

LOSS AND DAMAGE AS THE THIRD PILLAR OF CLIMATE ACTION: DELIVERING A LOSS AND DAMAGE SUB GOAL UNDER THE NCQG AT COP29

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ENDORSEMENTS

The following organisations and institutions have endorsed this paper:

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HIGH LEVEL MESSAGES

"Climate justice requires NCQG to recognise loss and damage as the third pillar of climate action. Loss and damage is nothing but remediation for adverse effects on human rights. Affected individuals and communities should be able to seek from historical polluters – not as charity but as a right – effective remediation for climate-change-related loss and damage."



SURYA DEVA
UN Special Rapporteur on the right to development

"Fiji as a Pacific Island nation standing on the frontline of the climate crisis, bearing an overwhelming and unjust burden of loss and damage for very real economic and non-economic losses to our people, their homes, livelihoods, cultures, and futures. Climate finance is not charity—it is justice, a fundamental necessity for survival and resilience. We stand in support of our AOSIS family and respectfully recommend that recognition of "Loss and Damage" as the third pillar of climate action, as a dedicated sub goal under the NCQG, alongside Mitigation and Adaptation, speaks to the full scope of what is required. This is about securing our right to exist with dignity and to protect our people, our lands and oceans, that define who we are."



HONOURABLE PROFESSOR BIMAN PRASAD
Deputy Prime Minister of the Republic of Fiji, and Minister for Finance, Leader of National Federation Party

EXECUTIVE SUMMARY

To achieve climate justice and equity, the New Collective Quantified Goal on climate finance (NCQG) must address all pillars of climate action, including Loss and Damage, through a dedicated sub-goal with clear financial commitments. This structure will ensure accountability, clarity, and justice, enabling developing countries to meet the growing and disproportionate climate risks they face. The 29th Conference of Parties (COP29), which will take place from the 11th to the 22nd of November, 2024, in Baku, Azerbaijan, provides a critical opportunity to advance this goal and secure a finance framework that truly reflects the needs and priorities of vulnerable communities. Intergenerational equity and human rights must be central to the NCQG, ensuring that today's climate finance decisions uphold the rights of current and future generations —particularly those of marginalised communities— by securing their rights to a healthy environment, life, development, human dignity and all other rights jeopardised by the climate crisis. Key messages contained in this paper include:

1. **Escalating Climate Crisis:** Since July 2023, Earth's average temperatures have been at least 1.5°C (2.7° Fahrenheit) above pre-industrial levels. This has continued to increase the frequency and intensity of extreme weather events and slow onset events leading to increasing levels of loss and damage —particularly for vulnerable frontline communities in developing countries. This highlights a global failure to ensure climate action that respects human rights and fosters equity.

2. **Incorporating Loss and Damage into the NCQG:** The NCQG must explicitly include Loss and Damage and have a dedicated Loss and Damage sub-goal, which will ensure that adequate finance is allocated to address both economic and non-economic losses. Without this, developing countries will remain exposed to escalating climate impacts without the necessary support, risking human rights violations on an unprecedented scale. Loss and Damage must be treated as an equal and distinct priority alongside mitigation and adaptation. This will require dedicated funding streams under the NCQG and mechanisms to ensure that finance reaches those most affected by climate impacts, particularly

“To achieve climate justice and equity, the New Collective Quantified Goal on climate finance must address all pillars of climate action, including Loss and Damage, through a dedicated sub-goal with clear financial commitments.”

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“The NCQG must explicitly include Loss and Damage and have a dedicated Loss and Damage sub-goal.”

in Small Island Developing States (SIDS) and Least Developed Countries (LDCs). The Warsaw International Mechanism for Loss and Damage (WIM), the Santiago Network for Loss and Damage, and the Fund for Responding to Loss and Damage must now be fully operationalized under the NCQG, with transparent channels to track financial flows.

3. **Structure of the NCQG:** The NCQG must have three distinct sub-goals covering mitigation, adaptation, and Loss and Damage. This structure is necessary to ensure clarity, accountability, and transparency in tracking finance flows and ensuring equitable distribution of resources. Each sub-goal should be accompanied by clearly defined financial commitments, with public grant-based finance as the primary mechanism to avoid deepening the debt burden on developing countries. The NCQG should be designed with periodic review and revision mechanisms to ensure the goal remains responsive to the evolving needs of developing countries, particularly as the impacts of climate change continue to intensify.

> **“The NCQG must have three distinct sub-goals covering mitigation, adaptation, and Loss and Damage. This structure is necessary to ensure clarity, accountability, and transparency in tracking finance flows and ensuring equitable distribution of resources.”**

4. **Financial Quantum and Allocation:** A total quantum of US$ 6.88 trillion should be delivered annually under the NCQG. Of this total quantum, US$ 724.43 billion should be allocated for Loss and Damage each year and must be delivered as grants. This quantum reflects the scale of needs for developing countries and is essential to ensure that Loss and Damage is addressed adequately alongside mitigation and adaptation. The structure of finance should differentiate between grant-based finance, concessional loans and blended finance, with Loss and Damage requiring 100% grant-based support to avoid further burdening vulnerable economies.

> **“A total quantum of US$ 6.88 trillion should be delivered annually under the NCQG. Of this, US$ 724.43 billion should be allocated for Loss and Damage each year and must be delivered as grants.”**

5. **Mitigation and Adaptation Finance under the NCQG:** For mitigation, this paper proposes US $4.725 trillion annually, emphasising the need for just transition support for developing countries. For adaptation, the total quantum proposed is US $1.44 trillion annually, with the majority to be delivered in the form of grants. The NCQG must reflect the true costs of achieving the climate goals of the Paris Agreement, with an emphasis on public finance provision and reducing the reliance on private sector investments, which are insufficient to meet adaptation and Loss and Damage needs.

> **“The NCQG must deliver US $4.725 trillion annually for mitigation, emphasising the need for just transition support for developing countries. For adaptation, US $1.44 trillion must be delivered annually, with the majority to be delivered in the form of grants.”**

6. **Equity and Burden Sharing under the NCQG:** The NCQG must ensure equity and adherence to the principle of Common but Differentiated Responsibilities and Respective Capabilities (CBDR-RC), with developed countries bearing primary responsibility for providing

non-debt inducing public finance. Developed countries must not seek to expand the contributor base of the NCQG to include developing countries. This would violate the core equity principles enshrined in the United Nations Framework Convention on Climate Change (UNFCCC) and its Paris Agreement. The NCQG must set a floor for contributions that reflects the scale of financial needs of developing countries, with developed countries contributing the vast majority as public finance and the private sector playing a complementary —but not primary— role.

7. **Accountability and Transparency:** A key element of the NCQG must be a robust climate finance definition that prevents double-counting, ensures additionality, and limits the inclusion of debt-creating instruments. Transparency mechanisms should track the delivery of finance across mitigation, adaptation and Loss and Damage —especially to ensure that Loss and Damage finance is disbursed in an accountable manner— with priority given to grant-based finance for the most affected communities. How finance reaches impacted communities, with tracking disaggregated by gender, geographic distribution and reach to marginalised groups, needs to be included.

“Developed countries must not seek to expand the contributor base of the NCQG to include developing countries. This would violate the core equity principles enshrined in the UNFCCC and its Paris Agreement.”

“The NCQG must include a climate finance definition that prevents double-counting, ensures additionality, and limits the inclusion of debt-creating instruments.”

II

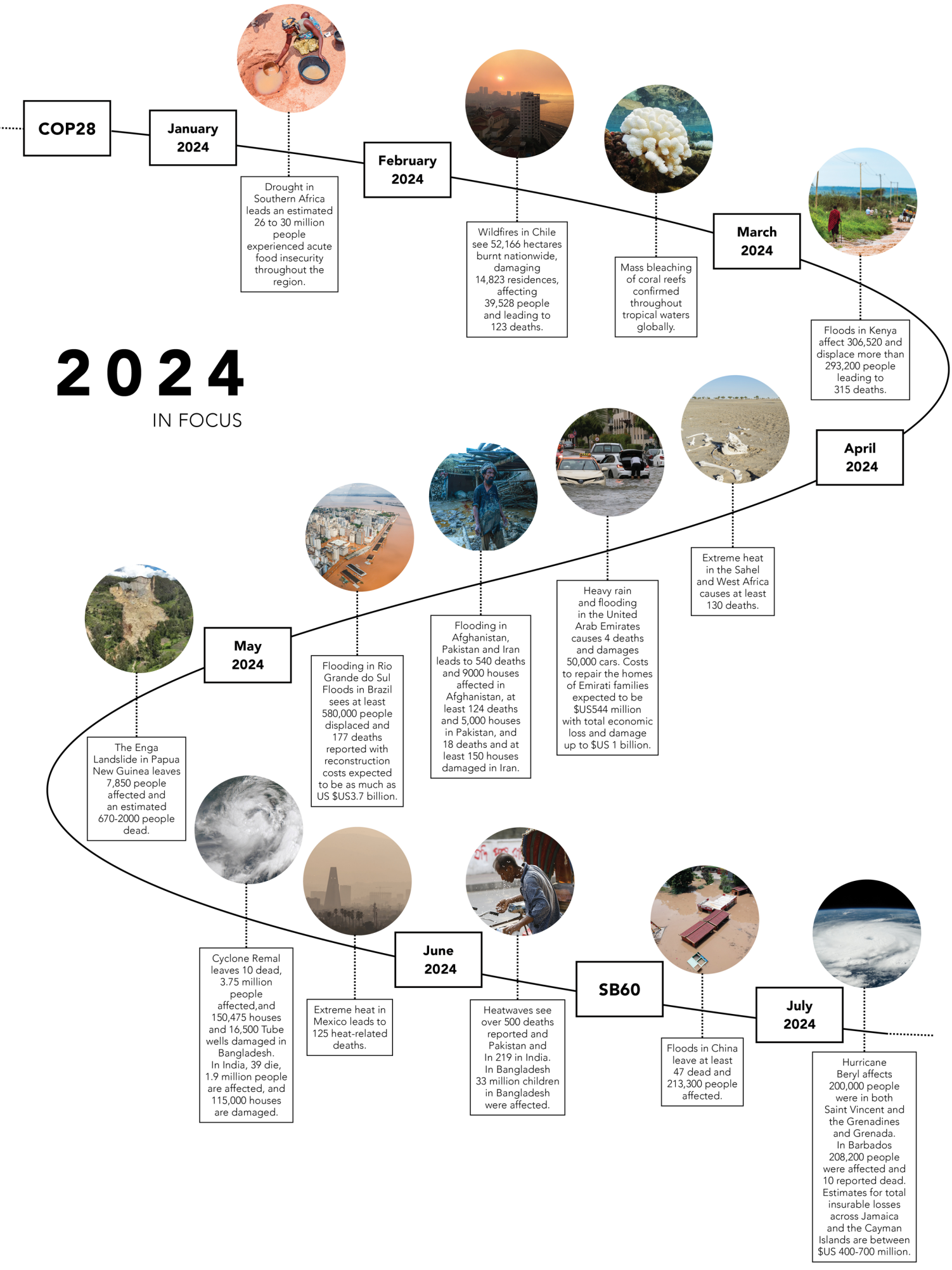
DEFINING A NEW COLLECTIVE QUANTIFIED GOAL IN A TIME OF ENVIRONMENTAL, HUMAN RIGHTS AND CLIMATE CRISIS

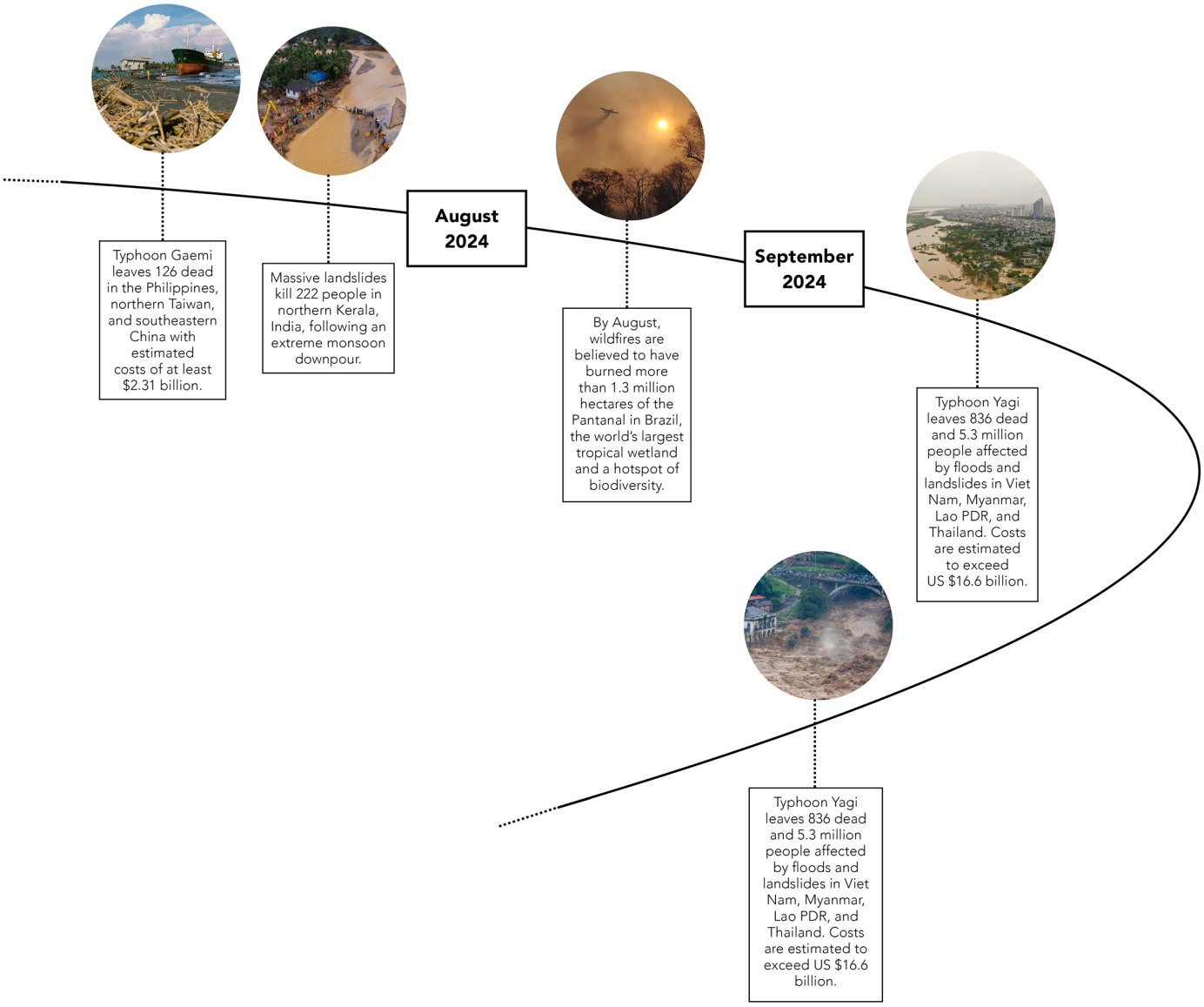
Since July 2023, Earth's average temperatures have been at least 1.5°C (2.7° Fahrenheit) above pre-industrial levels[1]. On July 22nd, 2024, the hottest day ever observed was recorded, amidst a four day streak of record breaking temperatures[2] during the hottest boreal summer (June-July-August) on record[3]. Three quarters of the way through 2024, communities on the frontlines of the climate crisis across the world have been facing record breaking extreme weather including devastating flooding in Kenya[4], Afghanistan, Pakistan, Iran[5], Nepal, and Brazil[6], Cyclone Remal in India and Bangladesh[7] and Typhoon Yagi in Vietnam[8], as well as heat waves across South and Southeast Asia[9]. With reports indicating that the floods in Brazil, Southwest Asia, and East Africa, and the extreme heat waves that hit large parts of Asia alone have resulted in a death toll of at least 2,539 people—likely a huge underestimate[10]. These recent devastating climate-intensified events starkly highlight the global failure to ensure human rights and justice-aligned climate action on mitigation, adaptation and addressing loss and damage. A catastrophic failure which is exacerbating the suffering of communities made vulnerable by climate change who have contributed minimally to emissions, yet bear the brunt of climate inaction through a loss of their lives, livelihoods, cultures, identities, and futures.

“Since July 2023, Earth's average temperatures have been at least 1.5°C (2.7° Fahrenheit) above pre-industrial levels.”

“Recent devastating climate-intensified events starkly highlight the global failure to ensure human rights and justice-aligned climate action on mitigation, adaptation and addressing loss and damage.”

Figure 1: A timeline of loss and damage events to date in 2024[11].





The Planetary Boundaries Framework, should be a stark warning to policy makers, yet is going unheeded. This science based framework shows that six of the nine planetary boundaries assessed have been crossed, indicating a devastating lurch towards the loss of safe conditions in which humanity can continue to thrive.[12] This transgression provides a stark illustration of how our current condition of polycrisis —one which is compounding and complex— is already proving to be more costly and less predictable as environmental, health, human rights and climate crises intersect to existentially threaten the survival of our species.

“The Planetary Boundaries Framework, shows that six of the nine planetary boundaries assessed have been crossed, indicating a devastating lurch towards the loss of safe conditions in which humanity can continue to thrive.”

