Road to Baku

The New Collective Quantified Goal on Climate Finance

COP29 Compass

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Authors
Shailly Kedia, Senior Fellow, The Energy and Resources Institute
Ishita Srivastava, Research Associate, The Energy and Resources Institute
Palak Khanna, Research Associate, The Energy and Resources Institute

Reviewer
RR Rashmi, Distinguished Fellow, The Energy and Resources Institute

Corresponding author 🖂
Shailly Kedia | Email: shailly.kedia@teri.res.in

General queries 🖂
wsds@teri.res.in

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Abstract

Climate finance plays a crucial role in climate efforts. This paper examines the evolution of the discussions on the New Collective Quantified Goal (NCQG), which will be a key determinant of the success of the 29th Conference of the Parties (COP29). Despite recent progress, current climate finance targets and mechanisms remain inadequate. This paper analyses the positions of various countries and coalitions. Developing countries stress the responsibility of developed countries, emphasizing equity in climate finance. They seek a balance between adaptation and mitigation, driven by their specific needs. Their position includes setting quantitative targets, with a focus on public financial contributions, grants, and concessional loans. They favour specific, predictable, and measurable timeframes of either five-year (short-term) or ten-year (medium-term) periods. Developed countries advocate for broadening the contributor base to include more participants in climate action funding. They emphasize a focus on achieving low greenhouse gas emissions and fostering climate-resilient development, prioritizing outcome-based approaches. Their stance also involves exploring innovative financing methods with a flexible and adaptable timeframe. Issues such as over-reliance on market-based instruments, ambiguity on additionality, and inequitable distribution of funds hinder effective climate action. The NCQG presents an opportunity to refine approaches towards climate finance for greater adequacy, predictability, and inclusivity, ensuring developing countries receive targeted support. As the world embarks on the road to Baku, it remains to be seen if the NCQG will meet these ambitious expectations and deliver equitable outcomes.

Keywords

climate finance, NCQG, COP29, climate politics, climate negotiations, equity

Contents

1. Introduction

The world remains off track in achieving the Agenda on Sustainable Development. According to the latest Sustainable Development Goals (SDG) Progress Report, 13.6% of targets are on track (or have been met), 14.2% have made moderate progress but require acceleration, 24.3% have made marginal progress and require significant acceleration, 14.2% have stagnated, 13.6% have regressed, and 20.1% are not tracked due to insufficient data (United Nations, 2024).

Adaptation is increasingly recognised as critical in responding to climate change due to the irreversible and immediate impacts already being felt globally. While mitigation aims to curb future climate risks, adaptation addresses the current and growing vulnerability of approximately 3.3 to 3.6 billion people and ecosystems worldwide (IPCC, 2022). The complexity of climate impacts is escalating, characterised by the concurrent occurrence of multiple hazards and cascading risks that span across various sectors. Adaptation plays a vital role in managing these interconnected and compounding risks.

The First Global Stocktake reports that 43% of emissions need to be reduced by 2030, while the implementation of current nationally determined contributions (NDCs) will result in only a 2% reduction (UNFCCC, 2023a). The Intergovernmental Panel on Climate Change (IPCC) finds that global temperature has already increased by 1.1°C above pre-industrial levels and is likely to reach or surpass the critical 1.5°C tipping point by 2035 (IPCC, 2023). The urgent global imperative is to shift the goalpost from 'net zero' to 'net negative' goals for developed countries, and towards the global goal of climate stabilisation. The IPCC's special report emphasises that without negative emissions technologies (e.g., bioenergy with carbon capture and storage, afforestation), achieving a 1.5°C or even 2°C target becomes implausible (IPCC, 2018).

2. State of Climate Finance

With nearly 900 million people lacking access to electricity and over 4 billion without a social safety net, developing countries face the dual challenge of ensuring development while addressing challenges associated with climate change (UNCTAD, 2024). Climate finance is a crucial means of implementation for both mitigation and adaptation efforts necessary for sustainable development, requiring significant resources for climate-just measures in adaptation and mitigation. It also plays a key role in adaptation by funding measures such as early warning systems and climate-resilient infrastructure, which are vital for protecting vulnerable communities (UNDP, 2023; UNEP, 2023).

The mandates for climate finance under the United Nations Framework Convention on Climate Change (UNFCCC) have evolved over time in response to the financial needs of developing countries in combating climate change. The UNFCCC, established at the 1992 Earth Summit in Rio de Janeiro, recognised the necessity of financial support for developing countries to stabilise greenhouse gas (GHG) concentrations and deal with climate challenges (UNFCCC, 1992). The 1997 Kyoto Protocol further emphasised the importance of financial mechanisms, leading to the establishment of funds such as the Global Environment Facility (GEF) to support climate-related projects (UNFCCC, 1997). In 2009, the Copenhagen Accord saw developed nations pledge to mobilise USD 100 billion annually by 2020 to assist developing countries (UNFCCC, 2009). Subsequently, the Green Climate Fund (GCF) was established in 2010 to support both mitigation and adaptation efforts (UNFCCC, 2010). The New Collective Quantified Goal (NCQG) was introduced as part of the Paris Agreement in 2015, with an emphasis on designing a more ambitious, transparent, and inclusive financial commitment beyond 2025 (UNFCCC, 2015). The Glasgow Climate Pact (2021) urged developed countries to double adaptation funding by 2025 (UNFCCC, 2021). Ongoing discussions regarding the NCQG reflect the need to reassess climate finance considering increasing climate challenges (UNFCCC, 2023b, c).

The Organisation for Economic Co-operation and Development (OECD), in its latest report, finds that the annual climate finance goal of mobilising USD 100 billion for climate action in developing countries was met for the first time in 2022, with developed countries mobilising a total of USD 115.9 billion in this respect (OECD, 2024). A critical examination reveals fundamental flaws. The over-reliance on loans (69% in 2022) instead of grants burdens developing nations, contradicting the provision of new and additional financing. Moreover, the lack of a clear definition of climate finance complicates finance tracking, undermining transparency. Inconsistent methodologies and mixed accounting practices further cast doubt on the accuracy of reported figures, making it unclear whether true financial contributions are fairly reflected as expected under the UNFCCC and the Paris Agreement. Mitigation finance still overshadows adaptation finance, with adaptation receiving less than 30% of the total in 2022, failing to address the priorities of vulnerable nations. The reported increase in private adaptation finance could be inflated by a few large-scale projects, creating a skewed narrative of growth. Additionally, only 23% of loans provided by multilateral banks are concessional, limiting affordability for developing countries.

