

## **SUBMISSION BY SPAIN AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES**

Madrid, 31 July 2023

Subject: Seventh Technical Expert Dialogue (TED7) under the ad hoc work programme on the New Collective Quantified Goal on Climate Finance (NCQG)

**Mandate:** [Decision /CMA.4](#) requests the co-chairs of the ad hoc work programme on the New Collective Quantified Goal on Climate Finance (NCQG) to invite Parties, operating entities of the Financial Mechanism, climate finance institutions, observer organizations and other stakeholders, particularly from the private sector, to submit inputs on each technical expert dialogue to be held to allow for those inputs to be reflected in the organization of the dialogues.

The co-chairs invited Parties and stakeholders to submit their views on the seventh Technical Expert Dialogue (TED7) by 14 August 2023 to share ideas on:

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

- The qualitative scope of the goal; and
- The transparency arrangements under the NCQG

2. What should be the format of the seventh technical expert dialogue

### **1. Qualitative aspects are key to inform the final decision on the Goal**

At TED6, experts clearly expressed the need to reflect on qualitative aspects of the Goal in order to inform its quantum – both in terms of sources of finance and in terms of reflecting on the magnitude of financial flows rather than a single figure covering all needs and priorities.

The European Union and its Member States believe that the political decision to be taken at COP29 on the NCQG should not be taken as a *ceteris paribus* quantum and should, on the contrary, reflect the dynamic reality that can influence the qualitative aspects of the goal including the economic capability of both developed and developing countries.

The European Union regards the qualitative aspects and scope of the Goal as key deliverables of the ad hoc work program to be reflected in the COP28 decision, as well as pre-requisites to inform the final political decision to be taken at COP29 on key aspects of the NCQG, especially its quantum.

Therefore, building on the technical deliberations at TED6, the European Union and its Member States invite NCQG Co-Chairs, Parties and non-Party participants to consider the following elements as part of TED7 discussions:

- **Scope of financial flows:** First of all, in order to reflect the range of investments needed to reach a carbon neutral and climate resilient world by mid-century, especially in developing countries, the NCQG qualitative scope should capture different layers of financial flows. Therefore, the EU and its Member States see the NCQG structure as an '*onion*', with the provision of public climate finance at its core as a targeted commitment from developed countries to support especially the most vulnerable countries and communities. It should also support those actions aiming at channeling global financial flows by making them consistent with a low greenhouse gas emissions and climate resilient development, including especially support for capacity building for implementation of art. 2.1(c) of the Paris Agreement;
- **Financial flows taking into account needs and priorities:** Technical discussions on the qualitative scope of the Goal should also elaborate on how the NCQG will be able to capture the evolving nature of needs and priorities of developing countries. TED7 could therefore reflect on ways to take into account the needs and priorities, by reflecting on tools and processes for developing countries to share their priorities in terms of technology needs, carbon neutrality and climate resilience investment schemes, creation of enabling environment and removal of governance barriers to mobilize the private sector;
- **Global effort:** Technical discussions on the qualitative scope of the goal should elaborate on the global character of the NCQG, as stated in art. 9.3 of the Paris Agreement, including a reflection on a broader contributor base and mobilising finance from all sources, especially considering accountability of contributors from private and financial sector.
- **Outcome-based financial tools:** Another aspect of the qualitative scope of the NCQG to be considered, is how to design and channel financial flows towards low greenhouse gas emissions and climate resilient development by country driven strategy including (but not limited to) the appropriate enabling environments, governance and strategic plans. Building on domestic strategies and priorities, mobilisation of financial flows should take into account a cost-efficiency principle in terms of the highest possible impact. This requires deploying a range of financial tools, such as guarantees and equities, to unlock more of the huge potential of private finance, while targeting the use of public climate finance in a more efficient way – with concessional terms to provide support for the most vulnerable countries and communities.

## 2. Transparency as key qualitative aspect for effectiveness and confidence

Transparency arrangements are critical to track progress made, to inform where barriers exist and to the effectiveness of resources. As a means of implementation for the achievement of Article 2, the EU and its Member States envision transparency arrangements under the NCQG to support an outcome-based approach.

The arrangements can be made up by two overall strings that together provide ground for proper assessment of progression and informational feedback loops: i) reporting and tracking of the different layers of the NCQG, and ii) climate finance impact assessments.

### i) Reporting and tracking of the different layers of financial flows of the NCQG

The concrete requirements to be implemented under the NCQG in regard to reporting and tracking depend on which layers will ultimately make up the goal as a whole. On reporting, the EU envisions – as stated in previous submissions – a core layer comprising the provision of public finance, including grant-based finance, complemented by a layer of private finance mobilised via public provision. Adding to this, layers of *positive* contributions to the NCQG to be reported might include South-South cooperation flows and voluntary contributions from the private sector, including voluntary carbon markets, etc.

Annex III to decision 5/CMA.3 specifies the information on support provided and mobilised, which is to be reported in line with the modalities, procedures and guidelines for the Enhanced Transparency Framework (ETF). The tool for reporting this information is currently under development, and information on support provided and mobilised is to be reported biennially, starting by the end of 2024. The EU and its Member States firmly believe that the ETF will be an adequate tool for reporting and tracking public finance provided and private finance mobilised. Information on additional layers of climate finance under the NCQG should be compiled from additional data sources.

Further, the EU and its Member States support technical discussions on tracking progress on contributing factors to reaching an overall investment target of the NCQG. Examples of such further layers to the goal could include concrete policies such as carbon pricing as well as efforts to phase out fossil fuel subsidies – both being examples of outcome-based targets.

### ii) Climate finance impact assessments

To allow for greater impacts, reflect on the evolving nature of the goal and strengthen the outcome-based focus of climate finance and investments, the EU and its Member States would also recommend reflecting on modalities to report climate finance impact

assessments (ex-ante and ex-post). Deepening the understanding of the correlation between specific projects, actors, resources and frameworks can facilitate the replication of outcome-based impacts in other contexts. Thus, voluntary reporting on e.g., which implementing actors receive funding for projects (public, private, NGOs, companies etc.) as well as total amounts invested by outside contributors can accelerate the ability of replicating successful projects and collaborations.

### **3. Reflecting on process: the need to let technical discussions happen on qualitative elements**

The EU and its Member States welcome the engagement of all Parties and different stakeholders in the Technical Expert Dialogues, thanks to the Co-Chairs facilitation and inclusive position.

However, reflecting on TED6 discussions and on TED7 topics focusing on qualitative and technical aspects of the NCQG, the EU and its Member States also wish to voice a call for a broader participation in dialogues, with different stakeholders, especially from the academia and private and financial sector institutions. The EU and its Members States underline that ensuring an increased participation from private sector experts would strengthen the technical focus of the dialogue, while avoiding episodes of politicized scene-setting and off-track discussions on very specific domestic policies outside of the NCQG scope.

While recognizing that constraints exist when managing planning and costs and ensuring focused discussions, a proposal could be that non-Party stakeholders should not be included in the number of spots available for Party groups as this could limit the ability of Parties to nominate stakeholders from the private and financial sector who have not been sufficiently represented.