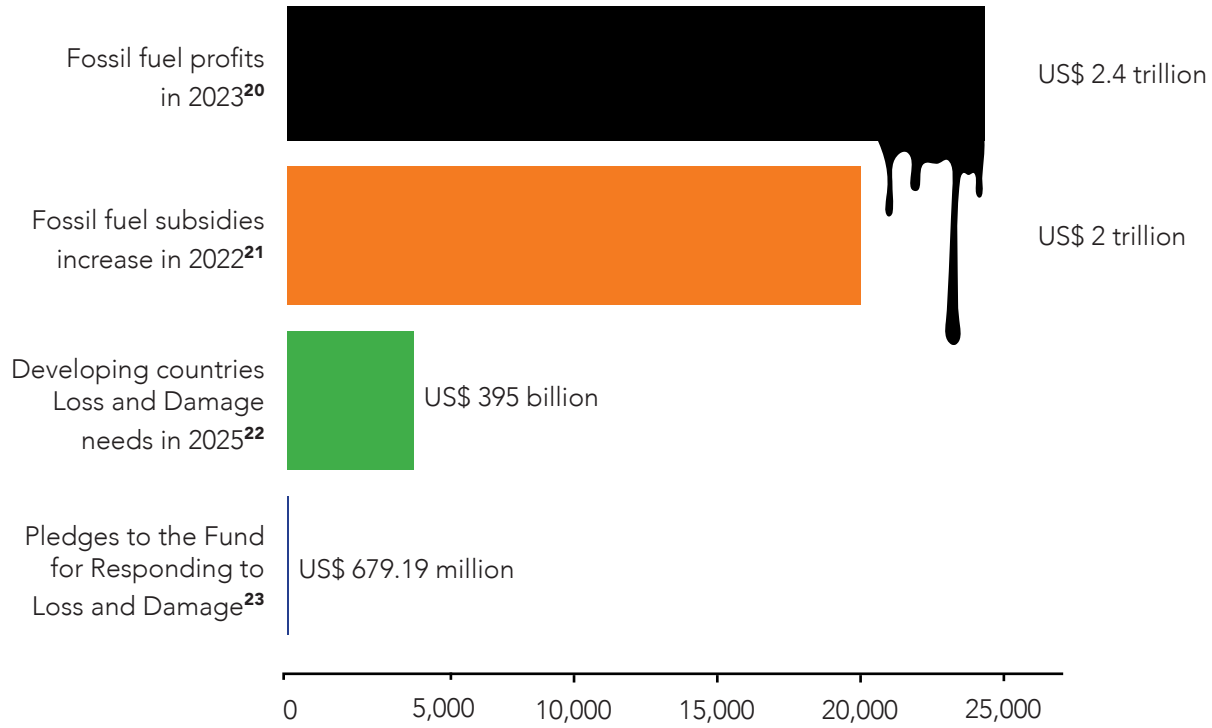
Although devastating, the destruction wrought so far in 2024 is but the tip of the iceberg of the economic loss and damage suffered to date by developing countries as a result of the climate crisis —and that which is projected— even if warming is kept within the 1.5°C temperature goal of the Paris Agreement. In 2022 alone, developing countries faced US$ 109 billion of economic loss and damage[13], The Vulnerable Twenty Group (V20) estimated that between 2000 and 2019, V20 countries lost approximately US$ 525 billion due to climate change, amounting to 22% of 2019 total GDP (in current US$)[14]. A recent paper from Massimo Tavoni et al. on the economic quantification of Loss and Damage funding needs, highlights that the midpoint average for developing countries Loss and Damage funding needs will be US$ 395 [128–937] billion in 2025[15]. Yet as of October 2024, pledges to the Fund for responding to Loss and Damage total just US$ 679.19 million[16] which equates to less than 0.2% of the estimated US$ 400 billion needed each year in the 2020s to meet the Loss and Damage needs of developing countries[17]. A 2023 paper by the International Monetary Fund (IMF)[18] puts the inadequate scale of these pledges to the Fund into context by illustrating how trillions of dollars are being channelled in the wrong direction to fossil fuel subsidies. The IMF shows that in 2022, fossil fuel subsidies amounted to US$7 trillion —equivalent to 7.1% of global GDP. This represents an increase of US$ 2 trillion from 2020 to 2022, which equates to more than five times the projected economic Loss and Damage funding needs of developing countries calculated by Massimo Tavoni et al. for 2025. At the same time fossil fuel companies have made record profits, with the global oil and gas industry earning more than US$ 2.4 trillion[19] in 2023, a figure that is more than six times the Loss and Damage needs projected by Massimo Tavoni et al for 2025.

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Figure 2: Pledges to the Fund for Responding to Loss and Damage pledges vs Loss and Damage needs in 2025 vs fossil fuel subsidies increases 2022 vs fossil fuel profits in 2023



Whilst these projections and cost estimations shed light on the economic cost of the climate crisis, hard to quantify[24] non-economic loss and damage (NELD)[25] is also happening on a massive scale. Through the loss of human life, damage to mental and physical health, loss of culture, language, heritage, identities, sense of place, community and social cohesion, a reduction in biodiversity, species extinction and loss or damage to ecosystem services[26], the climate crisis is violating human rights[27] and compounding the sixth mass extinction[28]. However, despite being considered non-economic in nature (i.e. they are not commonly traded in markets) within UNFCCC discussions, addressing non-economic loss and damage —though such activities as the restoration or recovery of culture, biodiversity, health and wellbeing— undoubtedly requires finance on a significant scale.[29]

> **“Non-economic loss and damage (NELD) is happening on a massive scale, through the loss of human life, damage to mental and physical health, loss of culture, identity, community and social cohesion, a reduction in biodiversity, species extinction and loss or damage to ecosystem services, the climate crisis is violating human rights and compounding the sixth mass extinction.”**

Whilst most projections or reports of loss and damage are limited to economic costs, several key figures provide an indication of the scale of finance required to address non-economic loss and damage. For example, a 2024 report from The World Economic Forum[30] projects that the climate crisis is likely to cause an additional 14.5 million deaths whilst health care systems are also predicted to face an additional US$ 1.1 trillion burden due to climate-induced impacts. And according to the World Health Organization, by 2030, the direct health costs caused by climate change are estimated to be between US$ 2 billion and US$ 4 billion

> **“A 2024 report from The World Economic Forum projects that the climate crisis is likely to cause an additional 14.5 million deaths whilst health care systems are also predicted to face an additional US$ 1.1 trillion burden due to climate-induced impacts.”**

a year[31]. Whilst a paper from Lenton et al.[32] at the Global Systems Institute at the University of Exeter shows that climate change has already pushed more than 600 million people (about 9% of the global population) outside the "human climate niche" —which is the temperature range in which humans can survive— exposing them to extreme heat —which will increases mortality and causes other forms of loss and damage. Therefore, if current policies persist, resulting in around 2.7°C of global heating by the end of the century, 22–39% of people could face similar conditions.

"According to the World Health Organization, by 2030, the direct health costs caused by climate change are estimated to be between US$ 2 billion and US$ 4 billion a year."

As highlighted by Working Group II of the Intergovernmental Panel on Climate Change (IPCC) in their Sixth Assessment Report (AR6)[33], intersectionality is key to understanding how an individual, country or community is disadvantaged by multiple sources of oppression and thereby faces disproportionate impacts as a result of the climate crisis:

> "Vulnerability of ecosystems and people to climate change differs substantially among and within regions, driven by patterns of intersecting socio-economic development, unsustainable ocean and land use, inequity, marginalization, historical and ongoing patterns of inequity such as colonialism, and governance."

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Yet despite clear indication that the disproportionate burden of the climate crisis is falling on those who are least responsible and the most vulnerable, we are seeing a systematic absence of global collaboration, meaningful cooperation, and willingness to redistribute resources to address the climate crisis. Climate change has been repeatedly shown to be an exacerbator of inequity[34, 35, 36]. Growing inequality is further exacerbating climate vulnerability, with wealth disparities contributing directly to the unequal burden of climate impacts. For example, as highlighted by Oxfam[37], since 2020, the five richest people in the world —all of whom are men[38]— have doubled their fortunes, while almost five billion people globally have become poorer.[39] This stark disparity is reflected in carbon emissions, where the richest 1% have burned through more than twice as much carbon as the bottom half of humanity since the 1990s. Meaning that by 2019, the super-rich 1% were responsible for 16% of global carbon emissions, the same amount as the emissions of the poorest 66% of the world's population, around five billion people[40].

"Growing inequality is further exacerbating climate vulnerability, with wealth disparities contributing directly to the unequal burden of climate impacts. According to Oxfam, since 2020, the five richest men in the world have doubled their fortunes, while almost five billion people globally have become poorer."

Growing inequality is not just increasing due to asymmetric wealth accumulation but also due to the poorest and most vulnerable bearing the cost of loss and damage. As Ofxam stresses, the world's poorest 40% experience climate-related income losses that are 70% higher than the

"The world's poorest 40% experience climate-related income losses that are 70% higher than the average in low- and middle-income countries whilst more than 91% of deaths caused by climate-related disasters over the past 50 years have occurred in developing countries."

average in low- and middle-income countries[41] whilst more than 91% of deaths caused by climate-related disasters over the past 50 years have occurred in developing countries.[42] Meanwhile, the carbon emissions of the super-rich 1% in 2019 alone are projected to cause 1.3 million deaths due to heat.[43]

The disparity between climate responsibility and disproportionate impact between the Global North and South ultimately reflects the legacy and enduring presence of colonial systems that still affect the world today. Systems that continue to be expressed in new forms of coloniality that reproduce uneven and extreme consequences in climate-impacted communities.[44] This can be seen through the destruction of land by corporations and land grabbing for carbon offsetting ("a new carbon colonialism"[45]), the concentration of high emissions in the Global North, and the exclusion of people from the Global South and Indigenous Peoples from climate decision making (just one expression of climate coloniality[46]), to name but a few examples. This coloniality also places an unfair burden on marginalised groups and the least developed countries to limit their development and slow down progress[47], owing to the appropriation of the atmospheric commons by developed countries[48], which in turn contradicts the provisions of the Convention and Paris Agreement.

In the context of setting the NCQG, it is crucial to recognize that the framework of the UNFCCC often obscures the systemic role of capitalism in driving climate change, inequality, and environmental degradation[49]. Capitalism, as ideas, practices, and environmental relations, is the root of climate change and unequal vulnerability across scales[50]. Historical economic structures, particularly the spread of capitalist production through imperialism and unequal exchange, have created conditions where both prosperity and environmental destruction coexist[51]. This aligns with a broader political-economic critique that highlights how critical historical junctures have led to divergent development paths, with some regions, classes, and individuals benefiting economically while others face poverty, marginalisation, and environmental degradation. The historical factors shaping these paths are deeply embedded in today's global capitalist economic system, much like the widely-accepted modernisation hypothesis, where income and democracy are shown to be interlinked but may, in fact, share deeper underlying causes, as seen in post-colonial development trajectories[52]. As we discuss the delivery of a climate justice aligned NCQG, it is therefore necessary to critically resist these economic structures, since they continue to drive inequities that amplify climate vulnerability within and between countries, classes, castes, races and ethnicities, whilst perpetuating capitalist

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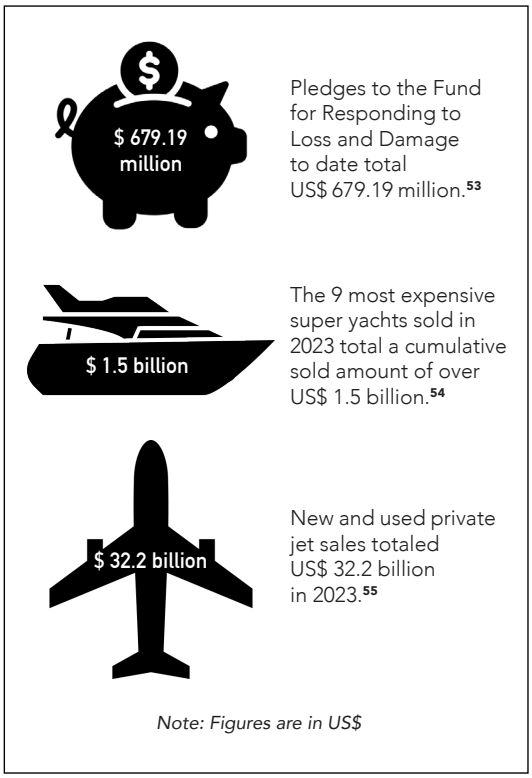
With so much devastation impacting the most vulnerable and increasing numbers of people facing higher levels of inequality, loss and damage is already severely undermining the enjoyment of human rights for current and future generations including the right to life, health, water and sanitation, education, adequate housing, a clean, healthy and sustainable environment, food, decent work, participation in cultural life, as well as right of Indigenous Peoples to free, prior, and informed consent (FPIC), amongst many other rights[56]. The report of the UN Secretary-General on the impact of loss and damage from the adverse effects of climate change on human rights[57], has made clear that:

> "[A]ll countries should seek to remedy, including through financing, the climate harms to which they contributed, consistent with their international human rights and other obligations". And that "[e]fforts to avert, minimize and address loss and damage should advance a just transition towards a human rights economy that puts the rights of people and the well-being of the planet at the heart of economic and social decision-making."

The human rights impact of loss and damage also underpins the pursuit of an advisory opinion[58] on the Obligations of States in respect of Climate Change at the International Court of Justice (ICJ) as well as the advisory opinions on climate change sought from the International Tribunal for the Law of the Sea (ITLOS), and the Inter-American Court of Human Rights (IACHR). Whilst the ICJ and IACHR process are still on going, the ITLOS advisory opinion[59] has been delivered, clarifying the obligations of States under the United Nations Convention on the Law of the Sea (UNCLOS) to prevent, reduce, and control marine pollution from greenhouse gas emissions and to protect and preserve the marine environment from climate change impacts. This historic ruling explicitly links UNCLOS to international agreements, including the UNFCCC and its Paris Agreement, thereby solidifying the legal foundation for climate action in the context of ocean governance.

At a time where States should be implementing the Paris Agreement with urgency, we instead see an increase in the expansion of fossil fuels. To name but one glaring example of hypocrisy, Australia, who are bidding to host COP31 in Adelaide[60] —at the same time as positioning themselves as climate leaders— announced in September 2024 that they will be opening three new coal mines which are projected to generate carbon emissions of over 1.3 billion tonnes[61]. The goal of limiting warming to 1.5°C enshrined

Figure 3: Pledges to the Fund for Responding to Loss and Damage vs luxury (planet wrecking) lifestyles



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"At a time where States should be implementing the Paris Agreement with urgency, we instead see an increase in the expansion of fossil fuels. Australia, who are bidding to host COP31 in Adelaide, announced in September 2024 that they will be opening three new coal mines which are projected to generate carbon emissions of over 1.3 billion tonnes."

in the Paris Agreement will not be achieved with such expansion of fossil fuels by developed countries[62] who have obligations under the Agreement to phase out fossil fuels first. Yet, in light of this obligation the G7 has provided US$ 25.7 billion each year in international public finance for fossil fuel extraction in developing countries compared to US$ 10.3 billion for clean energy generation. Furthermore, new research shows that developed countries' expansion of fossil fuels will add 12 billion tonnes of additional emissions to the atmosphere.[63]

Amid ongoing conflict in Palestine and the wider Middle East, Ukraine, Sudan, and Haiti, among others (there are at present over 100 conflicts on going around the world[64,65]), climate disasters, and the loss and damage they cause, are putting regions at greater risk of war[66], thereby leaving highly vulnerable, fragile and conflict-affected communities without access to support.[67,68] With conflict leading to significant greenhouse gas emissions as a result of bombing and other acts of war, emissions related to rebuilding are also projected to be substantial, all of which will ultimately lead to more loss and damage.[69] The report of the Secretary General on loss and damage and human rights, highlights that global military spending topped US$ 2.4 trillion in 2023, the same amount that the report puts forward as an estimate for the annual climate finance needs of developing countries (excluding China) for mitigation, adaptation, and loss and damage.[70] In the case of the US military, which has the highest emissions of any military worldwide[71] —which are equivalent to countries like Denmark or Portugal[72]— military spending increased by US$ 39 billion to US$ 916 billion in 2023.[73] For many, developed country governments this increase of military spending,[74] has coincided with reducing or failing to meet climate finance commitments at a time where they must increase.[75] However, the complex and specific contexts that drive military expenditure should not be disregarded. For instance, EU military spending has been driven by Russian aggression in Ukraine[76] and the related cascading impacts on energy security. Therefore, defence spending would unfortunately appear necessary in a world that has not achieved global peace. However, climate finance should be recognised as a distinct priority essential to global stability, recognising that climate finance is essential for long term peace building and resilience, especially for communities that are disproportionately impacted by the climate crisis. Therefore, in light of the urgency of addressing the climate crisis and the centrality of climate finance, the vast sums allocated to military expenditures —often exceeding 2% of GDP in many countries— should, where appropriate, be re-evaluated by the States with the largest militaries taking into serious consideration the existential threat posed by climate change and its status as a threat multiplier.

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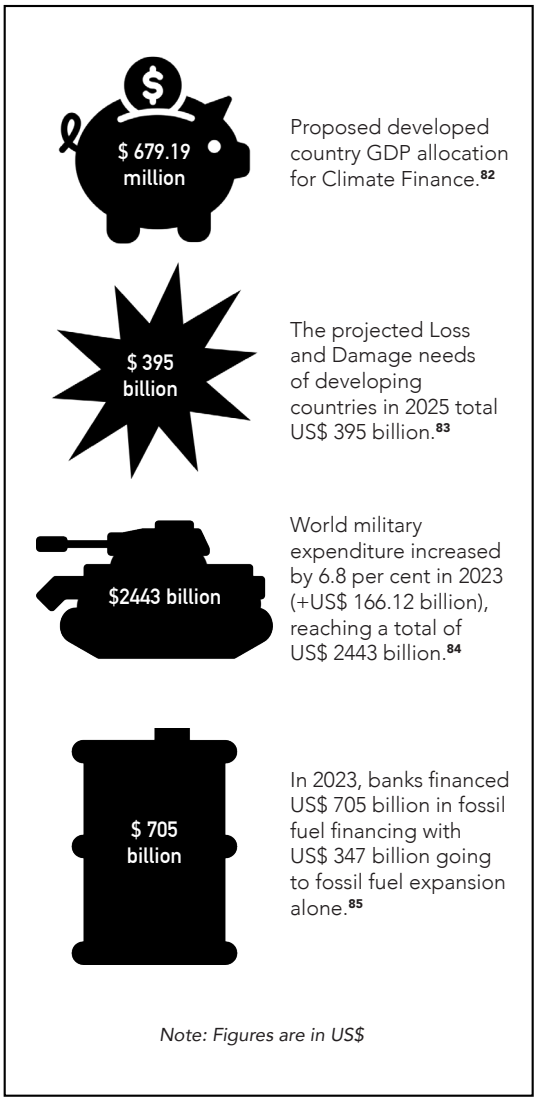
Clearly the issue is complex on multiple levels, although militaries are adapting their operations to climate change, from readiness[77] to responding to climate impacts[78], the role of military emissions in exacerbating the climate crisis is vast and often goes unreported or under-reported. Assessments put military emissions at 5.5% of global emissions.[79] Whilst a paper from Otu-Larbi, F., et al. interrogating the greenhouse gas emissions generated by the Israel-Gaza Conflict[80] estimates that the emissions from the first 120 days of the conflict alone amount to 420,265 and 652,552 tonnes of carbon dioxide equivalent. An amount greater than the annual emissions of 26 individual countries and territories.[81]

It is within this context of climate urgency, climate inaction and climate crisis that a New Collective Quantified Goal on climate finance (NCQG) is to be negotiated and set at the 29th Conference of Parties (COP29), in Baku, Azerbaijan, between the 11th and 22nd of November 2024.

The NCQG will replace the US$ 100 billion goal set at COP15 in Copenhagen in 2009, and is necessary to enable developing countries to meet the goals of the Paris Agreement including limiting global temperature rise to 1.5°C. The failure of developed countries to meet the US$100 billion goal as promised by 2020 —and the subsequent undermining of trust in the UNFCCC that this has led to— provides crystal clear guidance on how not to set the NCQG.