The USD 100 billion annual climate finance target is inadequate given the scale of current financial needs. The latest Needs Determination Report (NDR) by the Standing Committee on Finance states that for 48% of costed needs reported by 98 parties, the amount required for climate action is between USD 5.036 and 6.876 trillion (UNFCCC 2024a). The time frame for this is set to 2030, which is very close to the first NDR report, which identified the costed needs to be between USD 5.8 and 5.9 trillion by 2030. The latest NDR also estimates that the annualised cost, considering the time frame of 2015-2030, for these costed needs is in the range of USD 455-584 billion per year. However, it is important to bear in mind that this number only accounts for 48% of the needs, so the real figure could actually be much higher.

Global climate finance flows in 2021-2022 almost doubled from the 2019-2020 levels, amounting to an annual average of USD 1.3 trillion (UNFCCC, 2024b). Acceleration in mitigation finance, followed by methodological improvements and new data sources, have been the primary reasons for this increase. Although climate finance is on the rise, it remains inadequate. Another estimate indicates that the global climate finance requirement is projected to reach approximately USD 8.4 trillion annually by 2030, with this figure rising to over USD 10 trillion per year by 2050 (CPI, 2024). Sector-specific funding gaps further demonstrate the inadequacy of the target. For instance, the transport and energy sectors require additional investments of USD 2.4 trillion and USD 2.2 trillion annually, respectively, to meet climate goals (CPI, 2024). Other sectors, such as agriculture, forestry, and land use (AFOLU), require over 180 times current funding levels. Further, methodologies for calculating climate finance based on total cost or incremental cost differ and therefore produce different estimates by activity (UNFCCC, 2024b). These factors highlight the concerns regarding large climate finance gaps.

Of late, some coalitions of countries and other global stakeholders have begun to make voluntary and targeted pledges of financial contribution for supporting activities in specific jurisdictions or sectors, while counting them as their contribution towards climate finance. Such pledges may not only technically ineligible to be classified as climate finance but also insufficient. Commitments made at COP28 in 2023 amounted to only USD 57 billion, with several new funds announced to bridge the gaps (McKinsey & Company, 2024). The World Bank has committed to increasing its climate financing to 45% of total lending for FY25 and emphasised the importance of adaptation efforts (World Bank, 2024a).

The current financial flows also face distribution inequities. Only 3% of total global climate finance reaches the least developed countries (LDCs), while about 15% goes to emerging and developing economies (excluding China) (CPI, 2024). High debt levels in advanced economies and competing domestic spending priorities limit the capacity to increase contributions to international climate finance. Moreover, efforts to leverage private sector investments have yielded limited results, with only a fraction of the USD 1.3 trillion mobilised in 2021-2022 coming from private sources (CPI, 2024).

It is essential to upwardly revise the existing climate finance target as well as agree on definitions and standard accounting practices to effectively address the escalating financial needs for sustainable growth and ambitious climate action.

3. New Collective Quantified Goal on Climate Finance

The New Collective Quantified Goal (NCQG) on climate finance represents the evolution of international commitments to support developing countries in their climate efforts (UNFCCC, 2024c). It began in 2009 at COP15 in Copenhagen, where developed countries pledged to mobilise USD 100 billion annually by 2020. This commitment was reaffirmed in 2010 with the Cancun Agreements, which also led to the creation of the Green Climate Fund (GCF) to channel climate finance effectively. In 2015, the Paris Agreement marked a turning point, mandating the establishment of a new, higher financial goal beyond the initial USD 100 billion, reflecting the increasing need for climate action. In 2018, COP24 initiated formal discussions on the NCQG, focusing on meaningful mitigation actions and transparency (CMA, 2018). The process gained momentum in 2021 at COP26 with the launch of an ad hoc work programme to define the NCQG by 2024. Ongoing dialogues from 2022 to 2024 focused on transparency, financing mechanisms, and accountability. The NCQG is expected to be finalised at COP29.

Paragraph 53 of Decision 1/CP.21 on the "Adoption of the Paris Agreement" lays the foundation for the New Collective Quantified Goal on Climate Finance (NCQG), stipulating that "…prior to 2025, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries" (COP, 2015). This mandate directly aligns with Article 9, paragraph 3, which obliges developed country Parties to lead the mobilisation of climate finance from diverse sources, instruments, and channels, with a focus on the significant role of public funds, in accordance with the needs and priorities of developing countries. Furthermore, this mobilisation must demonstrate progression beyond previous efforts.

The foundation of climate finance actions is unequivocally centred on addressing the "needs and priorities of developing countries" (United Nations, 2015). Despite this, subsequently, Decision 14/CMA.1 placed a disproportionate emphasis on mitigation, often omitting explicit references to adaptation. At COP26 and COP27, adaptation was indirectly linked through Decision 9/CMA.3, which stressed that limiting the temperature rise to 1.5 °C would enhance adaptive capacity and climate resilience (CMA, 2021; CMA 2022). At COP28, Decision 8/CMA.5 acknowledged the necessity of scaling up ambition in adaptation, mitigation, and finance in accordance with the needs of developing countries (CMA, 2023).

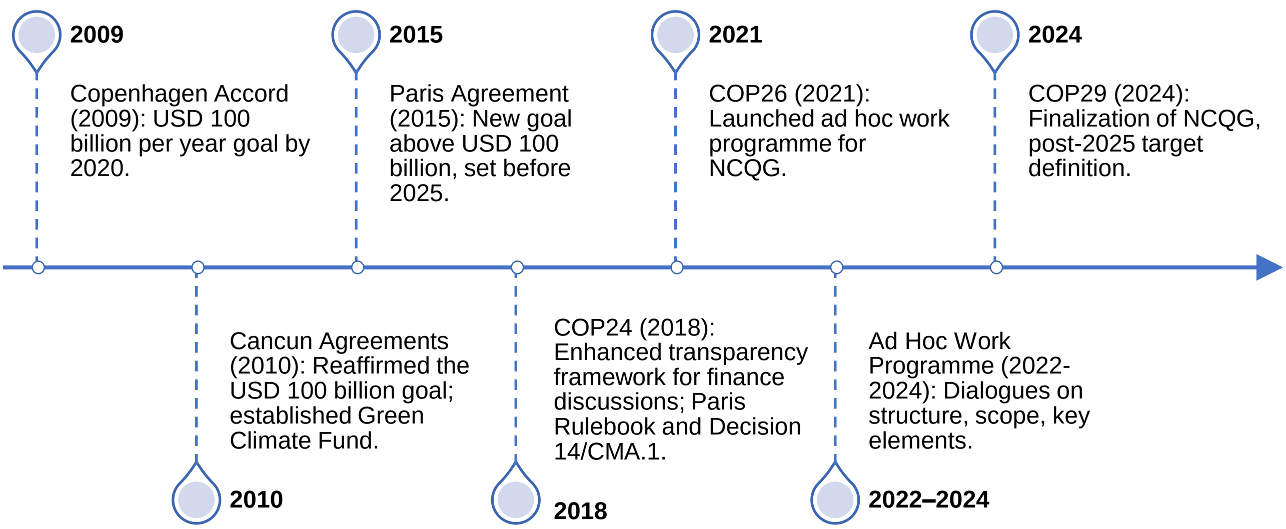
Developed countries' consistent prioritisation of mitigation over adaptation finance undermines their legal obligations under Article 9 of the Paris Agreement, which mandates the provision of financial resources for both adaptation and mitigation. Article 9, paragraph 4, requires a balance between adaptation and mitigation finance, specifically calling for public and grant-based finance for adaptation to prevent exacerbating the debt burden on developing countries. Such grant-based finance is critical as adaptation investments do not generate immediate financial returns, making them unattractive to private investors.

