

A quantitative goal with no quantum – three years of climate finance talks



Farmer during drought period
Photo Credit: [UNDP Thailand](#)

by Fiona Ryan

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The nations of the world remain divided over which countries should provide financial support for climate action to developing countries. This is in addition to debate about how much support should be provided by countries that have the capacity to do so. The 2009 Copenhagen United Nations Framework Convention on Climate Change (UNFCCC) meeting promised the payment of US\$100 billion annually by 2020 as climate finance, a commitment that was enshrined in the 2015 Paris Agreement. The contributor countries ([see UNFCCC list](#)) claim to have **belatedly met that target** in 2022.

The negotiations to reset this target, known as the New Collective Quantitative Goal (NCQG), are now in their third year. The fora for these negotiations are the Technical Expert Dialogues (TED) established in 2021. The four-day **eleventh TED** meeting was held on 9-11 September. This was the last TED before the final NCQG decision scheduled at Conference of the Parties (COP29) in Baku, Azerbaijan, in November. Australia's Minister for Climate Change and Energy Chris Bowen and Egyptian Minister Yasmine Fouad were appointed by the COP29 President as a Ministerial Pair of the NCQG to facilitate a political agreement at COP29.

The TED process was intended to find a basis for the creation of a negotiating text. There are several issues yet to be resolved.

First, there was much disagreement about which countries should contribute to the NCQG. Existing contributor countries have repeatedly called on larger and richer middle-income developing economies with high emissions such as China, India and the Gulf states to contribute to the NCQG. Countries like the US and Australia argue that the list of contributor countries established in 1992 is outdated as it excludes not only large high-emissions economies but also high-income countries such as Singapore and Brunei. This push to expand the list of contributors was not supported by any of the developing-country negotiating groups, including Least Developed Countries (LDCs), in the TED. This was surprising given that LDCs were

not being asked to contribute and would benefit from the increased quantum that could result from enlargement of the list of contributors.

Second, a related major impediment to the negotiations is that the contributor countries have not yet proposed a new quantum — that is, the amount of climate finance they propose to deliver through the NCQG. Based on estimates of their needs, developing-country Parties have called for amounts ranging into **trillions of US dollars**. It is obviously more difficult to determine the impact on contributors' budgets if the list of contributor countries is still in contention and there is no agreed definition of what qualifies as climate finance.

Third, the contributor countries have also argued for a multi-layered NCQG with an outer layer that includes private finance and other innovative sources because they are theoretically available in much greater volumes than public finance. There were a **variety of views** on what sources should be included in the layers. However, developing countries in particular have insisted on limiting the core NCQG to public finance. Australia advocates a two-layer approach but with a greater range of sources in the core, thus not limiting the core goal to public finance.

Fourth, there are ongoing fears that Official Development Assistance (ODA) will be diverted into climate finance. Many countries and NGOs are dissatisfied about the lack of rules governing climate finance. In the absence of an agreed definition of climate finance, contributor countries opted for the OECD Development Assistance Committee “Rio marker” approach, an approach which is known to be **easily manipulated**. Most climate finance is also counted towards the UN’s Official Development Assistance (ODA) target of 0.7% Gross National Income, making it relatively easy for countries to merely “rebadge” ODA projects as climate finance.

As an example, a recent **UK government report** found that the UK has increased its reported climate finance commitments and disbursements by retrospectively marking pre-existing aid projects using the Rio markers. The Paris Agreement explicitly stipulates support provided to developing countries should be “new and additional”. Reclassification of existing projects is not considered new and additional by most reasonable stakeholders. However, Australia makes **the rather peculiar claim** that all disbursements are new and additional because they are aid budget appropriations approved by parliament each year.

Fifth, the predominance of loans over grants was a source of discontent. Most climate finance is in the form of **loans rather than grants**, thus adding to the financial stress of already debt-burdened developing countries. The OECD ODA figures are reported in grant-equivalence terms, rewarding loans with lower than the market interest rates and long grace periods with higher grant-equivalence values. Oxfam

found that if market-rate loans were excluded, then the combined grant-equivalent value of contributors is about one-third of what they report now. In Australia and other countries which predominantly use grants, the grant-equivalent values approximate reported climate finance. Those countries whose climate finance portfolios are dominated by loans have their efforts greatly exaggerated by the current accounting method.

Oxfam, using their grant-equivalence formula, calculated that the largest donor, Japan would have its reported amount reduced from US\$8,811 million to US\$2,492 million, while France, the second biggest contributor, would be reduced from US\$5,831 million to US\$694 million, an almost 90% reduction. If grant-equivalence reporting were part of the NCQG, as it now is for OECD DAC ODA reporting, contributors with grant-based programs such as Australia would ascend the NCQG contributor league table while contributors whose climate finance portfolios are dominated by loans would move down the league table. If Australia clearly advocated for grant-equivalence it would be a sign of alignment with developing countries, thus aiding Australia's bid to host COP31 in 2026.

Sixth, financing for loss and damage, which refers to the negative effects of climate variability and climate events which cannot be avoided by adaptation, was included in many submissions such as the Alliance of Small Island Developing States (SIDS) and the Least Developed Countries (LDC) Group, as a sub-goal under the overall NCQG target. No opposition to the inclusion of loss and damage was expressed to this at TED11 given that a loss and damage fund has been established under the UNFCCC. The inclusion of loss and damage under the same overall goal would require a larger quantum, with subgoals for mitigation and adaptation to prevent the shifting of those funds to loss and damage.

Finally, access for small economies was also raised as an issue. Many developing countries, particularly SIDS, have protested the difficulty of accessing climate finance. At TED11, Australia proposed a "friends of access" group, which other countries expressed interest in joining. Its job would be to find ways for smaller and less resourced entities, including LDCs and SIDS to gain access to funding. Pakistan preferred opening funding to vulnerable developing countries in general rather than prioritising only SIDS and LDCs.

There were also calls for the recognition of the vulnerability of women, children, other marginalised groups, indigenous people, and for the targeting of finance to local communities. However, these considerations often involve reprioritisation of existing resources and so do not require an increase in overall funding. It's the prospect of an increase in overall funding that attracts opposition from contributor countries. Above, the set of related issues that raise this prospect are the

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magnitude of the quantum, the inclusion of new countries in the contributor base, the definition of climate finance and grant equivalence.

TED11 resulted in little progress on reaching a clean negotiating text. Countries had a second chance to soften positions at the [2024 High-level ministerial dialogue](#) on the NCQG on October 9. Bowen did not attend owing to parliamentary commitments, [sending a video message](#) instead.

Let's hope Bowen can avoid a last-minute scramble to reach a final NCQG decision at COP29 in November. A compromise could see a business-as-usual extension for something like the existing US\$100 billion goal with only a marginally expanded quantum and without an agreed definition of climate finance or agreement on grant equivalence. This would further erode the confidence of developing countries in the fairness of multilateral climate negotiations and undermine meaningful collective action.

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