Therefore to take us further down the road towards climate justice, averting loss and damage through mitigation, minimising loss and damage through adaptation, and addressing residual loss and damage must be at the heart of discussions to establish the NCQG. This requires an NCQG that covers mitigation, adaptation and Loss and Damage with a dedicated Loss and Damage subgoal to be established. This is the only acceptable justice-and-human rights aligned outcome. In this way Loss and Damage will be finally secured as the third pillar of climate action under the UNFCCC and its Paris Agreement — thereby affirming what the operationalisation of the Fund for Responding the Loss and Damage and the Santiago Network for Loss and Damage clearly signal.

Figure 4: Pledges to the Fund for Responding to Loss and Damage vs projected Loss and Damage needs of developing countries in 2025 vs increases in military budgets of developed countries vs fossil fuel expansion investment



III

THE HISTORICAL CONTEXT OF CLIMATE FINANCE

The evolution of climate finance discussions highlight key lessons that must be taken forward when setting the NCQG. In 2009 —driven by influential reports like the Stern Review[86] and advocacy from Small Island Developing States (SIDS)— a US$ 100 billion annual goal was established at COP15 in Copenhagen. Under the Copenhagen Accord[87], developed countries committed to a "goal of mobilizing jointly USD 100 billion dollars a year by 2020 to address the needs of developing countries". However, key elements of the vision[88] shared for the goal to deliver public finance, and be equitably governed, were ultimately diluted by the Accord's[89] focus on "multiple sources" of funding which introduced institutions like the World Bank —thereby marginalising developing countries' influence. On sources of finance the Accord reads: "funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance."

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Additionally, as highlighted by the IMAL Initiative[90], the proposed US$100 billion was not based on the needs of developing countries, representing less than what research and analysis at the time had indicated was needed for adaptation and mitigation. Subsequent negotiations have aimed for balance between mitigation and adaptation finance, however, the commitment to the delivery of adaptation finance under the goal has remained merely an aim —one that has never been fulfilled[91].

The decision adopting the Paris Agreement reaffirmed the US$ 100 billion goal and set provisions for a New Collective Quantified Goal on Climate Finance (NCQG), yet developed countries failed to mobilise US$ 100 billion by 2020, and although they claimed to have mobilised US$ 116 billion in climate finance in 2022, the real value of their commitment was —according to Oxfam— only between US$ 28 billion and US$ 35 billion, with at most, just US$ 15 billion earmarked for adaptation.[92] Oxfam highlights that this

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significant overestimate is due to the inclusion of projects where the climate objective has been overstated, and the inclusion of loans cited at their face value.

Data from the Organisation of Economic Co-operation and Development (OECD)[93] has since indicated that developed countries only surpassed the US$ 100 billion commitment in 2022 by "provid[ing] and mobilis[ing] USD 115.9 billion"— a claim once again contested by civil society organisations and developing countries. Of this, public climate finance provided bilaterally and through multilateral channels mainly took the form of loans (69% or US$ 63.6 billion) and —to a lesser extent— grants (28% or US$ 25.6 billion). Analysis by the Center for Global Development (CGD)[94] also estimated that over a third of the money provided by developed countries in 2022 came from rebadging or redirecting existing development finance flows rather than being new and additional finance[95]. For example, a review[96] by the Independent Commission for Aid Impact (ICAI), found the UK had counted an additional £1.7 billion (US$ 2.15 billion) towards its £11.6 billion climate finance target without giving any more money, mainly by re-badging other forms of development assistance.

Developed countries' tendency to mainstream climate considerations into existing funding like Official Development Assistance (ODA), contradicts the calls within the Copenhagen Accord and the UNFCCC call for developed countries to provide "new and additional" finance. Mainstreaming climate considerations into development finance mechanisms should not be seen as an "opportunity" to re-badge development finance as climate finance. Instead, it must be treated as a way to do more to address the climate crisis, while recognising the need for developing countries to also have the financial means to achieve sustainable development. Yet, ultimately, the Copenhagen Accord's own language —which focused on mobilising funds rather than directly providing them— has played a significant role in undermining the quality of climate finance by allowing developed countries to double count. A key lesson that must not be overlooked when setting the NCQG.

One of the greatest ramifications of the US$ 100 billion goal, as highlighted by the IMAL Initiative[97], has been the failure of developed countries to meet the goal in a timely manner with new and additional finance. Something which has significantly undermined trust between developed and developed country governments and in the UNFCCC process itself. The history of the US$100 billion goal therefore provides key lessons on what not to repeat under the establishment of the NCQG.

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IV

CLIMATE FINANCE FOR 1.5°C

Since the adoption of the Copenhagen Accord, emissions have risen, ecosystems have degraded and impacts have worsened. The Climate Policy Initiative[98] estimates that annual climate finance needs to reach US$ 8.1 to US$ 9 trillion by 2030, growing to US$ 10 trillion from 2031 to 2050. Bilal and Känzig[99] find a significant underestimation of macroeconomic damages from a 1°C temperature increase, estimating a 12% loss in global GDP —six times larger than previously modelled. To achieve the 1.5°C temperature goal of the Paris Agreement a climate justice aligned NCQG is necessary. This will require developed countries to show they are serious about implementing the Paris Agreement, by taking the lead in the delivery of climate finance and by ending expansion of fossil fuels at home and abroad.

The Paris Agreement, which the EU and 194 States —totalling over 98% of greenhouse gas emissions— have ratified or acceded to the agreement[100], mandates regular updates on Nationally Determined Contributions (NDC) and domestic mitigation efforts, but lacks binding targets for outcomes. When submitting their NDCs, developing countries often differentiate between conditional and unconditional NDC elements, reliant on international cooperation to achieve their most ambitious climate targets. Finance is crucial for enabling the ambition articulated in developing countries NDCs. Applying prospect theory[101] —a behavioural economics theory that considers how decisions are made when faced with risk, probability, and uncertainty— to the Paris Agreement, can offer insight to derived utility from gains and losses in State decision-making depending on their reference point[102] (e.g. One State may perceive the current climate as the reference point, whereas another may consider the climate in 100 years). Taking this framing into account, we can perceive that some States —especially those whose economies are reliant on fossil fuel revenues— may view ambitious climate commitments as economic losses, leading to risk-averse behaviour, and a preference for smaller certain gains, over larger uncertain benefits. The certainty effect further lowers ambition by causing States to focus on the certain costs of climate actions over probable outcomes. Incorporating the Investor-State

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Dispute Settlement mechanism (ISDS) into the application of prospect theory further highlights an additional layer of risk that shapes state decision-making. This is because the ISDS allows investors to sue States if climate policies —such as phasing out fossil fuels— threaten their investments.

For States heavily reliant on fossil fuel revenues, the certainty of facing costly legal disputes or compensation claims further skews decision-making towards risk aversion. Rather than pursuing ambitious climate commitments with uncertain future benefits, these States may prioritise avoiding immediate, guaranteed losses[103]. Moreover, the ISDS system disproportionately affects developing countries, which may lack the financial capacity to defend against such claims —thereby exacerbating global inequities. This inequitable risk distribution disincentivizes ambition from States that are already financially vulnerable, reinforcing systemic barriers to achieving climate justice. As a result, the prospect of legal and financial penalties adds another layer of certainty effect[104], where States avoid bold action in favour of protecting immediate economic interests, ultimately lowering ambition across the board.

However, financial support can change these risk perceptions. The availability of adequate and predictable climate finance, through mechanisms like the Green Climate Fund (GCF) and the Fund for Responding to Loss and Damage (FLD), will mitigate perceived economic risks, thereby encouraging States to undertake higher-risk action on the climate crisis. Thus, financial support significantly influences NDC ambitions by providing economic assurance and making ambitious climate action more appealing. This further clarifies why the NCQG must be set at a scale that deters risk aversion by providing support at the scale of the needs of developing countries for mitigation, adaptation and Loss and Damage.

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V

INADEQUATE PROGRESS TOWARDS AN NCQG

To date there have been eleven Technical Expert Dialogues (TED) and three meetings (MAHWP) under the Ad Hoc Work Program of the NCQG to advance a Co-Chairs input paper intended to structure a draft negotiating text for the new goal ahead of COP29.

In addition, Ministers have met twice to continue discussions in response to the updated input paper developed by the Co-Chairs ahead of MAHWP3 to advance the structure for a draft negotiating text. The first meeting was an informal dialogue in the margins of the United Nations General Assembly (UNGA) on the 27th of September, in New York, USA, and the second meeting a formal High-Level Ministerial Dialogue on the NCQG, on the 9th of October in Baku, Azerbaijan.

Outstanding issues, including divergence on the need for a definition of climate finance, goal formation, and the lack of any meaningful input on the quantum from developed countries—who instead focus efforts on calling for an expansion of the contributor base— meant that TED 11 and MAHWP3 failed to deliver an updated input paper.

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HIGH-LEVEL MINISTERIAL DIALOGUE ON THE NCQG

During the High-Level Ministerial Dialogue on the NCQG in Baku, the interventions made by Ministers[105] revealed how much is still at stake in relation to the delivery of a just and equitable new climate finance goal. Although there was consensus on the urgent need to scale up climate finance, significant disagreements persisted regarding the structure of the NCQG, the role of private finance, and the expansion of the contributor base.

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A

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approach centred on private finance mobilisation —which they argued is essential to achieve the trillions required to implement the goals of the Paris Agreement. Developed countries noted that such an approach would have a core finance support layer, based on the provision of public finance, but would also include the mobilisation of private finance, and that this would be directed towards adaptation.

In contrast, developing countries —particularly the G77 and China— stressed the necessity of the NCQG delivering a core public finance component grounded in the principles of equity and CBDR-RC for mitigation, adaptation and loss and damage. The reluctance of developed countries to commit to a specific quantum for public finance and their attempts to dilute responsibilities also continued to see developing country Parties and Groups raise concerns about trust and accountability in the financing framework.

Throughout the High-Level Ministerial Dialogue, emerging risks included the potential sidelining of discussions on the inclusion of Loss and Damage and the establishment of a dedicated sub-goal, as developed countries largely omitted Loss and Damage from their statements focusing instead on adaptation. The dialogue also underscored the ambiguity surrounding the multilayered structure, something which could obscure developed country accountability and responsibilities. The imbalanced push for private finance by developed countries also raised concerns about increased debt burdens for developing countries and the adequacy of private finance to address the growing needs and priorities of developing countries —especially for adaptation, Loss and Damage, and the just and equitable transition away from fossil fuels. Nevertheless, there were signs of potential convergence in other key areas, particularly in the call for clearer definitions of climate finance and enhanced transparency.

However, ultimately, ministers did not provide the strong political guidance needed during the High-Level Ministerial Dialogue to significantly advance a draft text in key areas such as the structure of the NCQG. This means that a huge amount of work lies ahead for Parties during COP29 to deliver an NCQG that can advance climate justice.

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CO-CHAIRS REPORT AND SUBSTANTIVE FRAMEWORK FOR A DRAFT NEGOTIATING TEXT

On the 15th of October, following the High-Level Ministerial Dialogue on the NCQG, the Co-Chairs 2024 report was released. The report contains information on the work conducted by the co-chairs of the ad hoc work programme on the NCQG throughout 2024, including the technical expert dialogues and meetings under the ad hoc work programme.

The report also presents a summary of the dialogues and meetings and reflections of the co-chairs on the work conducted under the ad hoc work programme in 2024 and importantly a substantive framework for a draft negotiating text in an addendum.

“The Co-Chairs 2024 report on the Ad Hoc Work Program of the NCQG contained a substantive framework for a draft negotiating text in an addendum.”

Within the summary of the dialogues and meetings there are 18 mentions of Loss and Damage. This includes recognition of key priorities raised by developing countries not limited to: the inclusion of Loss and Damage in the NCQG, the call for a dedicated sub-goal for Loss and Damage, concessionality provisions, and access to finance amongst other things. For a full list of Loss and Damage mentions from the report, refer to Annex II.

In regards to the substantive framework for a draft negotiating text, Loss and Damage features six times throughout the text. All but one mention are in brackets and therefore yet to be agreed as included. The six mentions are:

“Within the substantive framework for a draft negotiating text, Loss and Damage features six times. All but one mention are in brackets and therefore yet to be agreed as included.”

Under B. Context and scene-setting:

- In paragraph 4, highlighting the growing gap between the needs of developing countries and the support provided, loss and damage remains in brackets.

- In paragraph 5, on recognizing that near-term action, support and investment in meaningful mitigation activities are crucial to minimising the severity of climate-related hazards, and consequently to the need for and cost of addressing them…, loss and damage is included without brackets.

Under C. Goal formulation including quantitative and qualitative elements:

- In C (3), Context of delivery of the goal, paragraph 23, on emphasising that the NCQG will be delivered in the context of… "and addressing loss and damage" remains in brackets.

- In C (4), Thematic focus, paragraph 25, on deciding what the goal includes climate finance for loss and damage remains in brackets: "climate finance for mitigation, adaptation, [loss and damage]".

- In C (4), paragraph 26, on the percentage of finance per thematic focus, the percentage of finance for, and inclusion of, loss and damage remains in brackets.

- In C (5), Sources, channels and instruments, paragraph 32, highlighting the need for public resources and the importance of grant and concessional resources for, loss and damage remains in brackets: "Highlights the need for public resources for adaptation [and loss and damage]."

This bracketed inclusion of loss and damage makes crystal clear the serious risk that Loss and Damage will neither see a sub-goal established, nor be included within the NCQG in any form. This alongside the low number of substantive mentions by developing country ministers during the High Level Dialogue clearly indicates the need for increasing and sustained pressure to elevate Loss and Damage ambition amongst negotiators and ministers.

A full evaluation of the substantive framework for the draft negotiating text can be found in Annex III. Key concerns that will need to be addressed at COP29 are outlined in the table below.

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Figure 5: NCQG Issues still to be addressed at COP29

NCQG Issues still to be Addressed	Key Considerations
The structure of the NCQG	Will the NCQG cover all three areas of climate action (mitigation, adaptation and Loss and Damage), and be structured with three distinct subgoals for each area (preferred) or as a multilayered goal, meaning an inner layer (finance provided), an outer layer (a global investment goal), and other qualitative elements such as accessibility?
The quantified goal (the total amount of funding or "quantum" of the NCGQ)	Will the NCQG deliver the trillions each year in support provided that developing countries are calling for, for mitigation, adaptation and Loss and Damage (preferred), set a less ambitious goal or start from a floor of US$ 100 billion?
How climate finance is defined	Will a climate finance definition be set that obligates the delivery of new and additional, public, grant based, and where appropriate highly concessions, finance under the NCQG (preferred)? Or will a negative list of what should not be considered climate finance (e.g. carbon credits) be included? Or will everything and anything count as climate finance?
Who will contribute, who will receive funds and other equity dimensions	Will the developed countries identified in Annex II under the UNFCCC and obligated to provide climate finance under its Paris Agreement to provide climate finance be the ones to contribute and all developing countries be eligible to receive funds (preferred)? Or will developed countries get their way to include large developing economies such as China and Saudi Arabia as contributors and not as receivers?
If Loss and Damage should be incorporated	Will Loss and Damage be included as a sub goal alongside mitigation and adaptation (preferred), in some other form (e.g. in an investment layer), or not at all?
If Article 2.1(c) of the Paris Agreement (on aligning financial flows with low greenhouse gas emissions and climate-resilient development) should be incorporated.	Concerns about Article 2.1(c) include fears it will divert attention from the provision of climate finance to domestic policy changes and potentially impose conditionalities and create double standards, as wealthy countries continue supporting high-emission sectors.
The role of private sector actors, multilateral development banks (MDBs), and international financial institutions (IFIs) in achieving the goal.	What role will the private sector play in the mobilisation of climate finance and what will the necessary accountability measures be? How will MDBs and IFIs reform to be able to ensure the delivery of climate just finance to developing countries?
Whether the NCQG will undergo revisions after a set timeframe.	Will the NCQG be periodically revised to ensure that it can continue to meet the needs of developing countries in the face of an escalating climate crisis (preferred)? Or will it be set in 2024 without any chance for revision?
Qualitative elements	In addition to defining climate finance and the recognition of Loss and Damage as a sub-goal, other qualitative elements include: addressing disablers of climate action which includes debt, the cost of capital, and unilateral measures; A definition of concessionality; recognition of vulnerability groupings (e.g. SIDS and LDCs); what constitutes enabling environments; tracking impact and disaggregation; access, and timely delivery; inclusivity and gender responsiveness of climate finance; and adherence to human rights.

VI

UNFCCC NEGOTIATING BLOC POSITIONS ON THE NCQG AND THE ARTICULATION OF NEEDS

To better understand the positions[106] of negotiating blocks under the UNFCCC, it is important to take into account how the basis upon which the quantum of the NCQG is to be determined. With the adoption of the Paris Agreement, Parties agreed that the NCQG would take into account the needs and priorities of developing countries[107]. As articulated previously, the quantum of climate finance delivered under the NCQG is crucial as it directly impacts the level of ambition that developing countries can achieve in implementing their Nationally Determined Contributions (NDCs) and how effectively they can pursue their climate goals while also striving for sustainable development.

Whilst the first Needs Determination Report[108] (NDR) of the Standing Committee on Finance (SCF) has provided a basis to assess needs in national communications, it lacks disaggregation for Loss and Damage. The Second NDR[109] —which at time of writing is not available in its final form— has the same limitations as the first in regards to Loss and Damage. In the second report, the costed needs reported in NDCs from 98 Parties amount to US$ 5.012–6.852 trillion cumulatively to 2030 (annualised to US$ 455–584 billion per year), which represents an increase in the number of Parties reporting costed needs compared to the first NDR. In the first NDR, 78 Parties had reported costed needs amounting to US$ 5.8–5.9 trillion up to 2030. Many developing countries lack capacity in developing comprehensive NDCs or National Adaptation Plans (NAPs). This challenge is compounded for Loss and Damage, which remains far from establishing globally agreed frameworks for needs determination.

“With the adoption of the Paris Agreement, Parties agreed that the NCQG would take into account the needs and priorities of developing countries.”

“The first Needs Determination Report (NDR) of the Standing Committee on Finance lacks disaggregation for Loss and Damage. The Second NDR has the same limitations as the first.”

“Many developing countries lack capacity in developing comprehensive NDCs or National Adaptation Plans. This challenge is compounded for Loss and Damage, which remains far from establishing globally agreed frameworks for needs determination.”

However, under discussions the NCQG Parties have clearly articulated what the new climate finance goal should look like and importantly, in some cases, the quantum of needs they expect the NCQG to deliver.

