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Ninth technical expert dialogue and First Meeting under the Ad Hoc Work Programme on the New Collective Quantified Goal on Climate Finance

Response from UNCTAD - United Nations Conference on Trade and Development. This submission is based on the report "Considerations for a New Collective Quantified Goal: Bringing accountability, trust and developing country needs to climate finance", UNCTAD 2023.

UNCTAD recognizes the urgency of the work programme that, as per Decision 1/CP21 Paragraph 53, is expected to deliberate on a new quantified goal on climate finance prior to 2025. We welcome the opportunity to share Parties and non-parties' views through submissions ahead of each event and we support the drafting of a report afterwards. In this context, we share some considerations to ensure that the NCQG is an improved target:

Dynamism. Developing countries' needs are highly dynamic: needs and priorities will change depending on global support for mitigation, adaptation and loss and damage, and the adverse effects of exogenous shocks. Domestic political and economic conditions can shift, rapidly rendering needs assessments out of date. Moreover, not all needs are necessarily easily quantified, for example needs relating to capacity building and technology development and transfer. An NCQG able to respond to dynamic changes in needs, whether related to national, regional or global developments, would be beneficial to all. Periodic review mechanisms might be agreed for the NCQG, to allow for adjustments according to emerging needs, avoiding the 'locked in' nature of the $100 billion goal, with emerging consensus around 5-year cycles to match the 5-year cycles for NDC enhancement and Global Stock Takes, responding to and reinforcing these processes. A longer target would risk not acknowledging the rapid changes in the national and global contexts and therefore would result in a goal that does not respond to the real needs of developing countries.

Timeline. Considering the timelines of various assessments and the establishment of the NCQG at the end of 2024, the immediate goal should be for a finance target to be raised by 2030. This goal may continue for a further five years, before undergoing a review for an adjusted target from 2035. In order to avoid a lengthy, multiyear process to agree a post-2035 goal, a streamlined process beginning at COP in 2033 should initiate a formal review to establish adjusted quantified targets in line with developing country needs. This review might be inclusive of the NCQG's structure and design and be conducted by the SCF with input from all Parties and assessments of progress towards the target included in Biennial Assessments.

Evidence-based goal. The first GST, based on the First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, acknowledged that the cost to implement the first round of NDCs are currently estimated at USD 5.8 – 5.9 trillion for the pre-2030 period. In view of the second round of NDCs to be submitted by 2025, we expect that mobilization of finance will need to scale up. Other estimates for the three pillars of climate finance, namely adaptation, mitigation and loss and damage, have been presented and they need to be considered to develop a structured needs-based analysis. The International Energy Agency (IEA) estimates that by the end of the 2020s, annual capital spending on clean energy in developing economies needs to expand more than seven times, to above $1 trillion, in order to expand energy access while putting the world on track to reach net-zero emissions by 2050. The United Nations Environment Programme (UNEP) estimates annual adaptation needs to be $160-340 billion by 2030 and $315-565 billion by 2050. For loss and damage, in line with the latest Intergovernmental Panel on Climate Change (IPCC) assessments, existing projections anticipate significant unavoidable loss and damage from the locked in impacts from global warming, with LD costs projected to be as much as $580 billion per year by 2030 – a figure that is likely an underestimation considering it was calculated pre-pandemic.[1] Current estimates of needs for climate finance have been developed, as well as the recognition of the necessity to scale up the mobilization of finance. The decision to be taken in November 2024 will reflect the political will to act on them.

Global economic governance reform. While external to the UNFCCC negotiations, broader global economic governance reform, by potentially unlocking additional suitable sources of financing, will play a significant role in enabling or hampering both design and delivery of the NCQG. The outcome and structure of the NCQG can send strong signals to influence ongoing reform efforts, indicating targets and expectations from complementary elements of multilateral governance, and bringing greater coherence across institutions. There are several options to consider, that have already gained some momentum: reforming MDBs, including new capital and optimization of the balance sheet, to expand highly concessional lending, rechannelling unused SDRs, novel taxation at the domestic or supranational level, and efforts to improve private finance mobilisation, for example through proactive disciplining measures to shift finance towards climate goals. While not an exhaustive list, projections of these potential sources alone indicate that with collective effort and commitment, proposed NCQG targets can be met. This signals the important role global economic governance reform can play in enabling the NCQG.

Common But Differentiated Responsibilities-Respective Capabilities. A more equitable design for the NCQG needs to be grounded in the principles of CBDR-RC and led by the needs and priorities of developing countries. Voices from developing countries that are particularly vulnerable to the adverse effects of climate change should be given more space – this includes small island development states, least developed countries, and the G77 plus China. Attending the events in person can be a challenge for representatives of developing countries, therefore we strongly support the provision of financing for at least one representative per developing countries Party. Once the minimum representation is ensured, in order to foster inclusiveness and participation as in previous TEDs, hybrid access should be allowed and encouraged.

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[1] For all reference, please see the original report