CSE@COP29

A CSE POSITION PAPER

SHOW US THE MONEY

Principles for an ambitious New Collective Quantified Goal on climate finance at COP29

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List of acronyms

AILAC	–	Independent Association of Latin America and the Caribbean
AOSIS	–	Association of Small Island States
CBDR - RC	–	Common but Differentiated Responsibilities and Respective Capabilities
DFI	–	Development Finance Institutions
EIG	–	Environmental Integrity Group
EMDE	–	Emerging Market and Developing Economies
GNI	–	Gross National Income
Group SUR	–	Negotiating bloc comprising Argentina, Brazil, Uruguay and Paraguay
IFI	–	International Financial Institutions
LDC	–	Least Developed Countries
LMDC	–	Like Minded Developing Countries
MDB	–	Multilateral Development Bank
NCQG	–	New Collective Quantified Goal on Climate Finance
NDC	–	Nationally Determined Contribution
OECD	–	Organisation for Economic Co-Operation and Development
SCF	–	Standing Committee on Finance (of the UNFCCC)
SIDS	–	Small Island Developing States
UNFCCC	–	United Nations Framework Convention on Climate Change

FINANCE: A KEY ENABLER OF CLIMATE ACTION

The headline issue at the 29th Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) — COP29 — is climate finance. By the end of COP29 in November 2024, it is expected that countries would have decided the New Collective Quantified Goal on climate finance, or the NCQG. This paper outlines the key debates pertaining to the fast evolving NCQG discussions ahead of COP29, and offers some reflections to guide the way towards an ambitious and equitable outcome.

CLIMATE CHANGE HITS THE POOR HARDER

Countries require climate finance to develop without adding significantly to the stock of global greenhouse emissions. By various estimates, developing countries need climate finance to the tune of trillions of dollars, at least until 2030, to keep the temperature goals of the Paris Agreement within reach. According to the Second Needs Determination Report by the UNFCCC Standing Committee on Finance (SCF), between US $5.012-$6.852 trillion will be required cumulatively until 2030 to support developing nations to achieve their stated Nationally Determined Contributions (NDCs). This figure succeeds the previously known US $5.8-$5.9 trillion range as mentioned in the first Needs Determination Report by the SCF. More importantly, these ranges are conservative estimates at best — of the 142 countries which submitted their NDCs, only 98 have mentioned 'costed' needs; this range presents only a fraction of climate finance requirements. The report adds that the annual needs for countries to implement NDCs lie in the range of US $455-$584 billion.[1]

Table 1: Losses and damages due to climate change are concentrated in developing countries

Country	Impact	Damages as % of GDP
Germany[1]	Floods in 2021	0.9%
British Columbia, Canada[2]	Heatwave 2021	3–5%
Europe[3]	Heatwaves 2003, 2010, 2015, and 2018	0.3–0.5%
Dominica[4]	Hurricane Maria 2017	226%
Pakistan[5]	Floods in 2022	9%
Vanuatu[6]	Tropical Cyclone Pam 2015	64%

Source: 1. Munich RE; 2021 GDP data from World Bank 2. Canadian Centre for Policy Alternatives 3. European Commission, Joint Research Centre and others 4. Post-Disaster Needs Assessment by the Government of the Commonwealth of Dominica 5. Post-Disaster Needs Assessment by The Government of Pakistan, Asian Development Bank, European Union, United Nations Development Programme, World Bank; 2021 GDP data from World Bank 6. Post-Disaster Needs Assessment by the Government of the Republic of Vanuatu

Source: CSE, Beyond Climate Finance

Estimates made by experts beyond the UNFCCC paint a similar picture. Developing countries excluding China require at least US $1 trillion per year until 2030 in external financing alone to adequately meet their climate targets, according to the Stern-Songwe report published in 2022.[2]

Among developing countries, those that are more vulnerable to climate change impacts are also hit harder economically by climate-induced natural disasters (*see Table 1*).

SYSTEMIC BARRIERS PREVENT ACCESS TO FINANCE

In addition to the volume of money that is to be decided, the ‘quality’ of finance is equally, if not more, crucial. At the NCQG talks in Cartagena, Colombia in April 2024, developing countries emphasised the need for recognition of ‘un-enabling environments’ preventing access to climate finance in the Global South. This included the need to address high costs of capital for low-carbon transitions, high debt burdens, and existing imbalance in geographical concentration of climate finance in the new goal.

In a 2023 report, CSE found that 16 low- and middle-income countries are facing debt servicing costs that exceed the cost of achieving their NDCs within a single year.[3] More recently, the Debt Relief for a Green and Inclusive Recovery (DRGR) Project further underscored the severity of the situation: 47 emerging markets and developing economies (EMDEs) are projected to default on their loans if they prioritise investments in globally agreed-upon climate and development goals. The report stresses on the fact that without sufficient debt relief, these debt burdens will continue to constrain expenditures on crucial socio-economic priorities.[4]

Another major barrier to climate finance is the high cost of capital, especially for green technologies critical to energy transition. A study by Climate Policy Initiative showcases the contrast in lending rates for a solar project — in Germany it was 2.8 per cent, in India it was 11.4 per cent, and in Argentina it was 54.1 per cent in 2023 due to factors such as high sovereign credit risk and political risk[5]. Developing countries are often perceived as having "high-risk" environments, a subjective assessment largely determined by private credit rating agencies based in the Global North. Consequently, countries in the Global South face higher interest rates and expected returns on equity, making investments significantly more expensive compared to the Global North. According to the International Energy Agency, financing costs for clean energy projects in emerging economies can be up to seven times higher than in Europe or the USA.[6]

Therefore, the need for the NCQG to be based primarily on international public finance, and non-debt creating flows of money is crucial. There is room to determine some of these elements within the NCQG decision at COP29, while broad reform of the international financial architecture continues to be pursued at various fora beyond the UNFCCC. A successful NCQG outcome capturing these elements can set an important precedent and create a framework for how climate action is enabled in the Global South for the remaining part of this decade.

THE NEW COLLECTIVE QUANTIFIED GOAL (NCQG)

THE US $100-BILLION COMMITMENT — PRECURSOR TO THE NCQG

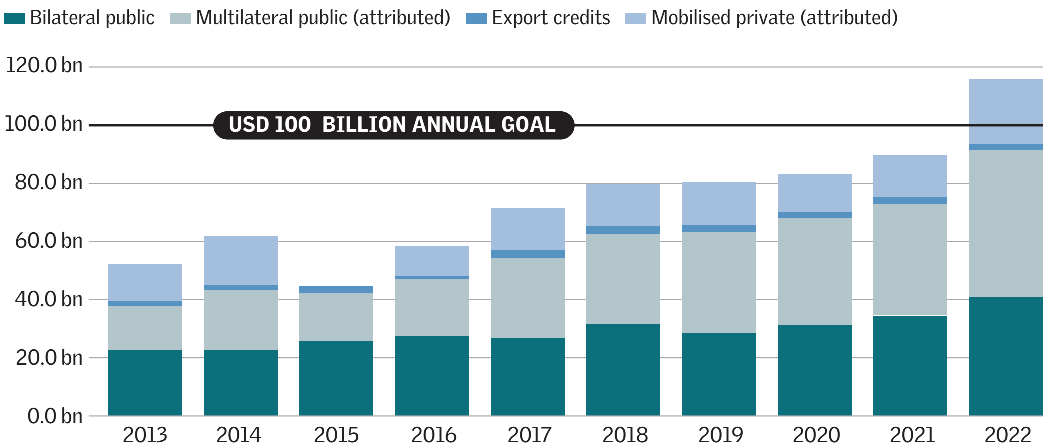
It was through the Copenhagen Accord of 2009 that the first formal commitment of collective mobilisation of climate finance by developed countries for developing nations was given a target. This was formalised through the Cancun Agreement, in decision 1/CP.16. This was referred to as the US '$100 billion goal/commitment': this is where developed countries promised to mobilise US $100 billion per year for developing countries by 2020. When the Paris Agreement was adopted in 2015, this goal's timeline was extended to 2025. It was also then that the decision to decide a new goal before 2025, starting from a floor of US $100 billion, was made. This is the New Collective Quantified Goal on Climate Finance — NCQG.[7]

Developed countries failed to mobilise the target amount until 2022. According to the Organisation for Economic Cooperation and Development (OECD), tasked with tracking the provision of climate finance from developed to developing countries, it is only in 2022 that developed country provision of climate finance crossed the US $100-billion mark for the first time, with a jointly mobilised amount of US $115.9 billion.[8]

However, nearly 70 per cent (US $63.6 billion) of the public climate finance provided by developed countries was in the form of loans. Grants comprised only 28 per cent — US $25.6 billion — and equity remained meagre. The dominance of loans is considered problematic: many lower income developing countries already

Graph 1: Climate finance for developing countries

US $100 billion target was met for the first time in 2022



The gap in the private finance series in 2015 is due to the implementation of enhanced measurement methodologies. As a result, private flows for 2016-22 cannot be dierctly compared with private flows for 2013-14.