Developing countries have presented a wide range of estimates for the quantum of the NCQG reflecting their diverse needs and priorities[110]. These include:

- The Independent Alliance of Latin America and the Caribbean (AILAC), Group SUR (formerly known as ABU), the Like-Minded Group of Developing Countries (LMDC), and the African Group of Negotiators (AGN) have variously noted the US$ 5.8-5.9 trillion as indicated in the First Needs Determination Report (NDR)

- India[111] — US$ 1 trillion annually

- Arab Group[112] — US$ 1.1 trillion annually

- AGN[113] and LMDC[114] — US$ 1.3 trillion annually

- AILAC[115] — US$1.9 trillion annually to 2030; US$ 2.3 trillion annually by 2040; US$ 3.2 trillion annually by 2050

- Alliance of Small Island States (AOSIS)[116] — emphasises a quantum based on distinct needs across mitigation, adaptation, and Loss and Damage which would be in the high trillions (xxx trillions).

- Kenya[117] — highlights that Africa's specific needs will exceed US$ 3 trillion by 2030.

- The Least Developed Countries Group (LDCs) — focuses on grant-based finance, particularly for LDCs.

- Pakistan [118]— US$ 2 trillion annually

However, **Developed countries'** submissions and interventions[119] on the new climate finance quantum, have presented a stark contrast to the needs expressed by developing countries by offering only vague or significantly lower estimates for the total quantum. Although developed countries do generally acknowledge the needs will be above US$ 1 trillion to meet the goals of the Paris Agreement, to meet this scale they emphasise an investment-driven approach focused on mobilising private finance and expanding the contributor base rather than committing to significantly increasing public finance. Most developed countries propose that the new goal should increase from a floor of US$ 100 billion annually and when doing so avoid proposing concrete numbers for higher targets. Developed countries' multilayered approach frames the

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NCQG as a mechanism to attract and leverage private sector investments for adaptation and mitigation. For them, public finance is a smaller complement and not the primary source of funds. Developed countries do not see Loss and Damage being covered by the NCQG and much less so by a subgoal.

To provide examples of the type of positions that developed countries are taking, we highlight several arguments deployed by the U.S.[120] throughout discussions. Firstly, the US has stated that public finance (a support goal) "is not intended to meet the totality of needs. Rather [they argue], the mandate from the Paris Agreement to the CMA is to *'tak[e] into account'* the needs and priorities of developing countries". Furthermore the U.S. notes that any individual country's financial contribution to the NCQG will be voluntary. This argument is supported by their interpretation of Article 9.1 of the Paris Agreement which they see as mandating collective responsibility but not legally binding quantified commitments to provide climate finance for individual countries. Furthermore, In Decision 1/CP.21, the U.S. recalls that a compromise was reached when some Parties wanted to extend the US$ 100 billion goal through 2030, limiting contributions to the traditional developed countries. However, the traditional contributors did not want to extend the goal unless additional contributing Parties joined. This compromise led to the extension of the US$ 100 billion goal only through 2025, leaving the question of who the contributors would be for the next goal —the NCQG. The U.S. argues that it is therefore "legitimate and appropriate" to revisit and discuss expanding the contributor base under the NCQG pointing to this historical precedent.

The positions upheld by the U.S. and developed countries at large, underscores a fundamental disconnect between the scale of financial needs articulated by developing countries and the limited provision and mobilisation of support by developed countries to meet their climate finance commitments despite developed country obligations under the UNFCCC and its Paris Agreement. While developing countries emphasise the urgency and magnitude of climate impacts —particularly in vulnerable regions— many developed countries —as in the example of the US— are calling for an expansion of the contributor base and a leveraging of private finance, claiming that both actions are needed to reach a sufficient quantum.

"Developed countries' multilayered approach frames the NCQG as a mechanism to attract and leverage private sector investments for adaptation and mitigation. For them, public finance is a smaller complement and not the primary source of funds."

"Developed countries do not see Loss and Damage being covered by the NCQG and much less so by a subgoal."

"The U.S. notes that any individual country's financial contribution to the NCQG will be voluntary. This argument is supported by their interpretation of Article 9.1 of the Paris Agreement which they see as mandating collective responsibility but not legally binding quantified commitments to provide climate finance for individual countries."

"The positions upheld by the U.S. and developed countries at large, underscores a fundamental disconnect between the scale of financial needs articulated by developing countries and the limited provision and mobilisation of support by developed countries to meet their climate finance commitments despite obligations under the UNFCCC and its Paris Agreement."

This negation of historic responsibilities by developed countries, and blatant undermining of the equity and common but differentiated responsibilities and respective capabilities principles (CBDR-RC) of the UNFCCC and Paris Agreement, should be regarded as a clear attempt to shift the burden away from the legal obligations to deliver climate finance from public sources. Yet although these actions clearly represent a lack of serious commitment to the implementation of the Paris Agreement on the part of developed countries, regrettably they are just two of numerous tactics being deployed in NCQG discussions to delay and obscure progress towards an ambitious goal.

An exploration of additional delay and obfuscation tactics is articulated in the diagram below alongside counter arguments that may be useful for developing country negotiators and civil society organisations.

“This negation of historic responsibilities by developed countries, and blatant undermining of the equity and common but differentiated responsibilities and respective capabilities principles of the UNFCCC and its Paris Agreement, should be regarded as a clear attempt to shift the burden away from the legal obligations to deliver climate finance from public sources.”

Figure 6: Developed country delay and obfuscation tactics under NCQG discussions

DEVELOPED COUNTRY OBLIGATION AVOIDANCE TACTIC	DETAIL	COUNTER ARGUMENT / OBLIGATION	DETAIL
Expressing frustration of lack of proposals from developing countries	During MAHWP2 developed countries including the USA and Australia expressed frustrations with developed countries not bringing proposals on issues such as transparency and instead focusing on the quantum of the NCQG.	**Developed countries stay silent on their proposals for the quantum of the NCQG, developing countries are increasingly frustrated.**	It is developed countries who have not brought meaningful proposals on the quantum of the NCQG, the establishment of which is the principle objective of the NCQG. Only the USA has brought an entirely inadequate proposal of "from a floor of US$100 billion.
Trying to remove references to the UNFCCC / Convention and its principles of equity and CBDC-RC	During MAHWP 1/2 developed countries including the USA and EU repeatedly indicated that they do not want any references to the UNFCCC/Convention in the NCQG text.	**Developing countries make clear that the NCQG must be guided by the UNFCCC / Convention and its principles of equity and CBDC-RC.**	Under the UNFCCC / Convention and its Paris Agreement it is clear that developed countries have obligations to provide climate finance to developing countries including: Article 4.3 of the Convention: "The developed country Parties and other developed Parties included in Annex II shall also assist the developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects."
Wanting to make contributions to the NCQG voluntary	The US has reportedly[121] made the assertion that the NCQG is a "voluntary" goal for those who "choose to pay" and postulated that the language in the Paris Agreement around finance was not mandatory.	**All developed country Parties have an obligation to provide financial resources under Article 9.1 of the Paris Agreement.**	Although there are various interpretations of Article 9 of the Paris Agreement , the reach of Article 9.1 is not in argument: it is a legally binding provision. All developed country Parties have an obligation to provide financial resources under Article 9.1[122]. While this forms a new obligation for those developed country Parties that are not in Annex II to the Convention, it continues an existing obligation for those developed country parties that are listed in Annex II to the Convention.

Figure 6: Developed country delay and obfuscation tactics under NCQG discussions *(continued)*

DEVELOPED COUNTRY OBLIGATION AVOIDANCE TACTIC	DETAIL	COUNTER ARGUMENT / OBLIGATION	DETAIL
Calling for an expansion of the contributor base	Developed countries including the US and EU have repeatedly called for an expansion of the contributor base for the NCQG, arguing that the "World has changed since 1992". In addition the US has suggested that the review mechanism of the NCQG when Paris was adopted was based on a gentlemen's agreement that such a review will take place.	**Developing countries make clear that the NCQG is for all developing countries and that developed countries are obligated to provide climate finance.** **The Paris Agreement is a legally binding international treaty, and its provisions, including the review of the contributor base for the New Collective Quantified Goal (NCQG), are governed by the text agreed upon by all parties. While the US may refer to a 'gentlemen's agreement' during the adoption of the Paris Agreement, such informal understandings cannot override the legally binding commitments made within the treaty itself. The Paris Agreement clearly outlines the processes for review, and these must be adhered to in a formal legal context, not subject to informal or political arrangements.**	Developed country Parties have an obligation to provide financial resources under Article 9.1 of the Paris Agreement. By contrast, Article 9.2 only encourages "other Parties" to voluntarily provide such support.

Figure 6: Developed country delay and obfuscation tactics under NCQG discussions *(continued)*

DEVELOPED COUNTRY OBLIGATION AVOIDANCE TACTIC	DETAIL	COUNTER ARGUMENT / OBLIGATION	DETAIL
Mis-interpretation of Article 2.1c	Developed countries including the US and EU mis-interpret Article 2.1(c) in an attempt to shy away from their commitments and obligations on climate finance.	**Article 2.1(c) refers to all financial flows for countries that signed the Paris Agreement, whilst the NCQG is specific to finance support to developing countries.**	The NCQG states that the new goal must take into account developing countries' needs and priorities. Developing countries have reiterated their concern that Article 2.1(c) discussions could draw the NCQG conversations away from this focus and instead towards domestic policy and finance flow shifts, or include conditionalities or barriers to access financial support.Article 2.1(c) of the Paris Agreement —while emphasising the alignment of financial flows with low-emission and climate-resilient development— must be interpreted in light of historical responsibility and the ongoing inequities of the climate crisis. While Article 2.1(c) refers to all financial flows for countries that signed the Paris Agreement, the NCQG is specific to finance support to developing countries.[123] Article 2.1(c) is therefore a conversation beyond the NCQG and pre-judges the outcomes of the Sharm-El-Sheik Dialogue which concludes in 2025.
Silence on, or inadequate proposals for the quantum of the NCQG.	Developed countries and groups including the EU, UK, Australia and Canada have remained silent on a figure for the quantum, some have suggested an inadequate proposal that the quantum could start from a floor of US$ 100 billion.	**Developing countries have made clear proposals in the tillions ranging from $US 1.1-5.3 trillion making clear the scale of their needs.**	Developing countries have variously noted the US$ 5.8-5.9 trillion as indicated in the first Needs Determination Report (NDR) whilst specific quantums have been put forward by parties and Groups including: India (US$ 1tn annually) Arab Group (US$1.1tn annually) AGN and LMDC (US$ 1.3tn annually).
Arguing that there is no need for a definition of climate finance.	Every developed country's submission to the UNFCCC Standing Committee on Finance argued that no common definition of climate finance is needed.[124]	**A clear definition of climate finance is needed to ensure no double counting and quality of finance.**	Developing countries are clear that a definition of climate finance is needed to ensure no double counting and quality of finance. Based on the submission and interventions of Parties and Groups a definition would include Loss and Damage.

Figure 6: Developed country delay and obfuscation tactics under NCQG discussions *(continued)*

DEVELOPED COUNTRY OBLIGATION AVOIDANCE TACTIC	DETAIL	COUNTER ARGUMENT / OBLIGATION	DETAIL
Arguing that Article 9 of the Paris Agreement does not mention Loss and Damage—just mitigation and adaptation.	Developed countries including xxx have argued that Article 9 of the Paris Agreement only includes mitigation and adaptation and therefore Loss and Damage should not be included in the NCQG. / Some developed countries are open to discussing mechanisms for addressing Loss and Damage but often with caution regarding direct financial commitments.	**This is not a barrier to the inclusion of Loss and Damage as a sub-goal of the NCQG.**	The UNFCCC and its Paris Agreement fall under party-led process, Parties (countries) are free to agree to including Loss and Damage as a sub-goal of the NCQG. Furthermore, paragraphs 3 and 4 of Article 9 of the Paris Agreement refers to "taking into account the needs and priorities of developing country Parties" and Loss and Damage clearly is a priority.
Arguing that article 8 of the Paris Agreement addresses Loss and Damage but does not mention the means of implementation and support, including financial support.	Pushing back on Loss and Damage Finance in the past, Developed countries and groups have argued that article 8 of the Paris Agreement addresses Loss and Damage but does not mention the means of implementation and support, including financial support.	**Parties did envisage financial support as a means to pursue the implementation of Article 8 of the Paris Agreement.**	Article 8, in paras. 3 and 4, encourages ("should") the Parties in general terms to "enhance understanding, action and support" with respect to Loss and Damage. While this provision does not create an obligation or clear expectation of financial assistance, the term "support" potentially covers the provision of financial resources to developing countries as a means to pursue the implementation of Article 8.
Arguing that including Loss and Damage within the NCQG would open up issues of liability and compensation.	Some developed countries have argued that including Loss and Damage as a sub-goal within the NCQG would open up issues of liability and compensation (e.g. Switzerland).[125] [126]	**Parties (countries) have agreed that Article 8 of the Paris Agreement does not involve or provide a basis for any liability or compensation.**	Parties (countries) to the UNFCCC/ Convention agreed in paragraph 51 of the COP decision adopting the Paris Agreement, that "Article 8 of the Agreement does not involve or provide a basis for any liability or compensation". Therefore, as Parties have accepted this, it is unclear how some could hold the argument that including a sub-goal on Loss and Damage within the NCQG would open up issues of liability and compensation.

Figure 6: Developed country delay and obfuscation tactics under NCQG discussions *(continued)*

DEVELOPED COUNTRY OBLIGATION AVOIDANCE TACTIC	DETAIL	COUNTER ARGUMENT / OBLIGATION	DETAIL
Calling for a multilayered approach to the NCQG	Developed countries call for the NCQG to be multi-layered , with an overarching investment goal underpinned by different elements (e.g. private sector investment ect) to get to the total goal.	**A 'global' quantum, expressed through distinct sub-goals, enables clearer monitoring and evaluation compared to complex multi-layered approaches.**	Developing countries single-layered approach with thematic sub-goals and quantitative and qualitative features. A 'global' quantum, expressed through distinct sub-goals that enables clearer monitoring and evaluation compared to complex multi-layered approaches. Some developing country groups gave the example of the UNFCCC's Standing Committee on Finance's 'Biennial Assessment and Overview of Climate Finance Flows' report (BA) providing the BA as an example of a multilayered approach that has not worked well as and each successive edition of the BA states that it is not possible to provide aggregated information due to the use of different methodologies.[127]
Over emphasising the role of the private sector	Developed countries emphasise the need for enabling environments in developing countries to attract private sector finance, and focused on calls on the private sector, IFIs and MDBs to mobilise climate finance.	**The majority of adaptation finance and all of Loss and Damage finance under the NCQG must come in the form of grants, the majority of which must come from public finance.**	All developed country Parties have an obligation to provide financial resources under Article 9.1 of the Paris Agreement, for the majority of adaptation finance and all of Loss and Damage finance under the NCQG this must come in the form of grants, the majority of which must come from public finance. Developing countries have argued clearly that the private sector would not venture into risky markets, and would not invest in adaptation and Loss and Damage.[128]
Over emphasising the use of loans and other debt creating instruments for adaptation and Loss and Damage	Developed countries emphasis how IFIs and MDBs can mobilise climate finance.	**Developing countries have made clear that grants are needed for adaptation and Loss and Damage to ensure that debt burdens are not exacerbated.**	Developing countries have called for grant-based finance for adaptation and Loss and Damage and expressed concern about the existing debt burdens stressing that loans should not be counted as climate finance.

VII

A NEW LANDSCAPE OF LOSS AND DAMAGE

The current landscape of Loss and Damage under the United Nations Framework Convention on Climate Change (UNFCCC / The Convention) simultaneously represents the culmination of hard-fought progress to put in place the policies and support needed to address loss and damage and the significant gaps that still need to be filled.

At COP27, under Decision 2/CP.27, Parties to the UNFCCC and its Paris Agreement, reached agreement to establish funding arrangements for Loss and Damage including a Fund for responding to Loss and Damage. This historic agreement came after the Group of 77 and China and Civil Society isolated key blockers of Loss and Damage finance including the USA and EU. Blocking Parties that had led a campaign of inaction, delay and obfuscation[129] throughout the 31 years since the first proposal for a Loss and Damage finance mechanism was tabled by Vanuatu in 1991 on behalf of the Alliance of Small Island States (AOSIS).

The establishment at COP 27 and subsequent operationalisation of the Fund Responding to Loss and Damage Fund (FRLD) at COP28 is a landmark achievement representing a long-overdue acknowledgment of the disproportionate impacts that loss and damage bears upon developing countries and particularly the Small Island Developing States (SIDS) and Least Developed Countries (LDCs).

Whilst the Fund may be the implementation "jewel in the crown" of Loss and Damage under the UNFCCC, its establishment was predated by that of the Warsaw International Mechanism for Loss and Damage (WIM) and its Executive Committee (ExCom) at COP19 in Warsaw in 2013 and the Santiago Network for Loss and Damage (SNLD) at COP25 in Madrid in 2019, which is also under the WIM.

"The current landscape of Loss and Damage under the UNFCCC simultaneously represents the culmination of hard-fought progress to put in place the policies and support needed to address loss and damage and the significant gaps that still need to be filled."

"At COP27, Parties reached agreement to establish funding arrangements for Loss and Damage including a Fund for responding to Loss and Damage."

"Blocking Parties, including the USA and EU, have led a campaign of inaction, delay and obfuscation throughout the 31 years since the first proposal for a Loss and Damage finance mechanism was tabled by Vanuatu in 1991 on behalf of the Alliance of Small Island States."

Box 1: The mandate of the Warsaw International Mechanism and the Santiago network

The Warsaw International Mechanism for Loss and Damage

Mandated to address loss and damage associated with impacts of climate change, including extreme events and slow onset events, in developing countries that are particularly vulnerable to the adverse effects of climate change, the WIM has three functions:

1. Enhancing knowledge and understanding of comprehensive risk management approaches to address loss and damage;

2. Strengthening dialogue, coordination, coherence and synergies amongst relevant stakeholders; and

3. Enhancing action and support, including finance, technology and capacity building to address loss and damage.

Guiding the implementation of the functions of the Mechanism is the Executive Committee (ExCom) of the WIM under which are established five thematic expert groups:

- The Expert Group on Slow onset events (SOEs);
- The Expert Group on Non-economic losses (NELs);
- The Technical Expert Group on Comprehensive risk management (TEG-CRM);
- The Task Force on Displacement (TFD);
- The Expert Group on Action and Support (ASEG).

The Santiago Network for Loss and Damage

The mandate of the Santiago network is to catalyse technical assistance of relevant organisations, bodies, networks and experts (OBNEs) for the implementation of relevant approaches for averting, minimising and addressing loss and damage at the local, national and regional levels, in developing countries that are particularly vulnerable to the adverse effects of climate change. The SNLD was a key outcome of the second review of the WIM during which developing countries called for more focus on the third function of the WIM: enhancing action and support including finance, technology and capacity-building. The first function of the Santiago network is to contribute to the effective implementation of the functions of the WIM.

