



Climate Action Network (CAN) submission on the New Collective Quantified Goal (NCQG)

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Climate Action Network (CAN) is a global network of more than 1,900 civil society organisations in over 130 countries driving collective and sustainable action to fight the climate crisis and to achieve social and racial justice.

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Executive Summary¹

The world is already facing lethal temperature increases, which threaten to become unspeakably worse, and those who have contributed least to the crisis are suffering the most. To limit global warming to 1.5°C and achieve the other goals of the Paris Agreement and the COP28 Global Stocktake, it is essential that developed countries pay up for climate action.

A new climate finance goal is needed for climate action in developing countries, which must be based on at least \$1 trillion a year in grants and grant-equivalent finance. Fortunately, it is possible to find the public finance for a fair transition — developed countries can raise trillions for climate finance and other imperatives, through shifting public money away from fossil fuels and other harmful activities, making rich polluters and profiteers pay, and helping to transform an unfair finance system.

Time is of the essence and the world is watching.

The following elements and issues, presented in this submission, represent the essential criteria for judging whether the New Collective Quantified Goal (NCQG) is fit for purpose, according to the Climate Action Network (CAN), the world's largest network of NGOs working on climate issues. These are elements that must be secured and issues that must be managed in the next few months — either at the eleventh technical expert dialogue (TED), the third meeting under the ad hoc work programme, Ministerial events, the pre-COP and other preparatory meetings, and/or COP29.

1. **Quantitative elements:** CAN is concentrating on the **public finance provision element**, within the wider mobilization goal, as the most important part of the quantum. Based on a recent review of the current needs determination literature, which is recognized to be underestimating needs in various important respects, CAN expects the NCQG to set a public finance provision quantum of a minimum of \$1 trillion per year in grants and grant-equivalent terms from developed to developing countries, to cover mitigation, adaptation, and loss and damage (L&D) as part of inclusive just transition pathways, in the context of a larger accumulating climate debt.
2. **Sources for enhancing provision:** **Developed countries can raise trillions in public finance for climate action** (including via the NCQG) and other needs, at home and around the world — with measures toward tax justice and the redirection of public finance. The NCQG must recognise the principle of **tax justice and the polluter pays principle** within the frame of **equity and common but differentiated responsibilities in light of respective capacities** (CBDR-RC). Operationalizing this, the NCQG must call on developed countries to take the lead in introducing taxes on polluters and profiteers, to ensure that the costs of climate change are borne by those with the greatest capacities as well as the most responsibility for causing it. This includes wealth taxes, on the rich

¹ Natural Resources Defense Council has bylined this submission. “NRDC supports transformative climate finance for communities around the world that have done the least to cause the climate crisis yet are bearing the inequitable brunt of its impacts; however, it notes this policy does not fully reflect its perspectives”.

and ultra-rich, and other progressive taxation. This also includes taxing companies in high-emitting sectors, such as the fossil fuel industry and the military industry, and redirecting excess profits. Developed countries must also redirect their existing public spending and subsidies for fossil fuels and other high-emissions and harmful activities.

3. **Qualitative elements:** CAN calls for a high-quality NCQG based on **strong qualitative features**, stating clear principles and operationalizing these as appropriate, including on equity and common but differentiated responsibilities in light of respective capabilities; predictability; adequacy; just transitions; human rights, Indigenous Peoples' rights and informed consent and gender equality; access and accessibility; responsiveness to marginalized communities and groups; additionality; affordability and non-exacerbation of debt challenges; science- and evidence-based approaches; integrity, especially ruling out climate finance for false solutions (such as fossil gas) and dangerous distractions (such as carbon offsets); prioritizing UN-based funds; transparency and accountability; and more.
4. **Transparency and accountability:** Transparency and accountability, as a core principle for the NCQG, must see a **basis for operationalisation under the NCQG decision**. A clear definition of climate finance is essential for transparency and accountability, and a process must be initiated to develop one, addressing issues including integrity and greenwashing, as well as additionality relative to development assistance commitments such as the 0.7% GNI goal. Moreover, a fit-for-purpose Enhanced Transparency Framework (ETF) is key to ensure that the NCQG has clear mechanisms to track delivery of climate finance on a regular basis, adding a formal category for reporting loss and damage, and requiring the tracking of the grant equivalent of finance. Other necessary elements include avoiding double-counting of finance; ensuring any "arrears" are covered; enhancing transparency on information needed for strong qualitative elements; establishing burden-sharing frameworks; and annual updates under the United Nations Framework Convention on Climate Change (UNFCCC) on NCQG delivery.
5. **Structure:** CAN is calling for a structure with the following :
 - **A public finance provision inner goal, measured in grant-equivalent terms**, as the core of the wider (mandated) mobilization goal. Amid a historic debt crisis, to rebuild trust through clarity and to address the current perverse incentive for developed countries to over-prioritize loans and non-concessional public finance, a public finance provision measured in grants equivalent is essential.
 - **Thematic subgoals for mitigation, adaptation, and loss & damage** must be established in the NCQG, with targets for provision of public finance for each — to address the current imbalance in finance provision for adaptation and loss & damage, to rebuild trust and to deliver all the climate action required.
6. **Timeframes and revision:** CAN is calling for a **cyclical NCQG under 5-year timeframes**, with periodic review under the GST and regular upward ratcheting of NCQG ambition aligned with the NDC cycle, taking into account the evolving needs of developing

countries, consistent with the wider 5-year ambition mechanism of the Paris Agreement. Within these cycles, annual monitoring under the UNFCCC of NCQG delivery is required, along with shorter time-frame reports (such as the Biennial Transparency Report (BTR), the Biennial Assessment of Climate Finance Flows (BA), or Needs Development Report (NDR)) which provide spaces for increased accountability amid a clear pathway for the scale-up of finance with near-term targets.