Source: OECD (2024), Climate Finance Provided and Mobilised by Developed Countries in 2013-2022.

face high debt burdens, and receiving funding in the form of loans risks adding to that. The OECD report also highlights that for loans provided through multilateral channels (climate funds or MDBs), less than half were concessional.

In previous years, civil society organisation Oxfam's analysis of OECD figures has revealed significant overestimations as well. While the OECD reported US $115.9 billion provision and mobilisation of climate finance by developed countries in 2022, Oxfam estimated that the real value was between US $28-35 billion only factoring in grant-equivalents and other considerations. This discrepancy stems from the lack of a clear, agreed-upon definition of climate finance (*see Box: Definition of climate finance*).

THE ROAD TO COP29

It is against this backdrop that countries are preparing to meet for what should be the final round of negotiations on NCQG in November 2024 at COP29 in Baku, Azerbaijan. The divergence between developed countries and developing countries on key issues have persisted through two years of talks (*see Figure 1: The road to NCQG*).

DEFINITION OF CLIMATE FINANCE

Climate finance is at present defined (for operational purposes) by the UNFCCC Standing Committee on Finance as finance which 'aims at reducing emissions and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts'.

Following directions from the COP28 outcome, the UNFCCC Standing Committee on Finance prepared a report on 'common practices regarding climate finance definitions, reporting and accounting methods among Parties and climate finance providers' for discussion at COP29. It acknowledges the difficulty of formalising a single definition, since the bottom-up approach of Parties to reporting on climate finance inherently means a mixture of accounting and reporting practices unique to various contexts. The report found that while some Parties use concise statements to determine what is counted as climate finance and what is not, others have more elaborate criteria for assessing the climate relevance of finance flows. Most Annex II Parties count finance towards mitigation or adaptation as climate finance. Seemingly innocuous, the absence of guardrails and any consequences has meant that US $4.7 million investment by Italy for opening gelato stores across South Asia has also been counted as climate finance.[22]

Differences in accounting is the primary reason why the OECD's tracking of US $100 billion has repeatedly showed gross overestimations — as an Oxfam analysis indicates when climate finance provided by developed countries is taken at its grant-equivalent value (how much of the finance does not need to be repaid, which is a true measure of the actual financial effort made by developed countries), it is far below the total amounts reported by OECD. Further, the climate-relevance of finance provided, on scrutiny, reveals large gaps — this is a direct abdication of responsibility. According to Oxfam, the OECD reported US $115.9 billion provision and mobilisation of climate finance by developed countries in 2022, but the real value was between US $28-35 billion only.[23]

Developing countries have consistently called for operationalising an agreed-upon definition of climate finance across finance negotiations at the annual climate change conferences. India has been particularly vocal on this. This is important as it determines the quality of finance and means of its provision for developing countries.

Figure 1: The road to NCQG at COP29, 2024

2009

- Developed countries committed to mobilising $100 bn every year by 2020 for developing countries climate action

2015

- $100 bn goal extended to 2025
- New Collective Quantified Goal on climate finance (NCQG) to succeed $100 bn to be decided before 2025
- New goal to begin from a floor of $100 bn per year, taking into account needs and priorities of developing countries

2019

- Decided that deliberations on new goal within UNFCCC would begin from next session (COP26 discussions commenced)

2021

- It is decided that discussions on NCQG to happen through AHWP meetings (including TEDs), submissions. HLMDs, guidance by CMA between 2022 and 2024

2022-24

- 8 TEDs, 2 HLMDS conducted by 2023 -3 TEDs, 3 AHWP meetings held in the lead up to COP29 in 2024

Notes: AHWP — Ad Hoc Work Programme on NCQG; TED — Technical Expert Dialogue; HLMD — High Level Ministerial Dialogue; CMA — Conference of the Parties serving as the Meeting of the Parties to the Paris Agreement

Figure 2: NCQG mandates vs new demands

ASPECTS LISTED IN THE PARIS AGREEMENT

- Floor of US $100 billion
- New and additional
- Based on needs and priorities of developing countries
- Successor to the US $100 billion goal

ADDITIONAL DEMANDS BY DEVELOPING COUNTRIES AND CIVIL SOCIETY

- Primarily concessional, grant equivalent
- Solely grants for adaptation and loss and damage
- At least US $1 trillion
- Core/majority of public finance

MAPPING THE COUNTRY POSITIONS ON NCQG

In analysing the differences between the positions taken by negotiating Parties on the NCQG, the following issues emerge as key debates:

Quantum of finance: The question of quantum has perhaps been among the most contentious in these discussions. Among the Global South negotiators, many have put forth a number as a quantified demand for the NCQG, such as the Like-Minded Developing Countries or the LMDC (US $1 trillion), the Arab Group

Table 2: Overview of negotiating bloc/country positions on key debates around the NCQG

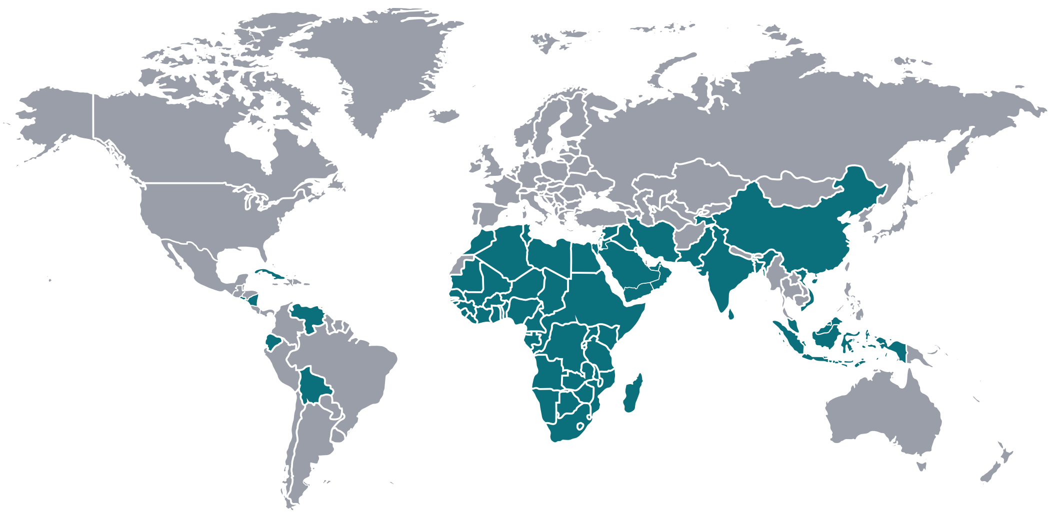
Negotiating Blocs/ Countries	Quantum	Sources			Quality		Structure		Contributors		Timeframe	Transparency
	Committing to a figure for climate finance	Prioritise concessional/ grant-based/ public finance for all developing countries	Prioritise concessional/ grant-based/ public finance for most vulnerable countries	Utilise wide-ranging sources including blended and innovative instruments	Address barriers including high cost of capital, transaction costs, unilateral measures etc.	Article 2.1(c) is relevant for NCQG	Proposing multi-layered/ mult-dimensional goal	Include Loss and Damage with mitigation and adaptation finance	Align with Article 9	Expand the contributor base to reflect new economic realities	Five year (Yellow) or ten year (blue) target	Define climate finance for better trans-parency and tracking
LMDC	Yellow	Yellow		Yellow	Yellow			Yellow	Yellow		Yellow	Yellow
USA		Gray		Yellow	Yellow	Yellow	Yellow			Yellow		
G77+China		Yellow			Yellow			Yellow	Yellow			Yellow
Australia			Red	Yellow		Yellow	Yellow			Yellow	Blue	
European Union			Yellow	Yellow	Yellow	Yellow	Yellow			Yellow	Blue	
LDCs			Yellow		Yellow			Yellow	Yellow		Blue	Yellow
AOSIS			Red	Yellow	Yellow			Yellow	Yellow		Blue	Yellow
African Group	Yellow	Red			Yellow	Yellow		Yellow	Yellow		Yellow	Yellow
Group SUR		Red		Yellow	Yellow	Yellow		Yellow	Yellow		Yellow	Yellow
AILAC		Yellow		Yellow	Yellow			Yellow	Yellow		Blue	
EIG		Yellow				Yellow	Yellow			Yellow		
Switzerland			Yellow	Yellow	Yellow	Yellow				Yellow	Blue	
Japan		Yellow		Yellow		Yellow		Yellow		Yellow		
United Kingdom			Yellow			Yellow	Yellow			Yellow		
Canada			Yellow	Yellow	Yellow	Yellow	Yellow			Yellow		
Arab Group	Yellow	Yellow			Yellow			Yellow	Yellow		Yellow	Yellow
Pakistan	Yellow	Yellow		Yellow				Yellow	Yellow			Yellow
India	Yellow	Yellow		Yellow				Yellow	Yellow		Yellow	Yellow
New Zealand			Yellow	Yellow		Yellow	Yellow					
Russia		Yellow							Yellow			
Norway			Yellow	Yellow		Yellow	Yellow			Yellow		