Fulfilling the Paris Agreement necessitates honouring commitments to provide adequate, predictable, and grant-based adaptation finance. The continued focus on mitigation alone contravenes the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC), as well as the principle of equity—both cornerstones of the UNFCCC and the Paris Agreement. Furthermore, these actions violate the principle of *pacta sunt servanda*, which requires that treaties and agreements be adhered to in good faith. Developed countries must uphold their dual commitment to both mitigation and adaptation, in line with the legal framework of the Paris Agreement, to address the urgent needs of developing countries.

The shift to a narrative of "low greenhouse gas emissions and climate-resilient development" also carries significant political implications, particularly concerning the obligations of developed countries under the Paris Agreement and the UNFCCC. This change may reflect an attempt to soften explicit responsibilities by broadening the scope of interpretation, thereby avoiding the specific financial and legal commitments traditionally linked to mitigation and adaptation. By framing climate actions in terms of desired outcomes rather than distinct actions, developed countries could reduce pressure to provide targeted support for adaptation, instead promoting a more flexible approach that lessens their direct accountability for climate finance, particularly grant-based support for adaptation efforts. Article 9 does not mention "low greenhouse gas emissions and climate-resilient development." This shift undermines both the spirit and the letter of Article 9 of the Paris Agreement.

Figure 1 depicts a broad timeline of the NCQG process.

Figure 1: A Timeline towards NCQG



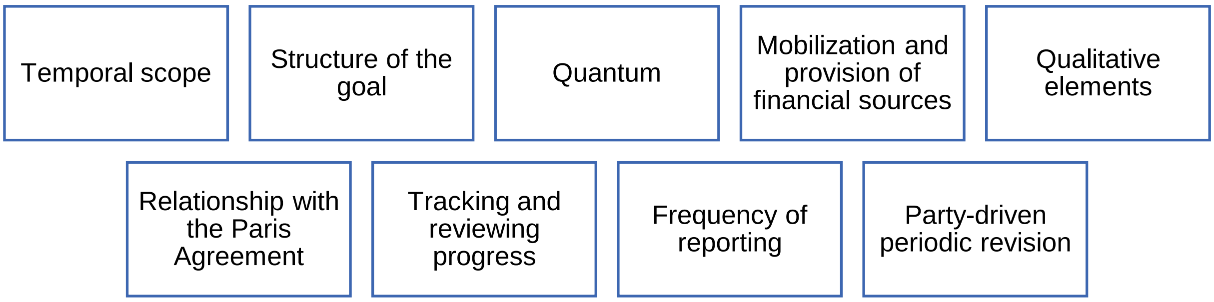
The primary objective of the ad hoc work programme on the NCQG process is to finalise the NCQG by COP29, defining the climate finance commitments post-2025. The ad hoc work programme is co-chaired by representatives from developed and developing countries, who are responsible for facilitating the process, guiding discussions, and synthesising participant inputs into outcomes that inform future deliberations. This three-year process spans from 2022 to 2024 and includes a series of Technical Expert Dialogues (TEDs) and High-level Ministerial Dialogues (HLMDs). The process operates under an ad hoc work programme, which facilitates structured deliberations among Parties, ensuring that the new goal reflects the needs and priorities of developing countries. The work programme intends to maintain inclusivity, particularly emphasising the views of developing and vulnerable countries.

Twelve TEDs are part of the three-year period, conducted quarterly from 2022 to 2024. Each TED addresses specific aspects of the NCQG, including its scope, structure, quality, and transparency arrangements. These dialogues incorporate input from government representatives, non-state actors, academia, civil society, and multilateral banks, providing recommendations for shaping the NCQG. The first TED was held in March 2022, and subsequent dialogues have continued to address the fundamental issues concerning sources of finance, predictability, accountability, and transparency.

In parallel, High-level Ministerial Dialogues have taken place annually at COP27 (2022), COP28 (2023), and COP29 (2024), involving ministers and senior officials. These dialogues provide strategic oversight and guidance to ensure alignment between technical discussions and political priorities. The last meeting was the third meeting under the ad hoc work programme on the NCQG and the eleventh TED. The third High-level Ministerial Dialogue on the NCQG will be held on 9th October 2024 in Baku.

Key elements discussed in the AWP process for the NCQG are depicted in Figure 2.

Figure 2: Key elements of NCQG



4. Analysing Positions

In the matter of the NCQG, countries with diverse interests have adopted differing positions and stated their approach to the UNFCCC through TED and the HLMDs. Many of them have coordinated their positions to make joint submissions on behalf of coalitions of like-minded groups. Coalitions that include developing countries are the Arab Group, African Group of Negotiators, Independent Alliance of Latin America and the Caribbean, Alliance of Small Island Developing States, Least Developed Countries Group, Like-Minded Developing

Countries, and SUR[1]. Developed countries or groups include the European Union, Environmental Integrity Group (EIG), Canada, Switzerland, United States, United Kingdom, Japan, Australia, New Zealand, and Norway.

Developing countries stress the responsibility of developed countries to provide support to developing countries, emphasising equity in climate finance. They seek a balance between adaptation and mitigation, driven by their specific needs. Their position includes setting quantitative targets, with a focus on public financial contributions, grants, and concessional loans. They favour specific, predictable, and measurable timeframes of either five-year (short-term) or ten-year (medium-term) periods. Developed countries, on the other hand, advocate for broadening the contributor base to include more participants in climate action funding. They emphasise a focus on achieving low greenhouse gas (GHG) emissions and fostering climate-resilient development, prioritising outcome-based approaches. Their stance also involves exploring innovative financing methods with a flexible and adaptable timeframe.

The subsequent sub-sections discuss various positions. Considering the overlaps of various NCQG elements, these are consolidated into four broad categories.