- 7. Managing the “contributor base” debate:** Developed countries must fulfill their obligations under the UNFCCC and Paris Agreement in terms of providing the means of implementation for developing countries to address climate change, in line with the principles of equity and CBDR-RC. Those other countries who have the capacity to do so should make voluntary contributions in line with Article 9.2 of the Paris Agreement.² Under such arrangements, the Quantified Goal of the NCQG must be for climate finance from developed countries since these are the only countries with an incontrovertible legal obligation to be contributors. Following adoption of the first NCQG at COP29, further processes can build consensus on the expectations for contributions from individual countries and on criteria for how such expectations may evolve dynamically according to key criteria based on the principle of CBDR-RC.

8. Overlap with Article 2.1c:

- **Wider finance systems transformation is essential to delivering the Paris Agreement.** The current financial system is not fit for purpose and deepens inequality, creating a net-outflow to the Global North, and undermining the space for climate action in the Global South. CAN recalls its seven principles for finance system transformation³: (1) Challenging economic imbalances; (2) Democratising and decolonising governance; (3) Debt justice; (4) Tax justice; (5) Phasing out finance for fossils and harmful activities; (6) Justice and access in finance; and (7) At-scale increases in international grant- based and concessional public finance from Global North to Global South.
- The NCQG may be understood as part of finance system transformation, in assuring a framework for predictable transfer of public climate finance to the Global South from the Global North. The Sharm el-Sheikh Dialogue and any future Work Programmes on Article 2.1c (“making finance flows consistent”) are the space to advance the other parts of finance system transformation, and must take into account the above to ensure an equitable approach. While the Quantified Goal is for provision of public grants-based and concessional finance from developed countries to developing countries, the wider NCQG decision can establish important linkages to the wider finance system transformation agenda and further processes to take it forward.

² Although contributions may be voluntary, these must be subject to the same qualitative standards of climate finance as developed countries, to ensure quality — see the section above on qualitative considerations and in particular the importance of having a definition of climate finance.

³ See original announcement here: [7 Joint Principles for Finance Systems Transformation](#)

Quantum for provision: An adequate public finance core within the mobilization goal

Summary:

CAN is concentrating on the public finance provision element, within the wider mobilization goal, as the most important part of the quantum. Based on a recent review of the current needs determination literature, which is recognized to be underestimating needs in various important respects, CAN expects the NCQG to set a public finance provision quantum of a minimum of \$1 trillion per year in grants and grant-equivalent terms from developed to developing countries, to cover mitigation, adaptation, and loss and damage as part of inclusive just transition pathways, in the context of a larger accumulating climate debt.

- **Prioritizing the public finance quantum.** The mandate for the NCQG is a mobilization goal — if understood the same way as the \$100bn mobilization goal, the NCQG mobilization goal would include both public finance and the private finance which is mobilized by public finance. However, in this submission CAN is not taking a position on the mobilization of private finance or on the quantum for the overall NCQG goal. Instead, CAN is focusing on the adequacy of the ambition of the provision aspect within mobilization. Specifically, CAN emphasizes the importance of grants-based and highly concessional public finance, noting that it should constitute the core of the NCQG and be prioritized as the most critical component of the quantum to get right. Public finance provided must be measured in grant-equivalent terms to avoid perverse incentives to overly prioritize loans and loans at non-concessional rates. This is to avoid repeating the mistakes of the \$100bn, where the majority of the public finance provided was loans, of which non-concessional loans were a large part. For instance, in 2020 the majority of public finance loans were not even provided at concessional rates.⁴
- Based on a review⁵ of the current needs determination literature, which is recognized to be underestimating needs in various important respects, CAN expects the NCQG to establish a provision quantum of at least \$1 trillion per year from developed to developing countries on a grant-equivalent basis, to comprise mainly grants, and with subgoals for mitigation, adaptation, and loss and damage. Currently, \$1 trillion represents approximately 2% of the combined annual GDP of the developed countries (per Annex II of the UNFCCC).
- The \$1 trillion minimum reflects thematic needs assessment literature across three areas, which suggests that developing countries' international climate finance needs could be at least \$400bn for loss and damage, at least \$300bn for adaptation, and at

⁴ See: Zagma, B., Kowalzig, J., Walsh, L., Hattle, A., Roy, C., Dejgaard, H. P. (2023). Climate Finance Shadow Report 2023: Assessing the delivery of the \$100 billion commitment. Oxfam.

⁵ This review was summarized in an internal CAN discussion paper.

least \$300bn for mitigation, measured in grant-equivalent terms. The current literature, however, generally underestimates the actual needs in a few key respects, notably regarding the costs of inclusive just transition pathways.⁶

- This \$1 trillion minimum, in grant and grant-equivalent finance, is a provisional figure based on a recent review of the currently available literature on needs assessment, undertaken within CAN. CAN may revise this minimum expectation upward as needed, particularly in light of the upcoming Second Needs Determination Report.
- As an important moral framing, CAN recalls the ethical responsibility of the Global North to repay a wider cumulative climate debt that it is incurring to the Global South, as a result of historic legacies and ongoing practices of unfair atmospheric carbon budget appropriation as well as failures to pay climate finance, among other issues. Research suggests⁷ that the Global North could be incurring over \$100 trillion in climate debt to the Global South by 2050, although the full debt is arguably incalculable — as it is fundamentally difficult to put a price on the loss of a life, of a way of life, or of a community.⁸ ⁹ In view of this, CAN stands in full solidarity with the rights-based NGO constituencies¹⁰ of the UNFCCC who are united in calling on the Global North to pay up at least \$5 trillion per year from the Global North to the Global South as annualized reparatory payments against the wider climate debt being incurred. This climate debt repayment demand is a critical barometer which should be considered as framing for any conversations on the NCQG.