Notes: Yellow denotes support towards the issue. Gray denotes USA referring to IFIs and DFIs to consider concessional finance for developing countries. Red denotes negotiating Blocs/countries prioritising concessional/grant-based/public finance for adaptation and/or loss and damage. Blue denotes a 10-year timeframe for NCQG

Source: CSE, based on UNFCCC submissions for NCQG between 2022 and 2024

Map 1: Geographical representation of Parties proposing a quantified target for the NCQG

Blue denotes regions that have put forth quantified targets for the NCQG.



Source: CSE, based on UNFCCC submissions for NCQG between 2022 and 2024

(US $1.1 trillion), the African Group (US $1.3 trillion), India (US $1 trillion) and Pakistan (US $2 trillion). Developed country Parties, on the other hand, have not put forth any figures for the NCQG with the view that many aspects of the goal — including the structure, timeframe and contributor base — need further clarification before a quantified figure can be suggested as a global target.

Sources of finance: The discussions around sources of finance have brought forth a multitude of positions. Many Parties have supported the prioritisation of public finance/grant-based finance/concessional finance within the NCQG, with private finance having a limited, or complementary, role. This includes LMDC, G77+China, LDCs, AILAC, African Group, Arab Group, Pakistan, India and Russia.

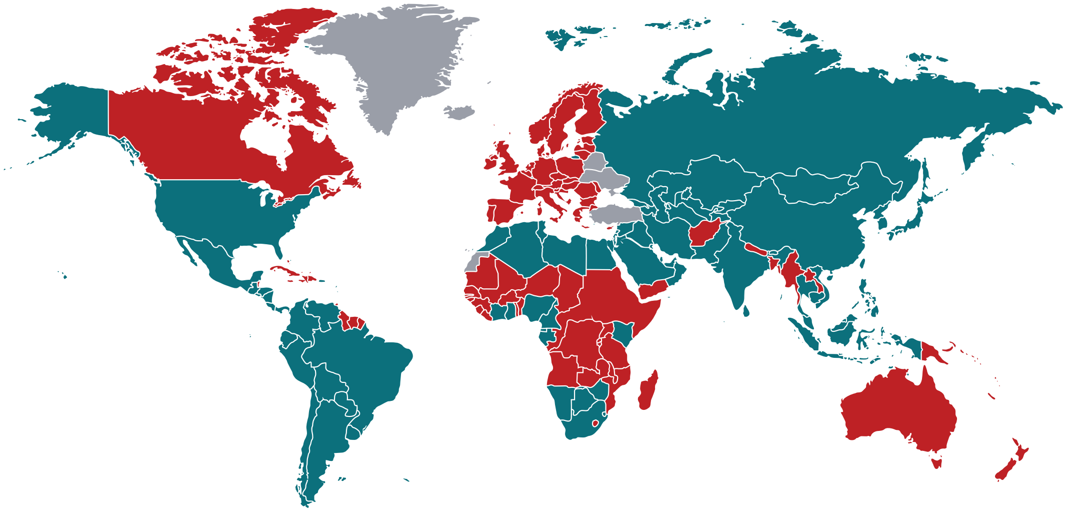
While all Parties have found common ground on the importance of having a public finance/grant-based finance/concessional finance component within the NCQG, there are further differences on who should be prioritised for receiving funds. The LMDC, G77+China, AILAC, Japan, EIG, Arab Group, Pakistan, India and Russia support all developing countries receiving public finance/grant- based finance/concessional finance, while the African Group and Group SUR support a further prioritisation of such funds towards adaptation and loss and damage. The US has stated its support for concessionality from IFIs and DFIs towards developing countries.

The EU, LDCs, Switzerland, UK, Canada, New Zealand and Norway support public finance/grant-based finance/concessional finance being directed towards the most vulnerable countries (LDCs and SIDS). Within this context, Australia supports a further prioritisation towards adaptation while AOSIS supports a prioritisation towards adaptation and loss and damage.

The inclusion of private finance within the NCQG has been heavily debated, with mixed views on its scope, scale and instruments. Table 2 illustrates some of the key positions taken by negotiating Parties on the issue of private finance.

Map 2: Geographical representation of Party positions on prioritisation of public finance/grant-based finance/concessional finance

Blue denotes regions that support public finance/grant-based finance/concessional finance for all developing countries.
Red denotes regions that support public finance/grant-based finance/concessional finance for the most vulnerable countries.



Source: CSE, based on UNFCCC submissions for NCQG between 2022 and 2024

Table 3: Positions of negotiating blocs on the inclusion of private finance within the NCQG

Country	Submission on private finance component of the NCQG
LMDC	Any mobilisation of private finance must not shift the responsibilities of developed countries' public sector and we stress that public sources by developed countries are the priority actor for addressing the climate crisis through direct access modalities
USA	Encourages Parties to work with private sector actors to continue to scale-up private sector investments in mitigation and adaptation action across all geographic regions and sectors, in particular in developing countries
G77+China	Loans at market rate and private finance at market rate of return cannot be termed as climate finance under the NCQG.
Australia	Acknowledges the need for a global effort to enhance and align public and private finance and to mobilise finance at scale from all sources - public and private, domestic and international, including new and innovative sources of finance
EU	Acknowledges the need for a global effort to enhance and align public and private finance and to mobilise finance at scale from all sources - public and private, national and international including new and innovative sources of finance
AOSIS	AOSIS recognizes that while the new goal is principally directed to developed country Parties, the new goal would also need to consider any private climate finance mobilised through public interventions
Group SUR	Private finance should also play a significant, although not central, role in the NCQG
AILAC	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
India	As far as the role of private sources is concerned, the private pool of capital can only play a catalytic and a supplementary/co-financing role.

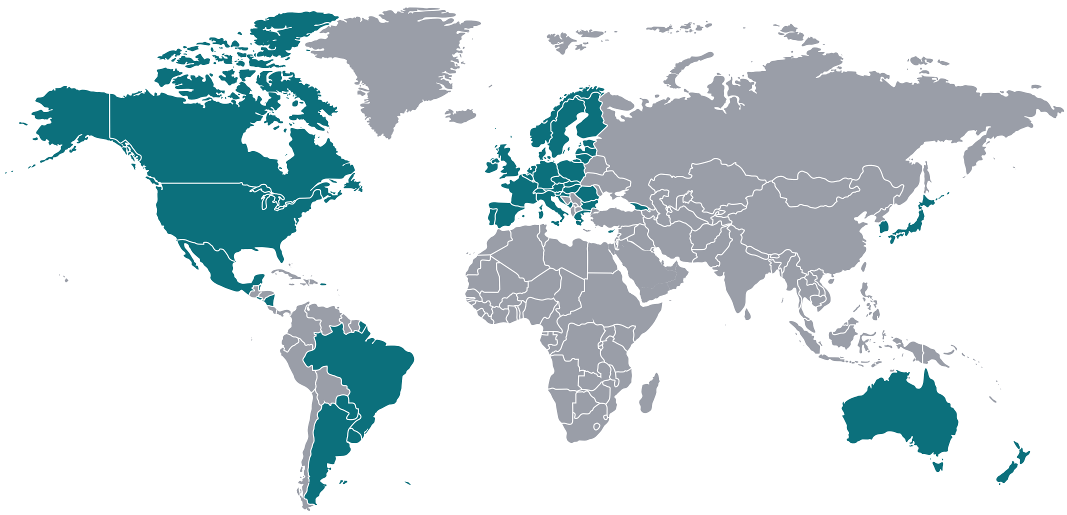
Source: CSE, based on UNFCCC submissions for NCQG between 2022 and 2024

The issue of utilising wide-ranging sources of finance including blended finance and innovative instruments has found broader agreement between Parties — given the scale of global challenges and the need for effective mobilisation of financial resources that do not cause additional burdens for developing countries. Parties that support such instruments include LMDC, USA, Australia, EU, AOSIS, Group SUR, AILAC, Switzerland, Japan, Canada, Pakistan, India, New Zealand and Norway.

