New Collective Quantified Goal on Climate Finance:

Parties, constituted bodies under the Convention and the Paris Agreement, the operating entities of the Financial Mechanism, climate finance institutions, observers and other stakeholders, including from the private sector, to submit views in advance of each technical expert dialogue and meeting under the ad hoc work programme.

Submission by the Marrakech Partnership for Global Climate Action Co-Focal Points for Finance on behalf of the Finance Working Group

About the Marrakech Partnership:

Under the leadership of the High-Level Champions, the Marrakech Partnership for Global Climate Action supports implementation of the Paris Agreement by enabling collaboration between governments and the cities, regions, businesses and investors that must act on climate change.

Our mission is to strengthen collaboration between governments and key stakeholders to immediately lower missions and increase resilience against climate impacts. These actions are guided by the long-term goals of the Paris Agreement and undertaken in the context of the 2030 Agenda for Sustainable Development. The focus is on environmental, economic, and social system transformation, promoting higher ambition of all stakeholders to collectively strive for the 1.5°C temperature goal and a climate-neutral and resilient world.[1]

Context:

We welcome the opportunity to provide views and input on the New Collective Quantified Goal on Climate Finance (**NCQG)** ahead of the 10th Technical Expert Dialogue (TED) to help advance the discussions around critical elements of the goal.

The **urgency** of the climate crisis requires an ambitious response and adequate capital to support an **inclusive and just transition** to a net zero, nature-positive, and resilient world and achieve the goals of the Paris Agreement.

Past climate finance commitments have been largely insufficient and the failure to deliver on the $100bn goal on time has undermined **trust** and led to further vulnerability. Increasing the **availability, quality and accessibility** of public finance is therefore necessary – we need a new climate finance goal that is ambitious and responds adequately to the climate challenge. To meet the challenge, finance need to be mobilised from all sources, public and private, domestic and international as necessary. Critically, private finance plays an essential role to mobilise the **scale of capital** required to collectively meet mitigation and adaptation needs.

The role of - and collaboration with - financial institutions and other non-Party stakeholders in accelerating delivery across the multilateral environmental conventions and agreements was emphasised in the outcome from the first Global Stocktake (GST) at COP28. The NCQG needs to redefine what climate finance looks like, re-establishing trust between contributor and beneficiary countries – to do so, it should

[1] More info here: https://unfccc.int/climate-action/marrakech-partnership-for-global-climate-action

provide a clear set of signals, where previously lacking, and enable the use of a range of innovative mechanisms (e.g. international taxation) beyond traditional blended finance instruments that has so far failed to scale.

Therefore, COP29 is a decisive moment to re-establish the trust by delivering on a comprehensive goal that responds to the challenge of scaling up climate finance, leveraging a number of **sources, enhancing the mechanisms within the financial architecture including effective instruments and enabling policy environments, both in developed and developing countries,** and mobilising all **financial actors,** across public and private sector, including development finance institutions and multilateral developments banks, to enable the urgent and critical implementation of climate action, particularly in developing countries.

To that effect, the cross-cutting efforts on finance of the Marrakech Partnership for Global Climate Action (MPGCA) reflected in the **2030 Solution Pathways**[2] and the **Sharm-el-Sheikh Adaptation Agenda**[3], provide critical steer and insights from a wide range of non-Party Stakeholders (NPS) in tackling both the opportunities and critical gaps to strengthen collaboration, unlock transition finance and drive systemic change. Whilst the private sector is already taking action and solutions are emerging, policy action to support the enabling environment can help further scale-up resources and speed up progress.

Hence, there is a need to achieve a strong **political consensus** in Bonn to effectively progress the conversation towards an NCQG framework with a clear structure and options that reflect the **highest possible ambition**:

1. **Mobilising the trillions** – the NCQG should adequately respond to the financing needs and capacity building priorities of developing countries across mitigation, adaptation, loss and damage, as well as cross-cutting solutions such as investments in nature protection and reversing deforestation. Investment needs are in the scale of trillions[4]. A core public finance commitment plays a central role and need to be strategically allocated to mobilise additional private finance towards developing countries. This provides an essential foundation to support investments in areas that struggle to attract private finance by, for example, mitigating risks, providing technical assistance, and enabling blended finance instruments.

2. **Improving effectiveness** – beyond quantity, quality of climate finance is paramount. This includes ensuring the composition of finance, including grants, concessional and debt finance, is diversified, supports the right intervention without exacerbating debt stress in developing countries, and is guided by evidence and information from the real economy and local communities. For example, a range of financial instruments should be deployed based on the maturity of the technologies / markets with prioritisation of use of grants and concessional finance to support sectors with limited / less-defined returns; these may include adaptation, loss and damage and capacity-building, as well as mitigation solutions in the poorest and most vulnerable countries and communities.