Global South Positions

Preamble, Context, and Principles

Developing countries collectively advocate for climate finance that reflects equity, the principle of common but differentiated responsibilities (CBDR), and historical responsibilities under the UNFCCC and Paris Agreement. They emphasize that the NCQG must provide new, additional, predictable, and adequate financing to meet developing countries' needs for mitigation, adaptation, and loss and damage, with a significant portion in the form of grants. For instance, Bangladesh, on behalf of the LDCs, calls for a quantified finance goal that prioritizes adaptation and loss and damage, funded primarily through public sources.

Developing countries collectively advocate for a periodic review of the climate finance goal that aligns with the NDC cycles to ensure ongoing relevance and adequacy. They support a medium-term timeframe of 10 years for the goal, with a review at the five-year mark to allow for adjustments based on evolving needs and priorities. This approach ensures that the goal remains responsive to the changing climate conditions and financial requirements. There is a preference for annualized targets within this 10-year period to facilitate monitoring and course correction. For example, AILAC (Independent Alliance of Latin America and the Caribbean) proposes a 10-year timeframe with reviews every five years, while AOSIS (Alliance of Small Island States) suggests a midterm review in 2030 and an end-of-goal review in 2035. India also supports a 10-year period with separate annual targets for the first and second halves. In contrast, the Arab Group has advocated for a five-year timeframe with a renewal and revision in 2029.

While generally agreeing with the approach of concordance of Article 2, particularly paragraph 1(c), of the Paris Agreement with the NCQG, the developing countries emphasize that the NCQG should reflect the goals of making finance flows consistent with pathways toward low greenhouse gas emissions and climate-resilient development on the basis of the principle of equity, common but differentiated responsibilities, and respective capabilities. For example, AILAC insists that the NCQG should serve as a vehicle for both course correction and

[1] The Group of SUR, also known as the Southern Cone Group, is a negotiation bloc in climate negotiations comprising Argentina, Brazil, Paraguay, and Uruguay.

ambition, while Saudi Arabia stresses that it should not introduce new responsibilities or alter existing principles. Overall, the goal should ensure that finance supports the broader objectives of the Paris Agreement, including equity and sustainable development.

Structure, Quantum, Timeframe, and Contributors

From the perspective of developing countries, the discussion on timeframes for National Climate Quantified Goals (NCQG) is deeply tied to their immediate and long-term development priorities, financial constraints, and vulnerabilities to climate impacts. These nations generally favour flexibility in setting climate goals, recognising the need to balance short-term adaptation needs with long-term sustainability ambitions.

Many developing countries advocate for a combination of timeframes, arguing that this approach allows them to set both short- and medium-term targets while keeping a long-term vision aligned with the Paris Agreement. This flexibility would help address immediate challenges, such as financing climate adaptation and mitigation, while allowing for adjustments based on evolving scientific data, economic conditions, and technological advancements. A significant divergence arises when some countries emphasise different temporal preferences based on their development outlooks. The African Group supports a short-term goal (2025-2030) with annual targets that would be periodically reviewed.

Conversely, several developing countries also support medium-term timeframes (ten years), as this provides more predictability and aligns with broader development cycles, allowing countries to integrate climate finance and action into national development plans. The Arab Group proposes a goal period of 2025-2030, with provisions for periodic reassessment, balancing the need for long-term planning with the urgency of short-term action. Similarly, the AILAC calls for financial targets extending to 2030, 2040, and 2050, arguing that this longer-term approach ensures alignment with the Paris Agreement's long-term goals and offers a clear pathway for climate finance.

Developing countries, however, emphasise that timeframes should remain adaptable and be periodically revised to reflect changing realities, including technological advancements, macroeconomic shifts, and the severity of climate impacts.

India stresses that developed countries must provide at least USD 1 trillion annually, composed mainly of grants and concessional finance. AOSIS and AILAC call for trillions of dollars annually to meet the needs of developing countries, with specific allocations for adaptation, mitigation, and loss and damage. The African Group (AGN) reiterates the need for USD 1.3 trillion annually by 2030, with an even split between mitigation and adaptation. Divergences arise with the Russian Federation, which focuses on ensuring the NCQG is aligned with the Paris Agreement but excludes certain financial flows under Article 2.1(c), and Like-Minded Developing Countries (LMDC), which insists on addressing historical obligations while avoiding new debt burdens for developing countries.

In the ongoing discussions surrounding the NCQG on climate finance, various developing country groups have presented specific demands and priorities. AGN emphasises the importance of an outcome-based goal, unlike the previous USD 100 billion target, which was input-based with no defined results. AGN calls for a financial goal tied to concrete outcomes and aligned with developing countries' needs. They also support a decadal goal from 2025-2035, featuring annual targets that can be periodically reviewed based on evolving climate science. Similarly, the LDC emphasise that the NCQG should address specific thematic areas like mitigation, adaptation, and loss and damage, with clear sub-goals to ensure that the financing matches the priorities of the most vulnerable countries.

The LMDC group stresses the need for concessional and grant-based finance, advocating for developed countries to provide financial support primarily in this form. They also underscore that discussions must remain rooted in the principles of equity and Common but Differentiated Responsibilities (CBDR), insisting that the historical obligations of developed countries be central to the financial commitments. The Arab Group and the Alliance of Latin America and the Caribbean (AILAC) echo this sentiment. AILAC proposes two sub-targets for the NCQG: one focused on the provision of grant-based and concessional finance, and the other on mobilising climate finance in alignment with Articles 9.3 and 9.4 of the Paris Agreement. They further argue for a balance between adaptation and mitigation funding that reflects the specific needs of developing countries.

India aligns with these views by stressing that the quantum of finance under the NCQG should account for the diverse needs of all developing countries, including capacity building and technology transfer. The LDCs, in particular, assert that sub-goals or concrete figures for mitigation, adaptation, and loss and damage must be clearly laid out in the new NCQG to ensure that the financial support meets their priorities. These diverse perspectives collectively highlight the need for the NCQG to be ambitious, outcome-driven, and responsive to the evolving needs of developing nations, ensuring it supports the necessary climate ambition up to 2030, as per the Glasgow and Sharm El-Sheikh outcomes.

For developing country coalitions, the NCQG needs to move beyond the previous USD 100 billion target established in 2009. They emphasise the necessity of securing predictable and adequate financial support, primarily from public sources provided by developed countries, to address adaptation, mitigation, and loss and damage comprehensively. The LDCs, represented by Bangladesh, stress the importance of a quantified finance goal funded through grants to cover the full costs of climate actions. The AGN and the AOSIS call for a bottom-up approach, ensuring that finance responds to the evolving national priorities of developing nations. Similarly, the LMDC, including India, argue that the quantum should be based on needs outlined in Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs). The Arab Group advocates for a goal of USD 1.1 trillion, linked to the Second Needs Determination Report, with room for adjustments based on updated needs. AILAC supports a multidimensional approach that combines quantitative and qualitative aspects to meet the 1.5°C target. However, there are divergences, with Russia calling for transparency and the continuation of the USD 100 billion goal, while Pakistan insists on a focus on current needs as outlined in the UN Needs Determination Report, rather than the historical figure.