Role of Article 2.1(c): The relevance of Article 2.1(c) of the Paris Agreement towards the NCQG has been an ongoing debate among the Parties. The Blocs supporting the inclusion of Article 2.1(c) in the framing of the NCQG include USA, Australia, EU, Group SUR,

Map 3: Geographical representation of Parties supporting the inclusion of Article 2.1(c) of the Paris Agreement in NCQG discussions

Blue denotes regions that support the inclusion of Article 2.1(c) in the NCQG



Source: CSE, based on UNFCCC submissions for NCQG between 2022 and 2024

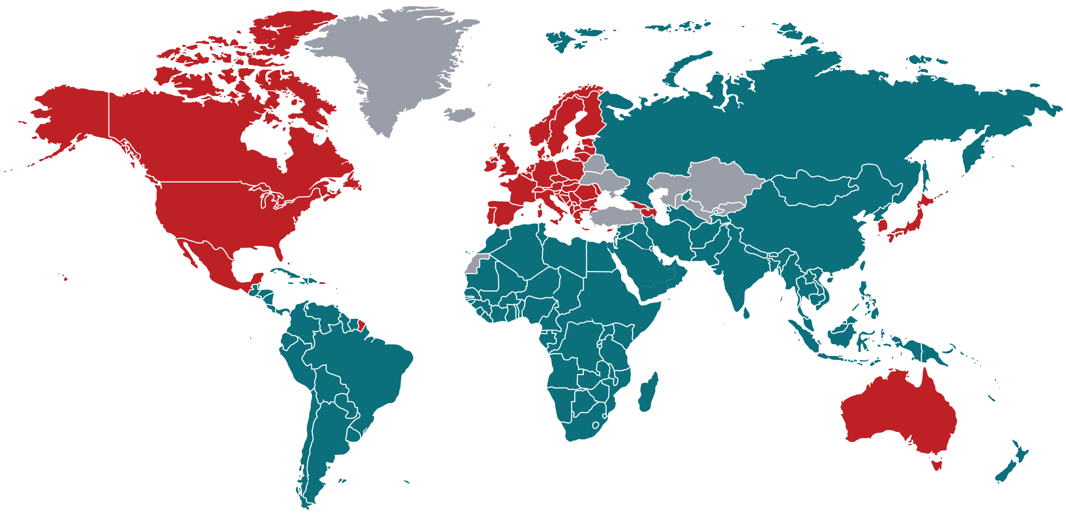
EIG, Switzerland, Japan, United Kingdom, Canada, New Zealand and Norway. Among the Parties not supporting the inclusion of Article 2.1(c) are LMDC, AOSIS and Russia — while G77+China, African Group, Arab Group, Pakistan and India have abstained from any submissions on the issue. AILAC has stated in its submissions that "the operationalization of Article 2.1c does not substitute developed country Parties' obligations of provision and mobilization of finance to the developing world, as per Article 9 of the Paris Agreement.

Contributor base: A stark difference between developed and developing countries is observed on the issue of the contributor base to the NCQG. Developing countries have called for alignment of the contributor base with Article 9 of the Paris Agreement (which holds developed countries to account for their historical responsibility towards the climate crisis). This includes LMDC, G77+China, LDCs, AOSIS, African Group, AILAC, Group SUR, Arab Group, Pakistan, India and Russia.

Map 4: Geographical representation of Parties' positions on the contributor base of the NCQG

Blue denotes regions that support alignment with Article 9.

Red denotes regions that support expansion of the contributor base.



Source: CSE, based on UNFCCC submissions for NCQG between 2022 and 2024

On the other side, developed country Parties are calling for an expansion of the contributor base to reflect new global economic realities. This view is supported by the USA, Australia, EU, EIG, Switzerland, Japan, UK, Canada and Norway. Switzerland and Canada have suggested guidelines for expansion of the contributor base of the NCQG on the basis of parameters such as gross national income and current and cumulative GHG emissions.

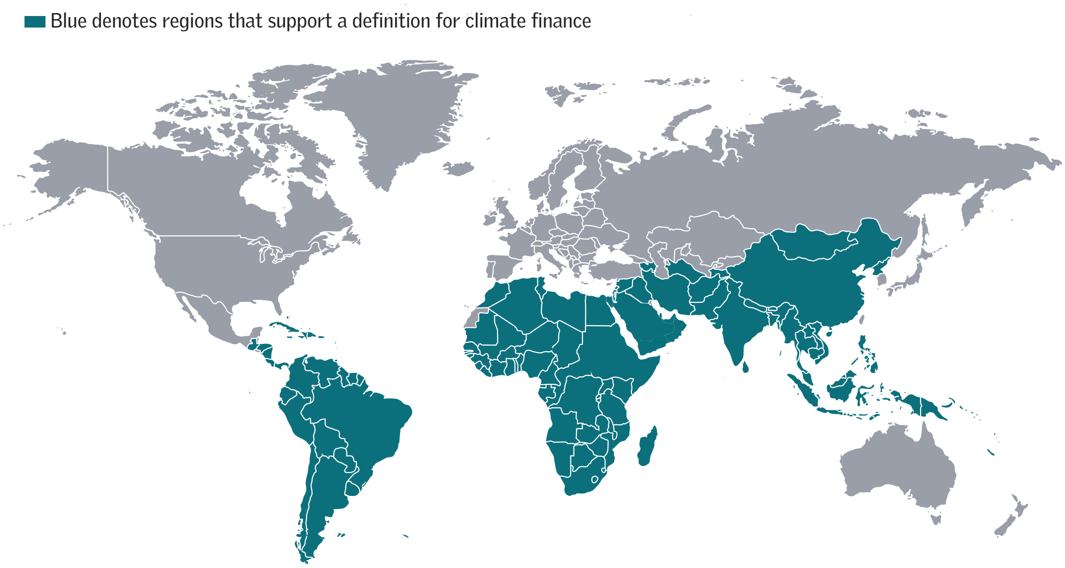
Structure: There has been a broad consensus among developed Parties about the need to frame the NCQG as a multilayered goal with a global investment target, a public finance mobilisation target, and qualitative and quantitative sub-targets that align with Article 2.1(c). The Parties supporting this position are USA, Australia, EU, EIG, UK, Canada, New Zealand and Norway.

Another point of discussion has been the inclusion of loss and damage as a sub-goal of the NCQG along with mitigation and adaptation finance. Parties supporting this position include LMDC, G77+China, LDCs, AOSIS, Group SUR, AILAC, African Group, Japan, Arab Group, Pakistan and India. The USA, Australia, EU, EIG, UK, Canada and Russia have abstained from any submissions on loss and damage. Switzerland has stated on the floor that they don't support the inclusion of loss and damage as part of the NCQG's structure.

Timeframe: The setting of a timeframe for the NCQG has seen Parties supporting a five-year target, a 10-year target, or abstaining from any concrete submissions. Among the Parties supporting a five-year timeframe are LMDC, African Group, Group SUR, Arab Group and India. Australia, EU, LDCs, AOSIS, AILAC and Switzerland have proposed a 10-year timeframe. The USA, G77+China, EIG, Japan, UK, Canada, Pakistan, New Zealand, Russia and Norway have abstained from any concrete proposals.

Transparency and defining climate finance: On the issue of transparency arrangements, the need for defining climate finance has emerged as a crucial point of difference. Most developing countries have called for a definition which will lead to better transparency and tracking of finance provided. This includes LMDC, G77+China, LDCs, AOSIS, African Group, Group SUR, Arab

Map 5: Geographical representation of Parties supporting a definition for climate finance within the NCQG



Source: CSE, based on UNFCCC submissions for NCQG between 2022 and 2024

Group, Pakistan and India. However, no agreement towards addressing this concern has been reached yet.