⁶ These figures are minimum amounts required for each thematic area based on needs, and it would be inappropriate to apply a 40-30-30 percentage split to a sum below \$1 trillion. As useful starting points in the literature for each thematic area, see Markandya and Gonzalez-Equino (2019) on loss and damage, UNEP Adaptation Gap Report (2023) on adaptation, and IEA Net Zero Roadmap (2023) on mitigation. CAN's figures for thematic support needs are based on a technical exchange on the literature on needs assessment, looking at a variety of publications pertaining to each of the three thematic areas, applying assumptions about which costs should be borne by developed countries and what levels of grant equivalence would be appropriate, for each area. Specifically, it is assumed that loss and damage and adaptation must be financed by grants and not loans, and mitigation necessitates provision of grants as well as affordable concessional finance for developing countries. It is also assumed that developing countries should generally not have to shoulder the costs of coping with impacts from historic climate change for which they are essentially not responsible, but that there is an economic logic, unrelated to climate change, to developing countries taking on some of the investment cost in mitigation-aligned areas such as energy transition.

⁷ See Fanning and Hickel (2023)

⁸ Van Schie, D., Jackson, G., Candelon, P., Ayeb-Karlsson, S., Bakhtiari, F., Boyd, E., ... & Wilson, B. (2023). "Underemphasised and undervalued": ways forward for non-economic loss and damage within the UNFCCC.

⁹ Jacobsen, M., Jensen, J., and Sharma, S. (2023). Policy Paper - Loss and Damage. CARE Denmark and Danish Red Cross

¹⁰ See the statement of the Women and Gender Constituency here:

<https://womensgenderclimate.org/its-time-for-wealthy-countries-to-payup/#:~:text=To%20begin%20addressing%20this%20climate,Global%20South%20in%20public%20finance.>

Sources for enhancing provision: Tax justice and redirection of finance

Summary: Developed countries can raise trillions in public finance for climate action (including via the NCQG) and other needs, at home and around the world — with measures toward tax justice and the redirection of public finance. The NCQG must recognise the principle of tax justice and the polluter pays principle within the frame of equity and CBDR-RC. Operationalizing this, the NCQG must call on developed countries to take the lead in shifting finance away from and introducing taxes on polluters and profiteers, to ensure that the costs of climate change are borne by those with the greatest capacities as well as the most responsibility for causing it. This includes (1) wealth taxes, on the rich and ultra-rich, and other progressive taxation. This also includes (2) taxing companies in high-emitting sectors, such as the fossil fuel industry and the military industry, and redirecting excess profits. Developed countries must also (3) redirect their existing public spending and subsidies for fossil fuels and other high-emissions and harmful activities.

- Plentiful sources of finance exist for developed countries to deploy trillions in revenues to finance climate action (including via the NCQG) and other needs, at home and around the world — with measures toward tax justice and the redirection of public finance. Developed countries can reorient their existing public finances to do no harm, and pursue tax justice for new sources, to be able to provide new and additional climate finance under the NCQG.
- The NCQG must recognise the principle of tax justice and the polluter pays principle within the frame of equity and CBDR-RC, while also driving operationalization of such principles. The NCQG must recognize that there is enough money in the world to address the climate crisis, particularly if developed countries redirect public finance and look to taxation opportunities. In acknowledging that more money is flowing out of the Global South to Global North than vice-versa, not only due to the debt burden, but also due to tax avoidance and evasion of multinationals and ultra-wealthy individuals, the NCQG must recognize the role that tax justice plays to enable climate and development action in the Global South.
- To operationalize these principles, the NCQG decision has to call on developed countries to take the lead in shifting finance away from and introducing taxes on polluters and profiteers, to ensure that the costs of climate change are borne by those with the greatest capacities as well as the most responsibility for causing it.
- The operationalisation of the polluter pays principle must be done on the basis of equity, otherwise the pursuit of options by developed countries to raise public finance presents risks if it does not take into account the structural inequities at the root of chronic indebtedness of developing countries as well as inequalities within developed countries. Fiscal and trade response measures aimed at reducing emissions must not place unjust

burdens on individuals, communities, or countries which have relatively low historic responsibility for the climate crisis, but rather focus primarily on entities in developed countries that have profited the most through historical emissions.

- Developed countries should take the lead in introducing wealth taxes and progressive taxation. This includes introducing taxes on the rich and ultra-rich, as currently being explored under the G20 — efforts must be made by developed countries to tackle tax avoidance and evasion of multinationals and ultra-wealthy individuals. In general, taxes should be designed to be progressive and target wealthier individuals, and ensure that low-income members of society are not penalized. Such efforts can raise trillions to contribute to pay for international public finance support and domestic climate action and other essential social needs. A carbon wealth tax would fulfill a similar role and serve a similar purpose.
- Developed countries should take the lead in taxing companies in high-emitting sectors, such as the fossil fuel industry, arms companies, automotives, fashion, and other industries, and re-directing their excess profits. This would pay for the harm and destruction their operations cause, while contributing towards the costs of climate action in developing countries. This also includes carbon taxes and levies on fossil fuel companies' profits.
 - Climate Damages Tax (CDT) on the extraction of fossil fuels is one example of a possible new source of finance based on the polluter pays principle that has the potential to generate billions and ultimately trillions of dollars for developed countries to deploy toward international climate finance. If introduced by OECD countries alone, a CDT could generate \$900 billion by 2030, by starting in 2024 at a low initial rate of \$5 per tonne of CO₂e, increasing by \$5 per tonne each year. Such taxes should be introduced alongside plans for producers to phase-out fossil fuel production as to avoid any incentives to continue fossil fuel extraction. The bulk of the revenues could go towards finance for loss and damage climate action in developing countries, while the rest could support communities with the climate transition in countries where the tax is imposed.
 - Under no circumstances should making polluters pay result in finance for fossil fuel expansion or production, or lead to influence of the fossil fuel industry representatives over the use of proceeds.
 - Proceeds from making polluters pay should be channeled via existing UNFCCC funds such as the Green Climate Fund (GCF) and Loss and Damage Fund (LDF), rather than creating new funds outside of the UN that may face legitimacy issues.
- Developed countries must also redirect their public spending and subsidies for fossil fuels and other high-emissions and harmful sectors and activities. Ending public finance support for fossil fuels including through fiscal measures, public finance, and state-owned enterprises in Annex II G20 countries alone could raise over USD \$500 billion a year while helping fulfill the COP28 agreements to transition away from fossil

