

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

Following the invitation by the co-chairs of the ad hoc work programme on the new collective quantified goal (NCQG) on climate finance, as requested in Decision 5/CMA.4 paragraph 11 (b), the AILAC group of countries welcomes the opportunity to submit views on the sixth technical expert dialogue on the theme of “*Quantity, mobilization and provision of financial sources*”.

a. **What specific issues should be proposed for in-depth discussion at the sixth technical expert dialogue, with a view to identifying clear options regarding:**

- How the quantum should be set; and

Approaches to setting the goal: AILAC considers that the inputs that will inform the NCQG as well as the approaches to be adopted are crucial for ensuring that the quantification of the goal is based on the best-available science and takes into account the needs and priorities of developing countries while considering a variety of methodological perspectives and assumptions. By adopting a two-sided approach, which encompasses both bottom-up (such as national quantification of needs for implementing Nationally Determined Contributions, National Adaptation Plans, Long-term Strategies, etc, as well as Paris Agreement reports) and top-down information and reports, (such as those from the Intergovernmental Panel on Climate Change, Standing Committee on Finance, United Nations Secretary General, Oxfam, Climate Policy Initiative, IRENA, among others), a more comprehensive understanding of the amounts required, which are estimated to be in trillions could be achieved, as well as the identification of areas where financial resources are most needed or where major gaps exist.

Costing requirements and capacity development: AILAC acknowledges the difficulties some developing countries encounter in estimating their needs, and therefore, bottom-up information requirements should not overlook needs nor constitute additional barriers for accessing financial resources. Instead, these challenges should be viewed as an opportunity to provide capacity-building for enablers to the mobilization of additional resources to help developing countries fulfil their commitments under the Convention and the Paris Agreement.

Quantified steppingstones: The NCQG must contribute to accelerate the achievement of Article 2 through a perspective that matches the ambition of the long-term goals of the Paris Agreement, as well as the fulfilment of developing countries’ commitments. For this aim, it should, at least be comprised of an annual amount or headline figure to reach quantified stepping-stones set according to the timeframe that Parties agree upon, for

instance 2030, 2040 and 2050. Therefore, Parties must agree on adequate and predictable amounts of finance that match developing countries' needs for adaptation, mitigation and loss and damage so that a 1.5°C-aligned just transition is enabled throughout the developing world.

Quantum adjustment: To ensure that the goal is set effectively to address the long-term goals of the Paris Agreement, the quantum should be subject to a periodic review leading to a headline figure update for each quantified steppingstone, based on changing circumstances, including macroeconomic variables such as inflation, and evolving needs of developing countries, as well as data based on science. The periodic evaluation should be progressive and assess adequacy, scale, and progress toward reaching the quantum. As such, it is the view of AILAC that this process should be informed by, but not limited to, each Global Stocktake and the Enhanced Transparency Framework.

Progress assessment: In addition, the Standing Committee on Finance (SCF) could also play a vital role in ensuring that finance-related reporting of the NCQG is accurate and transparent. This could include reviewing the financial data included in the reports, assessing the adequacy of financial support provided by developed countries to developing countries, identifying areas for improvement and providing recommendations on its periodic update. Moreover, it is the view of AILAC that deliberations on long-term finance, for instance, biennial submissions by developed country Parties in accordance with Article 9.5, annual in-session workshops and biennial high-level ministerial dialogues should continue post-2027 prioritizing in both quantitative and qualitative aspects of the NCQG.

- Mobilisation and provision of financial resources, including contributors, sources and integration with Article 2, paragraph 1 (c) of the Paris Agreement.

NCQG foundations: The NCQG is a means of implementation goal. AILAC considers the NCQG as a means to implement the goal of the Paris Agreement in the context of Article 9, which underlines that developed countries should provide financial resources to support developing countries (Article 9.1) and should continue to take the lead in mobilizing climate finance taking into account the needs and priorities of developing countries (Article 9.3); to provide a balance between adaptation and mitigation considering developing countries' strategies, as well as their priorities and needs (Article 9.4). Hence, this principle builds upon the developed country's financial obligations outlined in Articles 4 and 11 of the UNFCCC.

Sub-target approaches: AILAC proposes the establishment of two sub-targets, one for provision and the other for mobilisation of climate finance. The provision sub-target would focus on mainly public grant-based and concessional finance, which should be channelled to a much greater extent through the financial mechanism of the Convention and its operating entities. The mobilisation sub-target, on the other hand, would cover all types of instruments and sources that involve transboundary finance flows to developing countries, with the emphasis being placed on developed countries to lead the mobilization efforts.

This sub-target would also focus on catalytic investment to leverage additional sources of finance.

Integration with Article 2.1c: AILAC would first point to the fact that the operationalization of Article 2.1c does not substitute developed country Parties' obligations of provision and mobilization of finance to the developing world, as per Article 9 of the Paris Agreement.

Within the framework of the NCQG, developed countries shall provide financial, technology development transfer and capacity-building support to developing countries in facilitating the implementation of climate finance consistency. In this way, Article 2.1c), being one of the long-term goals of the Paris Agreement, can act as an enabler and an amplifier of efforts to implement Article 2.1a) and 2.1b) in developing countries and its operationalization should reflect the interconnection of finance flows to the overall ambition of the Agreement.

b. What should be the format of the sixth technical expert dialogue, noting that it is shorter in duration compared to the fifth dialogue.

AILAC proposes the following modality for TED6:

Format: TED6 should be held in a hybrid meeting (in person and virtual) to ensure an open, inclusive and transparent process that facilitates the participation of Parties, observers, specific experts and other stakeholders, such as youth.

Submissions: The co-chairs could provide a summary presentation on key findings and inputs submitted by Parties prior to TED6, highlighting commonalities and identifying needs for further discussions that will guide technical work. AILAC recommends that further submissions prioritize views on Parties positions on the NCQG, in addition to procedural matters.

Work methodology: Technical work should be oriented towards those aspects where differences are significant. This approach would allow the process to find what is needed to reach an outcome in 2024. AILAC's suggestion is that participants should be divided into working groups to have focused exchanges with specific topics or elements that need further discussion and are oriented by facilitative, comprehensible questions that allow reaching common grounds, identifying needs of further discussions and agreeing on technical recommendations.

Structure: TED6 could be structured as follow:

- **DAY 1 - Scene setting presentations and focus groups:** Co-chairs facilitate a panel of experts on *quantity, mobilization and provision of financial sources* followed by focused exchanges in working groups, based on the guiding questions elaborated by the co-chairs.

- **DAY 2 - Plenary stocktake:** Co-chair's stocktake presentation of TED6 and inputs for a technical paper draft that reflects technical deliberations, options identified and their rationale, followed by a plenary discussion on key issues from the discussions that require further technical input in future TEDs, and issues which require further political guidance at the high-level ministerial dialogue at CMA5.