



Australian Government

Written Inputs for the third meeting of the Ad Hoc Work Programme

Australia welcomes the opportunity to provide written inputs for the third meeting of the Ad Hoc Work Programme on the New Collective Goal on Climate Finance.

The below textual elements expand upon previous remarks provided by Australia over the course of the Ad Hoc Work Programme, and articulate options for a fit-for-purpose, ambitious and transformational new collective quantified goal.

The elements captured below would enable collective climate financing ambition to move from the billions to the trillions, to support achievement of the long-term goals of the Paris Agreement and ensure global climate financing efforts more effectively take into account the needs and priorities of developing countries.

Written inputs on specific elements of the NCQG

Preamble

Recalling Article 2 and Article 9 of the Paris Agreement,

Recalling decisions s 1/CP21 para 53, 14/CMA.1, 14/CMA.1, 9/CMA.3, 5/CMA.4, 8/CMA.5 and 1/CMA.5,

Recognising with appreciation the role of Technical Expert Dialogues and Ad Hoc Work Programme and efforts therein of the NCQG co-chairs and the UNFCCC secretariat,

[Acknowledgement of financial support provided towards the AHWP]

Context

1. *Recognizes* the imperative of urgent and sustained global climate action and ambition in line with achieving the long-term goals contained in Article 2 of the Paris Agreement, for fostering strong, sustainable, balanced and inclusive global economic growth;
2. *Affirms* that the new collective quantified goal aims at contributing to the achievement of Article 2 of the Paris Agreement;
3. *Recognizes* the importance of taking into account the needs and priorities of developing countries, in particular those of people and communities on the frontlines of climate change or who are particularly vulnerable to the impacts of

climate change, in recognition that these needs and priorities are different from country to country and region to region, and there is no one size fits all approach to supporting climate activities in developing countries;

4. *Further acknowledge that* these needs and priorities should be taken into account in the pursuance of all relevant elements of the new collective quantified goal and in all other climate finance related activities in developing countries, by all actors, in a manner which supports locally led action and ownership and low emissions pathways and climate resilient development;
5. *Recognizes* the evolving nature of needs and capabilities and the need for the new collective quantified goal to be aligned with current global economic realities;
6. *Acknowledging* that countries have different capabilities and national circumstances, and that these capabilities and national circumstances evolve over time, including their capacity to contribute to global efforts to address the threat of climate change and to partner with and mobilise support for implementation of climate action in developing countries;
7. *Recognizes* that there is sufficient global capital to close global investment gaps but there are barriers to redirecting capital to climate action;¹
8. *Emphasises* that realising the levels of investment necessary to achieve the long-term goals of the Paris Agreement will require global economic transformation, and recognises that this can only be enabled through sustained action by all Parties and relevant actors, public, private and other, to align domestic and international financial markets, including through the establishment of ambitious climate policies and investment strategies, backed by domestic resource allocation and international cooperation and partnership;
9. *Acknowledges* the need for a global effort to enhance and align public and private finance and to mobilise finance at scale from all sources - public and private, domestic and international, including new and innovative sources of finance, affirming that the new collective quantified goal will seek to engage all possible sources of finance to support its ultimate goal;
10. *Emphasises* the need for ongoing, long-term collaboration between climate finance delivery channels to reduce fragmentation and develop a climate finance architecture that operates as a coherent system which delivers maximum impact;
11. *Emphasizes* the ongoing challenges faced by many developing countries in accessing climate finance, especially, but not limited to, challenges faced by countries that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, and considering the need for public and grant-based resources for adaptation in this context;

¹ Intergovernmental Panel on Climate Change (IPCC) 2023. *Climate Change 2023 Synthesis Report (AR6)*