fuels and end inefficient fossil fuel subsidies.¹¹ Other downstream sectors responsible for large amounts of fossil fuel consumption, emissions and other harmful effects, should be targeted for redirection of public spending as appropriate — in particular, any military spending which supports crimes against humanity.

- Such matters of tax justice and redirecting of finance, while essential to the delivery of an ambitious NCQG, also fall within the frame of Article 2.1c. Wider international tax justice considerations, including interlinkages with the UN Tax Convention and combating global tax avoidance and evasion of multinationals and ultra-wealthy individuals, are important matters which must be addressed as part of efforts under Article 2.1c. The NCQG decision, however, can strengthen efforts under Article 2.1c within the frame of CBDR-RC — whereas this section focuses on sources for enhancing provision by developed countries, see later section on overlap with 2.1c for wider discussion.

Qualitative elements: From principles to action

Summary: CAN calls for a high-quality NCQG based on strong qualitative features, stating clear principles and operationalizing these as appropriate, including on equity and CBDR-RC; predictability; adequacy; just transitions; human rights, Indigenous Peoples' rights and gender equality; access and accessibility; responsiveness to marginalized communities and groups; additionality; affordability and non-exacerbation of debt challenges; science- and evidence-based approaches; integrity, especially ruling out climate finance for false solutions (such as fossil gas) and dangerous distractions (such as carbon offsets); prioritizing UN-based funds; transparency and accountability; and more.

The New Collective Quantified Goal must provide quality finance based on strong qualitative principles, principles which should be operationalized via operative provisions as appropriate in the NCQG decision, including but not limited to the following:

- **The NCQG should be designed following the principles of the UNFCCC, notably those on CBDR-RC, historical responsibility, and equity.** The CBDR-RC principle acknowledges the importance of justice in international climate action, ensuring that developed countries, which have the greatest financial capacities and have historically contributed the most to GHG emissions, significantly enhance predictable provision of grants-based public finance to developing countries, notably recognising the particular vulnerability of Least Developed Countries and Small Island States and others who are on the frontlines of climate change impacts.
- **The NCQG must enshrine the principle of adequacy,** which can be operationalized by

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<https://priceofoil.org/2023/06/19/open-letter-global-north-governments-can-redirect-trillions-in-fossil-debt-and-super-rich-harms-to-fix-global-crises-the-paris-summit-must-be-about-building-the-roadmap-to-do-so/>

setting an adequate quantum for public finance provision of at least \$1 trillion in grants and grant-equivalent finance (see section on quantum, above).

- **The NCQG must be based on the principle of just transitions.** It is crucial that adequate finance for necessary mitigation, adaptation, and loss and damage responses is provided in a way that ensures a just transition, supporting reliable, affordable and secure alternative livelihoods based on high-quality jobs, developed through social dialogue with workers and communities, and with the right quantity, quality and modalities to ensure the rights, prosperity, social and economic future of workers and communities, including women and other groups experiencing marginalization, across all parts of society and all sectors of the economy.¹²
- **The NCQG must take a rights-based approach,** based on rights with respect to mitigation, adaptation, and loss and damage, **while protecting, supporting, and advancing human rights and Indigenous Peoples' rights.** These include among others the right to food, water, adequate housing, workers' rights, access to information, public participation, as well as Indigenous Peoples' right to free, prior, and informed consent (FPIC), and the right to gender equality. Adopting a rights-based approach ensures that climate action does not inadvertently harm marginalized people but instead promotes their rights, well-being and resilience. Human rights principles, and related aspects such as gender-responsiveness and intergenerational justice must be operationalized throughout the goal, including in quantitative and qualitative elements.
- **NCQG must ensure access and accessibility to climate finance for developing countries but also for those on the frontline.** The NCQG must commit to increased and simplified direct access for regional and national institutions. Direct access funding routes are essential, instead of route finance via those institutions with lengthy bureaucratic access modalities which are too much of a burden on the limited institutional capacities of developing countries. Further, the NCQG should include devolving decision making to the lowest appropriate level by giving local institutions, local NGOs and communities more direct access to finance, and support the long-term development of local governance processes, capacity, and institutions through simpler access modalities and a longer term and predictable funding horizon.
- **The NCQG must deliver for marginalized communities and groups, meeting their needs and integrating their voice in decision-making.** The NCQG must prioritize support in a way that acknowledges and seeks to redress persistent and intersecting inequalities and forms of discrimination based on gender identity or sexual orientation, age, economic class, ethnicity, indigeneity or disability. The NCQG must give communities and marginalized groups a voice and agency in climate finance decision-making, which helps to ensure that climate finance is directed where it is most needed and can have the greatest impact. This entails increasing and simplifying enhanced direct access to climate finance for marginalized and disproportionately impacted people and racialized

¹² CAN TED submission on NCQG principles (2022):

https://climatenetwork.org/wp-content/uploads/2022/03/CAN-Submission_NCQG_February2022.pdf

communities, including Indigenous Peoples, women and gender-diverse groups, children and youth, older people and people with disabilities. The NCQG should incorporate a goal on delivering age, disability, and gender responsive climate finance at the scale required, ensuring that climate finance addresses the unique vulnerabilities and needs of women, children, older people and people with disabilities and supports their agency, thereby promoting inclusive and equitable climate action.

