New Collective Quantified Goal on Climate Finance

Written inputs

In response to the invitation extended by the co-chairs of the ad hoc work programme (AHWP) on the New Collective Quantified Goal on climate finance (NCQG), the AILAC group of countries is pleased to submit written contributions to support the preparation of an updated input paper ahead of the third meeting under the AHWP. The following elements have been described in negotiation text language and are consistent with AILAC's previous submissions, as well as the positions and interventions we have put forward in various discussion sessions within the NCQG framework.

A. Preamble

Recalling Articles 4 and 11 of the Convention and Article 9 of the Paris Agreement;

Also recalling Article 4, paragraphs 3, 5, and 7 of the Convention;

Further recalling Article 11, paragraph 1, of the Convention;

Recalling Decisions 1/CP.21, paragraph 53, 14/CMA.1, 9/CMA.3, 5/CMA.4, 8/CMA.5;

B. Context

1. *Acknowledges* that the new collective quantified goal is defined under the climate justice principle and, , embedded in its spirit is the commitment of the developed countries to support developing countries in the fulfilment of their obligations under the Convention and the Paris Agreement;

2. *Highlights* that the new collective quantified goal shall contribute to accelerating the achievement of Article 2 by mobilizing resources that enable all developing countries to meet their climate goals by enhancing their adaptive capacities and transitioning to a low-carbon economy. All of this within the context of sustainable development, efforts to eradicate poverty, and just transitions;

3. *Recalls* that developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention and also, that developed country Parties should continue to take the lead in mobilizing climate finance, noting the significant role of public funds, supporting country-driven strategies, and taking into account the evolving needs and priorities of developing country Parties including in addressing loss and damage;

4. *Underlies* the urgent need to provide new, additional, predictable and affordable financing to meet the objectives of the Paris Agreement by pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change, fostering climate resilience and low greenhouse gas emissions development, and increasing the ability to adapt to the adverse effects of climate change, in a manner that does not threaten food production, biodiversity or human health but promotes human rights and gender equality;

5. Also, *reiterates* the urgency to support the implementation of the Paris Agreement in developing country Parties, in accordance with Articles 9 and 11 of the Paris Agreement, enhancing support in a way that recognise and promote higher ambition of developing country parties;

6. *Acknowledges* that climate change has already caused and will increasingly cause losses and damages and that, as temperatures rise, the impacts of climate and weather extremes, as well as slow onset events, will pose an ever-greater social, economic, and environmental threat; and *recognizes* the importance to address losses and damages of developing countries and segments of the population that are already vulnerable owing to geography, socioeconomic status, livelihood, gender, age, minority status, marginalization, displacement, or disability, as well as the ecosystems that they depend on, in responding to loss and damage associated with climate change impacts;

7. *Acknowledges* that annual loss and damage finance needs are estimated up to USD 580 billion by 2030, USD 1 trillion by 2040 and USD 1,7 trillion by 2050, with developing countries shouldering most of the burden.

8. *Stresses* that the new collective quantified goal shall address the evolving needs and priorities of developing countries and contribute to accelerating the achievement of Article 2 by providing and mobilizing predictable, new, additional and affordable resources that enable developing countries to meet their climate goals by enhancing their adaptive capacities and transitioning in a just manner to a low-carbon economy;

9. *Also stresses* that scaling up new and additional grant-based, highly concessional finance, and non-debt instruments remains critical to supporting developing countries, particularly as they transition in a just and equitable manner, and *recognizes* that there is a positive connection between having sufficient fiscal space, and climate action and advancing on a pathway towards low emissions and climate-resilient development, building on existing institutions and mechanisms;

10. *Recalls* Decision 3/CMA.5 that underscores the importance of urgent delivery of means of implementation (capacity-building, climate finance, and technology development and transfer) to facilitate just transition pathways and enhance international cooperation on, and support for just transition pathways, especially for developing country Parties;

11. *Highlights* that according to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) most countries in Latin America and the Caribbean are already ranked among the highest risk levels worldwide due to the region's high vulnerability to climate change and low adaptive capacity. Predictions of the IPCC indicate that by 2100, water availability per capita is projected to decrease by 90% in Latin America and the Caribbean in the worst-case scenario. This, combined with a temperature increase of over 2°C, will exacerbate rural weak or hazardous living conditions and food insecurity, due to increasing pressure over already fragile ecosystems whose services the communities depend on, leading to malnutrition, the spread of several vector-borne diseases, and worsening poverty, which already affects 33.7% of the region's population[1].

