NCQG must agree to **adequate amounts of finance that match developing countries' needs for adaptation, mitigation and loss and damage by 2030, 2040 and 2050 so that a 1.5°C-aligned just transition is enabled throughout the developing world**.

In order to operationalize this, it is fundamental to **address the differentiated needs of regions and subregions of the developing world** (e.g. the Caribbean, Central America and South America, Africa, Middle East, Asia -Central Asia, South East Asia, China, India- the Pacific, as well as special needs of LDCs and SIDS) in a manner that understands, recognizes, and optimizes each region and subregion's particular circumstances, development stages, just transition needs and decarbonisation potentials, as well as vulnerabilities, adaptation necessities and loss and damage responses, so to ensure that a 1.5°C transition takes advantage of these circumstances by making the best finance, mobilisation and investment decisions to strategically impact the global emissions reductions efforts and contribute to build adaptative, resilient development patterns for this transition. At its core, this demands that **the principle of international cooperation embedded in the UN climate regime is translated into a reality where no developing country is left behind in this transition.**

Together, AILAC countries represent 1.48% of global GHG emissions[3] and are particularly vulnerable to the adverse effects of climate change. The IPCC's special report on impacts of global warming of 1.5 °C, the report on Climate Change and Land, the report in Oceans and Cryosphere in a Changing Climate, and the Summary for Policy Makers of the IPCC Sixth Assessment Report, Working Group II – Impacts, Adaptation and Vulnerability **indicate significant impacts for the Latin American and Caribbean region which, to date, harbours some of the countries that historically have been most affected by, and are therefore most vulnerable to, extreme weather events[4]. Such events are projected to intensify, and include warming temperatures and dryness, hurricanes and tropical storms, sea level rise, coastal erosion, ocean and lake acidification resulting in coral bleaching, and increasing frequency and severity of droughts in some regions, with associated decrease in water supply, that impact agricultural production, traditional fishing, food security and human health**[5]. It is estimated that 6–8% of the population of Latin America and the Caribbean live in areas that are at high or very high risk of being affected by coastal hazards[6] and also that global warming is projected to reduce the extent of tropical rainforest in Latin America, notably Central America, which can lead to a large replacement of rainforest by savannah[7]. These vulnerabilities already felt by and projected in AILAC countries could be amplified by inequality, poverty, population growth and high population density, land use change particularly deforestation with the consequent biodiversity loss, soil degradation, and high dependence of national and local economies on natural resources for production of commodities, thus widening social and economic inequities that will ultimately limit the possibilities to improve the quality of life of our populations.

Moreover, in 2020, Latin America and the Caribbean faced the sharpest economic contraction within the developing world (-7.7% and -20.0% in GDP and investment growth, respectively). Without exception, all countries in the region have experienced a deterioration in their fiscal situation and an increase in general debt levels. As things stand, the debt of the general government at the regional level is expected to rise from 68.9% in 2019 to 79.3% of GDP in 2020, making Latin America and the Caribbean the most indebted region in the developing world, and the region with the highest external debt service relative to exports of goods and services[8].

AILAC countries have different experiences in determining needs for the implementation of the Paris Agreement and have used different methodological approaches to establish their financial needs, but overall we draw the following lessons from our work so far:

a) The process of implementation of NDCs is continuously adjusting and being updated in response to new scientific/economic information, including by the elaboration of long-term strategies and related long-term investment planning processes;
b) As part of the updating of their NDCs, AILAC countries are in the process of piloting or developing national systems of monitoring of international climate flows entering our countries, in some cases including private finance, estimations of costs of mitigation and adaptation actions, as well as in estimating finance gaps for ensuring the implementation of those mitigation and adaptation actions. These efforts are a first step towards the elaboration of national climate finance strategies, and further institutionalisation and mainstreaming of climate imperatives in development planning are still necessary;