- **The NCQG must enshrine and operationalize additionality, ensuring new and additional climate finance that does not displace development finance.** Ensuring the fulfillment of climate action needs of developing countries requires ensuring there is access to climate finance that is “new and additional” to funds provided to meet existing finance commitments such as the 0.7% GNI goal for Official Development Assistance. It is important to secure financial resources specifically designated for climate action initiatives without competing with traditional development assistance objectives such as poverty, health, or education — as well as recognising that eligibility for ODA and climate finance is different and the goal must not exclude non-ODA eligible countries who are particularly vulnerable to the impacts of climate change.
- **The NCQG must be evidence-based and take into account the scientific evidence, grey literature, and local knowledge** on what the evolving needs of developing countries and climate vulnerable communities are, notably including but not limited to evidence from the Intergovernmental Panel on Climate Change (IPCC) and the Standing Committee on Finance (SCF).
- **The NCQG must demonstrate environmental integrity and must not allow for greenwashing, ruling out support for false solutions and dangerous distractions.** All climate finance, whether provided on a voluntary or non-voluntary basis, must adhere to these standards.
 - The NCQG must ensure that climate finance transactions **do not contribute to the expansion and continuation of fossil fuel production**, directing all efforts towards sustainable and climate-resilient development in line with 1.5C. Under no circumstances can finance for fossil fuel production and associated infrastructure be counted towards climate finance.
 - **Nor should climate finance go to dangerous distractions** which are expensive, speculative, a proven failure or unproven at scale and typically serve to prolong the lifetime of fossil fuel assets, including in terms of carbon capture and storage, fossil-based hydrogen, ammonia co-firing and carbon removal technologies.
 - **Carbon offsets cannot be counted as climate finance mobilized by developed countries under the NCQG.** One major issue, among other concerns, is the double counting of carbon credits (official and voluntary) as official climate finance rather than a transaction over emissions. In addition, carbon offsets are

also associated with a number of other problems.¹³

- **Current approaches to climate finance leave too much leeway for interpretation**, allowing for some problematic fossil fuel projects as well as issues with carbon offsets, including among the MDBs.
- **Affordability and not exacerbating debt; grants not loans.** This is a matter of justice, for addressing a crisis not of their making, but also a strategic consideration for achieving climate goals, since developing countries already spend more in debt servicing than they are able to spend on adaptation. Loans, moreover, may have the perverse effect of actually pushing countries to get locked into the fossil fuel economy in order for them to repay their debts.¹⁴ This means provision under the NCQG must prioritize grants first, then highly concessional finance, over non-concessional loans – with the help of grant-equivalent accounting. Developed countries should not be in the business of offering non-concessional finance as climate finance. Grants and affordable concessional finance are essential to ensure that financial support for climate action is provided in a manner that is sustainable and does not exacerbate existing economic challenges, such as debt distress. Grant-based financial support is the essential mode of finance for addressing loss and damage and adaptation and is also needed for certain aspects of mitigation, and can better assist developing countries in implementing NDCs by expanding the fiscal space for developing countries to pursue more of their own climate-related investment priorities.
- **The NCQG must not allow dangerous distractions, including debt swaps, from the wider debt cancellation and relief needed for a sustainable future in the long-term.**¹⁵ Debt swaps do not typically liberate adequate resources for climate or nature goals, nor do they provide new and additional financing to global south countries, face double-counting problems, and may undermine community participation, decision making and transparency. Measures such as debt suspension clauses may be relevant to future debt but do not address the debt crisis facing developing countries today. According to a recent study, debt service is absorbing 41.5% of budget revenues, 41.6% of spending, and 8.4% of GDP on average across 144 developing countries today.¹⁶
- **Prioritizing the appropriate UN-based institutional channels, and limiting the role of non-UN institutions.** The over-reliance on MDBs, including their usefulness and their effectiveness, is questioned due to their inability to provide necessary concessional and grant-based funding at-scale. Moreover, the MDB over-reliance on private sector finance

¹³ See CAN position against offsets for more: <https://climatenetwork.org/resource/position-on-carbon-offsetting/>

¹⁴ <https://actionaid.org/publications/2023/vicious-cycle> and https://debtjustice.org.uk/wp-content/uploads/2023/08/Debt-Fossil-Fuel-Trap-Report_2023.pdf

¹⁵ See CAN position on debt swaps:

https://climatenetwork.org/wp-content/uploads/2023/06/CAN-position-on-Debt-Swaps_May-2023.pdf

¹⁶ See:

<https://www.theguardian.com/world/article/2024/jul/21/developing-countries-face-worst-debt-crisis-in-history-study-shows>

has arguably underperformed and caused harm to communities. It would be inappropriate to include finance provided by Export Credit Agencies (ECAs) as climate finance. Equally, creating new funds outside of the UN may face legitimacy issues. Public finance should prioritize the UN-based climate funds.

- **Transparency and accountability are critical principles for the NCQG.** These principles ensure that processes for providing and mobilizing climate finance are transparent, allowing stakeholders to track the flow of funds and assess their effectiveness. Accountability mechanisms should be robust, holding all parties responsible for their commitments under the UNFCCC. All climate finance, regardless if provided on a mandatory or voluntary basis, should be held to rigorous transparency and accountability standards.