The Global South position on sources of climate finance aims to convey that climate finance can be primarily from public sources, emphasising the need for grants and concessional loans to address their climate needs. Bangladesh, representing the LDCs, insists on a quantified goal funded mainly through grants to cover adaptation, mitigation, and loss and damage comprehensively. India also stresses that the new goal should include both public funding and resources mobilised through other channels. AILAC supports scaling up grant-based and highly concessional finance, alongside leveraging public and private resources. The Russian Federation concurs on including grants and concessional loans but cautions against heavy debt burdens for developing nations. AGN and AOSIS both stress the importance of grants and concessional finance for adaptation and loss and damage, with AOSIS additionally rejecting export credits as climate finance. The Arab Group demands a legally binding commitment for grants, with developed countries leading the mobilisation of climate finance. SUR highlights the need for increasing grant-based finance, especially for adaptation and loss and damage. LMDC and LDCs emphasise the importance of public finance in a grant-based or concessional manner, focusing on adaptation and loss and damage. Divergences include AOSIS and the Arab

Group advocating for different types of financial instruments, while the LMDC stresses the need for public finance to address macroeconomic constraints.

They emphasise the need for substantial grants to address their climate challenges while avoiding existing debt burdens. They stress that finance should be primarily provided by developed countries and focus on public funds to ensure accessibility and reliability. Concessional loans may supplement grants, but the primary goal is to minimise the impact on national debt levels. Developing countries also call for innovative financial instruments, including debt-for-climate swaps, to enhance the quality and effectiveness of climate finance. Overall, their stance is to ensure that the finance is grant-based, transparent, and aligned with their needs and priorities, with a strong focus on adaptation and loss and damage.

Qualitative Elements

On qualitative aspects, developing countries have argued for the need for a balance between climate finance for mitigation, adaptation, and loss and damage. The goal should be concrete, traceable, and aligned with the best science rather than merely aspirational. Developing countries emphasize that the qualitative elements should ensure financial resources are adequate, predictable, and concessional. These aspects should support the broader objectives of the Paris Agreement, including addressing evolving needs and priorities of developing countries, and must include clear guidelines for effective implementation. There are divergent views on the specifics, such as the Arab Group's focus on grant-based and concessional finance, while the LMDC highlights the need for concessionality and predictability.

Transparency Arrangements

On tracking and monitoring of the NCQG, there appears to be a consensus to go with the provisions of the Enhanced Transparency Framework (ETF) of the Paris Agreement. They emphasise the need for transparency, accountability, and robust data collection to ensure that financial support is effectively tracked and reported. The ETF should be used to review progress, and annual assessments by the Standing Committee on Finance (SCF) are necessary for updating and ensuring accountability. Developing countries stress that the ETF should be complemented with additional reporting mechanisms and data from other stakeholders to provide a comprehensive view. Divergences include the LMDC's call for a Public Data Portal to enhance transparency and the Arab Group's specific focus on using the ETF for backward-looking reporting without changes.

On reporting, developing countries advocate for a biennial reporting cycle for the NCQG, leveraging the Enhanced Transparency Framework and Biennial Transparency Reports (BTRs). They support the submission of annual reports and biennial progress reports by developed countries to track the delivery of the goal. The Standing Committee on Finance (SCF) should prepare biennial progress reports based on these submissions. There is a call for these reports to be complemented by additional independent assessments. The Arab Group specifically calls for an initial report in the first half of 2028, with a full assessment by the end of that year, and subsequent biennial updates. There are no major divergences in terms of frequency, though the exact timing and details of reports may vary.

Global North Positions

Preamble, Context, and Principles

Developed and OECD countries advocate that the objective of the New Collective Quantified Goal (NCQG) is the achievement of the long-term goals of the Paris Agreement, stipulated in Article 2, paragraph 1(c), with efforts to be taken to make all finance flows consistent with a pathway towards 'low greenhouse gas emissions and climate-resilient development'. Developed countries also emphasise that the NCQG should aim to limit global temperature rise to 1.5°C through rapid and sustained action.

Emphasising the needs and priorities of developing countries, particularly the voice of the most vulnerable, including LDCs and Small Island Developing States (SIDS), the developed countries highlight that the NCQG should reflect the dynamic nature of needs and priorities and respond to them. Drawing attention to the 'global effort' aspect stated in Article 9.3 of the Paris Agreement, the developed countries suggested ways to expand the contributor base to include all sources—domestic and international, public, private, and innovative—from all actors. Canada underscored the significance of leveraging private finance and innovative financial instruments, partnerships with multilateral development banks (MDBs), and philanthropies. The United States of America argued for innovative sources of finance, including, inter alia, debt-for-nature swaps, green bonds, and high-integrity voluntary carbon markets. The European Union advocated for international innovative instruments aimed at mobilising new sources of finance, such as carbon pricing, including those targeted towards the fossil fuel sector and other high-emitting sectors.

Structure, Quantum, Timeframe, and Contributors

No specific financial amount has been agreed upon by developed countries regarding the quantum of the NCQG. Japan expressed reluctance to set numerical targets, while Australia advocated that NCQG should be both aspirational and actionable, providing a long-term vision that will support the delivery of all the long-term goals of the Paris Agreement and a clear signal of global action. A consensus exists among developed countries, on accounting in the quantum, the needs and priorities of developing countries, particularly of people and communities on the frontlines of climate change or who are particularly vulnerable. Norway has proposed taking inspiration from the financial framework of the Kunming-Montreal Global Biodiversity Framework.

The European Union and Canada are in favour of a bottom-up approach to the NCQG, reflecting the dynamic nature of needs and priorities and a deeper understanding of the barriers faced by recipients, including in terms of capacity. The United Kingdom has suggested a two-sided approach, combining both bottom-up efforts (such as national quantification of needs for implementing Nationally Determined Contributions, National Adaptation Plans, Long-term Strategies, and Paris Agreement reports) and top-down information and reports (such as those from the Intergovernmental Panel on Climate Change, Standing Committee on Finance, United Nations Secretary-General, Oxfam, Climate Policy Initiative, International Renewable Energy Agency, among others) to determine the amounts required.