[1] IPCC, 2022: Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska,

12. *Acknowledges* that despite Developing countries in Latin America are particularly vulnerable to the adverse effects of climate change, the majority of climate finance for Latin America and the Caribbean has been delivered through loans[2], even though many of these countries already face staggering debt. Loans provide liquidity to facilitate the implementation of climate action, but need to be repaid; they are not additional resources to unlock a greater level of mitigation and adaptation actions. Loan repayments reduce the funding these nations can spend on basic social services and can limit developing countries including Latin-American countries' ability to invest in climate action and respond to its adverse effects[3];

13. *Further recognizes* that around 80% of financial instruments being used for climate action take the form of loans and are factually reducing developing countries´ fiscal space to invest in climate action and also deepening the levels of indebtedness. Therefore, all regions of the developing world should have equitable access to quality finance, leaving no region behind;

14. *Recalls* Decision 1/CMA.5, paragraph 67 which highlights the growing gap between the needs of developing country Parties, in particular those due to the increasing impacts of climate change compounded by difficult macroeconomic circumstances, and the support provided and mobilized for their efforts to implement their nationally determined contributions, highlighting that such needs are currently estimated at USD 5.8–5.9 trillion for the pre-2030 period[4]; *noting* that these are underestimated costs given the evolving needs and priorities of developing countries, and their lack of capability for properly estimate these costs;

15. *Further recalls* Decision 1/CMA.5, paragraph 68, which also highlights that the adaptation finance needs of developing countries are estimated at USD 215–387 billion annually up until 2030[5]; *noting* with concern that the adaptation finance gap is widening and that current levels of climate finance, technology development and transfer, and capacity-building for adaptation remain insufficient to respond to worsening climate change impacts in developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change;

16. *Acknowledges* that developing countries suffer the disproportionate impacts of climate change, facing a high cost of capital for climate financing, stemming from economic and political instability, underdeveloped financial markets, and currency risks, which collectively elevate perceived investment risks.

K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press. Cambridge University Press, Cambridge, UK and New York, NY, USA,
3056 pp., doi:10.1017/9781009325844.

[2] Standing Committee on Finance. 2022. Fifth Biennial Assessment and Overview of Climate Finance Flows. Technical Report. UNFCCC. Available at:
https://unfccc.int/sites/default/files/resource/J0156_UNFCCC%20BA5%202022%20Summary_Web_AW.pdf

[3] A program meant to help developing nations fight climate change is funneling billions of dollars back to rich countries. May, 2024. A Reuters special report; available at: https://www.reuters.com/investigates/special-report/climate-change-loans/

[4] Standing Committee on Finance. 2021. First report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement. Bonn: UNFCCC. Available at https://unfccc.int/topics/climate-finance/workstreams/determination-of-the-needs-of-developing-country-parties/first-report-on-the-determination-of-the-needs-of-developing-country-parties-related-to-implementing.

[5] United Nations Environment Programme. 2023. Adaptation Gap Report 2023: Underfinanced. Underprepared. Nairobi: United Nations Environment Programme. Available at http://www.unep.org/resources/adaptation-gap-report-2023; International Renewable Energy Agency. 2023. World Energy Transitions Outlook 2023: 1.5°C Pathway. Abu Dhabi: International Renewable Energy Agency. Available at https://www.irena.org/Publications/2023/Mar/World-Energy-Transitions-Outlook-2023; International Energy Agency. 2023. World Energy Investment 2023. Paris: International Energy Agency. Available at https://www.iea.org/reports/world-energy-investment-2023.

Significant existing debt burdens further constrain their borrowing capacity and escalate interest rates. Access to international climate finance is impeded by complex procedural requirements and limited institutional capacity, while the absence of risk mitigation instruments, such as guarantees and insurance, exacerbates financing challenges. Blended finance approaches, leveraging public and private resources, can provide solutions but necessitate strong international cooperation, capacity-building initiatives, and policy reforms to improve the investment climate. The deployment of innovative financial instruments and the establishment of transparent processes are critical to enhancing investor confidence and reducing the cost of capital, thereby enabling developing countries to access the requisite resources to address climate change effectively;

17. *Notes* that the NCQG should build on lessons learned from the USD 100 billion per year goal which includes, inter alia, the need for affordable finance that is non-debt inductive and more clarity on the instruments that should not be counted and a standardized and detailed accounting methodology, the need to urgently and substantially scale-up adaptation finance for all developing countries including developing countries of Latin America that are particularly vulnerable to the adverse effects of climate change, the need to provide finance through instruments that free-up fiscal space and contribute to reduce cost of capital for climate action in line with the evolving needs of developing countries, and the non-repetition of unfulfilled commitments;

18. *Underlines* that, despite overall progress on mitigation, adaptation, means of implementation, and support, Parties are not yet collectively on track towards achieving the purpose of the Paris Agreement and its long-term goals; as reflected in the outcomes of the first Global Stocktake;