The Parties have found much greater agreement on the question of modalities of tracking and transparency arrangements. The Enhanced Transparency Framework and the biennial assessments submitted in accordance with Article 9.5 of the Paris Agreement are broadly agreed upon as the tools to track climate finance, with further assessments and reconfigurations in the near future as required.

PRINCIPLES FOR AN AMBITIOUS NCQG OUTCOME

As detailed in the previous section, convergence on fundamental aspects of the new goal among different countries remains elusive. It is important to underscore the need for an ambitious NCQG here. Not only have the climate finance needs of developing countries far outpaced the actual provision so far, the finance so provided has been unevenly distributed across geographies, and predominantly been in the form of loans. The fact that the US $100 billion goal was a political outcome, seen as a heavy compromise by developing country Parties,[9] makes the need for the new goal to truly reflect developing country requirements all the more important. The key considerations for an ambitious NCQG outcome are elaborated below — quantum or amount of money to be transferred per year, quality of the finance, and who pays the money or the 'contributor base'.

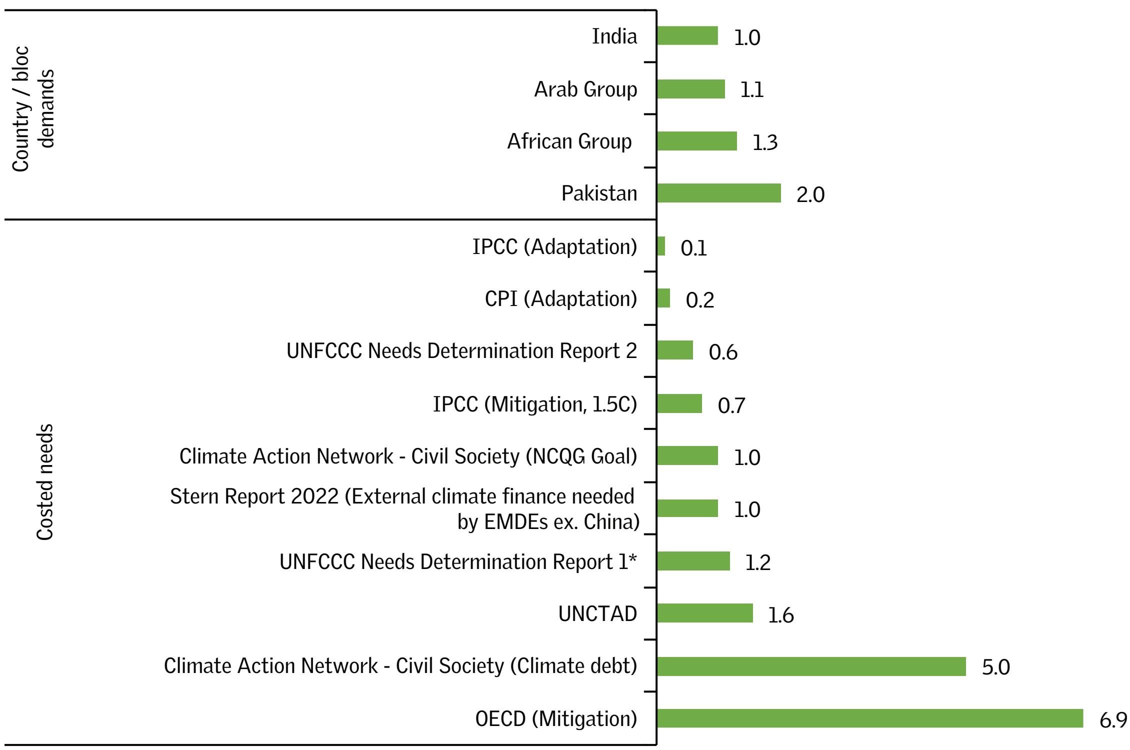
QUANTUM: SPENDING 1 PER CENT OF GLOBAL GDP ON DEVELOPING COUNTRIES CAN FULFILL IMMEDIATE CLIMATE NEEDS

The quantum, or amount of the goal, is among the most contentious issues at present. Developing country groups including the Arab Group, African Group, and LMDC (including India) have all put forth proposals on the table, demanding between US $1 and $2 trillion per year.[10] As outlined in chapter 1, various data-based estimates point to similar figures.

Various Parties have put forward estimates of the costed needs for implementing their climate plans. As noted in an analysis by ODI in 2024, the scope and methodology for each vary, and they are not necessarily always comparable.[11] But the Needs Determination Reports by the SCF provide an important starting point, as they have been prepared with the objective of informing the NCQG. The Second Needs Determination Report suggests a requirement of around US $455-$584 billion per year until 2030, for the implementation of NDCs alone (of only 98 countries).[12] **This equates to only 0.5 per cent of the world's gross domestic product of US $105.435 trillion. The higher figure of about US $1 trillion demanded by some countries amounted to only 1 per cent of the global GDP in 2023.**

This range for annual provision/mobilisation for developing countries is not new. Even in 2009, several developing countries recognised the US $100 billion figure as grossly insufficient. According to research by the think tank Imal Initiative for Climate and Development, *"the G77 chief negotiator at the time said that 'the*

Graph 2: Climate finance required per year until 2030 (in US trillion $)



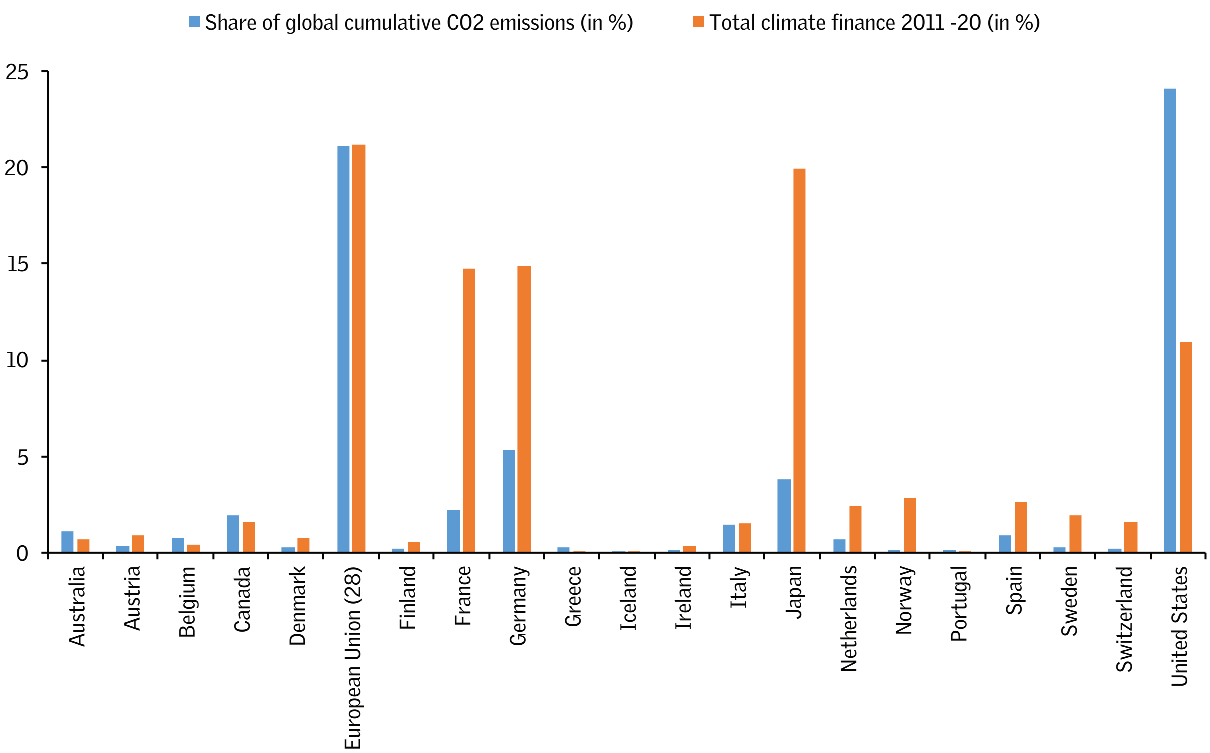
*UNFCCC's NDR 1 report stated an upper range of US $5.9 trillion cumulatively required till 2030. Assuming it applies for 2025-2030, an annualised figure of US $1.18 trillion has been used above.

Source: Country submissions to the UNFCCC, IPCC, CAN, UNCTAD, OECD, CPI, ODI *required financing for short term must exceed US $100 billion by huge margins', and that developed countries should instead commit to providing 'about US $400 to $500 billion in the short term on annual basis.'"*[13]

To truly reflect the needs of the developing world, the level of the NCQG must be in the trillions, and first be determined for a five-year period until 2030, and revised upwards to reflect evolving needs.