Transparency and Accountability: Improving on the \$100bn

Summary: Transparency and accountability, as a core principle for the NCQG, must see a basis for operationalisation under the NCQG decision. A clear definition of climate finance is essential for transparency and accountability, and a process must be initiated to develop one, addressing issues including integrity and greenwashing, as well as additionality relative to development assistance commitments such as the 0.7% GNI goal. Moreover, a fit-for-purpose Enhanced Transparency Framework (ETF) is key to ensure that the NCQG has clear mechanisms to track delivery of climate finance on a regular basis, adding a formal category for reporting loss and damage, and requiring the tracking of the grant equivalent of finance. Other necessary elements include avoiding double-counting of finance; ensuring any “arrears” are covered; enhancing transparency on information needed for strong qualitative elements; establishing burden-sharing frameworks; and annual updates under the UNFCCC on NCQG delivery.

- **Transparency and accountability are a crucial principle for the NCQG.** A transparent system for tracking, monitoring, and reporting progress is essential, clearly defining what counts towards the NCQG and ending double-counting. All relevant implementation information, including climate finance sources, forms and uses should be publicly accessible. The transparency and accountability principle can help build trust between developed and developing countries and effectiveness in achieving climate goals. All climate finance, regardless if provided on a mandatory or voluntary basis, should be held to rigorous transparency and accountability standards.
- **A common definition of climate finance is essential, and the NCQG decision must initiate a process toward this.** Removing the vagueness of climate finance is a key step towards ensuring that the NCQG is robust, effective and can be achieved. Clear

definitions of climate finance, additionality and reporting are essential to effectively track commitments and assess climate finance targets over specific timeframes. A common definition will also help climate finance providers understand what is expected of them. The common definition must address issues of environmental integrity and greenwashing (see prior section around fossil fuels, carbon offsets, and other dangerous distractions), and it must also address issues of additionality (see below), among a variety of other issues.

- **The NCQG necessitates a fit-for-purpose Enhanced Transparency Framework (ETF) to ensure that the NCQG has transparent and clear mechanisms to track the delivery of climate finance on a regular basis.** The common tabular formats on the transparency of climate finance that were agreed at COP26 mandate that multilateral finance ‘inflows’ and ‘outflows’ are reported in separate columns. This makes it easier to determine what the actual contributions from a reporting country to a multilateral institution are (inflows), versus a reporting country claiming an attributable share of the climate finance (outflows) from a multilateral institution. However, under the current rules, reporting climate finance in grant-equivalent terms is voluntary rather than mandatory – this should be updated to become mandatory by 2028. The ETF guidelines are due to be reviewed by Parties in 2028 after two rounds of reporting.
- **The grant equivalent of finance must be tracked and publicly reported,** by contributor governments but particularly by the most prolific loan providers, namely Multilateral Development Banks (MDBs). Grant-equivalent accounting of climate finance offers a more accurate estimation of the value of non-grant finance to recipients, by accounting for conditions such as loan repayment and interest. This entails adjustment of ETF guidelines to make grant-equivalent reporting mandatory.
- **Developed countries must ensure that they accurately track and publicly report the finance they provide to Development Finance Institutions (DFIs), Multilateral Development Banks (MDBs), and other International Financial Institutions (IFIs) outside the UNFCCC.** This should include (i) the financial instruments used by governments to provide finance to the MDB or IFI (e.g. grants or loans), as well as (ii) the financial instruments used by the MDB or IFI to disburse climate finance, including their grant-equivalence and the methods for marking projects as climate finance or specific thematic areas. These institutions are not UNFCCC institutions, but given the large role they occupy in developed countries’ provision and mobilization of climate finance, it is important to hold them to account.
- **The qualitative elements of climate finance pertaining to rights and marginalized communities must be monitored and reported for transparency and accountability (see prior section).** Both disbursements and expenditures must be tracked for qualitative information relating to the principles upon which the NCQG must be based. For example, developed countries must be called upon to provide detailed information on how their future support plans address human rights considerations, including by enhancing gender equality as well as age and disability responsiveness, while developing

countries should also enhance transparency on such issues. This is because women, children, older people, and people with disabilities are disproportionately vulnerable to the adverse impacts of climate change, facing heightened risks to their health, livelihoods, safety, and human rights, with women and diverse gender groups largely excluded from climate-finance decision-making.

- **The NCQG decision must ensure a pathway to explicit inclusion of funding delivered for addressing loss and damage under climate finance transparency arrangements, including reporting and monitoring of its provision, disbursement and implementation, requiring an urgent update to the way the ex-ante and ex-post climate finance provision is reported.** Addressing L&D is an essential pillar of the new climate finance regime, but the systems and guidelines have not yet been established to properly track flows and needs of climate finance earmarked for addressing L&D. The common tabular formats for transparency of climate finance did not include a formal category for reporting on addressing L&D. It is imperative that for all financing channels, finance to address loss and damage can be reported as a type of support.¹⁷ Doing so will help to determine the effectiveness of finance to address L&D and also ensure that gaps in the provision of loss and damage finance versus articulated needs can be identified and bridged.
- **Transparent frameworks for ensuring additionality must be developed, and the NCQG decision can establish a way forward for doing this.** Fulfilling the needs of developing countries requires ensuring access to climate finance that is “new and additional” to existing development finance under the 0.7% GNI commitment for ODA, where there is a risk of displacing traditional development finance — noting that the proposed minimum \$1 trillion in grant-equivalent finance for the provision core of the NCQG would represent roughly 2% of the annual GDP/GNI of the developed countries (per the UNFCCC’s Annex II). Percentage GNI/GDP metrics for climate finance targets are an important way to ensure additionality to percentage GNI/GDP targets in ODA (noting that though GNI and GDP figures are very close, these are not totally interchangeable).
- **Frameworks for burden-sharing among developed countries are essential, and the NCQG decision must initiate a process toward developing this.** As part of the NCQG, countries should establish a clear framework for effort sharing between developed countries, specifying the minimum amount each country should provide, taking into account factors such as the historic and present per capita GHG emissions and per capita technological, social, and economic capacities, based on the approach of common but differentiated responsibilities in light of respective capabilities.