[3] Retrieved from Climate Watch Data, 2020: https://www.climatewatchdata.org/ghg-emissions?regions=WORLD%2CAILAC
[4] Global Climate Risk Index 2019. See https://germanwatch.org/sites/germanwatch.org/files/Global%20Climate%20Risk%20Index%202019_2.pdf.
[5] IPCC, 2022, *Sixth Assessment Report, Working Group II – Impacts, Adaptation and Vulnerability, Fact Sheet – Central and South America*
[6] IPCC SR Ocean and Cryosphere, Chapter 4, section 4.3.2.2, p 67
[7] IPCC SR Global Warming of 1.5°C, Chapter 2, section 3.5.5.6, p 263
[8] ECLAC, 2021, *Financing for development in the era of COVID-19 and beyond. Priorities of Latin America and the Caribbean in relation to the financing for development global policy agenda*. Retrieved from: https://www.cepal.org/sites/default/files/publication/files/46711/S2100063_en.pdf

c) AILAC countries recognise the need to improve methodological approaches and of having dynamic models that allow to analyse complex scenarios and changing situations over time;
d) Capacity building is a priority to AILAC countries with relation to fostering the understanding and estimation of needs for mitigation, adaptation and loss and damages related to climate change.

Summary of financial needs of AILAC countries in the implementation of the Convention and the Paris Agreement

Country	Estimated total costs for mitigation	Estimated total costs for adaptation
Chile	USD 48.6 billion by 2030[9]	USD 4.52 billion by 2050[10]
Colombia	USD 124.11 billion by 2030[11]	USD 43.15 billion by 2050[12]
Costa Rica[13]	USD 6.4 billion by 2030 USD 71 billion by 2050	USD 4 billion by 2030
Guatemala[14]	USD 71 billion by 2030	N/A
Honduras[15]	USD 5.52 billion by 2030	N/A
Panamá	USD 4.2 billion by 2025[16]	USD 9.4 billion by 2030 USD 28.6 billion by 2050
Paraguay[17]	USD 16.4 billion by 2030	N/A
Perú[18]	USD 27.9 billion by 2030	USD 17.4 billion by 2030
Total AILAC	**USD 304.13 billion by 2030[a]** **USD 71 billion by 2050[b]**	**USD 30.8 billion by 2030[c]** **USD 76.27 billion by 2050[d]**

[a] All costs have been estimated by 2030, with the exception of Panama which refers to 2025
[b] Estimations of mitigation costs for 2050 correspond to Costa Rica only for the transportation and sustainable mobility sectors
[c] Estimations added by 2030 for Costa Rica, Panamá and Perú
[d] Estimations added by 2050 for Chile, Colombia and Panamá

AILAC reserves the right to further update the abovementioned numbers up until the quantum of the NCQG is agreed upon, provided that all of our countries are currently following domestic and regional processes of estimation of needs for the accomplishment of our latest NDCs and mid-century decarbonisation and resilience strategies.

