



WWF submission on topics of the sixth expert dialogue for the NCQG

9 May 2023

Summary:

- The process to set the quantum or amount for the New Collective Quantitative Goal should be properly by analyses of needs and various sources of finance, not be just a political decision.
- All sources of finance should be considered and mobilized – however the public finance will always play a pivotal role, especially in adaptation and loss and damage.
- Any discussions on the contributor base should not be aimed at shifting the burden towards the poorest countries.
- While article 2.1c remains an important part of the financial discussions, it should be seen as much broader topic, than clearly agreeing on a new level of financial support for developing countries.

In response to the call for submissions from the co-chairs of the ad-hoc working programme on the new collective quantitative goal on climate finance, WWF would like to express its views on the topics proposed for the sixth expert dialogue, as well as the organization of the workshop.

Topics for the sixth expert dialogue

Setting the quantum (amount)

While quantum is the essence of the New Collective Quantified Goal, its determination will be one of the greatest challenges, in terms of reaching proper ambition and scale. However, depending on the overall timeline of the goal, the initial quantum might be slowly ratcheted up to meet rising needs.

In WWF's view, the initial quantum should be set for 2030, based on the proposals below – however, with a view of setting a new quantum within the goal every five years, until goals of the Convention and its Paris Agreement are achieved (at least until 2050).

The sources of information for setting the quantum should include but not be limited to the following:

Needs Determination Report: The Needs Determination Report (NDR), prepared by the Standing Committee on Finance (SCF) should be one of the main documents helping with determination of the quantum for the goal. This documents the scale of the financing challenge ahead of the developing countries as well as the scale of their needs. Since the new collective quantified goal should take into account the needs and priorities of developing countries, the NDR is one of the main sources of information that should be considered.

Updated NDCs: Since the preparation of the NDR, several countries have submitted new, updated NDCs. While they might not increase the overall scale of needs, and therefore the final quantum, they should still be taken into account.

Global Stocktake: The Global Stocktake happening in 2023 and its future iterations should inform the process of setting up the quantum, as it will always be an important source of information for achieving the goals of the Convention and its Paris Agreement.

IPCC Reports: The IPCC 6th Assessment Report provides a scientific overview of the challenges and needs we are facing, and the amount of resources required to achieve it.

Reports of other relevant agencies: Other international organizations and agencies (like the IEA) also reports on climate finance and investments needs e.g., for energy transformation.

Assessing Loss and Damage needs

Loss and Damage from climate-related events are happening today and will be an increasing challenge in the next few decades, especially in most vulnerable countries. Financial resources aimed at tackling Loss and Damage should thus be an important part of the NCQG. Assessing the predicted costs of Loss and Damage should be based both on historical figures and predicted extreme events.

Assessing Climate Adaptation Needs:

Climate change impacts will continue to rise and financial support needed for adapting to climate change impacts will also increase exponentially depending upon the level of global temperature rise. For this reason it might be quite hard to pin down the exact quantum of adaptation finance needed. The UNEP Adaptation Gap Report (2022) estimated that annual adaptation needs will be around USD 160-340 billion by the year 2030 and USD 315-565 billion by the year 2050 depending on global warming levels. However, updates of the National Adaptation Plans (NAPs) and the associated cost estimation done by each national government to implement that NAPs activities or assessing the financial support needed for NAPs implementation carried out by the Adaptation Committee could also be an additional source of finance needed for adaptation.

All of the above information sources should be also taken into account – in their most up-to-date versions when updating the quantum in the future iterations.

Process for setting quantum

While a quantum may (and should – as it should be as up-to date as possible) be the last element of the goal that will be decided during the NCQG work programme, the process of its setting should be both well defined, and clear to be used also in the future iterations (e.g. every five years), to avoid re-negotiating all of the elements and repeating a whole three year work programme.

Process should include inter alia the following phases:

- Collection and analysis of the sources of data (like those proposed above), either by the SCF or an ad-hoc committee,
- Identifying a range, which takes into account the needs and priorities of developing countries,
- Agreeing on the final number, as part of the political process, possibly in a ministerial during the COP.

The process for setting the quantum should be one that is easily repeatable in the future iterations of the goal, without reopening the whole discussion.