In terms of timeframes, no concrete duration has been set by developed countries. New Zealand has advocated for combining a long-term aspirational timeframe aligned with science and the priorities of reaching net-zero by 2050, and a concrete short-term goal to drive immediate action. The European Union and Switzerland emphasized the need to enable global investment flows of trillions of USD by 2035, by all Parties and other public and private actors. The United Kingdom is of the perspective that NCQG presents an opportunity to shift towards longer-term programmatic financing for nationally determined priorities.

Regarding the expansion of the contributor base, some developed countries maintained that while they should lead in mobilizing climate finance, other actors, including those engaged in South-South cooperation, could also contribute. Norway suggested encouraging voluntary contributions from countries beyond the developed group, while Japan called for emerging economies with the capacity to do so to be included in the contributor base.

According to the updated input paper for the third meeting under the ad hoc work programme on the new collective quantified goal on climate finance, Switzerland and Canada have proposed expanding the contributor base to include additional countries (UNFCCC, 2024d). Switzerland has proposed expanding the contributor base for climate finance to include countries that meet specific criteria. These criteria are: being among the ten largest current emitters with a purchasing power parity (PPP) adjusted gross national income (GNI) per capita of more than **22,000 USD**, or having cumulative past and current emissions per capita of at least **250 tons CO2 equivalent** with a GNI per capita of more than **40,000 USD** (PPP). Both criteria proposed by Switzerland combine emissions and economic factors. Similarly, Canada has proposed expanding the contributor base to include countries that meet economic and emissions criteria, such as having a GNI per capita above **52,000 USD** (PPP) or being among the top ten emitters based on cumulative greenhouse gas emissions, with a GNI per capita of **20,000 USD** (PPP). One of Canada's criteria is purely economic, while the other combines emissions and economic factors.

Annexure 1 depicts countries that are among the ten largest current emitters and have a purchasing power parity (PPP)-adjusted gross national income (GNI) per capita. According to the Swiss proposal, the ten largest current emitters with a PPP-adjusted GNI per capita of more than USD 22,000 include China and Saudi Arabia, which are classified as Non-Annex I countries. The other emitters are Annex I countries. According to the Canadian proposal, the ten largest current emitters with a PPP-adjusted GNI per capita of more than USD 20,000 include China and Saudi Arabia, which are classified as Non-Annex I countries. The other emitters are Annex I countries.

Annexure 2 lists countries with cumulative emissions per capita and a GNI per capita of more than USD 40,000 (PPP). The Non-Annex I countries with cumulative per capita emissions exceeding 250 tonnes and a GNI per capita above USD 40,000 include Brunei, Qatar, Kuwait, Bahrain, the United Arab Emirates, Saudi Arabia, and Israel.

Annexure 3 shows countries with a GNI per capita (PPP) exceeding USD 52,000. The Non-Annex I countries that have a GNI per capita above USD 52,000 include Qatar, Singapore, Brunei, the United Arab Emirates, Andorra, Kuwait, Bahrain, and Saudi Arabia.

Qualitative Elements

Developed countries have advocated for addressing the sectoral needs of developing countries in terms of sub-targets for mitigation, adaptation, and specific needs of vulnerable countries. Emphasising the need for mobilising both public and private finance, Australia and New Zealand have suggested undertaking a multidimensional approach to support the transformational change required across global financial systems. Canada emphasised increasing public finance in developing countries, particularly SIDS and LDCs, through a wide variety of sources—public, private, and innovative instruments—with the aim of achieving a balance between adaptation and mitigation. The United Kingdom has further stressed that public finance should be a core element and has proposed a total investment target backed by a specific public support target. The European Union and Japan have highlighted the crucial role of private finance in addressing both mitigation and adaptation goals.

Transparency Arrangements

Developed countries have broadly aligned themselves on adopting the Enhanced Transparency Framework, (ETF) under the Paris Agreement as the starting point for the reporting and review of information relating to the NCQG. They stress that the principles and transparency of support arrangements agreed as part of the ETF must form the basis for the NCQG in order to place trust at the centre of the NCQG. Further, the European Union (EU) envisions transparency arrangements under NCQG to support an outcome-based approach. Additionally, the EU along with the United States of America and Australia suggested that the Standing Committee on Finance should biennially track collective progress towards the achievement of the NCQG, commencing from 2026. Switzerland suggested the tracking to be done collectively and on a biennial basis until 2037, based on bottom-up national reports from all contributors building on the Biennial Transparency Reports and Biennial ex-ante Finance Communications, and additional sources of information, including aggregate top-down reports from various sources.

5. The Road to Baku

The promise of USD 100 billion annually in climate finance, agreed upon over a decade ago, is not only insufficient but totally inadequate compared to the global challenge ahead and is also highly contested in terms of the methodology for estimation. Even when the target is claimed to have been met, much of the funding is mobilised through loans or private finance, adding to the debt burden of already financially constrained nations. For countries like India, where development priorities are interlinked with climate action, the demand for finance is enormous. Estimates suggest that trillions of dollars are required annually to meet the adaptation, mitigation, and loss-and-damage needs of developing countries by 2030. Key messages emerging from the analysis and dialogues conducted under the study are listed below.

Respecting the spirit and the letter of Article 9 of Paris Agreement
The foundation of the NCQG and climate finance actions is unequivocally centred on Article 9 of the Paris Agreement, which focuses on addressing the "needs and priorities of developing countries" (United Nations, 2015). Article 9, paragraph 4, also requires a balance between adaptation and mitigation finance, specifically calling for public and grant-based finance for adaptation to prevent exacerbating the debt burden on developing countries.

Developed countries are advancing the narrative of "low greenhouse gas emissions and climate-resilient development," which has significant political implications, particularly concerning their obligations under the Paris Agreement and the UNFCCC. This shift may reflect an attempt to soften explicit responsibilities by broadening the scope of interpretation, thereby avoiding specific financial and legal commitments traditionally tied to mitigation and adaptation. By framing climate actions in terms of desired outcomes rather than distinct actions, developed countries could reduce pressure to provide targeted support for adaptation, instead promoting a more flexible approach that lessens their direct accountability for climate finance. This undermines both the spirit and the letter of Article 9 of the Paris Agreement. The focus of developed countries on vague terms such as “low greenhouse gas emissions and climate-resilient development” instead of adaptation contravenes the provisions under Article 9 of the Paris Agreement. Furthermore, these actions violate the principle of *pacta sunt servanda*, which requires treaties and agreements to be adhered to in good faith.