Pushback from developed countries on the quantum in negotiations has centered on two aspects — expanding the base of those responsible to contribute to the goal, and the lack of sufficient funds available to them to increase their own contributions. Graph

Graph 3: Historical emissions versus climate finance provided — Annex II countries

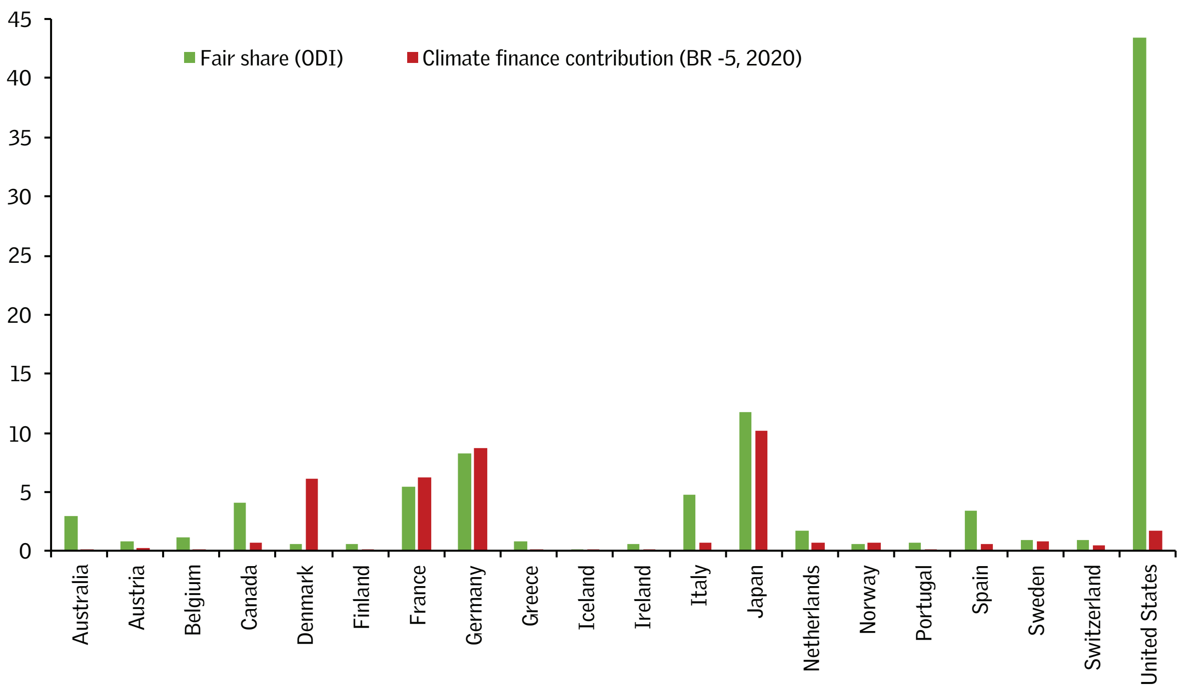


Source: Global Carbon Project, UNFCCC Biennial Reports

3 compares the responsibility (emissions) and the actual provision of climate finance by developed countries recently. It shows that the provision of finance by wealthier nations has not necessarily been proportional to their historical emissions, i.e., those with greater historical responsibility. Primarily, USA is a laggard when it comes to climate finance provisions, compared to other Annex II countries.

Further, the think tank ODI analyses a ‘fair share’ that Annex II countries must provide based on metrics of economic capability (GNI), historical responsibility (cumulative emissions) and populations (used to denote ‘fair share’). Graph 4 compares the fair shares as calculated by ODI with actual provisions in the year 2020 (the latest year for which UNFCCC estimates of climate finance provided are available).

Graph 4: Actual climate finance vs fair share in 2020



Source: UNFCCC Biennial Reports, ODI

As for the argument of availability of funds, it is important to gauge whether this is true, or a case of misplaced priorities. For instance, the US spent US $916 billion in military spending in 2023 alone, amounting to 3.4 per cent of its GDP.[14] This is approximately nine times higher than what all developed countries tried to mobilise and provide collectively for climate finance — and just about succeeded in doing.

Experts have also found that structural reforms and policy level changes in developed countries can 'bring out' additional funding for climate finance provision, while funding their own transitions as well. For instance, a report by the research group Oil Change International in September 2024 found that through various policy reforms, developed countries can mobilise more than US $5.3 trillion per year for the NCQG.[15] The analysis lists measures such as taxation on fossil extraction, aviation and maritime shipping; increasing the minimum corporate tax and wealth taxes on multi-millionaires and billionaires; and redistributing about 20 per cent of public military spending, among others.

As the report highlights as well, such monetary and fiscal policy levers are not as easy to implement in developing countries owing to factors such as weaker financial systems, and higher debt. But for developed countries this is not the case — the fact that US $16 trillion was mobilised in record time as COVID 19 stimulus for rich countries in 2020 is evidence of this. The fact is that there is enough money available for developed countries to provide adequate climate finance to developing countries.

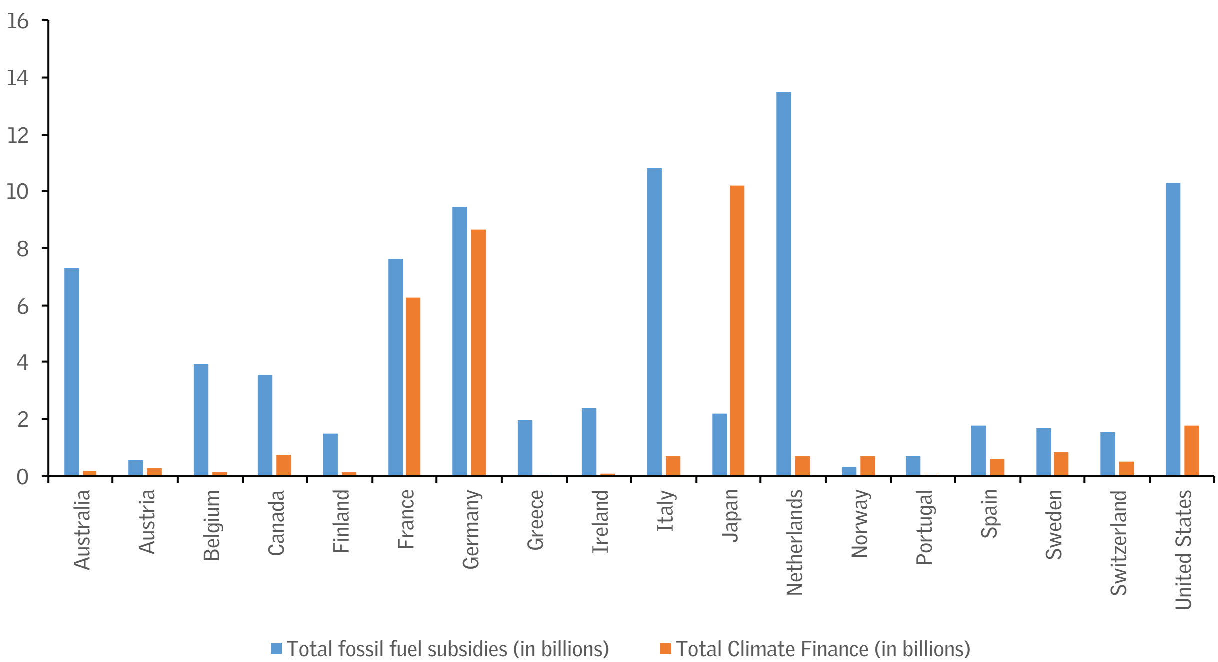
Further, it is the same developed countries that wield the most power in the institutions of the international financial architecture that are attempting to shirk responsibility from providing on an ambitious quantum. Institutions such as the International Monetary Fund (IMF) and World Bank are at the heart of global financial systems, and have governance structures rooted in inequality.[16] Shifting policies, whether domestically or at multilateral fora, is a matter of intent and political will — a lack of practical feasibility, though oft cited as a reason for inaction, is not entirely real.

Another analysis by the UK based NGO ActionAid suggests that more than US $2 trillion can be unlocked for the NCQG if developed countries increased their tax-to-GDP ratios by 4 percentage points and implemented other tax-justice aligned policy practices.[17] Tax-to-GDP ratios measure the revenue that a country earns through taxation as a percentage of its GDP: a higher ratio indicates that a country collects more in taxes compared to its economic output.

Moreover, even as disagreements persist, several Global North countries continue to pour money into harmful fossil fuel subsidies (*see Graph 5*).

Lastly, developed countries have simply not engaged in the quantum debate at NCQG negotiations so far, with proposals for figures only being presented by the Global South. While provision of finance is certainly bound by constraints for different countries, the developed country stance of refusing to engage on proposals for the quantum until other aspects — contributor base — are discussed, is merely holding NCQG negotiations hostage.

Graph 5: Annex II countries' climate finance provided vs fossil fuel subsidies in 2020



Source: Derived by CSE based on UNFCCC data, and https://fossilfuelsubsidytracker.org/country/

QUALITY OF FINANCE — CLIMATE FINANCE MUST NOT WORSEN INDEBTEDNESS

For the NCQG to reflect developing country needs and honour the principles of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC), the quality of finance provided is as important as the amount.

The quality entails the types of financial instruments and tools used for climate finance. While global financial flows comprise a variety of modes, from private and public finance, to loans and grants, the NCQG debate has brought forward an important conversation on what encompasses fair finance flows for climate action.

Different financial instruments and types of finance are used for different objectives. The OECD notes that typically, public climate finance (through bilateral or multilateral channels) is pivotal for activities that have 'high social value but limited direct financial returns', such as adaptation and capacity building, and for mobilising private finance through de-risking. Private finance is largely focused on mitigation activities, such as the setting up of renewable energy plants.

Countries and institutions of the developed world continue to espouse the need for policy reform, creating enabling environments and improving capacity to bring in private funds to developing countries for climate action. This has remained the thrust of several Annex II country positions in the NCQG negotiations as well, including the EU and USA. But developing countries, including the G-77 and the China bloc, have remained steadfast in their 'ask' for better quality finance provision, rather than expecting them to make alterations to attract money that may or may not come. The following are the key points in this discussion:

- **Public vs private finance**: The NCQG must primarily be a public finance goal. Public finance, whether provided bilaterally or through contributions to climate funds and MDBs, ensures greater accountability, predictability and transparency of financial flows. It also aligns with the principles of CBDR-RC and equity, as wealthier countries are obligated to provide the bulk of the funding. While the role of private finance cannot be dismissed, the reality remains that many 'global public goods', including climate action, lack a strong business case (the need for parallel international financial architecture reform to rethink this paradigm is crucial). Private finance has comprised only 19 per cent of climate finance flows reported by the OECD in 2022 — primarily as investments in infrastructure projects in the energy sector. The notions of 'billions to trillions' where public money can incentivise private investment, has so far not materialised for development and climate projects, with the highest estimate of 0.7:1 — 70 cents of private investment for one dollar of public investment[18]. If billions to trillions was working, the ratio of public to private money would be far higher. Data for public-private partnerships in infrastructure and development projects (of which climate is a subset) in developing countries shows that PPPs peaked in 2012 at US $158 billion in developing countries and have since halved to US $86 billion in 2023[19]. Given this reality, the NCQG, as part of the Paris Agreement, should see private sector involvement as complementary, and not as the driving force.

- **Loans vs grants**: Sixty nine per cent of climate finance provided in 2022 was in the form of loans. Among developing countries, the lowest income countries are debt-ridden and have financial systems at varying stages of development. For climate finance for developing countries, it is crucial to prioritise grants over market rate debt. For adaptation and losses and damages in particular, provision of no-strings-attached financing for the world's most vulnerable countries is a prerequisite for a successful NCQG. An Oxfam analysis from 2023 has shown that in 2019-20, over half (55 per cent) of climate finance allocated to LDCs was in loans and other non-grant instruments, and for SIDS this was 35 per cent. Without a clear commitment by developed countries to first prioritize grants and then truly concessional loans where needed, the most vulnerable will continue to be the worst impacted.

- **Concessional loans**: For middle and higher middle income countries, the ability to utilise loans without considerable harm to their economies is higher, compared to the lowest income countries. Even then, market rate debt cannot be the first option — limited fiscal space, competing development priorities, and in some cases debt distress are the reality for a majority of the developing economies. Between 2011 and 2020, the number of developing countries with debt liabilities exceeding 60 per cent of their GDP nearly tripled, going from 22 to 59.[20] Concessional loans –those provided at more favourable terms such as lower interest rates or longer maturity periods — are imperative to bolster the scale of climate action needed.

- **Access to finance**: Developing countries already face barriers to accessing finance due to the design of the international financial architecture. A need to significantly improve access to climate finance for these countries is a vital component of high quality finance, and there is broad agreement on this element of the goal in negotiations as well. Accessing finance through climate funds is a time-consuming process, and demands robust capacity in countries that, ironically, need funding to develop such capacities. Apart from procedural improvements within UNFCCC mechanisms, a call for better transparency of bilateral climate finance provision and reporting is also needed.[21] Improving access also involves requiring providers to report and account for climate finance in uniform ways, to improve accountability and tracking of flows.

CONTRIBUTOR BASE — POLLUTERS MUST DELIVER

The question of how much money the NCQG should encompass is closely linked to who will provide it — the contributor base of the new goal. The developing country view holds that it is the obligation of developed countries to provide the money that will be considered under NCQG, in line with their existing obligations under the UNFCCC and Paris Agreement.

While no formal definition of 'developed' countries exists in either of these treaties, it is understood that the countries listed in Annex II of the UNFCCC are the developed nations who are obligated to provide climate finance. This is to acknowledge the historical responsibility of the Global North in achieving their 'developed' status and growth at the cost of the global climate crisis.

Within negotiations for the new finance goal, developed countries argue the need to include more countries in the list of contributors to reflect new economic realities; developing countries state that the NCQG must not add on to their responsibilities, and to discuss an expansion of the term 'developed' (essentially Annex II countries) entails a discussion of the applicability of the Paris Agreement itself.

This is premised on the legal mandate of the NCQG as written in the two landmark climate treaties:

- Article 9.1 of the Paris Agreement: "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."

- Article 9.2 of the Paris Agreement: "Other Parties are encouraged to provide or continue to provide such support voluntarily."

- Article 9.3 of the Paris Agreement: Developed country Parties should continue to take the lead in mobilizing climate finance... and such mobilisation should represent a progression beyond previous efforts.

As can be seen from the above excerpts, it is written into the Paris Agreement that developed countries have an obligation to provide, and take the lead in mobilizing climate finance to assist developing countries. And, that developing countries are encouraged to provide support, but voluntarily. This is what developing country negotiators are referring to when they say that discussing the expansion/change to the contributor base is akin to opening up the very interpretation of the Paris Agreement itself.

Experts who have been tracking the negotiations for decades have also opined that when developed countries ask developing countries to be added to the list of contributors, it contradicts the legal basis of the Paris Agreement. This is because once voluntary contributions are quantified — such as being given a target under the New Collective Quantified Goal (NCQG) — they are no longer voluntary.

The expansion of the contributor base cannot be raised now, given the NCQG timeline, urgency and need for finance, and mounting climate impacts — that are worse for the Global South. Raising this issue as a response to developing countries' quantum proposals is a strategic distraction at best, and a shirking of responsibility by the Global North. Moreover, the two proposals put forth by Switzerland and Canada do not account for cumulative emissions, erasing historical responsibility from the equation completely — this is an unacceptable omission.

What are the proposals on the table?

While developed countries have not engaged on the proposals on quantum put forth by the developing blocs, they have been pushing for the expansion of the contributor base. So far, specific criteria for assessing which countries must be included as contributors for the NCQG have been put forward by Switzerland and Canada (See Annexure A).

Apart from advocating for expansion-basis criteria, developed country negotiators and other experts have suggested the need to increase transparency and improve reporting of climate finance contributions by developing countries as part of the contributor base question. Ireland's environment minister, appointed as co-lead of negotiations for COP29, has called for increased reporting by China as a way to improve traceability of climate finance being provided in and by the Global South.[26]

The UK-based think tank ODI has also stated that the NCQG offers an opportunity to recognise 'South-South' cooperation by increasing the reporting of voluntary contributions from developing countries. Between 2013 and 2022, China has voluntarily provided up to US $45 billion for climate action in developing countries, amounting to about 6 per cent of the total climate finance from developed countries in the same 10-year period.[27] In 2023, the United Arab Emirates (UAE) voluntarily pledged US $100 million to the Loss and Damage Fund at COP28.