[9] Ministry of Finance, Government of Chile, March 2020, *Green Growth Opportunities for the Decarbonization of Chile*, retrieved from: https://documents1.worldbank.org/curated/en/968161596832092399/pdf/Green-Growth-Opportunities-for-the-Decarbonization-Goal-for-Chile-Report-on-the-Macroeconomic-Effects-of-Implementing-Climate-Change-Mitigation-Policies-in-Chile-2020.pdf
[10] Estimated costs for not adapting to climate change, equivalent to 1.6% reduction of Chile's GDP
[11] This estimation corresponds to Colombia's 2020 updated NDC and includes the raise on ambition from 30% to 51% of reduced emissions by the year 2030
[12] Estimated costs for not adapting to climate change are equivalent to 0.49% annual reduction of Colombia's GDP
[13] Estimations made as part of Costa Rica's Investment Plan of the NDC and Decarbonization Plan. Numbers for 2050 relate only to transportation and sustainable mobility. This document is not publicly available.
[14] Guatemala is in the process of estimating concrete costs to the mitigation and adaptation actions of its updated NDC.
[15] Honduras' estimations only include preliminary costs of the energy sector within Honduras' updated NDC, as part of the Investment Plan of the Energy Sector of the Honduran NDC. This document is not publicly available. Honduras is currently in the process of quantifying the total costs of mitigation and adaptation needs and the implementation of their respective measures in its NDC and NAP, as well as developing an investment plan. Estimated costs will be updated accordingly.
[16] Panama is in the process of estimating the financial needs to implement its NDC1, which represents primarily an enabling framework. Information from the SNE - Agenda de Transición Energética de Panamá 2020-2030 (ETA). These documents are not publicly available.
[17] Implementation costs are being calculated for adaptation actions identified in The First Adaptation Communication of Paraguay. A Climate Finance Strategy is currently designed to assure that public and private finance is compatible with climate action. Implementation cost for mitigation actions in key sectors (Agriculture and Livestock, LULUCF, Energy, Waste and IPPU) are identified in the Updated NDC of Paraguay. The document is not publicly available.
[18] Estimated costs correspond to only 31 mitigation measures out of 62 measures of Peru´s NDC, in Gobierno de Perú, *Contribuciones Determinadas a Nivel Nacional del Perú - Reporte de Actualización Periodo 2021 – 2030*, pp. 9 . Available at https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Peru%20First/Reporte%20de%20Actualizacio%CC%81n%20de%20las%20NDC%20del%20Peru%CC%81.pdf, while estimated costs for the implementation of Peru´s National Adaptation Plan, as it appears in Plan Nacional de Adaptación al Cambio Climático del Perú, página 329: https://www.gob.pe/institucion/minam/normas-legales/1955977-096-2021-minam

Definition and Scope

On the basis of what has been described above and as per the mandates of the NCQG in paragraph 53 of Decision 1/CP.21, Decision 14/CMA.1, and Decision 9/CMA.3, AILAC is of the firm view that its definition and scope should cover, at a minimum, the following:

a) NCQG is a **developed countries' commitment** for the provision of public funding and their leadership in mobilizing climate finance to developing countries;
b) NCQG shall be **predictable** as well as **new and additional** to development finance, and humanitarian assistance;
c) NCQG shall be set in the context of **Articles 4 and 11 of the Convention, and Article 9 of the Paris Agreement**;
d) NCQG **shall have a quantum in trillions of USD per year**;
e) NCQG shall **take into account the needs and priorities of all developing countries in the implementation of the Paris Agreement**, in the context of sustainable development, poverty eradication and just transition;
f) NCQG shall be **legally binding, ambitious, quantified, trackable and science-based**;
g) NCQG must contain **quantitative and qualitative elements** that are comprehensive and multidimensional;
h) NCQG to **contribute to accelerate the achievement of Article 2** through a perspective that matches the ambition of the long-term goals of the Paris Agreement, so that at least it has **quantified stepping-stones by 2030, 2040 and 2050**;
    a. NCQG to be structured in **key thematic areas of climate action, i.e. sub-goals,** so that it becomes a results-based goal. These areas shall cover, at the bare minimum, the needs and priorities of developing countries for:

        (a) Mitigation,

        (b) Adaptation, and

        (c) Loss and damage response

Quantity

As part of the definition of the quantum of the NCQG, we must acknowledge, as a matter of fact, that the mobilization of billions of dollars has not and will not suffice to accomplish the purpose of the Paris Agreement, or to achieve the scale of resources that the current climate crisis requires us to repurpose. Thus, this definition of the quantum must embed the necessity to limit the temperature increase to 1.5°C above pre-industrial levels. This temperature increase has been estimated by several sources (SCF, CPI, IEA, IRENA, UNEP, etc.), including the IPCC, **as a financial transition that requires figures around trillions of dollars of investments in developing countries,** including the need to increase at least 590%[19] in annual climate finance is required to meet internationally agreed climate objectives by 2030 and to avoid the most dangerous impacts of climate change. Likewise, we must acknowledge that **there is sufficient global capital and liquidity to close global investment gaps**, **thus the current climate financing gap reflects a persistent misallocation of global capital**[20] and a lack of political will that must be undone through the NCQG process, so to give a real sense of urgency and ambition to the financial transition to 1.5°C.