Adopting a Needs-Based Approach to Climate Finance
No single source of finance can cater to all needs. India and other developing countries advocate for a substantial increase in public, grant-based, and concessional finance from developed countries to ensure that climate finance is accessible and does not exacerbate debt distress in the Global South. Public finance can form the backbone of climate action funding, with concessional loans acting as a supplement but not the primary source of support. Private finance, while useful in areas such as clean energy investments, has significant limitations, particularly for adaptation projects. Private investors tend to focus on sectors with clear

financial returns, often favouring mitigation over adaptation. This leaves critical adaptation needs—such as infrastructure resilience, disaster management, and agricultural adaptation—underfunded. Additionally, the concern is not only the size of finance but also its absorption rate. Accessibility of funds from organisations such as the Green Climate Fund and the Global Environment Facility for implementation in developing countries remains a challenge. Often, when working with multilateral institutions, activities need to be redesigned, and adaptive management plans reworked due to the time gap between the design and granting of funds.

Expanding the Contributor Base: A Potential Recipe for Stalemate

Reopening discussions on expanding the contributor base for the NCQG has raised significant concerns regarding equity and the effectiveness of climate finance negotiations. Critics argue that expanding the contributor base exceeds the intended mandate, potentially diverting attention from established objectives and risking further delays in crucial negotiations. The push for broader contributions is perceived as an attempt by historically industrialised countries to shift financial responsibility onto developing nations, contradicting the principles of the polluter pays, equity, and CBDR-RC. Given the pressing need for climate action, this debate risks stalling progress at COP29 and undermining the urgency required to support vulnerable communities. Additionally, broadening the contributor base introduces unnecessary complexity at a critical juncture, diverting resources from more immediate goals. The focus, it is argued, should remain on fulfilling existing financial commitments and ensuring effective mechanisms for climate finance rather than expanding the pool of contributors. Considering climate change impacts, aspects such as vulnerability, energy poverty, and human development are extremely important. Proposals on the contributor base that only consider income and emissions are highly inadequate.

Including Additionality in the Definition of Climate Finance

The Standing Committee on Finance (SCF) has updated the operational definition of climate finance after evaluating four options (UNFCCC, 2024e). The current definition of climate finance to be used for Biennial Assessments (BA) is: "Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases, aims at reducing vulnerability, increasing adaptive capacity, and mainstreaming and increasing resilience of human and ecological systems to negative climate impacts, and includes financing for actions identified in a country's nationally determined contribution, adaptation communication, national adaptation plan, long-term low-emission development strategy, or other national plan for implementing and achieving the goals of the Paris Agreement and the objective of the Convention." The older definition used by SCF for BAs is: "Climate finance 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."

The absence of an explicit reference to additionality in the adopted definition is a critical oversight, as it leaves room for ambiguity regarding whether climate finance constitutes new and incremental support. Without explicitly stating that funds must be additional to existing commitments, there is a risk of countries counting redirected development aid as climate finance, undermining genuine climate action. Including the element of additionality in the SCF definition can ensure that climate finance provides true added value, distinct from existing resources, and effectively addresses climate change.

A clear definition of climate finance within the context of the NCQG is crucial for equitable and effective climate action. An upgraded definition should include the element of additionality and concessionality as key features of climate finance, besides differentiating between various types of financial flows, and ensuring that contributions, such as grants and concessional financing only, are recognised as climate finance. In the context of climate negotiations, it is crucial to distinguish between finance and investment, particularly regarding the NCQG. Finance refers to the targeted allocation of public funds from developed to developing countries to support climate mitigation and adaptation, while investment involves the allocation of capital with the expectation of profit, which may not align with climate priorities. Counting private investments as part of the NCQG risks diluting the accountability and responsibility of developed nations to provide clear, targeted, and equitable climate finance, as private capital often lacks the public purpose and oversight essential to meeting international climate objectives. A well-defined and common accounting framework must be followed across countries, bilateral, and multilateral organisations to enhance transparency and accountability, ensuring climate finance is additional to existing development aid and not merely a reallocation of resources.

Will Baku deliver on NCQG?

Developing countries face the immense challenge of simultaneously addressing urgent socio-economic challenges—such as energy access, poverty alleviation, and infrastructure development—while also bearing the burden of climate mitigation and adaptation. This dual responsibility starkly contrasts with the high-consumption realities of the Global North, which has contributed a significant share of historical cumulative emissions, highlighting an imbalance in global expectations. Bridging the climate finance gap is urgently needed to ensure that climate finance is adequate, predictable, and tailored to the complex realities of the Global South. Capacity building and knowledge transfer are essential for developing countries to effectively absorb and deploy climate finance yet growing procedural barriers—including those within multilateral mechanisms that have shifted towards value-for-money rather than need-for-money principles—must be addressed. Without such targeted support and reforms, global climate agreements risk imposing obligations that overlook the pressing developmental needs of vulnerable communities, ecosystems, and countries.

The outcome of the NCQG is likely to be pivotal in restoring faith in multilateralism and rebuilding trust between developed and developing countries. As the world embarks on the road to Baku, the question remains: will it deliver equitable and just outcomes for the NCQG?

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Annexures

Annexure 1: Countries among ten largest current emitters with purchasing power parity (PPP) adjusted gross national income (GNI) per capita

Sr. No.	Country	Type	CO_2 emissions (million tonnes)	GNI per capita (PPP)
1.	China	Non-Annex I	11396.78	22,360
2.	United States	Annex I	5057.30	77,790
3.	India	Non-Annex I	2829.64	9,070
4.	Russia	Annex I	1652.18	40,110
5.	Japan	Annex I	1053.79	49,980
6.	Indonesia	Non-Annex I	728.89	14,050
7.	Iran	Non-Annex I	690.64	16,570
8.	Germany	Annex I	665.61	69,210
9.	Saudi Arabia	Non-Annex I	662.55	54,720
10.	Canada	Annex I	547.94	61,230

Countries which have GNI less than USD 20,000 and USD 22,000

Source: Based on Global Carbon Budget (2023), OWID (2024), World Bank (2024), and UNFCCC (n.d.)

Note: According to the Swiss proposal, the ten largest current emitters with purchasing power parity (PPP) adjusted gross national income (GNI) per capita of more than USD 22,000 include China and Saudi Arabia, which are classified as Non-Annex I countries. The other emitters are Annex I countries. According to the Canadian proposal, the ten largest current emitters with purchasing power parity (PPP) adjusted gross national income (GNI) per capita of more than USD 20,000 include China and Saudi Arabia, which are classified as Non-Annex I countries. The other emitters are Annex I countries.