12. *Underscores* that climate finance must respect, protect, promote and support human rights;
13. *Emphasizes* the importance of mainstreaming gender equality and equity in climate finance, notably taking into account intersectionality considerations, with the aim of making all climate finance flows gender responsive;
14. *Affirms* the importance of meaningful and effective social dialogue and broad stakeholder engagement, including with communities vulnerable to climate impacts, including women and girls, children, youth, Indigenous Peoples, workers, as well as civil society, as important enablers of effective, inclusive and participatory just and low emissions transition pathways and transformational adaptation action, and *recognise* the value of their contribution to the effective design and delivery of climate financing efforts;
15. *Acknowledges* lessons learned from the delivery of the goal of developed countries to mobilize jointly USD 100 billion per year by 2020 and through to 2025, in the context of meaningful mitigation actions and transparency on implementation, and *welcoming* that the goal was materially surpassed in 2022, with developed countries mobilising USD 115.9 billion, exceeding the annual goal by USD 15.9 billion;
16. *Welcome* efforts made by developed countries to achieve the USD 100bn goal, recognising that this required significant and continued, ambition and cooperation, and affirm that efforts to achieve the goal since 2013 have supported developing countries in delivering climate action;

Goal structure, timeframe, quantum, contributors and recipients

17. *Agrees* to strengthen efforts to increase and enable global investment flows for the achievement of Article 2 of the Paris Agreement, with the ultimate goal of aligning global investment flows with global and domestic transformations towards net zero economies, including to support achievement of ambitious nationally determined contributions, net zero targets, national adaptation plans and climate resilient development objectives, and to enable a holistic response to the investment needs of developing countries in achieving their climate goals. In this context, *decides* to:
 - a. *Commit* to a global target of USD [X] trillion per year of investment in climate action by 2035, from all sources of finance, including international and domestic, public and private sector investments, recognising that the achievement of this target will also require innovative, philanthropic and alternative sources of finance, action from all Parties and partnership between a wide range of actors.
 - b. *Commit* to a target of collectively mobilizing USD [100bn+] billion per annum by 2035 for developing countries from a wide range of sources and instruments including public, private, innovative and alternative sources, in the context of meaningful mitigation action and ambition, transformational adaptation and

transparency on implementation, with the target to be pursued by developed country Parties and other Parties with high GNI per capita (current international \$ PPP), high FDI net inflows or that are already significant contributors in bilateral or multilateral climate finance, excluding Parties which are classified as a low-income country with a risk of external debt distress, or which classify as SIDS and LDCs and have a HDI value of less than 0.9, or those which are in fragile or conflict affected situations..

18. *Agree* that in pursuing the target at Para 17b:

- i. To continue to provide concessional support for those most vulnerable to the impacts of climate change and who have significant capacity constraints, including LDCs and SIDS;
- ii. To support increased climate ambition and implementation of climate targets, recognizing that these efforts further attract, drive and de-risk investment;
- iii. To improve the balance between adaptation and mitigation finance, and to continue to mobilize support for cross cutting efforts, including transparency, readiness, capacity building and technology transfer;

Calls to action to support achievement of the goal

19. *Affirms* that in order to support implementation of the targets articulated in paragraph 17, parties:

- a. *Agree* to continue to pursue reforms for better, and more effective MDBs to address global challenges to maximise development outcomes, impact and increase global climate financing flows.
- b. *Call* on all relevant financial institutions, such as MDBs and multilateral funds to further strengthen their efforts including by setting ambitious climate targets.
- c. *Call* on the MDBs to undertake comprehensive efforts to evolve their vision, incentive structures, operational approaches and financial capacities so that they are better equipped to maximize their impact in addressing a wide range of global challenges, including climate change.
- d. *Support* the continued implementation of the G20 CAF Review's recommendations, including on hybrid capital, callable capital and portfolio guarantees.
- e. *Affirm* that we will collectively mobilize more headroom and concessional finance to boost the World Bank's capacity to support low and middle-income countries that need help in addressing global challenges, with a clear framework for the allocation of limited concessional resources, with focused support for the poorest countries.

