WSDS-ACT4EARTH
COP29 Compass Dialogue: Climate Finance

5th September 2024 | 3:00 to 4:00 pm (IST) | TERI, India Habitat Centre, New Delhi

EVENT SUMMARY

Contents

Suggested Citation

The Energy and Resources Institute (2024), *COP 29 Compass Dialogue: Climate Finance*, (Rapporteur: Ishita Srivastava), Event Summary, COP Compass, Act4Earth and World Sustainable Development Summit, New Delhi: The Energy and Resources Institute.

Background

The New Collective Quantified Goal (NCQG) is a new global target for climate finance to be established by the end of 2024 and will be a key determinant of success for the upcoming COP29, to be held in Baku in December 2024. Discussions on the NCQG will conclude at COP29, with Parties formulating a new goal.

The NCQG must consider the needs and priorities of developing countries and incorporate various aspects such as the quantum, quality, scope, accessibility, funding sources, and transparency of the goal (UNFCCC, 2024; UNCTAD, 2024). This provides an opportunity to address the shortcomings of the USD 100 billion climate finance goal, including setting specific and measurable targets aligned with the needs for financing mitigation, adaptation, and loss and damage, as well as enhancing accountability and transparency, along with clarity in definition, accounting, and sources.

In determining the NCQG, it is important to address not just the quantitative but also the qualitative needs of developing countries. These needs are highly dynamic, as they can change based on global support for mitigation, adaptation, and loss and damage, as well as due to exogenous shocks. Additionally, shifts in domestic political and economic conditions can make existing needs assessments obsolete. This creates methodological and accountability issues, particularly when financial targets are the sole measure of the NCQG's success (UNCTAD, 2023).

Building on the lessons learned from failing to meet the $100 billion target, developed countries need to take a proactive approach in achieving their climate finance commitments (UNFCCC, 2024). A key lesson pertains to the accounting of climate finance, with developing countries maintaining that it must be new and additional. A balanced approach to allocating climate finance for mitigation, adaptation, and loss and damage is needed, considering the principle of common but differentiated responsibilities and respective capabilities. There are points of divergence regarding the contributor base and sources of finance. Given the complexity of the NCQG, adopting a stepwise approach is essential to ensure that all issues are thoroughly addressed, and that the outcome reflects a balanced consideration of diverse perspectives.

With this background, The Energy and Resources Institute (TERI) organized an Act4Earth Dialogue on climate finance to deliberate and propose solutions for strengthening the global climate finance ecosystem. Based on the views received during the dialogue, a way forward has been identified, and suggestions on some of the key areas are documented below.

International Climate Finance Perspectives

- **COP29:** The New Collective Quantified Goal on Climate Finance (NCQG) will be a central issue at COP29 in Baku, as it remains undecided. Attention must be given to the scale and modalities of this finance. The Government of India views the NCQG as a crucial outcome of COP29. To foster trust in the multilateral process, transparency is vital to ensure negotiations on the NCQG are concluded at COP29.
- **Scope and structure of NCQG**: COP29 should provide an enabling environment, emphasizing characteristics such as access, quantum, time frame, and transparency. The structure has already been indicated in accordance with the Paris Agreement, the Convention, COP, and CMA decisions. A framework needs to be developed.
- **Needs and priorities of developing countries:** When negotiating the decision text of the Paris Agreement at COP21 and deciding on the USD 100 billion climate finance goal, it

was mentioned that the NCQG must address the needs and priorities of developing countries.

- **Principles:** The principles of the Convention and the Paris Agreement are crucial. The NCQG should be guided by Common But Differentiated Responsibilities and Respective Capabilities (CBDR-RC) and burden-sharing.
- **Finance scale and sources:** India proposes a quantum of USD 1 trillion per year for the NCQG, while the African Group, IEA, and G20, among others, suggest varying levels of finance. The global community needs to determine how to mobilize such finance from bilateral, multilateral, and private sector sources.
- **Concessionality vs. debt:** The role of private capital must be clarified, emphasizing concessional finance rather than loans that shift debt from developing to developed countries.
- **Transparency:** Overall actual flows of climate finance remain debatable. While OECD reports claim that USD 100 billion per year was mobilized in 2022 as climate finance, the accuracy of this figure remains contested.
- **Contributor and recipient base:** There are differing views on expanding the contributor base and reducing the recipient base. Article 9 of the Paris Agreement does not support expanding the contributor base. The NCQG should focus on science-based conventions, the vulnerabilities of developing countries, and the principle of CBDR-RC, rather than solely on the economic growth of developing countries.
- **Access modalities:** Identifying sources of resources is crucial. Innovative finance is key for upcoming NCQG negotiations. Establishing effective financial mechanisms for resource access is necessary.
- **Article 9, Paris Agreement:** Article 9 should form the basis for NCQG negotiations as it outlines the obligations for developed and developing countries.
- **Time frame:** The NCQG timeline should align with the progressive Nationally Determined Contributions (NDC) cycle.
- **Quality:** A balance between mitigation and adaptation is needed. Currently, loans (69%) dominate over grants (28%), leading to high debt levels in recipient countries.
- **Quantum:** The Government of India advocates for a $1 trillion annual climate finance goal.
- **Definition issues:** Inconsistent definitions of climate finance lead to discrepancies in reported figures. Developing a clear operational definition is necessary to build trust and transparency.
- **Equitable outcome:** While an enabling environment in terms of present policies exists, the speed and scope of climate finance to be delivered from developed to developing countries need to be emphasized.