The continuing operationalisation of the Fund and the Santiago Network through the work of their respective Board and Advisory Board, as well as the continued work of the Executive Committee (ExCom) of the WIM and its thematic expert groups, has ushered in a new landscape of Loss and Damage governance under the UNFCCC and its Paris Agreement. One characterised by the work of three complimentary bodies: a policy mechanism (the WIM ExCom), a network providing technical assistance (Santiago

network), and a Fund delivering finance at scale for implementation that also plays the central coordinating role at the heart of the Loss and Damage funding arrangements.

Ultimately this new landscape further elevates the status of Loss and Damage as the third pillar of climate action, whilst simultaneously highlighting the remaining policy hurdles that must be crossed to ensure that Loss and Damage Finance and the implementation of approaches to address loss and damage are delivered at the scale of the needs of developing countries.

To cement Loss and Damage as the third pillar of climate action, these existing Loss and Damage mechanisms must see enhanced coordination and complementarity, underpinned by the provision of finance at the scale of the evolving needs and priorities of developing countries. The evaluation of Loss and Damage policy under the UNFCCC therefore necessitates that Loss and Damage be included under the NCQG as a Subgoal—not only to ensure it is treated with the same urgency as adaptation and mitigation, but also to provide a clear structured framework for accountability and the the equitable distribution of resources to the most impacted in developing countries.

“A new landscape of Loss and Damage governance has emerged, one characterised by the work of three complimentary bodies: a policy mechanism (the WIM ExCom), a network providing technical assistance (Santiago network), and a Fund delivering finance at scale for implementation that also plays the central coordinating role at the heart of the Loss and Damage funding arrangements.”

VIII

A LOSS AND DAMAGE SUB GOAL UNDER THE NCQG

The legal arguments for including Loss and Damage as a sub-goal within the NCQG can be emphasised via relevant articles of the Convention and its Paris Agreement as well as previous COP/CMA decisions and do not preclude Loss and Damage from the NCQG's scope[130]. These agreements make clear that Loss and Damage is a need and priority of developing country Parties with a clear foundation in both the Convention and its Paris Agreement. One that requires new, additional, predictable and adequate financial support, to be provided by developed countries to ensure effective implementation of both the Convention and its Paris Agreement by developing countries.

“The legal arguments for including Loss and Damage as a sub-goal within the NCQG can be emphasised via relevant articles of the Convention and its Paris Agreement as well as previous COP/CMA decisions and do not preclude Loss and Damage from the NCQG's scope.”

The following diagrams provide, (i) an overview of the legal arguments for and against the inclusion of Loss and Damage as a subgoal under the NCQG, and (ii), relevant counter arguments to the exclusion of Loss and Damage. In both cases arguments build upon the legal advice[131] provided by Legal Response International. For a full set of relevant COP and CMA decisions see Annex 1.

Figure 7: Arguments in Favour of the Inclusion of Loss and Damage as a Sub-goal of the NCQG

ARGUMENT	DETAIL
Nothing in previous COP/CMA decisions that indicates that Loss and Damage cannot be within the scope of the NCQG	While previous COP/CMA decisions draw a link between the New Collective Quantified Goal on Climate Change (NCQG) and Articles 2 and 9 of the Paris Agreement, there is nothing in those decisions that indicates that, subsequently, Loss and Damage cannot be within the scope of the NCQG.
It's a Party-led process, Parties (countries) are free to agree to include Loss and Damage in the scope of the NCQG.	If it is accepted that climate finance includes finance for Loss and Damage there is nothing stopping Parties from a legal perspective to include a subgoal on Loss and Damage. The UNFCCC and it's Paris Agreement fall under a Party-led process, parties (countries) are free to agree to include this in the scope.
There is no commonly accepted definition of "climate finance" there is evidence that the concept is evolving towards an inclusion of Loss and Damage.	There is no commonly accepted definition of "climate finance" articulated in the Paris Agreement or the UNFCCC. However, there is evidence that the concept is evolving towards an inclusion of Loss and Damage. E.g. countries established a Loss and Damage Fund and Funding arrangements.
Parties clearly envisage that the NCQG goes beyond mitigation and adaptation.	The climate regime has been recognising the need for specific finance to address Loss and Damage. (E.g. see para. 32 of Decision 2/CMA.2). The aim of the NCQG as "decided" by the Parties is to contribute to accelerate the Paris Agreement's three goals set out in Article 2 (temperature goal, adaptation goal and finance flows goal) (see para. 15 of Decision 9/CMA.3). As such, Parties clearly envisage that the NCQG goes beyond mitigation and adaptation.
Loss and Damage is a need and priority for developing countries	The COP21 decision adopting the Paris Agreement made clear that the NCQG would "tak[e] into account the needs and priorities of developing countries" (see decision Decision 1/CP.21). Submissions by developing countries to the Ninth and Tenth Technical Expert Dialogue and the Second Meeting under the ad hoc programme clearly indicate that addressing Loss and Damage is a need and priority for developing countries. (E.g. see the joint submission from AOSIS and the LDC Group).
Recognition of the need for specific finance to address Loss and Damage is demonstrated by the establishment of a dedicated fund for Loss and Damage	The establishment at COP27, of a dedicated fund for responding to Loss and Damage as an operating entity of the Financial Mechanism of the UNFCCC and Paris Agreement shows clear recognition (see decision 2/CP27 and 2/CMA.4). Decision 2/CP27, paragraph 1, also acknowledges the urgent and immediate need for new, additional, predictable, and adequate finance for Loss and Damage.
Developed countries are acknowledging the need for Loss and Damage finance but rejecting its inclusion in the NCQG	Developed countries have acknowledged the need for finance to address loss and damage and decided to establish a fund under the COP and CMA (see decision 2/CP27 and 2/CMA.4). But now they are suggesting that the NCQG, which will be set under the CMA and is meant to respond to the needs and priorities of developing countries —should not include Loss and Damage.

Figure 8: Potential Arguments Against the Inclusion of Loss and Damage as a Sub-goal of the NCQG and Relevant Counter-arguments

ARGUMENTS AGAINST LOSS AND DAMAGE AS A SUBGOAL UNDER THE NCQG	COUNTER ARGUMENT	DETAIL
Article 9 of the Paris Agreement does not mention Loss and Damage—just mitigation and adaptation.	**This is not a barrier to the inclusion of Loss and Damage as a sub-goal of the NCQG.**	The UNFCCC and its Paris Agreement fall under a party-led process, Parties (countries) are free to agree to including Loss and Damage as a sub-goal of the NCQG. Paragraphs 3 and 4 of Article 9 of the Paris Agreement refer to "taking into account the needs and priorities of developing country Parties" and Loss and Damage clearly is a priority. Furthermore, Decision 1/CP.21, paragraph 53 decides that an NCQG will be set "taking into account the needs and priorities of developing countries". Whilst, 14/CMA.1, paragraph 1, decides to initiate deliberations on setting a NCQG "taking into account the needs and priorities of developing countries". Additionally, paragraphs 8, 9 and 10 of 5/CMA.4 also make clear that the NCQG must take into account the needs and priorities of developing countries. Lastly, Article 4 of the Convention, which outlines commitments, requires full consideration to be given to actions necessary to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change. The Paris Agreement continues these obligations to enhance the implementation of the Convention. In all subsequent deliberations of the Paris Agreement, the Convention must be kept intact, particularly in areas like Loss and Damage, where the evolving needs of developing countries must be fully addressed under the NCQG.
For some developed countries, including a sub-goal on Loss and Damage within the NCQG would open up issues of liability and compensation.	**Parties (countries) have agreed that Article 8 of the Paris Agreement does not involve or provide a basis for any liability or compensation.**	Parties (countries) to the UNFCCC/ Convention agreed in paragraph 51 of the COP decision adopting the Paris Agreement, that "Article 8 of the Agreement does not involve or provide a basis for any liability or compensation". Therefore, as Parties have accepted this, it is unclear how some could hold the argument that including a sub-goal on Loss and Damage within the NCQG would open up issues of liability and compensation.

IX

ALLOCATIONS AND QUANTUM

While most developing country blocs aligned under the Group of 77 and China have firmly positioned themselves on the critical issue of the quantum of needs under the NCQG—ranging from US$ 1 to US$ 1.9 trillion annually—this paper proposes a high-ambition exercise to assist negotiators and ministers in their argumentation and deliberations.

In doing so, we offer a strategic exploration aimed at envisioning the highest level of ambition possible for mitigation, adaptation and Loss and Damage sub goals under the NCQG. This approach is intended to complement and further the work of a wider network of Civil Society organisations who are calling for a US$ 1 trillion grant allocation for mitigation, adaptation and Loss and Damage under the NCQG[132]. It also serves as a tool to help articulate more compelling and evidence-based arguments, in ongoing negotiations, particularly when navigating the complex discussions surrounding the scale of financial resources needed to address the growing impacts of the climate crisis.

The purpose of this high-ambition exercise is not only to elevate the conversation around financial needs, but also to provide the analytical framework necessary to advocate for an NCQG that truly reflects the scale of Loss and Damage —one based on the best available science and the needs articulated by developing countries. By laying out scenarios that stretch beyond existing cost projections, we hope to encourage ministers and negotiators to push for an NCQG that does not just meet minimum requirements, but one that aims for transformative change in the global climate finance landscape. With this we aim to help guide discussions toward ambitious, equitable solutions that align with the realities of those most vulnerable to climate impacts, ensuring that the quantum of finance ultimately agreed upon matches the magnitude of the challenge at hand.

“This paper proposes a high-ambition exercise to assist negotiators and ministers in their argumentation and deliberations. In doing so, we offer a strategic exploration aimed at envisioning the highest level of ambition possible for mitigation, adaptation and Loss and Damage sub goals under the NCQG.”

Box 2: An Important Note on Loss and Damage Cost Estimates

Whilst we can expect more recent Loss and Damage cost estimates to typically assume a 1.5°C aligned mitigation pathway, the underlying Integrated Assessment Model (IAMs) in the most cited study for Loss and Damage needs relies on an older The Intergovernmental Panel on Climate Change (IPCC) scenario projecting a 2.4°C pathway. This discrepancy however should not pose a great challenge as current Nationally Determined Contributions (NDCs) — which even if fully implemented— would likely result in a 2.4-2.6°C temperature rise by 2100. Given this reality, it’s reasonable to assume that the relative proportions of Loss and Damage and adaptation costs would remain consistent across scenarios, even with increased mitigation efforts. While more mitigation would certainly reduce overall climate impacts, the need for adaptation measures would persist, and as we warm to 1.5°C we will see an increasing degree of unavoidable loss and damage occurring.

THE QUANTUM

We propose a total quantum for the NCQG, primarily derived from the sum of assessed needs from various sources — detailed in the respective subsequent sections of our previous discussion paper— across mitigation, adaptation, and Loss and Damage, with careful consideration given to potential overlaps to ensure accuracy and equity. We also note the existence of a readiness gap and the importance of readiness support as allocated in the Arab Group[133] and AOSIS submissions[134] and the joint statement delivered by the LDC and AOSIS groups at the fourth session of the Second meeting of the Ad Hoc Work Programme of the NCQG.[135] This relates to helping build necessary capacity in developing countries to enable them to access and effectively use climate finance.

“We propose a total quantum for the NCQG, primarily derived from the sum of assessed needs from various sources across mitigation, adaptation, and Loss and Damage, with careful consideration given to potential overlaps to ensure accuracy and equity.”

Figure 9: Allocation and total quantum via sub goals under the NCQG.

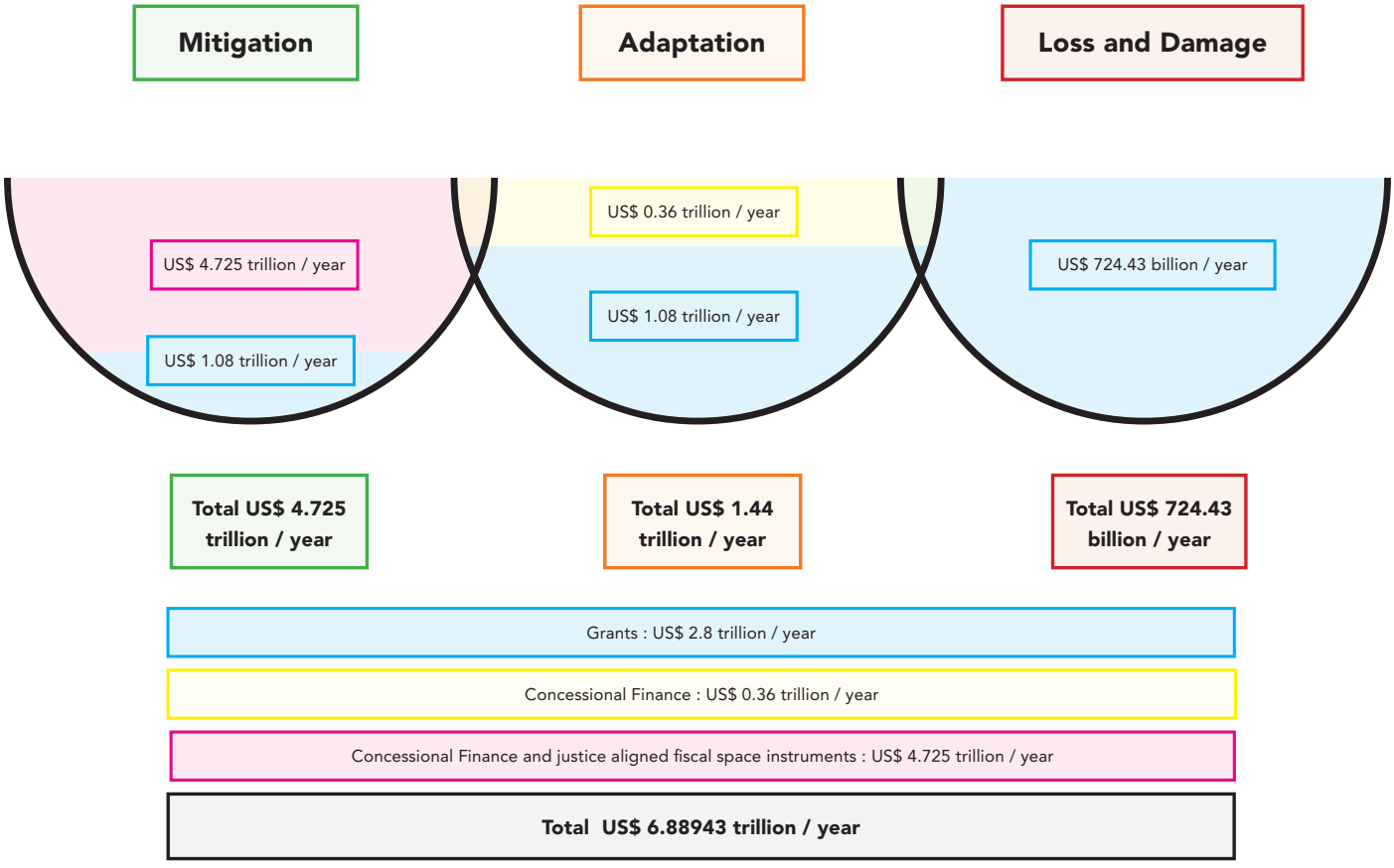


Figure 9: Allocation and total quantum via sub goals under the NCQG *(continued)*

Mitigation	Adaptation	Loss and Damage:
Total: US$ 4.725 trillion/year **Grants:** US$ 1.08 trillion/year **Blended Concessional finance and justice aligned fiscal space instruments:** US$ 3.645 trillion/ year **Instruments:** Grants, concessional finance (including blended), and other fiscal space instruments (which do not exacerbate debt in developing countries) and may be leveraged to attract private sector finance	**Total:** US$ 1.44 trillion / year **Grants:** US$ 1.08 trillion/year **Concessional finance (including blended):** US$ 360 billion / year **Instruments:** Grants, concessional finance (including blended)	**Total:** US$ 724.43 billion / year **Grants:** US$ 724.43 billion/year **Instruments:** Grants
↓		
Total: US$ 6.88943 trillion / year **Grants:** US$ 2.8 trillion / year **Concessional Finance:** US$ 0.36 trillion / year **Concessional finance and justice aligned fiscal space instruments:** US$ 4.725 trillion / year		

B

LOSS AND DAMAGE

A recent estimate of the moral obligation of the Global North to the South for Loss and Damage finance, based on the same mortality estimates from Impacts Labs that are used for Adaptation[136], was provided to G20 finance ministers and central bank governors in April, 2024, by the prominent economist Esther Duflo.[137] From this model Duflo derives a US$ 500 billion per year moral debt from developed to developing countries for their consumption choices[138].

“The prominent economist Esther Duflo derives a US$ 500 billion per year moral debt from developed to developing countries for their consumption choices.”

Although a third of the NDCs submitted prior to COP26 in 2020-2021[139] included some mention of Loss and Damage, the most comprehensive in terms of providing costed needs for Loss and Damage has been that of Vanuatu[140]. Within its revised and enhanced NDC[141] Vanuatu estimates that the costs of achieving its Loss and Damage contributions will be US$ 170 million for the period 2021-2030.

With Vanuatu’s estimate as our guide, we calculated an upward adjustment to extrapolate the cost of implementing a Loss and Damage response in all developing countries. When doing so we show these estimated costs as a percentage of GDP to provide a clear understanding of

“Within its NDC Vanuatu estimates that the costs of achieving its Loss and Damage contributions will be US$ 170 million for the period 2021-2030. With this estimate as our guide, we calculated an upward adjustment to extrapolate the cost of implementing a Loss and Damage response in all developing countries.”

the financial burden that developing countries face when averting, minimising and addressing loss and damage. In this manner—using Vanuatu's data as a reference— we have calculated that the cost of implementing Loss and Damage response measures for developing countries is projected to be approximately US$ 724.43 billion per year. This projection is based on scaling the annual cost of US$ 17 million for Vanuatu by the ratio of the GDP of developing countries to Vanuatu's GDP. However, it is important to note that this should be considered an underestimate. Details of how the estimation was achieved follow.



Estimation:

Vanuatu Size: Vanuatu is a small island State with a population of around 300,000 and a GDP of about US$ 1 billion. The cost of implementing Loss and Damage response as expressed in their NDC for 2021-2030 is US$ 170 million. We also know that the collective GDP of developing countries is US$ 45 trillion.