[19] Climate Policy Initiative – CPI, *Global Landscape of Climate Finance 2021*, December 2021, p. 8
[20] IPCC, 2022, *Climate Change 2022, Mitigation of Climate Change,* Working Group III contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, Chapter 15

From our assessment of several top-down investigations, **adaptation[21], mitigation[22,23] and loss and damage[24] annual finance needs for developing countries are estimated as a floor of:**

- **USD 1.9 trillion by 2030**
- **USD 2.3 trillion by 2040**
- **USD 3.2 trillion by 2050**

These numbers must become the 2030, 2040 and 2050 overarching goals of the NCQG, to be further divided into thematic subgoals with the following quanta:

Time horizon / global quantum	Sub-theme	Quantified Subgoal
2030 USD 1.9 trillion	*Mitigation[25]*	*USD 996 billion per year*
	Adaptation[26]	*USD 330 billion per year*
	Loss and Damage Response[27]	*USD 580 billion per year*
2040 USD 2.3 trillion	*Mitigation*	*USD 996 billion per year*
	Adaptation	*USD 330 billion per year*
	Loss and Damage Response	*USD 1,016 billion per year*
2050 USD 3.2 trillion	*Mitigation*	*USD 996 billion per year*
	Adaptation	*USD 555 billion per year*
	Loss and Damage Response	*USD 1,741 billion per year*

From our perspective, working in the frame of this transition of trillions of dollars requires the understanding that the global economic benefit of it, that is, its returns and impact, will also be measured in trillions of dollars but with the difference that these benefits will internalize, for the first time in history, the climate and environmental "externalities" of ambitious climate action.

AILAC is presenting one concrete approach of top-down information for the definition of the quantum, yet we consider necessary that this negotiation is done on the basis of different inputs, including bottom-up information (*e.g. national quantification of needs for the implementation of Nationally Determined Contributions as well as other national Convention/Paris Agreement reports, Long-term Low Greenhouse Gas Emission Development Strategies, National Adaptation Plan, National Adaptation Programme of Actions, Adaptation Communications, etc.*) and top-down reports and inputs (*e.g. Intergovernmental Panel on Climate Change reports including its Special Report on 1.5° C and its Sixth Assessment Report, Standing Committee on Finance's Needs Determination Report and Biennial Assessments of Global Climate Finance*

[21] UNEP, *Adaptation Gap Report 2021. The Gathering Storm. Adapting to climate change in a post-pandemic world*, 2021, p. xiv, 29 & 30 & UNEP, *Adaptation Gap Report 2020,* p. xiv

[22] David L. McCollum, Wenji Zhou, Christoph Bertram3, Harmen-Sytze de Boer, Valentina Bosetti, Sebastian Busch, Jacques Després, Laurent Drouet, Johannes Emmerling, Marianne Fay, Oliver Fricko, Shinichiro Fujimori, Matthew Gidden, Mathijs Harmsen, Daniel Huppmann, Gokul Iyer, Volker Krey, Elmar Kriegler, Claire Nicolas, Shonali Pachauri, Simon Parkinson, Miguel Poblete-Cazenave, Peter Rafaj, Narasimha Rao, Julie Rozenberg, Andreas Schmitz, Wolfgang Schoepp, Detlef van Vuuren and Keywan Riahi, *Energy investment needs for fulfilling the Paris Agreement and achieving the Sustainable Development Goals,* Nature Energy 201

[23] UNEP, 2021, *State of Finance for Nature 2021*, Nairobi, p. 6

[24] Markandya, A. and González-Eguino M., *Integrated Assessment for identifying climate finance needs for loss and damage. A critical review*, 2018, in Climate Risk Management, Policy and Governance