- f. *Promote* debt sustainability, calling on all bilateral creditors to improve debt transparency and to support reforms which help the most vulnerable countries to sustainably manage public debt levels.
- g. *Call* for the certain, timely and transparent implementation of the Common Framework, and for its extension to include SIDS and LDCs, noting the need for practical step-by-step information, including indicative timelines, on debt restructuring under the Common Framework.
- h. *Call* on credit rating agencies to clearly and proactively communicate to debtor nations their Common Framework treatment policies.
- i. *Recognise* the role of climate resilient debt clauses can play in making sovereign debt burdens more climate resilient by freeing up fiscal resources to respond to the impacts of climate change, and *call* on parties, in particular bilateral creditors, to introduce climate resilient debt clauses into their lending arrangements.
- j. *Commit* to adopt and implement sustainable finance policies and measures, as appropriate, with the aim of reducing barriers to investment in climate outcomes and to improve the ability of financial markets to support climate outcomes
- k. *Commit* to unlocking greater amounts of sustainable finance globally, including by strengthening market and regulatory architecture, such as sustainable finance taxonomies, which help to improve transparency and reduce the risk of greenwashing.
- l. *Commit* to enhance global cooperation to maximise international interoperability of sustainable finance frameworks, including to enhance their global impact and effectiveness, and to reduce cross-border barriers to sustainable finance flows.
- m. *Recognise* that financial market participants need comprehensive and comparable information on financially material sustainability-related opportunities and risks, and *encourage* the adoption of internationally aligned and standardised, mandatory climate-related financial disclosure requirements for large businesses and financial institutions, and comparable public sector entities.
- n. *Encourage* continued action to assess and improve regulatory frameworks for sustainability governance to ensure they are fit for purpose in key sectors and in respective economic national circumstances – ensuring that sustainability priorities can be properly factored in and managed by investors and institutions.
- o. *Recognise* the importance of equipping financial regulators to address key sustainability priorities, including increasing sustainability-related market supervision and compliance and deepening analysis of sustainability-related systemic risks and responses.

- p. *Recognise* the importance of integrating economic and climate policies, and call on all parties to adopt credible, effective and transparent transition plans, which can provide vital signals to markets and support effective near- and long-term capital allocation decisions.
- q. *Agree* to encourage and support the private sector to undertake transparent, credible and ambitious transition planning, and disclosure as appropriate, including by scaling up development of regulatory and practical guidance, and medium-term investment tools and capabilities that will enable good transition planning and reporting.
- r. *Recognize* that many firms and financial institutions have announced net zero emissions targets and have begun to publicly disclose their transition plans and strategies, call on more financial institutions to make and follow through on this commitment.
- s. *Agree* Governments play a catalytic role to promote the development of sustainable financial products, practices and markets, and encourage the increased adoption of blended financing instruments which support sustainability-aligned financial markets and products and the development of innovative investment products.
- t. *Commit* to scaling up innovative financing instruments to support climate outcomes, and recognise the value of countries adopting sustainability-themed debt products to mobilise sustainability-aligned capital, deepen sustainability-related capabilities and expertise, and to develop more sophisticated and liquid sustainable finance products and markets, including for example, green bonds.
- u. *Affirm* the G20 sustainable finance working group recommendations for scaling up blended finance and risk-sharing facilities, and its wider work in implementing the G20 Sustainable Finance Roadmap.
- v. *Agree* to phase out inefficient fossil fuel subsidies as soon as possible, *recognising* the importance of this action to unlocking greater financial resources for climate action;
- w. *Commit* to take corresponding action to align and scale up finance flows towards clean energy, including to strengthen clean energy supply chains and to cooperate to bring down the cost of clean energy technologies globally, in turn reducing the cost of climate action and subsequent investment needs;
- x. *Acknowledge* that in the context of aligning international public support towards the clean energy transition the value of initiatives like the Clean Energy Transition Partnership established at COP26.