Annual cost for Vanuatu Loss and Damage Contributions:

$$\frac{US\$\ 170\ million}{10\ years} = US\$\ 17\ million\ /\ year$$



Scaling Factor:

$$\frac{Global\ GDP\ (US\$\ \ 45\ trillion\ )}{Vanuatu's\ GDP\ (US\$\ \ 1.056\ billion\ )} \approx \$US\ 42{,}613.64.$$

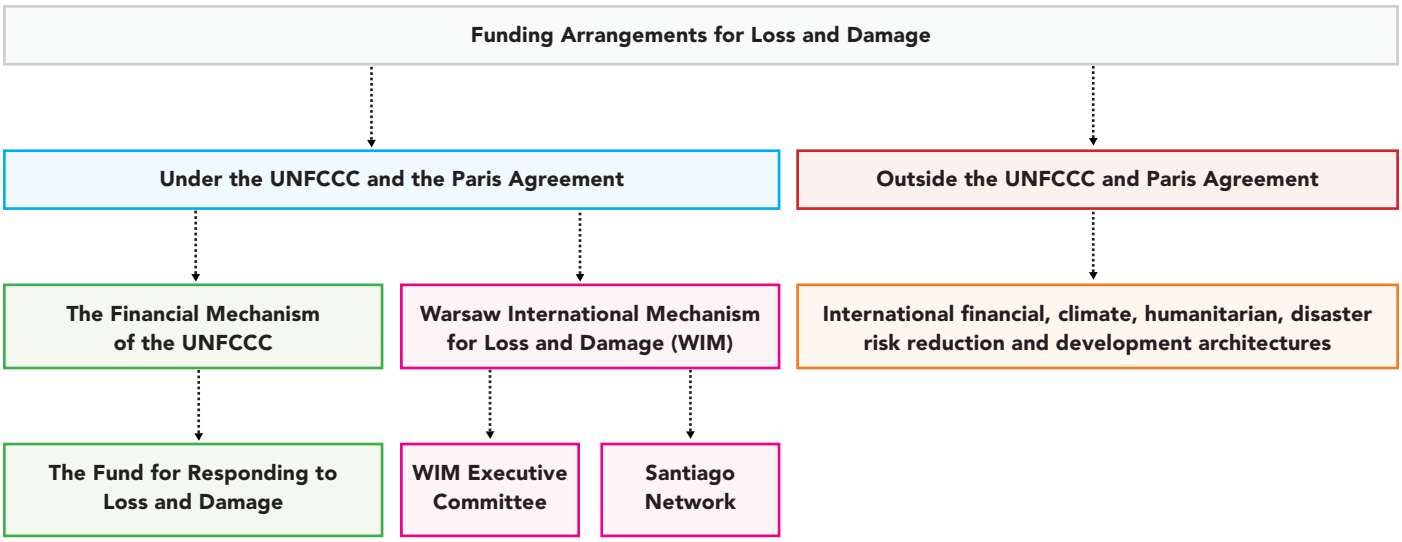
Estimated Cost in all Developing Countries:

GDP-Based Estimate: US$ 17 million per year multiplied by US$ 42,613.64 ≈ US$ 724.43 billion per year

In conclusion the cost of implementing Loss and Damage response in all developing countries amounts to US$ 724.43 billion a year until 2030 —to be delivered as grants through a dedicated Loss and Damage subgoal under the NCQG. Furthermore, developed countries should contribute an additional US$ 3.62 trillion as overdue finance for Loss and Damage for the 2020-2025 period. The following diagram illustrates how finance would flow from a Loss and Damage subgoal under the NCQG to through the Loss and Damage architecture. Note that the Fund for Responding to Loss and Damage is at the centre of the coordination of the Funding Arrangements for Loss and Damage.

“The cost of implementing Loss and Damage response in all developing countries amounts to US$ 724.43 billion a year until 2030 —to be delivered as grants through a dedicated Loss and Damage subgoal under the NCQG. Furthermore, developed countries should contribute an additional US$ 3.62 trillion as overdue finance for Loss and Damage for the 2020-2025 period.”

Figure 10: How finance would flow throughout the new landscape of Loss and Damage governance from a Loss and Damage sub-goal under the NCQG



C

MITIGATION

Based on McKinsey's report on the net-zero transition[142], we estimated the annual transition cost for developing countries as a percentage of the share of the US$ 9.2 trillion annual global transition cost indicated. To do so, we incorporated McKinsey's finding that developing countries —particularly sub-Saharan Africa and India— need to invest 1.5 times more than advanced economies in terms of GDP share to build the low-carbon infrastructure they require. Assuming that advanced economies will invest 7% of their GDP annually in the transition, developing countries would need to invest 10.5% of their GDP. Given a global GDP total of US$ 100 trillion —with US$ 45 trillion[143] from developing countries— this would translate to an annual spending of US$ 4.725 trillion for developing countries or 51.36% of the total annual transition cost. Details of how this estimate was achieved are articulated below.

“Based on McKinsey's report on the net-zero transition, we estimated the annual transition cost for developing countries as a percentage of the share of the US$ 9.2 trillion annual global transition cost indicated.”



Estimation:

Global GDP: Global GDP ≈ US$ 100 trillion; Developing Countries' GDP ≈ US$ 45 trillion

- **Investment Multiplier for Developing Countries:** 1.5 times the share of GDP invested by advanced economies

We can calculate the annual spending for developing countries as follows:

- Let's assume advanced economies invest a certain percentage of their GDP in the transition. For example, if advanced economies invest 7% of their GDP:
- Annual Spending in Advanced Economies = 0.07 x US$ 55 trillion = US$ 3.85 trillion/year

To calculate the corresponding investment for developing countries given that developing countries need to invest 1.5 times this share:

- Investment Share for Developing Countries = 1.5 x 7% = 10.5%
- Therefore:
- Annual Spending in Developing Countries= 0.105 x US$ 45 trillion = US$ 4.725 trillion/year
- Total Annual Global Transition Cost: US$ 9.2 trillion

  Where:

  Percentage for Developing Countries= $\left(\frac{9.2 \text{ trillion}}{4.725 \text{ trillion}}\right) \times 100 = 51.36\%$

In conclusion, developing countries will need US$ 4.725 trillion per year for mitigation via a dedicated subgoal under the NCQG. Of this US$ 4.725, the grant portion —which we will unpack in detail in a later section— should be US$ 1.08 trillion/year to ensure parity with adaptation.

> **"Developing countries will need US$ 4.725 trillion per year for mitigation via a dedicated subgoal under the NCQG. Of this, the grant portion should be US$ 1.08 trillion/year to ensure parity with adaptation."**

ADAPTATION

We assess adaptation needs of developing countries based on the analysis undertaken by Impacts Labs[144] which incorporates the rate of mortality from rising temperatures into an extensive model which offers two scenarios:

- Under the moderate emissions scenario of the Paris Agreement (RCP4.5): 14.2 deaths per 100,000 will cost 0.6% of global GDP.

- Under the high emissions scenario Paris Agreement (RCP8.5): 84.8 deaths per 100,000 will cost 3.2% of global GDP.

Assuming an average global GDP of US$ 100 trillion and a 45% contribution by developing countries we can assume:

The Adaptation cost for developing countries are 3.2% of projected GDP:

- **Moderate Emissions Scenario:** Adaptation Cost = 0.006 × US$ 45 trillion = US$ 270 billion

- **High Emissions Scenario:** Adaptation Cost = 0.032 × US$ 45 trillion = US$ 1.44 trillion

In conclusion, developing countries will need US$ 1.44 trillion per year for adaptation via a dedicated subgoal under the NCQG. Of this US$ 1.44 trillion, the grant portion should be US$ 1.08 trillion a year to ensure parity with Mitigation.

“Developing countries will need US$ 1.44 trillion per year for adaptation via a dedicated subgoal under the NCQG. Of this US$ 1.44 trillion, the grant portion should be US$ 1.08 trillion a year to ensure parity with Mitigation.”

It is important to note that there have been criticisms of the scenarios[145] used by the Intergovernmental Panel on Climate Change (IPCC). The high emissions scenario arguably does not include significant climate policies and omits equity considerations. However, as we see the world shift to different energy sources as transition fuels we note that these come with clear risks which, as yet, have not been captured within models. The scenarios also do not adequately consider socio-economic factors in impacts and risk modelling[146]. In addition —as cited in the IPCC’s AR6 WG II report[147]— ill conceived adaptation measures can also lead to maladaptation further increasing the burden on communities.

For illustrative purposes — noting that such scenarios are not able to adequately capture costs —which likely will be higher[148]— especially when considering the continued expansion of fossil fuels by global north countries in 2024[149]

“We table the high estimate of US$ 1.44 trillion as our baseline for adaptation needs.”

— we table the high estimate of US$ 1.44 trillion as our baseline for adaptation needs.

This is further supported by research from McKinsey[150] where they state that:

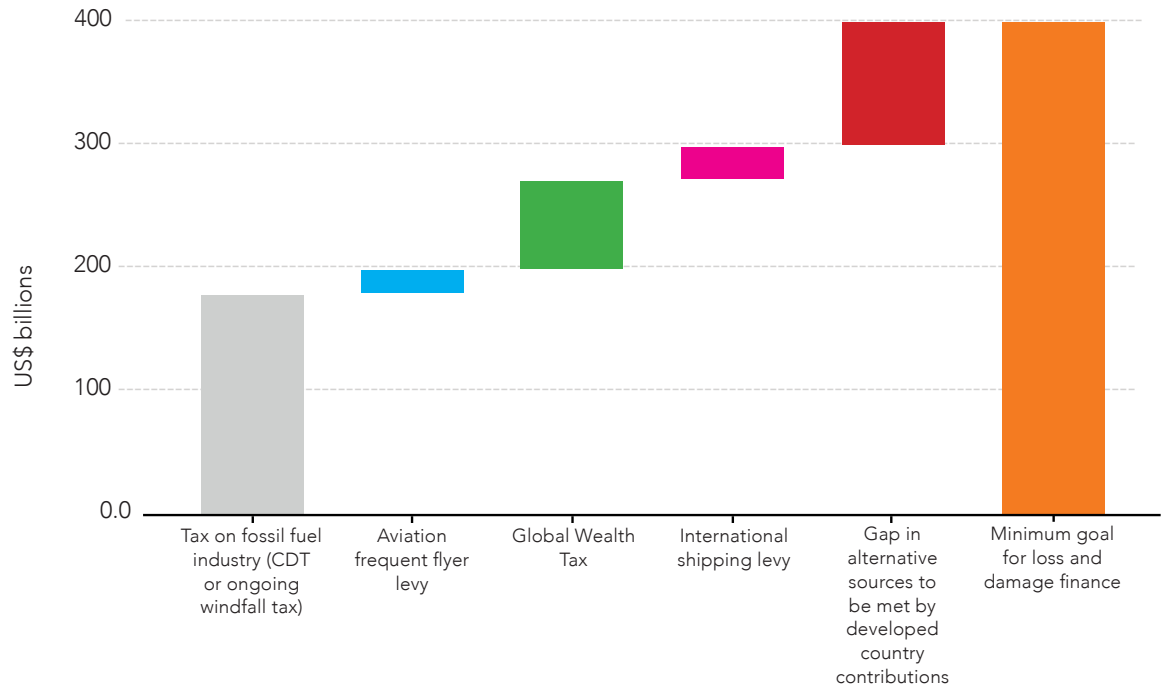
> "[C]lose to US$ 30 trillion would cumulatively be spent on expanding agricultural production to feed a growing population, shifting some investment towards lower-emissions proteins, implementing lower-emissions farming practices such as more efficient use of fertilisers and irrigation, avoiding deforestation, and increasing forest cover in other areas (afforestation). More than 70 percent of this would be spent in developing regions."

Whilst the report notes that it does not include adaptation cost estimates, there are clear adaptation co-benefits for reducing agricultural emissions. Small holders in developing countries produce more than a third —around 35%— of the world's food[151] and provide up to 80% of the food supply in sub-Saharan Africa and Asia[152]. The expected spending on the expansion of agriculture to feed a growing population with 70% concentrated in the developing world suggests that this would need to be at the small-holder level where adaptation is of paramount importance for food security.

Box 3: Where could the money come from for Climate Finance?

A recent paper[153] from Oil Change International highlights that Annex II Parties to the Convention —which includes the USA, UK, Canada, France, Germany— can mobilise US$ 5.3 trillion annually for climate finance by redirecting existing resources. This includes saving US$ 185 billion by stopping unnecessary road expansion, generating US$ 395 billion from a 25% corporate tax rate, and US$ 2.56 trillion through wealth taxes on billionaires. Whilst tackling tax evasion could add US$ 363 billion, while a Financial Transaction Tax could raise US$ 240 billion. A US$ 112 billion tax on big tech, arms, and luxury sales, US$ 260 billion from reallocating 20% of military spending, and US$ 500 billion through Special Drawing Rights would further contribute. Oil Change International also highlights that cancelling debt payments in low-income countries would also free up an additional US$ 109 billion, ensuring climate action is fully funded without new financial burdens. Where S. Sharma and D. Hillman highlight that the application of a tax on the extraction of fossil fuels could generate a further US$ 44.6 billion for the Fund Responding to Loss and Damage in its first year and increase in subsequent years[154]. Oxfam's research also finds that an Air Passenger Duty (APD) for private jets and a superyacht ownership tax could generate £830 million in 2024 by the United Kingdom alone. Whilst a further GDP £1.2 billion of additional revenue could have been raised in 2023 by taxing private jet fuel, applying Value Added Tax on private aviation, and taxing private jet landing and departure slots.[155] Research by the International Council on Clean Transportation[156] shows a tax on tax on aeroplane tickets could raise US$ 164 billion in one year for the Fund Responding to Loss and Damage. And finally, the Loss and Damage Collaboration's Loss and Damage Finance Landscape paper[157] also provides an overview of where the US$ 400 billion needed to fill the Fund for Responding to Loss and Damage each year can come, highlighting a range of taxes and levis, and noting that developed countries will need to "bottom line" the amount, to ensure the full amount is raised each year.

Figure 11: Potential sources of finance for the Fund for Responding to Loss and Damage



Source: Richards, J.A., et al. *The Loss and Damage Finance Landscape,* Heinrich-Böll-Stiftung and The Loss and Damage Collaboration (2023).

X

THE PORTION OF GRANTS FOR MITIGATION ADAPTATION AND LOSS AND DAMAGE

The grant portions for mitigation, adaptation and Loss and Damage will be different. For Loss and Damage we strongly emphasise that 100% of finance must be provided as grants, for reasons of equity, historical responsibility to redress harm, and to ensure that no further economic burden is leveraged on impacted countries and communities through debt[158].

For arguments variously expressed through this paper, adaptation —and to an extent mitigation— will also need high grant portions to enable developing countries to secure a climate safe future, noting the fiscal constraints they face to providing essential services such as health care and education as a result of servicing existing debt repayments. In light of the fact that developing countries are expected to absorb 75-80% of the costs of addressing the climate crisis, we propose that 75% of adaptation finance should be in the form of grants to alleviate the significant financial burden and ensure these countries can implement necessary adaptation measures effectively. Whilst for mitigation, we propose that the total grant amount must match adaptation to ensure balance. This balance is required, due to the fact that adaptation has been chronically underfunded. The past COP/CMA decisions[159] have also called for balance to ensure that while emissions are reduced to prevent future climate impacts, vulnerable communities are also supported in adapting to the effects of climate change.

As such the required grant amounts can be expressed as follows:

- **Loss and Damage:** US$ 724.43 billion / year (100% grants)

“For Loss and Damage we strongly emphasise that 100% of finance must be provided as grants, for reasons of equity, historical responsibility to redress harm, and to ensure that no further economic burden is leveraged on impacted countries and communities through debt.”

“In light of the fact that developing countries are expected to absorb 75-80% of the costs of addressing the climate crisis, we propose that 75% of adaptation finance should be in the form of grants to alleviate the significant financial burden and ensure these countries can implement necessary adaptation measures effectively.”

- **Adaptation:** Total US$ 1.44 trillion / year (75% as grants = US$ 1.08 trillion)

- **Mitigation:** Total US$ 4.725 trillion / year (matching adaptation grants = US$ 1.08 trillion / year)

Total Grant Amount: US$ 2.88443 trillion / year

Box 4: What percentage of GDP should developed countries dedicate to their climate finance commitments under the NCQG?

Taking into consideration that Europe and North America spend 3%[160] of GDP on fossil fuel subsidies, we calculate the total GDP percentage (GDP%) that developed countries should allocate to climate finance. The calculations are as follows:

$$\text{Total GDP\% for Climate Finance}^{161} = \frac{\textit{Total Grant Amount (US\$ 2,884.43 billion)}}{\textit{Advanced Economies Projected GDP to 2030 (US\$ 77.47 billion)}} \approx 3.6\% \text{ of GDP}$$

Taking the projected GDP of advanced economies to 2030 (US$ 77.47 billion) and the total grant amount required by developing countries (US$ 2,884.43 billion) we find that developed countries should allocate 3.6% of their GDP's to the provision of climate finance under the NCQG. Whilst a 3.6% allocation of projected GDP might sound high, the context we have provided is useful to understand the availability of new and additional finance and the current priorities of developed countries which are oriented towards activities that are exacerbating the climate crisis. The following two figures further articulate the availability of finance that can be redirected by developed countries from fossil fuel subsidies, and, taking Oil Change International's findings (see box 3) on the finance that could be raised by re-allocating 20% of military spending —how the US could easily exceed a 3.6% GDP allocation for climate finance by redirecting fossil fuel subsidies and 20% of military spending.

Figure 12: GDP expenditure on fossil fuel subsidies vs proposed climate finance allocation 3.6%

Proposed developed country GDP allocation for Climate Finance	Top 5 GDP expenditures on (explicit and implicit) fossil fuel subsidies by developed countries in 2022[162]
3.6%	Japan 5.8%
	USA 3.2%
	Germany 3%
	Italy 2.8%
	UK 2.3%

Figure 13: US GDP expenditure on fossil fuel subsidies and military (at 20%) vs proposed climate finance allocation

Proposed developed country GDP allocation for Climate Finance	US GDP expenditures on fossil fuel subsidies[163]	20% of US GDP expenditure on military[164]	US combined expenditure of 20% on military and 100% fossil fuel subsidies
3.6%	3.2%	0.68%	4.28%

XI

CONCESSIONAL FINANCE

Given the increasing frequency and intensity of loss and damage events and the associated escalating costs of addressing its economic and non-economic fallout, it is crucial that Loss and Damage finance —whether it is delivered via the Fund for responding to Loss and Damage, bilateral or other multilateral funds— is equitable. One of the most consistent demands from developing countries is to have access to equitable climate finance that meets their evolving needs and priorities that is high-quality finance. This is particularly important, as their "higher economic dependency on climate-sensitive sectors makes [...developing] countries more susceptible to climate change[165]", which risks exposing them to high debt-risk profiles such as shorter term lengths and maturities, unfair loan or investment contracts, and higher fees. At the same time rising inflation rates have impacted developing countries' foreign currency reserves —seeing them used to pay for food and energy imports— and the exogenous shock of the high inflation of OECD currencies have further impacted developing countries that have debt denominated in foreign currencies.