[25] This number is an addition of an energy system transformation enabled by investments of around USD 460 billion per year and future annual investments of USD 536 billion in Nature Based Solutions, especially in sectors such as agricultural ecology, ecotourism and sustainable forestry and green infrastructure. In David L. McCollum, Wenji Zhou, Christoph Bertram3, Harmen-Sytze de Boer, Valentina Bosetti, Sebastian Busch, Jacques Després, Laurent Drouet, Johannes Emmerling, Marianne Fay, Oliver Fricko, Shinichiro Fujimori, Matthew Gidden, Mathijs Harmsen, Daniel Huppmann, Gokul Iyer, Volker Krey, Elmar Kriegler, Claire Nicolas, Shonali Pachauri, Simon Parkinson, Miguel Poblete-Cazenave, Peter Rafaj, Narasimha Rao, Julie Rozenberg, Andreas Schmitz, Wolfgang Schoepp, Detlef van Vuuren and Keywan Riahi, *Energy investment needs for fulfilling the Paris Agreement and achieving the Sustainable Development Goals,* Nature Energy 201; and UNEP, 2021, *State of Finance for Nature 2021*, Nairobi, p. 6

[26] These UNEP estimates of economic costs of climate change in developing countries are higher than before and estimated generally in the upper range due to higher warming scenarios and over the next two decades, even under ambitious mitigation scenarios, in UNEP, *Adaptation Gap Report 2021. The Gathering Storm. Adapting to climate change in a post-pandemic world*, 2021, p. xiv, 29 & 30

[27] These loss and damage costs are separate from the costs of adaptation and, according to recent research neither post-disaster humanitarian aid nor adaptation finance are adequately addressing the needs of communities that are already experiencing loss and damage. These calculations were made by Markandya, A. and González-Eguino M., *Integrated Assessment for identifying climate finance needs for loss and damage…*

Flows, United Nations Secretary General and Oxfam Reports on the USD 100 billion goal, Climate Policy Initiative's Landscape of Climate Finance, United Nations Environment Programme Emissions Gap Reports and Adaptation Gap Reports, International Renewable Energy Agency's Report, Organization for Economic Co-operation and Development Reports, Multilateral Development Banks Joint Reports, etc.) so that the final quantification of the goal is built over the approach of best-available information and different methodological perspectives and assumptions, including taking into account calculations by the Climate Policy Initiative of estimated needs of USD 4.5 – 5 trillion annually[28], and the first SCF Report on the determination of needs of developing countries which calculates NDC related costed needs in a range of USD 5.8 – 5.9 trillion by 2030[29].

Quality

The quantified overarching goals and sub-thematic goals to be defined by the NCQG Work Programme, are to be supported by a series of qualitative elements on how these goals are to be achieved. Thus, this qualitative side is intended to address and rebalance the diverse problematics of current climate finance provision and mobilisation through:

a) establishing a **set of principles** that will govern the new goal (i.e. *net climate finance, effectiveness, leverage ratio potential and risk appetite, others*);

b) aiming to provide **sufficient and adequate support to mitigation and adaptation climate finance and financial support to loss and damage response** in proportion to developing countries' needs on these areas (*e.g. currently adaptation finance represents only 20-25% of total climate finance vs 66% of mitigation finance[30]; and no concrete data available for loss and damage finance*);

c) ensuring that sources and instruments for the provision and mobilization of climate finance have a strong focus on public, grant-based and concessional resources, especially considering the **need for public and grant-based resources for adaptation and loss and damage response,** as well as **avoiding exacerbating the levels of indebtedness[31] of developing countries** (*i.e. provided that less than 25% of reported public climate finance has been estimated to be grants, compared to a 74-80% reported as loans[32], thus reducing fiscal space to enhance and enable climate action in our countries*);

d) ensuring the **use of innovative instruments** (*including debt swaps, payment for environmental services, blended finance, guarantees, de-risking investments, robust "green labelling", disclosure schemes, development of local green bond markets[33], etc.*) **as a complement to public finance**;