Mobilization of financial resources

Sources

- **Public finance.** Public finance should be viewed as one main source of funds. The proper amount of public (and grant based) finance should be a cornerstone for the goal. While these can be used for mobilization of additional resources (e.g. from private investments), there should be enough resources for projects financed only from public sources, especially in Least Developed Countries and most vulnerable countries. Parties should consider setting a floor for public finance grant-based contributions for the NCQG.
- **Debt relief.** Debt relief and cancellation will be an important factor in upcoming years – especially to avoid debt spirals in developing countries. There are mechanisms that could both allow for debt relief and spur transformation, such as an ecological debt conversion, a mechanism that will allow for partial debt relief, and partial conversion to resources that should be used for climate-related projects in the affected country.
- **Other sources.** There are several other sources that were used and entertained over the years, but their role within the goal (but not within the whole climate finance architecture) should be supplementary. Those sources include:
 - *Private finance.* Private investments can be mobilized via public interventions. Private finance is usually profit-driven, and therefore are not typically allocated to projects supporting adaptation and loss and damage. The latter two should be primarily financed from public sources, with private finance used only where they can be mobilized for the project (like from philanthropic sources) or otherwise applicable (e.g., in infrastructural projects with adaptation components).
 - *Innovative and alternative finance.* Several innovative and alternative mechanisms have been developed over the last decades, many of which were intended to become a source of funding for climate action under mechanisms like the NCQG. Given the lack of progress to date, WWF does not recommend their integration into the NCQG at this time. We note, however, that some may become mature enough to be subsequently integrated in the coming years, such as:
 - Airline ticket tax;
 - Shipping emissions levy;

- Tax on crypto-transactions (especially since their climate impact is quite high);
- International transaction tax (should be global and include all banks).

While public finance should have a goal with a specific floor, other sources of finance can have a separate, aspirational goal.

Contributors

Some parties have a growing need to discuss a broadened range of contributors for climate finance. This is understandable, as the economic landscape has changed during the 30 years since the Convention was signed, the discussion indeed is mostly about what should be accounted for and reported on. A few principles that should be seen as framing this discussion include:

- As NCQG is part of the Paris Agreement regime, there should be either a goal or some floor for contributions from parties (“Developed country Parties”) that are contributing under article 9.1 of the Paris Agreement. Those parties agreed to take the lead and therefore should live up to their commitments.
- There might be room for an aspirational financial goal for parties delivering finance under article 9.2 (“other Parties”) – but it should not be considered binding.
- As the economic landscape has shifted during the last 30 years, emerging economies should contribute more, as both their responsibilities and capabilities have increased during the last three decades. Global problems are a global responsibility and require an equitable global response – from all those responsible.
- Discussion on contributors should never lead to a shifting of burdens to the poor – and especially leaving LDCs behind.

Therefore, while there is room (and indeed an increasing moral obligation) for some of the emerging economies to contribute to the goal, their role should be *supporting* (in an increasing way) while developed country parties take the lead and deliver on their commitments.

Relation to article 2.1c

Article 2.1c is and remains an important element of climate finance discussion. However, the discussion on New Collective Quantified Goal is quite differing in scope and scale. NCQG is not about *overall* transformation of the whole world’s financial sector, but about specific financial flows that would help in climate transformation and resilience building in developing countries without undermining their sustainable development.

The scope of Article 2.1c is to eventually encompass all global financial flows – as all of them should eventually become either climate friendly or at least climate-neutral. But this means all flows – including not just North-South, but also North-North, South-South and South-North flows.

The NCQG is narrower in its scope: it’s about a selected subset of financial flows and projects, aimed at specific results and within a specific timeframe. Obviously, all flows under the NCQG should be and will be part of the flows under article 2.1c.

There is therefore a need to keep discussions on the NCQG separate from the overall discussion on global financial flows – as the goals of both discussions are different: The NCQG is mostly about supporting the transition of the developing countries, while 2.1c is about global transition of all financial flows.

Format of the workshop

The previous format of workshops, dividing time between the overall presentations of option, breakout groups and general discussion worked well in the past. However, since time will be much more limited, compared to previous workshops, it will be necessary to make good use of the time allotted to achieve proper progress.

Therefore, WWF would like to propose the following organization of work for the session:

For the first day:

1. Introduction to all topics, with presentation for each topic taking no more than 30 minutes during the opening session (which – along with the opening – could take up to 2 hours).
2. Breakout groups for one hour each for each of four main topics: Quantum, Sources, Contributors, and Integration with Article 2.1c (which would take additional 4 hours). This will not allow for longer discussions however, so it might require a larger number of breakout groups to allow everyone to speak.

For the second day:

1. Report back from breakout groups (which would be prepared beforehand between day 1 and 2) – which would take about an hour.
2. This would leave two hours for general discussion, remarks and closing of the session.

The report from the workshop, along with the reports from all other workshops during the year should inform the discussions during COP 28.

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