A crucial piece of the high-quality-equitable climate finance puzzle is the type of financial instruments used to provide and disburse funds. For developing countries, increasing climate vulnerability, exposure to climate impacts and the escalating nature of loss and damage, has resulted in higher borrowing costs and interest rates[166, 167] which in turn reduces their long-term fiscal stability and capacity to invest in climate-resilient public services. Indeed, recent research has shown that the poorest and most climate vulnerable countries are spending more than twice as much to service their debts than they receive in climate finance[168]. Despite these conclusions, climate finance is overwhelmingly provided as loans that increase developing countries' debt burdens.

According to OECD data[169], in 2022 the public climate finance that was provided bilaterally and through multilateral channels by developed countries mainly took the form of loans (69% or US$ 63.6 billion) and, to a lesser extent, grants (28% or US$ 25.6 billion)". An analysis by Reuters[170] further illustrates that developed countries have loaned at least US$ 18 billion at market rates under the guise of

"It is crucial that Loss and Damage finance —whether it is delivered via the Fund for responding to Loss and Damage, bilateral or other multilateral funds— is equitable."

"For developing countries, increasing climate vulnerability, exposure to climate impacts and the escalating nature of loss and damage, has resulted in higher borrowing costs and interest rates which in turn reduces their long-term fiscal stability and capacity to invest in climate-resilient public services."

"Climate finance is overwhelmingly provided as loans that increase developing countries' debt burdens. According to OECD data, in 2022 the public climate finance that was provided bilaterally and through multilateral channels by developed countries mainly took the form of loans (69% or US$ 63.6 billion)."

mobilising climate finance. Additionally, Reuters highlighted that US$ 11 billion in loans issued by developed countries as climate finance required recipients to hire or purchase from the lending countries and a further US$ 10.6 billion in grants had similar conditions. Ultimately, this practice funnels significant funds back to the lenders' economies, undermining the goal of aiding developing countries. The following two examples help to further illustrate this point.

Box 5: Why Don't Loans Work for Climate finance?

Example 1: the Pakistan Floods

Following the extreme Pakistan floods in 2022, over 90 percent[171] of funds secured by Pakistan during a pledging conference to address the loss and damage caused by the floods were loans. Pakistan was already in a debt crisis before the floods —with US$12.5 billion of debt repayments due in 2022 alone[172]. As a result, Pakistan will see debt repayments to foreign creditors diverting essential resources away from building climate resilience and investing in essential public services, leaving the country at greater risk of loss and damage when future climate disasters strike.

Example 2: Hurricane Eta and Iota in Honduras

In the aftermath of Hurricane Eta and Iota, which caused loss and damage amounting to approximately US$ 2.104 billion, Honduras took loans from multilateral development banks, totaling US$ 42.32 million[173]. These loans were initially planned to go towards other sustainable development areas and had to be redirected to address the emergency, rehabilitation, recovery and reconstruction after both Eta and Iota.

Both examples clearly illustrate how developing countries can be forced into climate-induced debt, while shifting priorities from sustainable development. With mounting debt an increasing burden for developing countries, the poorest countries[174] are spending over a tenth of their export revenues to service long-term debts — the highest proportion since 2000.[175] At the end of 2021, the external debt of these economies totalled US$ 9 trillion— more than double the amount a decade ago. Rising interest rates and slowing global growth meant that about 60 percent of the poorest countries are already at high risk of debt distress or already in distress. If the NCQG were to allow loans at market rates to be counted a climate finance, increased debt repayments would further reduce scarce resources from public services, including health, education, social protection and climate-resilient infrastructure, at a time when regions, including Africa, are spending more on servicing debt than serving their peoples' health and schooling needs.[176]

"If the NCQG were to allow loans at market rates to be counted a climate finance, increased debt repayments would further reduce scarce resources from public services, including health, education, social protection and climate-resilient infrastructure, at a time when regions, including Africa, are spending more on servicing debt than serving their peoples' health and schooling needs."

Therefore, It is crucial that all finance providers assess the suitability of finance instruments before choosing to use that instrument, to ensure that developing countries are not exposed to higher debt risk profiles. A consistent demand from developing countries through discussions has been for the NCQG to prioritise grants and highly-concessional loans, in the same way that the Fund for responding to Loss and Damage has been mandated to do so within its governing instrument[177]. This demand for grant based and highly concessional finance is at its core a demand for equity, recognising that developing countries have contributed the least to the climate crisis, yet are disproportionately affected by it and often have the least financial means to address it. The use of loans removes the opportunity for developing countries to escape their low income status, because it grounds them in a cycle of debt and loan dependency. Ensuring the delivery of equitable climate finance is therefore, central to addressing the climate-debt levied on developing countries by developed countries without increasing their national debt or destabilising their fiscal stability or capacity to invest in climate-resilient public services.

“A consistent demand from developing countries through discussions has been for the NCQG to prioritise grants and highly-concessional loans, in the same way that the Fund for responding to Loss and Damage has been mandated to do so within its governing instrument.”

The submission made by AOSIS[178] ahead of MAHWG2 and TED10 provides clear guidance to Parties on what types of concessionality should be considered equitable in the context of climate finance delivered under the NCQG:

“The submission made by AOSIS ahead of MAHWG2 and TED10 provides clear guidance to Parties on what types of concessionality should be considered equitable in the context of climate finance delivered under the NCQG.”

- Transactions must be in forms such as grants, concessional loans, or instruments creating fiscal space.
- Minimum concessional financial terms:
    - Interest rate: 1% or below (fixed).
    - Grace period: 5 years or above.
    - Maturity period: 20 years or above.
    - Charges or fees: 1.5% or below.
    - Mandatory inclusion of climate resilience debt clauses.
- Concessionality levels must consider the debt servicing capacity of developing countries, especially LDCs and SIDS.
- Adaptation and Loss and Damage finance should be primarily public and grant-based with the highest level of concessionality for LDCs and SIDS.

XII

EQUITY AND JUSTICE AND BURDEN SHARING

The disproportionate responsibility of developed countries for greenhouse gas emissions —who have emitted 92% of excess emissions[179]— coupled with the spatial distribution of loss and damage[180] —which disproportionately impacts developing countries— reveals a significant injustice. Through atmospheric appropriation, developed countries and the wealthiest polluters have not only inflicted upon developing countries the burden of addressing a climate crisis they did little or nothing to cause, but also the challenge of meeting the development needs of their people with fewer resources and without exploiting fossil fuels.

Figure 13 brings this injustice into sharp focus by illuminating the correlation between high levels of historic responsibility and high GDP, and high levels of climate vulnerability and low GDP. Showing that the combined emissions of ten countries from of a selection of the most climate vulnerable countries —those that are amongst the least responsible for the climate crisis— are less than 1/24th of the emissions of the USA —the greatest historical emitter— whilst their combined GDP is less than 2.5% of the USA's GDP.

Figure 14: Measure of Historic Responsibility.

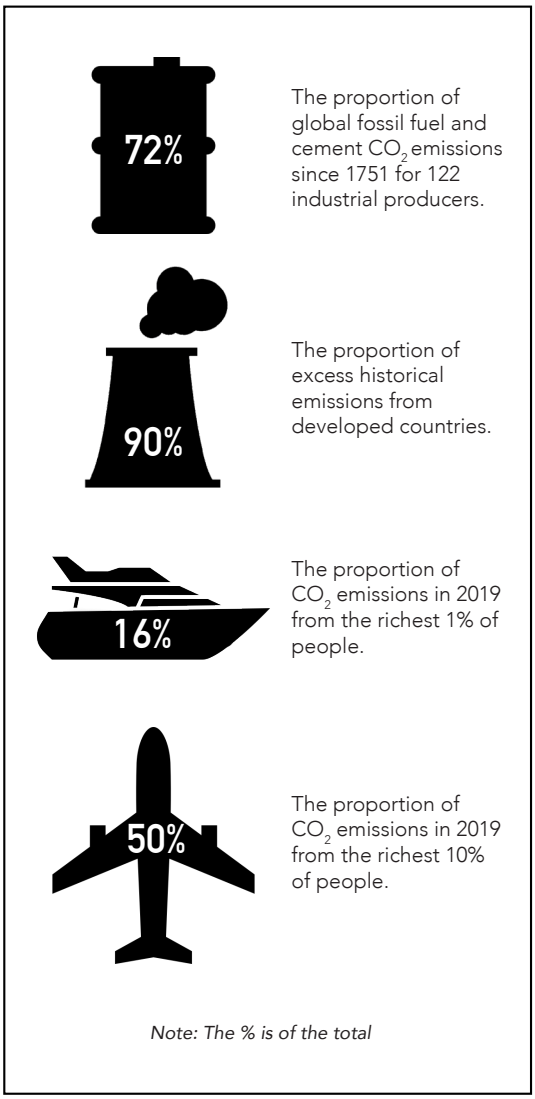


Figure 15: GDP vs Historic Responsibility for the Climate Crisis, 5 high emitting countries vs 10 countries at risk of climate disasters.

5 HIGH EMITTING HIGH INCOME COUNTRIES[181]		
COUNTRY	**GDP (MOST RECENT YEAR) MILLIONS US$[182]**	**PERCENT OF HISTORIC CO_2 EMISSIONS (1850-2021)**
USA	27,360,935.00	24.08%[183] (1800-2022)
Germany	4,456,081.02	5.3%[184] (1792-2022)
UK	3,340,032.38	4.45%[185] (1792-2022)
Canada	2,140,085.57	1.95%[186] (1785-2022)
Japan	4,212,945.16	3.82%[187] (1886-2022)
10 COUNTRIES AT RISK OF CLIMATE DISASTER: [188]		
COUNTRY	**GDP (MOST RECENT YEAR) MILLIONS US$[189]**	**PERCENT OF HISTORIC CO_2 EMISSIONS (1850-2021)**
Somalia	11,679.80	<0.01%[190] (1950-2022)
Syria	8,980.06	0.11%[191] (1931-2022)
The Democratic Republic of the Congo	66,383.29	0.01%[192] (1920-2022)
Afghanistan	14,502.16	0.01%[193] (1949-2022)
Yemen	21,606.16	0.04%[194] (1950-2022)
Chad	13,149.33	<0.01%[195] (1950-2022)
South Sudan	11,997.80	<0.01%[196] (1950-2022)
Central African Republic	2,555.49	<0.01%[197] (1950-2022)
Nigeria	362,814.95	0.25%[198] (1915-2022)
Ethiopia	163,697.93	0.2%[199] (1941-2022)

In light of this unequal responsibility for the climate crisis the fair-shares approach provides a robust method for quantifying national responsibility for climate breakdown, by aligning with the principles of planetary boundaries and equal access to atmospheric commons. Under the fair-shares approach, high-income countries must not only achieve zero emissions faster but also pay their climate debts including for loss and damage sustained by developing countries which should be compensated by developed countries proportional to their responsibility.

This fair-sares approach also draws attention to atmospheric appropriation and atmospheric colonisation, whereby a few high-income countries have appropriated more than their fair share of atmospheric commons, which should

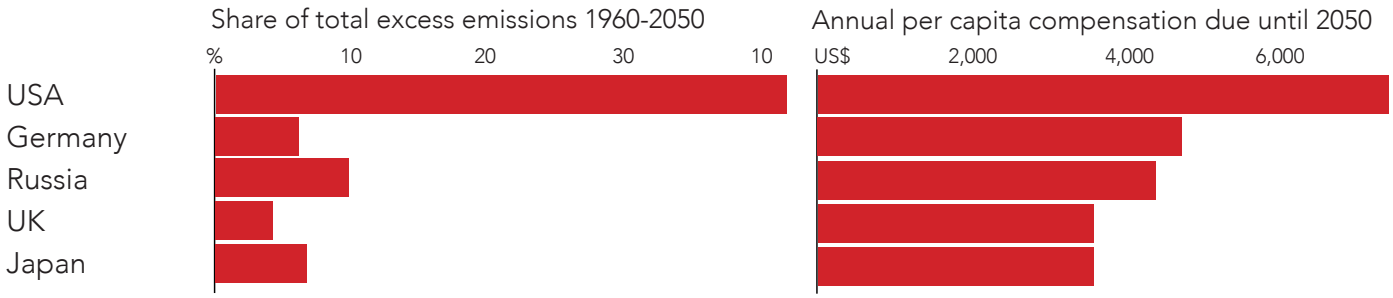
“Under the fair-shares approach, high-income countries must not only achieve zero emissions faster but also pay their climate debts including for loss and damage sustained by developing countries which should be compensated by developed countries proportional to their responsibility.”

be considered in addition to the colonisation of territory. Developed countries, having historically relied on the labour and resources of the Global South for economic growth, have also disproportionately harmed the Global South by appropriating atmospheric commons. The long-understood social and ecological harms of industrialization —such as colonialism, land enclosures, the slave trade, extractivism, deforestation, and pollution— reflect the scale and intensity of industrial activity, further underscoring the responsibility of high-income countries for the climate crisis[200,201].

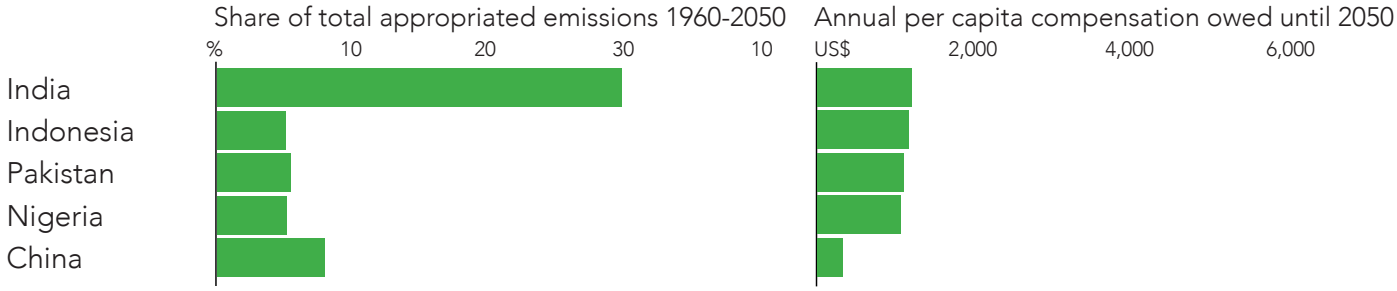
“The fair-shares approach also draws attention to atmospheric appropriation and atmospheric colonisation, whereby a few high-income countries have appropriated more than their fair share of atmospheric commons, which should be considered in addition to the colonisation of territory.”

Figure 16: Compensation for atmospheric appropriation up until 2050[202]

The top 5 overemitting countries would be liable to pay US$ 131 tillion for appropriating excess shares of the atmospheric commons in a ‘net zero’ scenario



The top 5 low-emitting countries would be entitled to recieve US$ 102 tillion for scarificing their fair shares of the atmospheric commons in a ‘net zero’ scenario



Graphic by Andrew Fanning. Source: Fanning and Hickle, *Compensation for atmosperic appropriation, Nature Sustainability* (2023).

In a recent report[203], the Women’s Environment & Development Organization (WEDO) has provided clear guidance to the US on what fair share of climate finance they should pay as the world’s wealthiest country and largest historic emitter: “the US will contribute US$ 446 billion per year in grant or grant equivalent finance to the collective effort, to cover mitigation, adaptation, and loss and damage.”

“The Women’s Environment & Development Organization has provided clear guidance to the US on what fair share of climate finance they should pay as the world’s wealthiest country and largest historic emitter: 'the US will contribute US$ 446 billion per year in grant or grant equivalent finance to the collective effort, to cover mitigation, adaptation, and loss and damage.”

Ultimately, this recognition of atmospheric appropriation necessitates that developed countries must meet their obligations and responsibilities under the UNFCCC and its Paris Agreement rather than pushing to expand the contributor base which equates to them diminishing their responsibilities. This approach is consistent with the principles of the Convention, which recognizes the

common but differentiated responsibilities and respective capabilities of Parties. Developing countries have not exceeded their fair share of emissions and are primarily focused on achieving development goals, not solely emissions reduction. Financial support should therefore prioritise their Loss and Damage, adaptation and resilience needs, while also enabling a just and equitable energy transition that supports their development aspirations.

Furthermore, the Polluter Pays Principle (PPP) —a cornerstone of environmental law emphasised under Article 3.1 of the UNFCCC— makes clear that those who cause pollution should bear the costs of its remediation. In the context of climate change, this principle places the primary responsibility for climate finance on developed countries due to their historical and ongoing disproportionate contribution to greenhouse gas emissions. As Lindhout and Van den Broek (2014)[204] articulate, "the polluter pays principle is a manifestation of the principle of equity or 'fairness' principle...as it holds the polluter accountable for the pollution he has created in order to avoid passing on costs to third parties who did not contribute to the creation of the pollution."

"The Polluter Pays Principle makes clear that those who cause pollution should bear the costs of its remediation. In the context of climate change, this principle places the primary responsibility for climate finance on developed countries due to their historical and ongoing disproportionate contribution to greenhouse gas emissions."

Box 6: Making Polluters Pay —mobilising funds for Loss and Damage and National Just Transition

In 2024, discussions on the reform of the international tax system have been gathering momentum, and various methods —some tried and tested such as an air passenger levy— are being considered. One method that should be spotlighted is the Climate Damages Tax (CDT).

The CDT has been proposed —in a basket of measures— to help address the significant financial needs of developing countries associated with addressing loss and damage. By levying a tax on the extraction of fossil fuels — with developed countries taking the lead— the CDT seeks to generate substantial additional revenue to be directed into the Fund for responding to Loss and Damage (FRLD). The CDT is designed to start at a rate of US$ 5 per tonne of carbon dioxide equivalent (CO_2e), increasing annually, and has the potential to raise US$ 44.6 billion for the FRLD in its first year from OECD countries alone. By the end of the decade, this could accumulate to US$ 900 billion, with a significant portion allocated to the FRLD and the remainder used for domestic climate action. This approach ensures that those who profit from fossil fuel extraction bear a significant portion of the costs related to climate impacts.

By taxing the fossil fuel industry, the CDT not only helps to fund urgent climate action but also incentivizes the transition to renewable energy sources. This ensures that the financial burden of climate impacts is shared more fairly, supporting a more resilient and equitable global response to climate change.

The implementation of the CDT, as part of a broader basket of measures, could significantly strengthen the financial architecture needed to support vulnerable communities.