e) **enhancing access to climate finance** through the improvement of the scale of funding, reduction of the processing time for project development, project approval, and disbursement of funds, simplification of bureaucratic procedures and learning curves in reference to both UNFCCC climate funds and other sources of climate finance;

f) **enhancing the UNFCCC financial architecture** so that scaled up financial resources are delivered to the GEF, GCF, AF, SCCF and LDCF, and that their finance niches are strengthened in a manner that pursues transformational action in all developing countries;

g) **substantially improving mobilization towards the totality of the developing world** (*more than 75% of 2019/2020 tracked climate investments flowed domestically, with 76% of global flows dominated in Western Europe, US and Canada, and East Asia and the Pacific*[34]);

h) helping to accelerate climate action, and the **development and deployment of low-emission, climate-resilient technologies** required to achieve the Paris Agreement's goals; and

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[28] Climate Policy Initiative – CPI, *Global Landscape of Climate Finance 2021*, December 2021, p. 8

[29] Standing Committee on Finance, *First report on the determination of needs of developing country Parties related to implementing the Convention and the Paris Agreement*, 2021, p. 7

[30] OECD, 2021, *Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data*, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, https://doi.org/10.1787/03590fb7-en.

[31] Mounting debt in most developing countries further complicates the context. With reduced fiscal space due to the social and economic consequences of the COVID-19 pandemic, many countries are left without options to access capital markets and dealing with looming sovereign credit downgrades, in ECLAC, 2021, *Financing for development in the era of COVID-19 and beyond…*

[32] OECD (2021), *Climate Finance Provided and Mobilised…*

[33] IPCC, 2022, *Climate Change 2022, Mitigation of Climate Change…*

[34] Climate Policy Initiative, *Global Landscape of Climate Finance 2021*…, pp 4 & 29

i) **operationalizing Article 2.1c)** -however, underlining that this will not substitute developed country Parties' obligations of provision and mobilization of finance to the developing world, as per Article 9 of the Paris Agreement - through 3 key concrete actions:

i. pursuing and mainstreaming a **comprehensive approach of net climate finance**[35] (the value of climate finance flows minus financial flows to high-emissions and maladaptive activities) so as to gradually eliminate financing and investments towards fossil fuels – in accordance with the latest decision made by the CMA in Glasgow "to phase out inefficient fossil fuel subsidies"[36]- and lead to avoiding locking in, while low-emission technologies receive a sustained increase in financing and just transition policies are put into work[37]. It also means divesting from activities that create or increase physical risks to communities and society, and proactively supporting or incentivizing activities that directly help adaptation and resilience or enable more climate-resilient development[38];

ii. **adopting the following commitments**:
   a. **Developed country commitments to implement Article 2.1c, both in relation to domestic and international financial flows**, including, amongst other areas, through enabling carbon pricing, fossil fuel subsidies reform, greening development finance flows, green budgeting and macroeconomic modelling and public levers[39] to drive climate finance consistency,
   b. **Financial support from developed countries to developing countries in facilitating applying climate finance consistency**, inter alia, to:
      - Align public and private financial flows to the implementation of NDCs and long-term low emissions, resilient development strategies
      - Enable public levers to drive climate finance consistency [i.e. monetary/financial policy and regulation (standards, plans, accounting systems and lending requirements), fiscal policy (taxation, levies, royalties, public procurement, price support or controls), information instruments (certification and labelling, transparency initiatives, disclosure requirements), public finance and use of different financial instruments (loans, grants, guarantees, equity, insurance)][40]
      - Set up national MRV systems for climate finance consistency
      - Set up green taxonomies
      - Enhance the ability of national and local environments to attract green private finance
      - Others

iii. Agreeing **to a guiding framework and regulatory guidance that provides concrete signals and benchmarks to different financial stakeholders** [i.e. governments, development finance institutions, commercial financial institutions, private equity, venture capital, infrastructure funds, institutional investors, credit rating agencies, corporate actors (banks, asset managers, pension funds, insurers, credit rating agencies, accounting firms, shareholder advisory services, enterprises), households and project developers] **over climate finance consistency** in order to marshal necessary investments towards climate-compatible,