¹⁷ CAN TED submission on NCQG principles (2022), *ibid*.

Structure: Thematic sub-goals and public provision core within mobilization

Summary: CAN is calling for a structure with the following :

- **A public finance provision inner goal, measured in grant-equivalent terms**, as the core of the wider (mandated) mobilization goal. Amid a historic debt crisis, to rebuild trust through clarity and to address the current perverse incentive for developed countries to over-prioritize loans and non-concessional public finance, a public finance provision measured in grants equivalent is essential.
 - **Thematic subgoals for mitigation, adaptation, and loss & damage** must be established in the NCQG, with targets for provision of public finance for each — to address the current imbalance in finance provision for adaptation and loss & damage, to rebuild trust and to deliver all the climate action required.
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- In order to ensure an adequate provision of affordable public finance, the NCQG must establish **a core goal on the provision of public finance from developed to developing countries, measured in grant equivalent terms**, within the wider finance mobilization goal. This is important to make clear the direct responsibilities from developed countries to developing countries, as well as for transparency and accountability. This approach helps in distinguishing between investment needs that can be met through private or public investment, and the support provision needs which necessitate grants or highly concessional finance.
 - **The NCQG must establish thematic subgoals for mitigation, adaptation, and the addressing of loss and damage**, while taking into account cross-cutting aspects of justice and just transitions as well as nature and biodiversity. These subgoals are vital to address the current imbalance in finance provision for adaptation and loss & damage, build trust, and deliver all the climate action needed. The NCQG must clearly differentiate between public finance provision and wider finance mobilization within each thematic area.¹⁸ It is crucial to consider the specific financial needs across mitigation, adaptation, and addressing loss and damage as key thematic areas of priority for developing countries when aiming to genuinely *"take into account the needs and priorities of developing countries"*.

Timeframes and Revision: A 5-year cyclicality

Summary: CAN is calling for a cyclical NCQG under 5-year timeframes, with periodic review under the GST and regular upward ratcheting of NCQG ambition aligned with the NDC cycle, taking into account the evolving needs of developing countries, consistent with the wider 5-year ambition mechanism of the Paris Agreement. Within these cycles, annual monitoring under the UNFCCC of NCQG delivery is required, along with shorter time-frame reports (such as the Biennial Transparency Report (BTR), the Biennial Assessment of Climate Finance Flows (BA), or Needs Development Report (NDR)) which provide spaces for increased accountability amid a clear pathway for the scale-up of finance with near-term targets.

- **It is crucial that the NCQG establishes a mechanism for annual monitoring, five-yearly review under the GST, and five-yearly upward adjustment of the NCQG as appropriate, to be shaped by the evolving needs of developing countries and climate vulnerable communities and by the scientific and other evidence, including - not limited to - the findings of the IPCC.**¹⁹ The NCQG must be reviewed inline with other areas of climate action and be part of the wider mechanism for ratcheting up ambition under the Paris Agreement.
- **The COP29 NCQG decision must include a clear process for periodic review and dynamic adjustment of the Goal, aligned with the 5-year Paris Agreement GST/NDC cycle, which would mean that the NCQG must be reviewed and adjusted every five years.**²⁰ This is essential in order to ensure accountability, fairness and equity in the ratcheting up of climate finance ambition.
- **As demonstrated in the 2023 iteration, the Global Stock Take (GST) is a logical place for aggregating and generating input for revising and adjusting the NCQG and for quantifications of needs to be reviewed and updated, since the GST seeks to review all areas of implementation of the goals of the Paris Agreement.**
- **Shorter time-frame reports will help to provide space for increased accountability and a clear pathway for the scale-up and improved mechanisms to ensure delivery.** These include the Biennial Transparency Report (BTR), the Biennial Assessment of Climate Finance Flows (BA) or the quadrennial Needs Development Report (NDR).

¹⁹ CAN TED submission on NCQG principles (2022) :

<https://climatenetwork.org/resource/can-submission-on-new-collective-quantified-goal-working-towards-a-equitable-new-global-goal-on-climate-finance-august-2022/>

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<https://climatenetwork.org/resource/cop28-annual-policy-document-toward-systems-transformation-for-a-just-and-equitable-future/>

The “contributor base”: Managing the debate

Summary: Developed countries must fulfill their obligations under the UNFCCC and Paris Agreement in terms of providing the means of implementation for developing countries to address climate change, in line with the principles of equity and CBDR-RC. Those other countries who have the capacity to do so should make voluntary contributions in line with Article 9.2 of the Paris Agreement.²¹ Under such arrangements, the Quantified Goal of the NCQG must be for climate finance from developed countries since these are the only countries with an incontrovertible legal obligation to be contributors. Following adoption of the first NCQG at COP29, further processes can enhance consensus on the expectations for contributions from individual countries and on criteria for how such expectations may evolve dynamically according to key criteria based on the principle of CBDR-RC.