Implications for Multilateral Development Banks (MDBs) and Multilateral Institutions

- **Monitoring and reporting:** A robust monitoring and reporting mechanism is needed to track public finance and concessional loans effectively, ensuring accountability.
- **Absorption capacity and accessibility:** The size of finance is not the only concern, but also its absorption rate. Accessibility of funds from organizations like the Green Climate Fund and the Global Environment Facility for implementation in developing countries is a challenge. At times, while working with multilateral institutions, there is a need to redesign activities and rework adaptive management plans due to the time gap between the design and granting of funds. However, this reworking process is cumbersome and resource-intensive, while communities continue to suffer. As a result, a clear articulation of the certification of access to these funds is needed. Significant capacities exist at the local level;

however, there is a need for institutional innovation, decentralization, or devolution of funds. The framework conditions for the disbursal of funds are problematic. To enable a better absorption rate, capacity building and knowledge sharing from global countries are needed in alignment with national commitments.

- **Private finance:** The NCQG requires financing not only through grants but also from other sources, including private finance. Accountability for private sector contributions is crucial.
- **Innovative finance mechanisms:** Emphasis should be placed on innovative financing, such as blended finance, which can help address the significant finance gap.
- **Climate and development goals:** There are multiple competing priorities for the government, and hence integrating climate and development goals, rather than addressing them in silos, is essential.
- **Adaptation financing targets for MDBs:** Mitigation has constituted the larger part of climate finance, and adaptation financing is often seen to come from either government-owned funds or grants. All MDBs need to set adaptation financing targets to advance a balanced approach to mitigation and adaptation finance.
- **Vulnerability consideration:** The NCQG must account for the vulnerabilities of specific areas and sectors.
- **Strengthening public-private partnerships:** Since governments, MDBs, and philanthropies cannot meet the climate finance goal alone, the private sector must also take responsibility for contributing. To achieve this, it is essential to build trust with the private sector, de-risk investments, and accelerate innovative financing mechanisms.
- **Long-term vision:** Given the complexity and limitations of current accessibility processes, a long-term vision for climate finance is necessary.

Domestic Climate Finance Perspectives

- **Enabling private capital for enhanced accessibility:** Government and MDB funding alone will not bridge the finance gap. An enabling environment for private capital is needed, with private finance playing a major role in the long run, responsive to consumer needs.
- **Making markets more liquid:** Enhancing market liquidity and efficiency, along with clearer regulations, can address concerns about accessing MDB-driven climate finance.
- **Policy levers by the government:** Governments can use demand and supply subsidies in market schemes and pilot projects with scaling potential to stimulate climate finance.

Annexure: Agenda

2:30 pm to 3:00 pm	**Registration**
Panel Discussion 1: Climate Finance | 3:00 pm to 4:00 pm	
3:00 pm to 3:05 pm	**Context Setting by Chair** • Mr R R Rashmi, Distinguished Fellow, TERI
3:05 pm to 3:15 pm	**Framing Presentation by TERI** • Dr Shailly Kedia, Senior Fellow and Associate Director, TERI
3:15 pm to 3:25 pm	**Policy Perspectives** • Ms Rajasree Ray, Economic Advisor, Ministry of Environment, Forest, and Climate Change
3:25 pm to 3:55 pm	**Panel Discussion on Climate Finance** • Dr Ashish Chaturvedi, Head, Action for Climate and Environment, UNDP India • Mr Arun Krishnan, Programme Manager, CPI Global • Ms Yeshika Malik, Climate Change Specialist, World Bank
3:55 pm to 4:10 pm	**Q&A: Climate Finance**
Panel Discussion 2: Sustainable Lifestyles | 4:15 pm to 5:15 pm	
4:15 pm to 4:20 pm	**Context Setting by Chair** Mr Manjeev Singh Puri, Distinguished Fellow, TERI
4:20 pm to 4:30 pm	**Framing Presentation by TERI** Ms Madhuparna Maiti, Research Associate, TERI
4:30 pm to 4:50 pm	**Panel Discussion on Sustainable Lifestyles** • Mr Rijit Sengupta, Chief Executive Officer, Centre for Responsible Business • Dr Suneel Pandey, Senior Fellow and Director, TERI
4:50 pm to 5:05 pm	**Q&A: Sustainable Lifestyles**
5:05 pm to 5:30 pm	**High-Tea**

Emcee: Ms Palak Khanna, Research Associate and Area Convenor, TERI

About

World Sustainable Development Summit

The World Sustainable Development Summit (WSDS) is the annual flagship multistakeholder initiative organized by The Energy and Resources Institute (TERI). Instituted in 2001, the Summit series has a legacy of over two decades of making 'sustainable development' a globally shared goal. Over the years, the Summit platform has brought together thought leaders, heads of state and government, scholars, corporates, youth groups, and civil society representatives from across the world. The Summit series has established itself as a responsible and effective platform for mobilizing opinion-makers to drive ambition and advance pioneering actions to address some of the most relevant issues concerning sustainable development and climate change. 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 Act4Earth discussions of WSDS, this initiative seeks to continuously engage with stakeholders through research and dialogue. The Act4Earth initiative has two components: the COP Compass and the SDG Charter. The COP Compass will seek to inspire and mobilize leadership at all levels for inclusive transitions through ambitious and informed policies and measures that will enable paradigm shifts toward meeting the United Nations Framework Convention on Climate Change (UNFCCC) and Paris Agreement goals through mitigation, adaptation, and means of implementation. The SDG Charter will seek to identify gaps and suggest ways for strengthening and mainstreaming sustainable development in policy agendas for enhanced environmental, social, and economic outcomes.

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