Annexure 2: Countries with cumulative emissions per capita with a GNI per capita (PPP) of more than 40,000 USD

Sr. No.	Entity	Annex I/ non-Annex I	Cumulative CO2 emissions per capita (tonnes)	GNI per capita (PPP)
1.	United States	Annex I	1261.98	77,790
2.	Estonia	Annex I	1247.78	46,760
3.	Luxembourg	Annex I	1188.19	98,650
4.	United Kingdom	Annex I	1167.77	57,040
5.	Czechia	Annex I	1160.22	49,350
6.	Germany	Annex I	1127.34	69,210
7.	Belgium	Annex I	1092.57	69,310
8.	Canada	Annex I	900.11	61,230
9.	Brunei	Non-Annex I	893.99	81,060
10.	Qatar	Non-Annex I	857.11	116,870
11.	Kuwait	Non-Annex I	856.57	64,170
12.	Russia	Annex I	824.33	40,110
13.	Australia	Annex I	736.71	62,900
14.	Poland	Annex I	715.14	44,880
15.	Denmark	Annex I	704.18	80,530
16.	Slovakia	Annex I	703.19	40,370
17.	Bahrain	Non-Annex I	686.94	57,970
18.	Netherlands	Annex I	684.38	73,850
19.	Austria	Annex I	630.36	70,930
20.	France	Annex I	609.62	58,610
21.	Finland	Annex I	588.90	63,180
22.	United Arab Emirates	Non-Annex I	579.37	78,530
23.	Lithuania	Annex I	574.76	49,160
24.	Japan	Annex I	546.46	49,980
25.	Latvia	Annex I	521.13	41,010
26.	Hungary	Annex I	512.30	42,320
27.	Norway	Annex I	498.77	128,020
28.	Saudi Arabia	Non-Annex I	483.29	54,720
29.	Sweden	Annex I	480.01	71,230
30.	Ireland	Annex I	458.30	96100
31.	Romania	Annex I	444.24	41,690
32.	Iceland	Annex I	440.81	73,180
33.	Italy	Annex I	430.51	56,410
34.	Slovenia	Annex I	418.34	50,290

Source: Based on Global Carbon Budget (2023), OWID (2024), World Bank (2024), and UNFCCC (n.d.)

Note: The non-Annex I countries with cumulative per capita emissions exceeding 250 tonnes and a GNI per capita above USD 40,000 include Brunei, Qatar, Kuwait, Bahrain, United Arab Emirates, Saudi Arabia, and Israel.

Annexure 3: Countries with GNI per capita (PPP) above USD 52,000

Sr. No.	Entity	Annex I/ non-Annex I	GNI per capita (PPP)
1.	Norway	Annex I	128,020
2.	Qatar	Non-Annex I	116,870
3.	Singapore	Non-Annex I	114,620
4.	Luxembourg	Annex I	98,650
5.	Ireland	Annex I	96,100
6.	Switzerland	Annex I	88,910
7.	Brunei	Non-Annex I	81,060
8.	Denmark	Annex I	80,530
9.	United Arab Emirates	Non-Annex I	78,530
10.	United States	Annex I	77,790
11.	Andorra	Non-Annex I	75,090
12.	Netherlands	Annex I	73,850
13.	Iceland	Annex I	73,180
14.	Sweden	Annex I	71,230
15.	Austria	Annex I	70,930
16.	Belgium	Annex I	69,310
17.	Germany	Annex I	69,210
18.	Kuwait	Non-Annex I	64,170
19.	Finland	Annex I	63,180
20.	Australia	Annex I	62,900
21.	Canada	Annex I	61,230
22.	France	Annex I	58,610
23.	Bahrain	Non-Annex I	57,970
24.	United Kingdom	Annex I	57,040
25.	Italy	Annex I	56,410
26.	Saudi Arabia	Non-Annex I	54,720
27.	Malta	Annex I	53,380

Source: Based on World Bank (2024), and UNFCCC (n.d.)

Note: The non-Annex I countries which have GNI per capita (PPP) above USD 52,000 include Qatar, Singapore, Brunei, United Arab Emirates, Andorra, Kuwait, Bahrain, and Saudi Arabia.

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World Sustainable Development Summit

The World Sustainable Development Summit (WSDS) is the annual flagship multistakeholder convening organized by The Energy and Resources Institute (TERI). Established in 2001, the Summit has a legacy of over two decades in advancing 'sustainable development' as a globally shared goal. As the only independently convened international summit on sustainable development and the environment based in the Global South, WSDS strives to provide long-term solutions that benefit global communities by bringing together the world's most enlightened leaders and thinkers on a single platform. Over the years, the Summit series has witnessed the participation of 58 Heads of State and Government, 137 Ministers, 13 Nobel Laureates, 2,045 Business Leaders, 3,373 Speakers, and 40,362 Delegates.

Act4Earth

The Act4Earth initiative was launched at the valedictory session of the 21st edition of WSDS. Building on the discussions of WSDS, this initiative seeks to continuously engage with stakeholders through research and dialogue. The Act4Earth initiative has two components: **COP Compass** and the **SDG Charter**. The COP Compass seeks to inspire and mobilize leadership at all levels for inclusive transitions through ambitious and informed policies and measures, enabling paradigm shifts towards meeting the UNFCCC and Paris goals through mitigation, adaptation, and means of implementation. The SDG Charter seeks to identify gaps and suggest ways for strengthening and mainstreaming sustainable development in policy agendas for enhanced environmental, social, and economic outcomes.

The Energy and Resources Institute

Creating Innovative Solutions for a Sustainable Future

Road to Baku: The New Collective Quantified Goal on Climate Finance

Climate finance plays a crucial role in climate efforts. This paper examines the evolution of the discussions on the New Collective Quantified Goal (NCQG), which will be a key determinant of the success of COP29. Despite recent progress, current climate finance targets and mechanisms remain inadequate. This paper analyses the positions of various countries and coalitions. Developing countries stress the responsibility of developed countries, emphasizing equity in climate finance. They seek a balance between adaptation and mitigation, driven by their specific needs. Their position includes setting quantitative targets, with a focus on public financial contributions, grants, and concessional loans. They favour specific, predictable, and measurable timeframes of either five-year (short-term) or ten-year (medium-term) periods. Developed countries advocate for broadening the contributor base to include more participants in climate action funding. They emphasize a focus on achieving low greenhouse gas emissions and fostering climate-resilient development, prioritizing outcome-based approaches. Their stance also involves exploring innovative financing methods with a flexible and adaptable timeframe. Issues such as over-reliance on market-based instruments, ambiguity on additionality, and inequitable distribution of funds hinder effective climate action. The NCQG presents an opportunity to refine approaches towards climate finance for greater adequacy, predictability, and inclusivity, ensuring developing countries receive targeted support. As the world embarks on the road to Baku, it remains to be seen if the NCQG will meet these ambitious expectations and deliver equitable outcomes.

Keywords
climate finance, NCQG, COP29, climate politics, climate negotiations, equity

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