[35] The concept of net climate finance represents the value of climate finance flows minus financial flows to high-emissions and maladaptive activities, which are currently heavily skewed toward dirty investments. Paul Bodnar, Caroline Ott, Joe Thwaites, Laetitia de Marez, Bianka Kretschmer, *Net Climate Finance. Reconciling the Clean and Dirty Sides of the Finance Ledger*. Discussion Paper, Rocky Mountain Institute, 2017, p.1.
[36] Decision 1/CMA.3, paragraph 36
[37] OECD, *Aligning Development Cooperation and Climate-Action: The only way forward*, OECD 2019, p. 13
[38] OCED, *Framing paper on climate-resilient finance and investment*, 2021, p. 18
[39] Shelagh Whitley, Joe Thwaites, Helena Wright and Caroline Ott, *Making finance consistent with climate goals. Insights for operationalising Article 2.1c of the UNFCCC Paris Agreement*, 2018, ODI, E3G, RMI, WRI, p. 8
[40] *Idem*

sustainable and resilient infrastructure and technologies, and avoid stranded assets. This guiding framework should include the mainstreaming of mitigation and adaptation climate considerations into investment decisions, policies and planning, and align[41] portfolios with the long-term goals of the Paris Agreement. It should start by **aiming to transition investment and budgetary portfolios to net-zero GHG emissions and climate resilient development by 2050 and to disclose climate-related risks and opportunities, including with regards to the organization's budgetary/businesses/strategy/financial planning, as well as its metrics and targets[42], and the carbon footprint of investment and budgetary portfolios**[43] *(Further information on this guiding framework can be found in AILAC's first submission on the NCQG presented in February 2022).*

Accountability arrangements

The new goal must be subject to a periodic review every 5 years to ensure its adequacy based on best available science as well as the mobilization of climate finance represents a progression beyond previous effort.

Furthermore, progress in the delivery of the new goal should also be assessed as part of each Global Stocktake (from 2028 onwards), around the collective achievement of the purpose and long-term goals of the Paris Agreement, as well as opportunities for enhanced action and support, as envisaged in Article 14 of the Agreement and Decisions 1/CP.21 and 19/CMA.1, and on the basis of the best available science, in particular from the IPCC.

Estimates of climate finance in the last decade have suffered from data and methodologies challenges that must be overcome through a solid transparency reporting system on the accomplishment of the new goal, so as to have a common understanding of the key aspects of climate finance and to provide with greater accuracy, harmonization and transparency of the underlying data, including for climate specificity of climate finance, grant equivalence of non-grant instruments, as well as accountability of the mobilization of private finance through public interventions.

This accountability system for the new goal should be connected to the Enhanced Transparency Framework (ETF) of the Paris Agreement. Provided that the ETF only covers information from national governments, it will be desirable for it to be complemented with information that aligns with the frame of the NCQG from other stakeholders and sources.

We call for a solid, transparent annual assessment by the SCF on progress on the NCQG so as to provide recommendations on its periodic update.

[41] Alignment means ensuring that development pathways are low-emissions and climate-resilient and as a result, sustainable in the face of the multi-layered challenges that developing countries now face. In OECD, *Aligning Development Cooperation …*, p. 19
[42] Task Force for Climate-Related Financial Disclosures (TCFD), *Final Report, Recommendations of the Task Force for Climate-Related Financial Disclosures*, June 2017, p. v It is to be noted, however, that the recent 2021 guidance of the TCFD does not cover adaptation and resilience
[43] IMF, *Fiscal Policies for Paris Climate Strategies – from principle to practice*, IMF Policy Paper, May 2019, p. 18