19. *Notes with regret* that the international private sector is not reaching Latin American countries and other developing countries at the necessary scale, it is imperative to urge developed countries to advance mechanisms for leveraging private finance in developing nations. This includes the need to strengthen policy guidance, incentives, regulations, and enabling conditions in the sources of capital, as well as implementing effective financial risk-sharing mechanisms. Such measures are essential for creating a conducive environment that attracts private investments to achieve climate goals in developing countries;

C. Principles

20. Decides that the New Collective Quantified Goal aims to support all developing country Parties in effectively implementing the Paris Agreement within the context of:
    a) equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances; in accordance with Article 2, paragraph 2 of the Paris Agreement;
    b) climate justice;
    c) the urgency to support climate ambition, implementation, and action;
    d) climate ambition as the key driver for increasing global investment;
    e) just transitions;
    f) non-debt-inducing finance for developing countries;
    g) Balance between mitigation and adaptation finance;
    h) the evolving needs and priorities of developing countries and their country-driven strategies;
    i) predictable, accessible, affordable new and additional finance;

j) the use of the best available science;
k) sustainable development and efforts to eradicate poverty;
l) Regional balance;
m) no harm and synergies with biodiversity;

21. *Decides* that the New Collective Quantified Goal should recognize the importance of just transitions towards low emissions climate resilient pathways in the context of sustainable development and efforts to eradicate poverty in developing countries.

22. *Decides* the New Collective Quantified Goal and its principles should be human rights-based and gender- and child-responsive and consider the people and communities on the frontlines of climate change, including women, youth, children, workers, and Indigenous Peoples, as well as civil society, in recognition of their important roles in preventing, addressing and responding to climate change;

D. Quantitative elements

23. *Decides* that the New Collective Quantified Goal on climate finance consists of a commitment of developed country Parties to:

    a) *Provide* XXX trillions of dollars annually, in grants or grant-equivalent terms of new, additional, affordable, predictable, and adequate climate finance, through to 2035 to assist developing country Parties, in a country-driven manner, in the implementation of their National Determined Contributions, Long-term strategies, National Adaptation Plans, Climate Finance Strategies, Technology Action Plans, among others instruments;

    b) In addition to the provision goal, *to mobilize* USD XXX trillion annually, in a predictable, adequate, country-driven, and non-debt inducing finance, from 2026 through to 2035 to support developing country Parties, through public interventions, in the fulfilment of their obligations under the Convention;

24. *Decides* that from the provision referred to in paragraph 22(a) above, the developed country Parties will provide balanced financing for adaptation (XX%), mitigation (XX%), and loss and damage (XX%), as follows:

    a) For adaptation, at least USD XX billion annually until 2035 to developing country Parties, in the context of achieving a balance between mitigation and adaptation; the majority of these resources should be delivered through the operating entities of the Financial Mechanism and the Adaptation Fund;

    b) For loss and damage, at least USD XXX billion annually until 2035 to developing countries, the majority of which should be delivered thrugh the Fund for responding to Loss and Damage referred to in paragraphs 2 and 3 of decisions 2/CP.27 and 2/CMA.4 and taking into account the need to safeguard against the overconcentration of support provided by the Fund in any given country, group of countries or region;

c) For mitigation, at least USD XX billion annually until 2035, to developing country Parties, the majority of which should be delivered through the operating entities of the Financial Mechanism;

25. *Further decides* that the provision and mobilization of resources for the aforementioned thematic areas should prioritize developing country Parties that align and effectively implement, inter alia, their National Determined Contributions, Long Term Strategies, National Adaptation Plans, National Communications with 1.5ºC, the Global Stocktake Outcomes, and the latest available science.

26. *Further decides* that the provision and mobilization referred to in paragraphs 22(a) and 22(b) shall also support developing country Parties in technology development and transfer, capacity building, and the implementation of transparency requirements under the Convention and the Paris Agreement including by increasing resources channelled through other mechanisms and bodies operating under the Convention and the Paris Agreement.

27. *Decides* that developed country Parties shall institute fair, just, and equitable burden-sharing arrangements in the delivery of the provision goal referred to in paragraph 22(a), based on their share of historical emissions of greenhouse gases;

C. Qualitative elements

28. *Recognizes* that developing country Parties have increased ambition over the years despite the disproportionate gap in the provision and mobilization of finance from developed country Parties and reverse flows due to a suite of disenabling policies and conditions, such as indebtedness, limited fiscal space, barriers to access and unilateral measures; however, a scaling up of climate finance to developing country Parties is required to turn this ambition into climate action and allow developing countries to fully their commitments;

29. *Decides* that the resources provided and mobilized through the new goal shall be ambition-responsive and support the current and future levels of ambition of developing country Parties expressed in planning instruments, inter alia, the National Determined Contributions, Long-term strategies, National Adaptation Plans, Technology Action Plans, by financing their implementation without increasing the indebtedness of developing country Parties, and eliminating access barriers;