- Developed countries must fulfill their obligations under Article 4 of the UNFCCC and Article 9 of the Paris Agreement in terms of providing the means of implementation for developing countries to address climate change, in line with the principles of equity and common but differentiated responsibilities in the light of respective capabilities. Those other countries who have the capacity to do so should make voluntary contributions in line with Article 9.2 of the Paris Agreement.²²
- Under such arrangements, while the Quantified Goal is for climate finance from developed countries as the only legally unambiguous and non-voluntary contributor base, the question of who should contribute to international climate finance, and how much, is a legitimate one. It must be dealt with in an appropriate process, following procedural norms, noting it is currently holding up the key elements of the NCQG Ad Hoc Work Programme and risks blocking an NCQG decision in 2024. COP29 can agree new processes and mandates for exploring and establishing consensus on this complex issue – to advance understanding both of Article 9.1, in terms of the criteria for developed country status and frameworks for burden-sharing, and of Article 9.2 for enhancing voluntary contributions where appropriate. With such a proactive approach, the “contributor base” debate must be properly managed to ensure it does not block poorer countries from getting the ambitious agreement on the first cycle of the NCQG which they sorely need at COP29.

²¹ Although contributions may be voluntary, these must be subject to the same qualitative standards of climate finance as developed countries, to ensure quality — see the section above on qualitative considerations and in particular the importance of having a definition of climate finance.

²² All climate finance, regardless if provided on a mandatory or voluntary basis, should be held to rigorous transparency and accountability standards, notably with regard to environmental integrity and protections against greenwashing. See section on quality elements for more.

Overlap with Article 2.1c: The NCQG and wider finance systems transformation

Summary: Wider finance systems transformation is essential to delivering the Paris Agreement. The current financial system is not fit for purpose and deepens inequality, creating a net-outflow to the Global North, and undermining the space for climate action in the Global South. CAN recalls its seven principles for finance system transformation²³: (1) Challenging economic imbalances; (2) Democratising and decolonising governance; (3) Debt justice; (4) Tax justice; (5) Phasing out finance for fossils and harmful activities; (6) Justice and access in finance; and (7) At-scale increases in international grant- based and concessional public finance from Global North to Global South.

The NCQG may be understood as part of the necessary wider finance system transformation, in assuring a framework for predictable transfer of public climate finance to the Global South from the Global North. The Sharm el-Sheikh Dialogue and any future Work Programmes on Article 2.1c (“making finance flows consistent”) are the space to advance the other parts of finance system transformation, and must take into account the above to ensure an equitable approach. While the Quantified Goal is for provision of public grants-based and concessional finance from developed countries to developing countries, the wider NCQG decision can establish important linkages to the wider finance system transformation agenda and further processes to take it forward.

- Wider finance systems transformation is essential to delivering the Paris Agreement, noting the difficulties faced by poorer countries. CAN recalls its seven principles for finance system transformation:
 1. Challenging unfair economic relationships and imbalances: across production, trade, and capital, which lead to extraction of finance from South-to-North instead of to North-to-South
 2. Democratising and decolonising governance: giving Global South more equal decision making role in international finance debates, institutions, and fora, e.g. LDF versus unequal MDBs/IFIs
 3. Debt justice: cancelation and UN debt workout mechanism, rather than inadequate debt swaps, plus increasing finance that does not worsen debt
 4. Tax justice: supporting the UN tax convention, addressing tax dodging, introducing wealth taxes for the (super)rich and making polluters pay on an equitable basis

²³ See original announcement here: [7 Joint Principles for Finance Systems Transformation](#)

5. Phasing out public and private finance for fossil fuels and harmful activities: equitable phase out across all sources government, multilateral, bilateral, ECAs, and private finance.
 6. Justice and access in finance: (see “Qualitative elements” above) climate and development finance needs new models, must be responsive to marginalized communities in need, rights-based.
 7. At-scale increases in international public finance to the Global South (see “Quantum for provision” above) : Higher-income historic polluters must go beyond the 0.7% GNI for ODA and provide new and additional, adequate, predictable, needs-based grant-based public climate finance on a fair share basis.
- Article 2.1c of the Paris Agreement, *“Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”*, is an aim of the Paris Agreement and the NCQG. A dedicated Sharm el-Sheikh (“SES”) Dialogue has been constituted to elaborate on Article 2.1c, but it will not reach conclusions until COP30. In this space, CAN has recognized:
 - 2.1c includes, but is about much more than, ending finance for fossil fuels and other harmful activities inconsistent with 1.5C and resilient development.
 - 2.1c cannot be just about uncritically building enabling environments for the private finance sector, despite this being the focus of many developed countries.
 - 2.1c is the space to have an essential conversation about transforming the finance system, based on CAN’s 7 principles.
 - The Sharm el-Sheikh Dialogue is the right place to build consensus on Article 2.1c, and the NCQG decision cannot prejudge the SES Dialogue. Substantively, in the SES Dialogue, CAN will promote the 7 principles for finance system transformation (see above).
 - The NCQG Ad Hoc Work Programme has a clear mandate to develop a goal of finance mobilization from developed countries to developing countries. Article 2.1c should not be invoked to dilute the NCQG’s status as a commitment of finance by developed countries to developing countries, especially not to create new obligations for developing countries under a process mandated to offer a commitment for developing countries — not least given the historic difficulty under the UNFCCC of creating dedicated processes. Hence, wider investment needs or policy actions for which all Parties are responsible should not be included under the Quantified Goal, but may be addressed elsewhere in the decision.
 - While the Quantified Goal is for climate finance from developed countries to developing countries, the wider NCQG decision text can establish important linkages to the wider finance system transformation agenda and further processes to take it forward. This notably includes important work on sources of finance within the frame of tax justice,

including introducing wealth taxes (as notably proposed in the G20) and supporting the UN Tax Convention, addressing tax dodging, and making polluters pay on an equitable basis. This is important to provide confidence to developed countries that the finance is available to support an ambitious quantum of over \$1 trillion in grants and grant-equivalent finance under the NCQG.