Further qualitative elements

- 20. *Recognise* that action for mitigation, adaptation and disaster risk reduction and response exist on a continuum and should be planned for in an integrated and

holistic manner, recognising the importance of supporting programmatic efforts in this context;

21. *Emphasise* the key role of disaster risk reduction and response finance for all affected by climate change, especially the most vulnerable;
22. *Recognise* that there is a role for all sources and instruments in pursuing financing of climate activities and that concessional and grant based financing should be prioritised to support those whose needs are greatest, noting the importance of supporting those with the greatest capacity constraints and in supporting effective and ambitious climate action;
23. *Recognise* that gender-responsive financing for climate action strengthens and supports delivery of climate ambition and *encourage* all climate finance providers and other actors engaging in sustainable financing efforts to promote gender-responsiveness in climate financing activities, with a goal of supporting all finance flows for climate activities globally to be gender responsive;
24. *Recognise* the disproportionate impacts of climate change on children and *affirm* that financing for climate action must take these into account, including through measures which meaningfully empower youth and children as agents of change.
25. *Recognise and respect* the rights, needs and priorities of Indigenous Peoples and *underscore* the importance of building climate action on the best available science as well as drawing on traditional, local and Indigenous knowledge and practices, and supporting climate financing and investment strategies which are responsive to and developed in meaningful consultation with, Indigenous Peoples, and local communities;
26. *Underscores* the importance of just transition pathways to net zero and climate resilient societies as an opportunity for enhancing social development and economic growth in all countries encouraging governments to undertake meaningful social dialogue with workers and communities, with the aim of integrating consideration of just transition pathways into national policy frameworks, enabling environments, finance and investment strategies in an inclusive manner, leaving no one behind;

Access to finance

27. *Recognise* the ongoing challenges faced by many developing country Parties in accessing climate finance, in particular countries that have significant capacity constraints, such as LDCs and SIDS, and further recognising challenges faced by communities most affected by climate change in accessing climate finance, and emphasizes the need for further efforts to address these challenges;
28. *Urge* Parties to work towards enhancing access to climate finance, including by working with multilateral and regional funds and other international financial institutions to streamline, simplify and harmonize, where possible, application processes and procedures across institutions;

29. *Call* for all relevant actors to work together to enhance direct access and readiness initiatives and to strengthen local capacities to access climate finance in a manner which supports country driven strategies, locally led action and country ownership;
30. *Affirming* the value of regional presence in enhancing access to finance, *encourage* multilateral funds to strengthen their regional presence and where possible, ensure regional expertise within secretariats, to support equitable and improved access to finance;
31. *Urges* climate finance providers to reduce fragmentation in the climate finance system, including by prioritising scaling up existing projects and programmes, as appropriate, and coordinating to harmonise reporting requirements;
32. *Urges* bilateral climate finance providers to ensure access requirements are fit for purpose and context, including consideration of functional equivalency as appropriate;
33. *Call* on bilateral climate finance providers to support locally led approaches and make greater use of programmatic approaches and climate-tagged budget support, as appropriate.

Reporting, tracking, mapping and review

34. *Requests* all Parties to report their financial support provided and mobilized and received through the MPGs of the Enhanced Transparency Framework (ETF);
35. *Requests* the Standing Committee on Finance to biennially track collective progress towards the achievement of the NCQG, commencing in 2026, based on all relevant and available data sources, including information provided or made available by Parties, contributors, multilateral institutions, as well as other sources of information, for consideration by the CMA;
36. *Decides* to draw on other relevant sources of information besides the ETF, where they adequately align with the expression of elements included in this goal, to map the efforts of Parties and other actors towards the achievement of the actions included in this decision;
37. *Recognise* that tracking collective progress on elements of the goal will improve over time, and *encourage* the Standing Committee of Finance to provide recommendations in their biennial tracking, for consideration by the CMA, on possible ways to improve methods and approaches for collective tracking, as well as to identify where further information would be constructive in capturing progress towards elements of the actions and commitments in this decision;
38. *Invites* those Parties contributing to the target contained in Paragraph 17b and reporting their financial support provided and mobilised through the MPGs to define the methods and assumptions related to their accounting and reporting on finance provided and mobilised, including as it relates to the scope of financial data that is climate relevant, points of measurement, attribution of climate specific shares, form, composition and compilation and aggregation methods;

39. *Recognises* the importance of transparency on all climate finance flows, including predictability and clarity of information on financial support for the implementation of the Paris Agreement;
40. *Requests* all Parties providing resources to communicate biennially on their indicative quantitative and qualitative information, as applicable, including, as available, projected levels of public financial resources to be provided to developing country parties.