30. *Requires* the operating entities of the Financial Mechanism and other climate finance providers to collectively adopt a simplified and harmonized procedure for efficient access that reflects the principles, as follows:
    a) enhances access to all developing countries leaving no one behind;
    b) does not impose additional conditionalities for the provision and mobilization of climate finance to developing countries;
    c) facilitates simplified access modalities, including financing to subnational actors, local communities, Indigenous peoples, and women;
    d) facilitates accreditation of national agencies and for larger project sizes;
    e) Advances harmonization of policies and procedures including for accreditation of implementing agencies.
    f) increases resources for project preparation and implementation
    g) reduces cofinancing conditionalities;

h) reduces the cost of accessing the funds and project processing time, approval, and disbursement;

31. *Decides* that the provision and mobilization referred to in paragraphs 22a) and 22(b) from developed country Parties for adaptation and loss damage response shall be delivered through grant-based and highly concessional sources and instruments;

32. *Urges* developed country Parties and other stakeholders to scale up finance from a wide range of financial instruments including those that create fiscal space for developing countries, inter alia, debt-for-climate swaps, public-private partnerships, payment for environmental services, blended finance, guarantees, equity, to be considered as a complement to public and grant-based finance;

33. *Decides* that fully-debt instruments the provision and mobilization referred to in paragraphs 22(a) and 22(b) will not be eligible and will not exceed 50% of the resources provided and mobilized under the goal including those resources delivered by, inter alia, the operating entities of the Financial Mechanism, the Adaptation Fund and through bilateral channels, multilateral funds, and multilateral development banks;

34. *Urges* finance providers including multilateral development banks, multilateral funds, and bilateral channels to increase the financing available to address the evolving needs and priorities of developing country Parties by providing affordable long-term financing grant-based instruments for all developing countries, as well as encourages including features such as inter alia, local currency, natural disaster and force majeure clauses, minimum mandatory grace periods for repayments and preferential maturity date; and revert perverse incentives that penalize ambition, while addressing high capital and transaction costs;

35. *Urges* rating entities, supervisors, and regulators to improve risk assessment methodologies so that exposure to climate risks and natural disasters does not impact downgrade sovereign credit ratings while valuing the positive impact of ambitious climate change policies and long-term investments in climate action and resilience on a country's projections;

36. *Urges* the multilateral development banks, multilateral funds, financial institutions, and other relevant international fora to make the financial system fit for purpose with the Paris Agreement objectives by, inter alia, aligning their operations to the evolving needs and priorities of developing countries in their pursuit of a low-emissions and climate resilient development or creating more economic burdens to developing countries, addressing climate risks, and scaling up climate finance to developing countries both through grants, highly concessional instruments and by reinforcing private investment through de-risking and risk-sharing mechanisms;

37. *Urges* the private sector to scale up finance for climate-resilient development, capacity building, and technology transfer, in developing countries, through blended finance, public-private partnerships, impact funds, green bonds, and other financial instruments;

D. Transparency arrangements

37. *Decides* that the Enhanced Transparency Framework of the Paris Agreement will serve as the transparency arrangements of the new collective quantified goal on climate finance and *recognizes* the need to ensure climate specificity of fund flows, excluding instruments that exacerbate debt and fulfilment by developed country Parties in line with Article 9, paragraphs 5 and 7 of the Paris Agreement;

38. *Decides* that the resources provided , shall be new, affordable, predictable and, be accounted on grant equivalence for non-grant instruments, be additional from Official Development Assistance and include only climate-related activities;

39. *Requests* developed country Parties to submit annual reports and the Biennial Transparency Reports on the resources provided and mobilized referred to in paragraphs 22, 23, 24, 25 and 26, starting in 2026, disaggregating information in accordance to paragraphs 37 and 38 above, by geographical regions and in a trackable and predictable manner;

40. *Requests* the Standing Committee on Finance to prepare a biannual progress report on the delivery of the New Collective Quantified Goal based on information provided by developed country Parties through their Biennial Transparency Reports, annual reports; and other relevant aggregated data reports; which shall be presented to the CMA for their consideration;

41. *Decides* that progress in the delivery of the new goal should also be assessed as part of each Global Stocktake, from 2028 onwards, around the collective achievement of the purpose and long-term goals of the Paris Agreement, as well as opportunities for enhanced action and support, as envisaged in Article 14 of the Agreement and Decisions 1/CP.21 and 19/CMA.1, and on the basis of the best available science, in particular from the Intergovernmental Panel on Climate Change;

42. *Decides* that the provision and mobilization targets referred to in paragraphs 22(a) and 22(b) shall be *revised* every ten years and modified if necessary to address and respond to the evolving needs and priorities of developing country Parties for adaptation, mitigation, loss and damage to ensure its adequacy based on the best available science, in such a way that the results of the revision will represent a progression in climate finance beyond previous efforts. These revisions will be decided collectively by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), with recommendations from the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA).