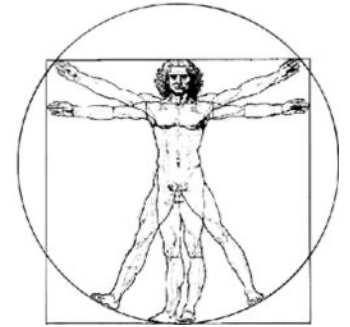


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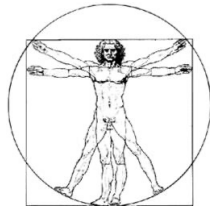
Finding common ground on the New Collective Quantified Goal on Climate Finance

Axel Michaelowa

Research Director, Perspectives Climate Research

www.ecbi.org

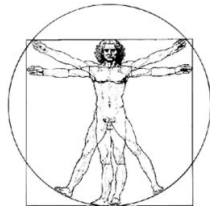
Outline



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- Overview of the NCQG deliberations process
- Elements to determine the NCQG
- Overview of Party priorities and areas of contention
- Proposal for structuring the NCQG

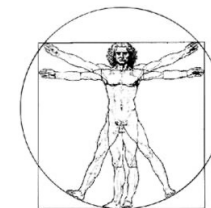
Overview of the NCQG deliberations process



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- Deliberations on the New Collective Quantified Goal (NCQG) on climate finance started in 2022 and are **set to conclude at COP 29 in Baku** (decision 9/CMA.3).
- **Ad Hoc Work Programme** launched at COP 26 including submissions by Parties and observers, Technical Expert Dialogues (TEDs) and High-Level Ministerial Dialogues to support the decision on the NCQG.
 - Support technical information gathering and provide political guidance
- COP28 (decision 8/CMA.5) secured a **procedural outcome** for discussions in 2024
 - Considerable divergence on substantive matters by Parties.
- Significant effort required between now and COP29 to work towards agreement on key elements of the NCQG.
 - Still in **preparatory stages** of the development of a **substantive framework** for a **draft negotiating text**

Elements to determine the NCQG



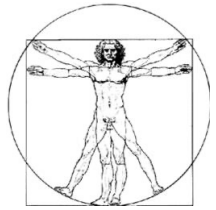
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Options identified in the TEDs

Structure		
Temporal scope		
Quantum		
Approach	Structure	
Mobilization and provision of financial sources		
Potential sources of finance	Relationship with Art 2.1 (c)	
Quality		
Transparency arrangements		
Modality	Frequency of reporting	Party-driven periodic revision

Source: UNFCCC (2024)

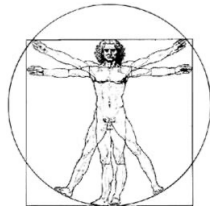
Overview of Party priorities



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- Approaching the **structure** of the NCQG
 - Multi-layered structure incl. various **contributors, sources, and instruments** vs structured by **thematic sub-goals** mitigation, adaptation and loss and damage response
- **Temporal scope**
 - **Short time frame** with a five-year cycle for the goal vs **medium time frame** with a 10-year cycle vs a **long-time frame** to align with efforts to reach net zero targets.
- Potential **sources** of finance
 - **Expanding the contributor base** beyond developed countries vs **developed countries bear primary responsibility** for providing and mobilizing climate finance vs including **innovative instruments**

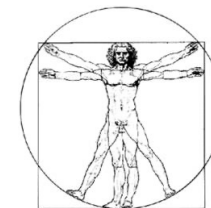
Overview of Party priorities



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- Relationship between Article 9 and Article 2.1c in the context of the NCQG
 - Limited to Parties of the Paris Agreement vs mobilising finance from various sources incl. **public, private, domestic, international** Quality of climate finance
 - Instruments used e.g, **grants vs loans** and debt sustainability; enhancing **access and predictability** of finance; **effectiveness and impacts** of climate finance
- Transparency arrangements
 - Need for a harmonized climate finance definition
 - Using existing transparency frameworks and mechanisms under the Paris Agreement such as the Enhanced Transparency Framework (ETF).
 - **Standing Committee on Finance (SCF)** to monitor progress on the NCQG vs **setting up an additional body** to assess and inform progress on the goal.

Proposal for structuring the NCQG (I/4)

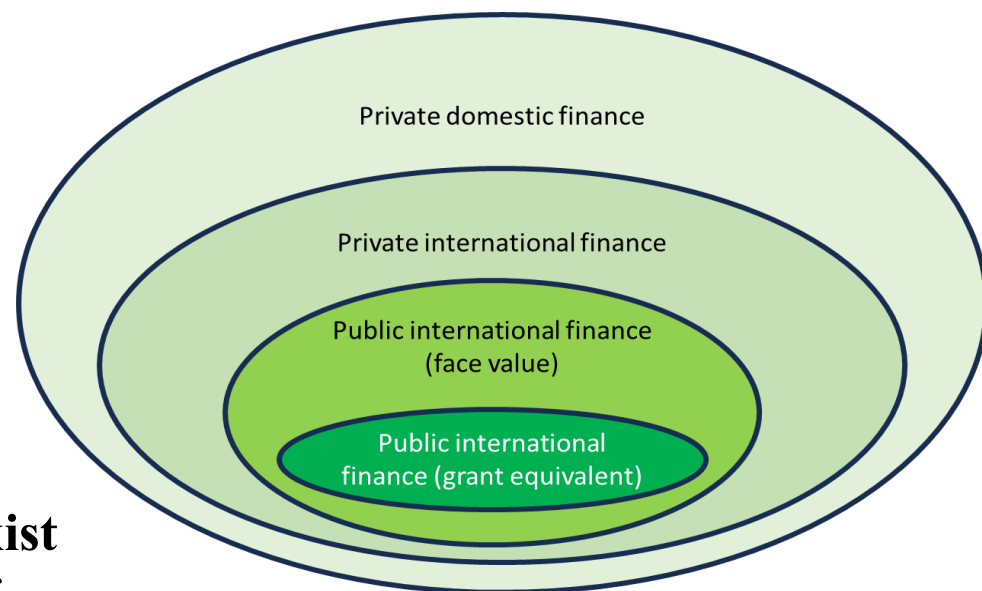


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- According to **sources, types and instruments** of finance:
 - 1) Public international funding in **grant equivalent**
 - 2) Other public international funding at **face value**
 - 3) Private international finance (transboundary flows),
 - 4) Private domestic finance

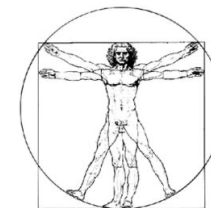
Pros:

- Allows all **current (operational) definitions of climate finance to coexist**
- Addresses **concerns on the quality of finance**



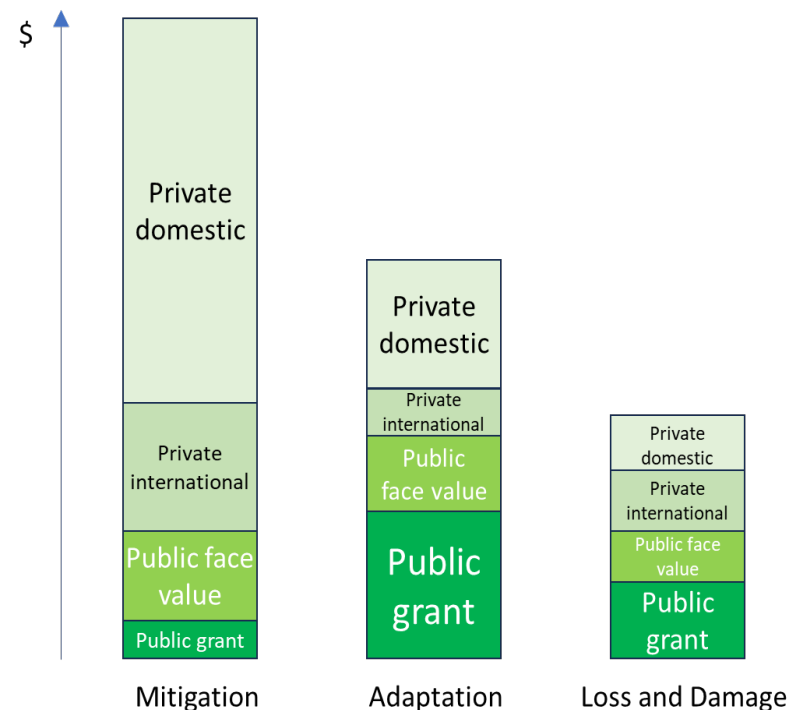
See also: [Michaelowa \(2022\)](#)

Proposal for structuring the NCQG (2/4)



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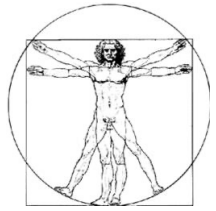
- Allocation to the **three climate action types**:
 - 1) Mitigation
 - 2) Adaptation
 - 3) Loss & damage
- Each action type should have **differing shares of the different climate finance types**:
 - E.g. more public grant finance for (non-revenue generating) adaptation and loss and damage action



Pros:

- Allows for **modular negotiation** of the elements of the NCQG
- **Opportunities for compromise - enables tradeoffs** between different elements
- Can decrease divergence on expanding the contributor base and **encourage voluntary contributions**

Proposal for structuring the NCQG (3/4)



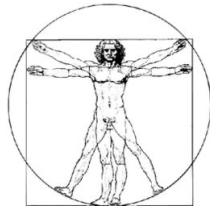
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Example 1: A goal on **public sector grant finance for adaptation**

- Politically feasible
- Decision 1/CMA.3, para 18, urged the developed country Parties to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025
- Decision 1/CMA.5 recognized that adaptation finance will have to be **significantly scaled up beyond the doubling** as per Decision 1/CMA.3, para 18 (...) **considering the need for public and grant-based resources for adaptation** and exploring the potential of other sources.
- Important element in the **operationalization of the Global Goal on Adaptation (GGA)** in Article 7 of the Paris Agreement.

See also: [OCP and ECBI \(2022\)](#)

Proposal for structuring the NCQG (4/4)

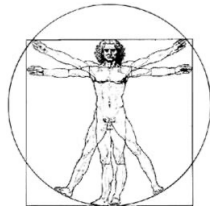


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Example 2: **Private sector** international finance

- Incl. **voluntary carbon market (VCM) investments and credit acquisitions** as part of **transboundary flows**
 - Including fees/shares of proceeds levied on transactions in international carbon markets, including voluntary ones
- Private sector players already **harnessing “mitigation contributions” abroad.**

See also: [Ahonen et al. \(2023\)](#); [OCP and ECBI \(2023\)](#)



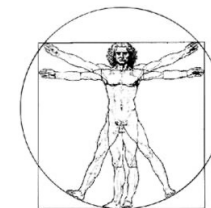
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Thank you for your attention

Axel Michaelowa, Research Director
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The Climate Solidarity Alliance: What and how?



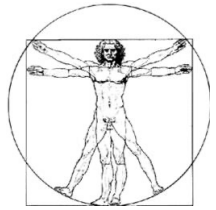
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The *Climate Solidarity Alliance* (CSA) proposal is to establish an alliance of (national and sub-national) actors that are able and willing to introduce a *Climate Solidarity Levy* (CSL) earmarked as an innovative source of funding for responding to loss and damage from adverse climate impacts, in particular through the new multilateral Loss & Damage Fund (L&DF).

The proposal envisages a number of possible CSL, collected at the national or sub-national level. Their key characteristics are being: (i) easily collectable and (ii) earmarked for loss and damage. The paradigm example is an air ticket charge, akin to the French *solidarity tax on airplane tickets* of 2006. It is envisaged that the CSLs be used both domestically and to contribute to the L&DF, according to distribution formula (to be agreed between the CSA members) which could set limits on domestic use and introduce an L&DF solidarity pay-back multiplier for certain contributors.

Our approach to establishing a CSA is to complement other initiatives looking into potential innovative global sources (taxes/levies) such as the new global taxation taskforce for climate action and sustainable development, launched at COP 28 and co-chaired by Barbados, France and Kenya, by acting now, voluntarily, without the need of a multilateral agreement.





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From: Ali D Mohamed

Date: Tuesday, 4 June 2024 at 14:10

To: Benito Mueller

Subject: Re: Change of name - Taxation Taskforce

Dear Benito

Building on your guidance and examples, the Co-chairs - France, Barbados, and Kenya -, at the request of many members, the name of the taskforce has been agreed to change to **Global Solidarity Levies Taskforce on innovative climate financing**.

The name has to be adopted formally by the whole in our next meeting in July, but I believe it will remain as agreed/proposed by the co-chairs

Best regards

Ali D Mohamed

Special Envoy for Climate Change

Executive Office of the President

Nairobi, Kenya