




STATUS OF NCQG NEGOTIATIONS

Indrajit Bose
Third World Network
boseindrajit@gmail.com



NCQG Background

- **Paragraph 53 of Decision 1/CP.21:** in accordance with Article 9, paragraph 3, of the Agreement, developed countries intend to continue their existing collective mobilization goal through 2025 in the context of meaningful mitigation actions and transparency on implementation; prior to 2025 the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries
- **Article 9.3:** As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts
- **Decision 14/CMA.1** (initiate deliberations at CMA 3); **Decision 9/CMA.3** (ad hoc work programme and technical expert dialogues; submissions; High-level dialogues; the goal would be cyclical in nature...political-technical-political); **Decision 5/CMA.4** (need for substantive progress; learn from lessons of USD 100 billion); **Decision X/CMA.5** (substantive framework for a draft negotiating text; build on GST and GGA outcomes; take into account the need to support NDCs, NAPs; reflect evolving needs etc)

Key contentious issues

- Mandate of the NCQG: Mandatory or Voluntary
- Link to the Convention or not
- Structure of the Goal: Single layer or multi-layered goal
- Contributor base: Who pays?
- Recipient base: Who receives?
- Role of private sector actors, multilateral development banks (MDBs), international financial institutions (IFIs) in the achievement of the goal
- Goal to be revised or not, among others

Developed countries on the NCQG

- No link to the Convention
- Mandate stems from Article 9.3, and therefore voluntary goal
- Contributor base be determined based on the evolving capabilities of Parties: CBDR-ERC
- Recipient base: only to the “most vulnerable”
- Multi-layered goal: A Global Investment Goal underpinned by elements such as a policy layer, indicating impending conditionalities and linking to enabling environments in developing countries)
- Not interested in talking quantum: USD 100 billion as the baseline
- Not enough public finance available
- No to including loss and damage in the discussions due to liability issues
- NCQG to fulfill Article 2.1 (c) of the Paris Agreement (on making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development)
- Overt reliance on the private sector, MDBs and IFIs
- No to revision of the goal

Convergence among G-77 and China

- **Framing of the NCQG** should contain Article 2 of the PA; the purpose of the NCQG is to support the implementation of Article 2 in developing countries in accordance with Article 9, and not a selective reading of Article 9. Based on needs and priorities of developing countries
- **Firmly linked to the Convention:** Article 2 of the Paris Agreement states that the PA is to enhance the implementation of the Convention
- The **work is in the context** of developing countries' overriding priorities of poverty eradication and sustainable development; equity and CBDR-RC (and not CBDR-ERC) are the guiding principles
- NCQG is a **continuation of the USD 100 billion annual goal**, and the obligations of the developed countries do not change with the NCQG.
- **Transparency arrangements:** must make clear that the resources under the NCQG are new and additional and present a progression and different from official development assistance (ODA) and other humanitarian assistance. No to market rate loans; definition of climate finance; no double counting; anchored in the ETF
- **Burden sharing:** NCQG should provide a clear agreement on burden sharing among developed countries to establish their 'fair share' of their collective obligation to provide climate finance, which allows predictability, transparency, and accountability

Convergence among G-77 and China

- **Public finance available, political will lacking:** Hundreds of billions of dollars from developed countries are allocated to countries to support wars, while climate finance is facing a challenge of being met from public sources. Public finance is used for other purposes, when there is political will.
- **Structure:** a single goal and to not get into complex layers. Against framing the goal as an investment goal
- **Quantum:** Figures ranging in the trillions of dollars in accordance with needs and priorities of developing countries
- **Loss and Damage:** As per their evolving needs as per Decision X/CMA.5, the NCQG should include loss and damage as a sub-goal
- **Access** must feature prominently in the NCQG
- **Non-state actors:** The focus of the NCQG should primarily be on public resources that are grant-based and highly concessional. Private sector will not invest where they do not see profits. Discussions on dis-enablers of finance (high cost of capital, high transaction costs and unilateral measures by developed countries such as the carbon border adjustment mechanism -- CBAM)
- **Cyclical goal with periodic revisions:** The goal should be revised after a certain timeframe following a periodic review

Negotiating history of Article 9.3 of the PA

- Many developing countries preferred the **reference to the provision of financial resources** by developed countries instead of the focus only on the “mobilisation” of climate finance
- In an earlier version of the draft agreement (version 2 issued on Dec. 10 by the COP 21 President), there was reference that the **provision and mobilisation of climate finance “shall represent a progression** beyond previous efforts from a floor of USD 100 billion per year...” and “towards achieving short-term collective quantified goals for the post-2020 period to be periodically established and reviewed...”
- It is notable that the **reference to the USD 100 billion per year as a floor did not make it to the Agreement** but is found in paragraph 53 of the COP 21 decision
- In Cancun in 2010, Parties had agreed to developed countries mobilising USD 100 billion per year by 2020. With the decision adopted in Paris, **a five-year extension was obtained** to reach this target and for a new quantified goal to be set for the period after 2025.
- Developed countries, with the **United States (US)** in particular, were **against the indication of any quantified target on the scale of resources in the Paris Agreement**. Developing countries, through the G77 and China on the other hand, pressed for clear “**pathways to annual expected levels of available resources towards achieving short-term collective quantified goals for the post 2020 period to be periodically established and reviewed**” and for “financial resources to be scaled up from a floor of USD 100 billion per year, including a **clear burden-sharing formula, and in line with needs and priorities** identified by developing country Parties...”

Between now and COP 29

- Responding to Co-Chairs' input paper
- What do we expect the outcome to be in Baku?
- Guidance to the Presidency on high-level meetings next month?
- US Presidential elections...
- Are G-20 discussions likely to influence the NCQG outcome?
- Unity of G77 and China: The importance of this cannot be emphasized enough. Lots of lessons to draw from the experience of the Loss and Damage Fund

Fight together, stay united and strong