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[2] *2030 Climate Solutions: Implementation Roadmap* (2023) UN Climate Change High Level Champions, Marrakech Partnership.

[3] *Sharm El Sheikh Adaptation Agenda: The Global Transformations Towards Adaptive and Resilient Development (2022),* COP27 Presidency, UN Climate Change High Level Champions.

[4] Finance for climate action: Scaling up investment for climate and development (2023). Songwe V, Stern N, Bhattacharya A.

3. **Supporting greater access** – the NCQG should send signals to the wider financial sector on the need to align finance flows with a 1.5°C goal by providing direction on policy and institutional reforms to achieve this, highlighting links to the operationalisation of Art 2.1c and the Global Goal on Adaptation. This includes both promoting complementary discussions on international financial architecture reform, such as the Bridgetown Agenda 2.0, G20 TF-CLIMA, as well as providing guidance on policies and incentives aimed at improving the domestic enabling environment to support more effective domestic and international resource mobilisation, private investment, and direct funding to country projects. Presently, 600 FI signatories of the Glasgow Financial Alliance for Net Zero (GFANZ) have committed to net zero but stronger policy signals are crucial to further accelerating the ambition loop of enhanced commitments and action.

As recognised in the GST decision text, finance is a crucial enabler of and bridge for greater ambition for the **development and implementation of NDCs in context of the Paris rachet mechanism**, particularly as these can effectively serve as investment plans to mobilise finance by charting not only the national decarbonisation trajectories (and adaptation goals aligned with NAPs), but also the wider sectoral targets, policy and regulatory frameworks, and investment and insurance needs to foster a just transition. Therefore, the NCQG comes at a critical time to provide confidence to both Parties and NPS, and in particular to developing countries that adequate finance will be available to support enhanced NDCs and national adaptation plans (NAPs) due in2025, and with Biennial Transparency Reports (BTRs) under the Enhanced Transparency Framework (ETF) to be submitted in 2024. Preparations for NDCs 3.0 should be progressed in parallel to, and consider, the discussions on finance.

Recommendations:

The NCQG text should provide strong signalling to the wider financial sector to support alignment of all financial flows towards the implementation of the GST targets and enhanced ambition in the next round of NDCs. In particular, by:

1. **Recognising the crucial role of non-Party Stakeholders (NPS), including subnational governments and the private sector,** in mobilising, harmonising, and enhancing access to the trillions needed for climate action and explicitly acknowledging the wide range of private finance stakeholders that can complement public investments in mitigation and adaptation – including banks, institutional investors, private investors, international businesses, philanthropies, and (re)insurers.

2. **Calling on Parties to strengthen strategic allocation of public finance and recognising the key role of central banks – including their role and mandate to address climate-related risks - and national and subnational development banks** to enhance its effectiveness and support more effective private finance mobilisation, ensuring a good balance and complementarity between mitigation and adaptation support. The NCQG should also emphasise

the need for more effective coordination and collaboration between Parties and NPS through enhanced blended finance instruments and innovative mechanisms[5].

3. **Encouraging all Parties to undertake domestic policy action to improve the enabling environment and market intelligence** with the aim to attract private investments, create effective channels for NPS projects and initiatives, and mobilise further domestic resources for national climate goals in developing countries. This includes actions from both developed countries (e.g. ensuring fair trade and export finance practices, review of country risk assessment and lending terms) and developing countries (e.g. long-term financing plans built into national development agendas; use of innovative financial instruments to raise domestic capital; implementation of sectoral strategies underpinned by policy and regulatory measures to attract private capital in line with global corporate reporting standards and frameworks; adoption of fiscal incentives and broader efforts to mitigate investment risks; repurposing of fossil fuel and environmentally harmful subsidies towards climate-positive action).

4. **Recognising the role of other multilateral fora in mobilising and transitioning finance, such as the Task Force for Global Mobilisation against Climate Change ("TF-CLIMA")** under the G20 Presidency, in bridging critical dialogues across multilateral conventions on international financial architectural reform and pursuing implementation of the global climate finance goal, including Parties' long-term financing plans, policy and regulatory measures, the role of MDBs and the role of public-private sector collaboration.

[5] Key examples include: catalytic climate funds (e.g. Alterra fund), green finance facilities, country platforms (e.g. Just Energy Transition Partnerships), targeted public-private partnerships (e.g. Investment Mobilization Collaboration Arrangement (IMCA))as well as solution-specific initiatives (e.g. Regional Platform for Climate-Related Projects, Mangrove Breakthrough, Nature Positive for Climate Action, Finance Sector Deforestation Action Initiative, Taskforce on Sustainability-Linked Sovereign Financing for Nature and Climate).