These are suggestions to expand the contributor base while maintaining the distinctions between 'developed' and 'developing' countries, with different responsibilities for each, often referred to as the 'burden sharing mechanisms' needed within the NCQG.[28]

WHEN IS THE RIGHT TIME TO ASK THE CONTRIBUTOR BASE QUESTION?

While it is certainly true that the Annexes to the Convention are not frozen in time, timing and intent of overhauling them must be carefully considered. In the case of the NCQG negotiations, the following considerations are necessary to fairly ask the contributor base question. Any such expansion can be agreed upon via a multilateral process that can commence in 2025, and which does not withhold the operationalisation of the NCQG.

Legality of expansion: Since the current list of contributors is considered the developed nations of Annex II of the UNFCCC, expansion entails a re-negotiation of the Annexes of the Convention itself. Legal experts and some developing country groups (such as the Arab Group and African Group) have repeatedly stated in NCQG negotiations that having such a discussion is essentially about the re-interpretation of the UNFCCC and Paris Agreement itself. Given the timeline of deciding on the NCQG and understanding that the obligation of developed countries to provide finance is the premise of the new goal, opening such a discussion risks derailing the negotiations entirely.

Other groups such as Legal Response International have pointed out an intentional flexibility in the Paris Agreement: "considering the ambiguity in the application of Article 9.1, it should be read in the context of the Paris Agreement's approach to differentiation, which supports a broader and more flexible construction of Article 9.1. The Paris Agreement has a more nuanced approach to differentiation than the Convention — it does not define "developed country Parties" or "developing country Parties", nor does it support a static placement of Parties into Annexes. Rather, the Paris Agreement is intentionally flexible and recognises that the national circumstances of Parties will change and evolve over time."

However, this flexibility was designed to allow developing countries to move to a higher mitigation ambition over time without needing to "graduate" from one category to another.[29] And this is what developing countries need finance for — to take on a higher mitigation ambition — and which the NCQG is designed to provide. Given the existing barriers to accessing finance under the flawed international financial architecture, and the need for deciding the NCQG urgently to enable climate ambition, opening up this debate now can be seen primarily as an attempt by the Global North to dilute its responsibilities.

Rules-based system for the future: The world has changed since 1992. However, while the need to reflect changing socio-economic realities on the international climate stage is important, we argue that the scope of such an effort should be far beyond the current NCQG outcome to be determined at COP29 and should not stall the flow of funds from 2025 onwards to developing countries. Any expansion of the contributor base must be multilaterally negotiated via a parallel process, resulting in a set of rules or criteria that has a clear buy-in from Global South.

- A work programme supported by the UNFCCC Standing Committee on Finance can be initiated at COP29 to continue for a period of two years, and thereafter inform the first review of the NCQG (preferably within a five-year timeframe) in 2029.

- Learnings can be taken from existing methodologies such as the LDC graduation process[30] which is governed by the UN ECOSOC.

- Criteria must attempt to include:
    - o Indicators of historical cumulative greenhouse gas emissions
    - o Indicators of current emissions, both cumulative and per capita
    - o Indicators of socioeconomic status such as GDP, GNI and/or UN HDI, both absolute and on a per capita basis where applicable
    - o Indicators of climate vulnerability
    - o Due consideration of the 'disenabling environment' or the systemic imbalances in the global financial architecture such as subjective credit risk assessments and cost of capital, external debt burdens, and illicit financial flows.

AN AMBITIOUS OUTCOME AT COP29

- The quantum provided by developed countries must be new and additional above their existing aid commitments.
- NCQG must prioritise international public finance in the form of grants and highly concessional loans. The goal must have a larger 'provision' component and a private mobilisation component only to support — not lead — the operationalisation of the NCQG.
- It must be decided for the five-year period of 2025-2029 first, in line with the NDC updates, and revised thereafter to reflect the growing needs and priorities of developing countries.
- The question of expanding the contributor base cannot be resolved within the timeline of COP29 and must not stall the flow of funds due to developing countries, 2025 onwards. The legal obligation of developed countries to provide financial resources to developing countries must be the premise of the NCQG.
- Thematic sub-goals for mitigation, adaptation and loss and damage should be included in the goal.
- Finally, the NCQG must also explicitly acknowledge the 'disenabling environment' of the global financial system that the Global South faces.

An ambitious outcome for the NCQG is crucial to help developing countries to meet their climate and development goals in this decade. Climate ambition cannot be demanded from the Global South without the financing needed to enable it. Moreover, past non-delivery of climate finance commitments have eroded trust in the multilateral process. The NCQG provides a vital window to course-correct this and promote global cooperation towards achieving the Paris Agreement's goals. This is one of the last opportunities for the Global North to show courage and leadership, and pay their fair share.

ANNEXURE A

CRITERIA PROPOSED BY SWITZERLAND FOR EXPANSION OF THE CONTRIBUTOR BASE[24]

To mobilise finance from developed country Parties and Parties which:

- "are among the 10 largest current emitters and have a purchasing power parity adjusted gross national income per capita of more than US $22,000, and/or

- have cumulative past and current emissions per capita of at least 250 tCO_2eq and a purchasing power parity adjusted gross national income per capita of more than US $40,000"

To illustrate this, CSE has applied the first criteria to GNI per capita PPP data from the World Bank and CO_2 emissions data from Our World in Data, and come up with a list of 'donor countries' (*see Table 4*).

Table 4: Countries, their annual emissions and purchasing power parity adjusted gross national income (per capita), 2022

Country	Annual CO_2 emissions (in tonne), 2022	GNI per capita, PPP, 2022
China	11,396,777,000	22,360
United States	5,057,303,600	77,790
India	2,829,644,300	9,070
Russia	1,652,177,300	40,110
Japan	1,053,797,800	49,980
Indonesia	728,883,260	14,050
Iran	690,635,260	16,570
Germany	665,604,700	69,210
Saudi Arabia	662,549,400	54,720
South Korea	600,999,360	52,380

Note: India, Indonesia and Iran do not get included due to lower GNI per capita, PPP

CRITERIA PROPOSED BY CANADA FOR EXPANSION OF THE CONTRIBUTOR BASE[25]

To mobilise finance from developed country Parties and Parties which:

- "have GNI per capita above US $52,000 (PPP) or

- are top 10 emitters based on cumulative GHG emissions with US $20,000 GNI per capita (PPP)"

To illustrate this, CSE has applied the first criteria to GNI per capita PPP data from the World Bank and CO_2 emissions data from Our World in Data, and come up with a list of 'donor countries' (*see Table 5*). *Table 6* gives the list that emerges once the second criteria is applied.

Table 5: Countries — GNI per capita PPP

Country	GNI, per capita, PPP, (current international $) 2023
Norway	108,790
Singapore	118,710
Luxembourg	98,490
Ireland	98,650
Switzerland	90,080
Brunei Darussalam	87,550
Denmark	79,390
United Arab Emirates	83750
United States	82,190
Netherlands	77,750
Iceland	79,290
Hong Kong SAR, China	77,880
Sweden	72,990
Austria	73,520
Belgium	71,990
Germany	72,110
Kuwait	67,730
Finland	64,940
Australia	66,260
Canada	60,700
France	62,130
Bahrain	60,090
United Kingdom	58,140

Country	GNI, per capita, PPP, (current international $) 2023
Italy	58,650
Saudi Arabia	55,290
Malta	56,880
Korea, Rep.	55,040

Table 6: Countries, cumulative emissions and GNI per capita PPP (2022 and 2023)

Country	Cumulative emissions (in billion tonne)	GNI per capita, PPP, 2023 (current international $)
United States	426.91	82,190
China	260.62	24,380
Russia	119.29	43,510
Germany	93.99	72,110
United Kingdom	78.83	58,140
Japan	67.73	52,640
India	59.74	10,030
France	39.4	62,130
Canada	34.61	60,700
Ukraine	30.96	18,560

Note: In this scenario, India and Ukraine are not included because their GNI per capita PPP is below US $20,000.

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The New Collective Quantified Goal (NCQG) on climate finance is the central issue at COP 29. This position paper offers an overview of the NCQG proceedings to date and maps the positions of various country groups at the UNFCCC. It also outlines the essential principles for achieving a successful outcome at this 'finance COP'. An ambitious outcome on the NCQG is crucial to help developing countries meet their climate and development goals in this decade. Climate ambition cannot be demanded from the Global South without the financing needed to enable it. In an atmosphere where trust is eroded in the multilateral process, the NCQG is one of the last opportunities for the Global North to course-correct, show courage, and pay their fair share.

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