This historical responsibility is not merely an ethical consideration but is deeply embedded in international environmental law. The UNFCCC, Kyoto Protocol, and the Paris Agreement, all acknowledge the historical emissions of developed countries and their obligation to provide financial resources to developing countires to address climate change. Ringius et al.[205] further emphasise this by drawing attention to the point that "the norms of responsibility and capacity imply that developed countries should bear the brunt of the burden of climate control."

In light of these responsibilities, the push by developed countries to expand the contributor base under the NCQG should be considered a serious threat to equity under the UNFCCC and therefore to the integrity of the treaty itself. With developed countries claiming that such an expansion would increase the global quantum of the NCQG, it is important to assess the impact that obligations for climate finance would have on developing countries that are large emerging economies. In the following thought exercise we consider what impact a contribution obligation would have on China if developed countries were successful in expanding the contributor base. This is intended to illustrate how making contributions would diminish China's ability to decarbonise its own economy, undertake adaptation and address loss and damage.

Box 7: Thought exercise, China's potential climate contribution and related impacts:

This box explores two scenarios that demonstrate how China would be impacted by making contributions to climate finance under the NCQG. We then highlight the ways in which China is already contributing to climate finance through South-South cooperation, and importantly, how this can increase.

Scenario 1: China pays 13% of a low ambition NCQG of $1 trillion

If China was requested to pay 13% (US$130 billion) of a low ambition NCQG of US$ 1 trillion per year —13% being derived from China's 2023 percentage of historic CO2 emissions— this would have the following impacts:

- It would equal 0.73% of China's GDP in 2023 (US$ 17.79 trillion[206]) and exceed the low range estimates on GDP losses that could result from climate change in China per year as early as 2030 (between 0.5 and 2.3 percent of GDP / between US$ 88.97 billion and US$ 409.27 billion)[207].

- It would take away from national budgets 1.6 times the additional finance needed by China to close its adaptation gap each year, which is currently at US$ 77 billion per year[208] until 2027.

- It would take away from national budgets 76% of what is needed for China to achieve its ambitious carbon peak and carbon neutrality goals —China needs to close an annual funding gap of about US$ 170 billion[209].

- It would be equivalent to 146% of the low range estimated GDP losses from climate change that could be experienced by China each year by 2030 (1.4% of GDP at US$ 88.97 billion per year)[210].

- It would take away 26% of China's annual total climate finance needs of US$ 495.5.[211]

Scenario 2: China pays an amount proportional to Germany's Reported Contribution to the US$ 100 billion Goal

Taking into consideration the current percentage of the total contributions made by Germany to the US$ 100 billion goal — based on reporting by Germany that it contributed 6.39 billion euros for climate change mitigation and adaptation in 2022[212]— and taking this at face value (i.e. not questioning if it is new and additional and high quality finance), we calculate Germany's contribution to be 6.39% of the US$100 billion goal which equates to 0.15% of Germany's GDP in 2022 (GDP = US$ 4.72 trillion[213]). If we take this as a basis to imagine what could be China's contribution to a low ambition NCQG of US$1 trillion this would see China pay US$ 63.9 billion a year.

- It would equal 0.35% of China's GDP in 2023 (US$ 17.79 trillion[214]) and equate to 71.8% of the low range estimates on GDP losses that could result from climate change in China per year as early as 2030 (between 0.5 and 2.3 percent of GDP / between US$ 88.97 billion and US$ 409.27 billion)[215].

- It would take away from China's national budgets, 82.9% of the additional finance needed by China to close its adaptation gap each year, which is currently at US$ 77 billion per year[216] until 2027.

- It would take away from China's national budgets 37.5% of what is needed by China to achieve its ambitious carbon peak and carbon neutrality goals —China needs to close an annual funding gap of about US$ 170 billion[217].

- It would take away 12.8% of China's annual total climate finance needs of US$ 495.5.[218]

China is already contributing to Climate Finance:

The following points highlight how China is already voluntarily providing climate finance through South-South cooperation:

- China is the seventh largest provider of climate finance. Providing an estimated US US$ 1.4 billion of public finance bilaterally and US$ 1.2 billion of climate finance through multilateral development banks.[219]

- The Lowy Institute's development finance Maps for the Pacific[220] and Southeast Asia[221] indicate that China is the third largest source of climate finance in Southeast Asia, making up 14% of the total, not far behind the Asian Development Bank and Japan.[222]

How could China provide more voluntary climate finance?

- Through its "South–South" mechanism, China has built the diplomatic and institutional frameworks to provide climate-related finance to the Global South, but it has not yet lived up to its potential. China has delivered 10% of the US$ 3.1 billion pledged for a dedicated fund to finance climate cooperation with the Global South in the seven years since the launch.[223]

- China spent over US$ 1 billion a year on average on climate-related projects in the Global South between 2013 and 2017, that is less than 2% of the hundreds of billions of dollars spent on infrastructure projects through the Belt and Road Initiative and other official programmes.[224]

XIII

TRANSPARENCY AND ACCOUNTABILITY AND THE IMPORTANCE OF A CLIMATE FINANCE DEFINITION

Transparency and accountability are foundational to the NCQG and are essential to ensure that climate finance commitments are met and utilised effectively. These principles help maintain trust among Parties by providing a clear mechanism for tracking financial flows, assessing progress, and identifying areas for improvement. Without transparency and accountability the integrity of climate finance is compromised, something that will potentially lead to the misallocation of funds, unmet climate goals, and to the further erosion of trust that the non-delivery of the US$ 100 billion goal by developed countries has set in motion.

There are many lessons learnt from the US$ 100 billion goal that can be applied to enhance transparency. Firstly, annual progress reports should be mandatory for all parties, with support being provided to developing countries to develop them. The reports should detail financial contributions and the utilisation of funds in a disaggregated manner, including gender responsiveness, and marginalised communities reached. Standardised reporting is necessary for comparability and comprehensive assessment of progress across different countries and regions. Secondly, financial reports must include disaggregated, mandatory information, clearly distinguishing between grants, loans (maturity period, roll-overs and term length), and other financial instruments. Doing so clarifies the treatment of finance streams that have multiple objectives —such as ODA— and those where the face value differs from the net support value, thereby ensuring a fair and consistent assessment of climate finance contributions.

“Transparency and accountability are foundational to the NCQG and are essential to ensure that climate finance commitments are met and utilised effectively. These principles help maintain trust among Parties by providing a clear mechanism for tracking financial flows, assessing progress, and identifying areas for improvement.”

“There are many lessons learnt from the US$ 100 billion goal that can be applied to enhance transparency. Firstly, annual progress reports should be mandatory for all parties, with support being provided to developing countries to develop them.”

However, we go further to suggest that data granularity ought to be reflected in reporting, including gender-disaggregated data and intersectional data which would also contribute to the meaningful implementation of the Gender Action Plan[225]. Indigenous communities, women, and youth are not only the most affected by the climate crisis, but are also key to climate solutions. The NCQG will only work for impacted people if it directly incorporates their insights and knowledge, but also if the financial mechanisms are accessible and equitable. Gender equity, intergenerational justice, and Indigenous Knowledge systems must be at the centre of climate finance. This includes transparent reporting and tracking of how marginalised groups benefit from climate finance. This level of detail prevents the overstatement of contributions and provides clarity on the types of financial support provided, as well as the equitable distribution of financial resources at the local level. Additionally, regular independent audits are essential to verify the accuracy of reported data and assess the effectiveness of fund allocation.

> **"Data granularity ought to be reflected in reporting, including gender-disaggregated data and intersectional data which would also contribute to the meaningful implementation of the Gender Action Plan."**

> **"The NCQG will only work for impacted people if it directly incorporates their insights and knowledge, but also if the financial mechanisms are accessible and equitable. Gender equity, intergenerational justice, and Indigenous Knowledge systems must be at the centre of climate finance."**

To ensure accountability, the NCQG should implement two mechanisms: i) a definition of climate finance, a ii) system for tracking financial flows and reporting. In the following sections we unpack each one.

A DEFINITION OF CLIMATE FINANCE

A clear, universally accepted definition of climate finance is crucial to prevent the overstatement of financial contributions and to ensure clarity on what qualifies as climate finance. The agreement of a definition has been highlighted as a critical issue for developing countries, including in their submissions on the issue[226] to the UNFCCC's Standing Committee on Finance (SCF), and within MAHWG discussions, with the LDC Group making it clear that not including a definition is a red line,[227] meaning that they will not accept an NCQG without a definition of climate finance. When calling for such a definition, Parties including Nepal have pointed to the work already done under the SCF that can inform such a definition including in their "Report on Clustering types of climate finance definitions in use"[228]. Moreover, there is a need to ensure that climate finance does not impact developing countries' abilities to achieve sustainable development, by ensuring that climate finance is new and additional to existing international development finance flows. Indeed, the Organisation for Economic Co-operation and Development (OECD) notes that "Development finance and climate finance have distinct roles and aims. A complete conflation of these budgets and efforts would likely not succeed in achieving either of the critical climate or development

> **"A clear, universally accepted definition of climate finance is crucial to prevent the overstatement of financial contributions and to ensure clarity on what qualifies as climate finance."**

> **"The LDC Group has made it clear that not including a climate finance definition under the NCQG is a red line for them, meaning that they will not accept an NCQG without a definition of climate finance."**

agendas."[229] Conflating climate finance with development finance therefore seriously risks reducing a country's ability to undertake mitigation and adaptation, address loss and damage, and pursue sustainable development. Risks that are too great to allow.

Submissions to the SCF by civil society organisations including the International Institute for Environment and Development (IIED)[230] and Pan African Climate Justice Alliance (PACJA)[231] and additional work by Eurodad, which has outlined the opportunities and challenges of defining new and additional finance,[232] also make clear the need for a definition and what elements of a definition must be included to ensure equity. The following framework for a definition of climate finance —one that is equitable— provides further guidance to Parties on what this should include:

> **"Conflating climate finance with development finance seriously risks reducing a country's ability to undertake mitigation and adaptation, address loss and damage, and pursue sustainable development."**

Figure 17: Key elements of an equitable, climate justice and human rights aligned definition of climate finance under the NCQG

KEY ELEMENTS OF AN EQUITABLE, JUSTICE AND RIGHTS ALIGNED CLIMATE FINANCE DEFINITION FOR THE NCQG	DETAIL
New and Additional Finance	Climate finance must be new and additional to ODA.
Public finance	The core of climate finance must be from public finance from developed countries' to developing countries.
Grant based	The majority of climate finance must be delivered as grants that do not need to be repaid.
Predictable	Climate finance must be predictable, with clear, quantified financial targets and timelines to allow developing countries to better plan for the implementation of their climate-related investments in line with national policies and international commitments.[233]
Precautionary	Climate finance must take a precautionary approach, anticipating the various levels of adaptation and Loss and Damage finance required by developing countries, at or above, the 1.5°C and 2°C thresholds.[234]
Adequate to meet the needs of developing countries for mitigation, adaptation, and Loss and Damage	Adequate climate finance means "needs-based financing that addresses financing gaps and responds to the needs of developing countries", finance that is commensurate with the challenge it seeks to address.[235]
Pro-poor	Climate finance must be pro-poor aimed at reducing income inequality and promoting economic inclusion by supporting activities that benefit the poor and enable their active participation in economic activities, ultimately leading to poverty reduction.

KEY ELEMENTS OF AN EQUITABLE, JUSTICE AND RIGHTS ALIGNED CLIMATE FINANCE DEFINITION FOR THE NCQG	DETAIL
Human-rights based	A human rights-based approach to climate finance clarifies the obligations and responsibilities of States, international financial institutions and businesses. This requires the inclusive, equitable, and effective participation of the communities most directly affected by the climate crisis; prioritises the most vulnerably situated and marginalised communities and groups, including children, youth, older persons, disabled persons, migrants, refugees, women and gender-diverse people; catalyses accelerated climate action; and provides processes and mechanisms for ensuring accountability.[236]
Gender-Transformative	Climate finance should not only address climate challenges but also transform gender dynamics and empower women and other marginalised communities as key agents of change.[237]
Concessional	Where appropriate, climate finance can be delivered as highly concessional loans meeting the following minimum concessional financial terms: Interest rate: 1% or below (fixed). Grace period: 5 years or above. Maturity period: 20 years or above. Charges or fees: 1.5% or below. Mandatory inclusion of climate resilience debt clauses. Concessionality levels must also consider the debt servicing capacity of developing countries —especially LDCs and SIDS. Contributors must also follow responsible lending and borrowing principles — such as, the United Nations Conference on Trade and Development's Principles on Promoting Responsible Sovereign Lending and Borrowing.[238]
Alternative sources	Alternative sources of finance must be new, fair and redistributive, predictable and publicly-controlled and follow the polluter-pays principle.
Accessible	Climate finance needs to be directly accessible to all developing countries and front line communities.
Effective	Climate finance should be effective, resulting in clear measurable impacts on emission reductions, resilience building and addressing loss and damage.

Box 8: Why additionality is central to climate finance

According to the "Seeing Double" report from CARE International[239], the lack of a formal definition of "new and additional" climate finance has led to various interpretations. The report highlights two key definitions: Strong additionality, where climate finance is provided on top of the commitment to contribute 0.7% of GNI as Official Development Assistance (ODA), and Weak additionality, where climate finance exceeds the level of development finance provided in 2009.

Analysis of ODA data from 2009 to 2021, focusing on country programmable aid and humanitarian spending, reveals that under the preferred GNI-based method, there is effectively no additional climate finance[240]. This finding aligns with CARE's assessment[241] that only a small fraction of reported climate finance is truly additional. For instance, from 2011 to 2020, only 7% of the climate finance provided by wealthy countries was strongly additional, meaning it exceeded the 0.7% GNI-ODA target. Even under the weaker definition, only 48% of climate finance was additional, indicating a significant portion of climate finance was merely reallocated from existing development finance budgets.

Another option is to "use an average of a country's prior climate finance to set individual country baselines for 'new and additional'"[242], however this would require developing a methodology to equitably determine a country's individual fair share of 'new and additional' climate finance.

A nuanced understanding of additionality is needed to frame a definition of climate finance in the context of a clear, universally accepted definition, in order to ensure that climate finance commitments are genuinely met and contribute to both climate action and sustainable development, without undermining existing development finance efforts.

If Parties fail to reach agreement on the definition of climate finance, a negative list should instead be provided detailing what should not be counted as climate finance. The following table provides guidance to Parties on key financial instruments that should appear on any climate finance negative list.

Figure 18: Transactions that should not be included as Climate Finance[243]

TRANSACTIONS THAT SHOULD NOT BE COUNTED AS CLIMATE FINANCE	FURTHER DETAILS
Export Credits for Fossil Fuel Projects	Export credits that fund fossil fuel exploration, extraction, production, or infrastructure (such as pipelines or coal plants) should not be counted as climate finance.
Fossil Fuel Subsidies	Any form of subsidies (explicit or implicit) directed towards the fossil fuel industry, including the oil, gas, or coal sectors, should be excluded from climate finance as they counter the goals of emissions reduction.
Blended Finance Shifting Risks to Developing Countries	Blended finance structures where financial risks are disproportionately borne by developing countries, especially those without sufficient safeguards, should not qualify as climate finance.

TRANSACTIONS THAT SHOULD NOT BE COUNTED AS CLIMATE FINANCE	FURTHER DETAILS
Funding for High-Emission Infrastructure	Investments in high-emission infrastructure such as those related to the expansion and continued life of fossil fuels or large-scale deforestation projects should not be classified as climate finance.
Market-Based Carbon Offsets or Credits	Carbon offsets or credits should not be included as part of climate finance commitments. Instead these should be reported in Parties National Inventory Submissions on GHGs which cover emissions and direct removals of GHGs. Carbon offsets or credits that do not result in verifiable, permanent emissions reductions, should not be counted towards mitigation efforts towards the long-term temperature goal.
Loans and Financial Instruments that Exacerbate Debt Burden	Non-concessional loans or financial instruments that contribute to the debt burden of developing countries and/or those without clear grant components should not be counted as climate finance.
Projects with High Carbon Intensity	Support for carbon-intensive projects in sectors like aviation, shipping, or heavy industries, without a clear decarbonization plan, should not be categorised under climate finance.
Private Sector Investments Motivated by Short-Term Gains and Under Commercial Terms	Private investments, under commercial terms, in climate-related sectors that prioritise short-term financial returns over long-term sustainability and climate resilience should be excluded.
Finance for Unsustainable Land Use Practices	Transactions supporting unsustainable agricultural practices or deforestation that contribute to biodiversity loss or carbon emissions should not qualify as climate finance.
Harmful transactions	Any finance flows towards activities that are not aligned with climate goals, that deteriorate justice principles and human rights, or exacerbate the polycrisis (such as deep seabed mining and resource extraction without stringent human rights and environmental safeguards), should be disqualified from being labelled as climate finance.
Domestic Resources	Counting domestic resources would blur the lines between national obligations and international commitments, reducing accountability for developed countries to provide new, additional, and predictable funding.
Official Development Assistance (ODA)	Development finance is meant to address broader development goals, while climate finance is specifically intended to support climate-related actions like mitigation, adaptation, and Loss and Damage. Moreover, the UNFCCC and the Paris Agreement call for new and additional resources for climate finance, meaning it should not replace or rebrand existing development finance commitments like ODA.

Box 9: What would happen if the Fund for Responding to Loss and Damage ended up paying for insurance premiums?

The idea of using the Fund for Responding to Loss and Damage (FRLD) to cover insurance premiums can be viewed as problematic—and even immoral—particularly from the perspective of equity and climate justice. Developing countries have made it clear that the Loss and Damage responses that the Fund will provide must be country driven and that while insurance may be able to play a very small role in addressing loss and damage, there are many issues that make it an inadequate response.

Why is insurance poorly suited to addressing loss and damage?

The costs and drawbacks of the application of insurance to address loss and damage are significant.[244] Firstly, insurance is limited in its scope for addressing loss and damage as it typically only pays out a small proportion of the loss and damage cost incurred. Insurance provided to countries through regional risk pool insurance such as the African Risk Capacity, Caribbean Climate Risk Insurance Facility, and Pacific Catastrophe Risk And Financing Initiative often pays out as little as 2% of loss and damage costs leaving countries looking for other sources of funds —such as loans and national budgets— to cover the remainder of the cost.[245] Insurance can also result in a 'moral hazard' or a reduced incentive to reduce risk by implementing climate action measures. Furthermore, insurance holders may get a false sense of security from their premiums. For example, for parametric insurance, the requirement to closely define the danger / risk / parameters that a premium will cover means that an insurer may not pay out if the parameters are not met exactly, even when significant damage has incurred e.g. if wind speeds did not exceed the defined threshold during a hurricane.[246] Lastly, and perhaps most importantly, as climate disasters increase in frequency and intensity, insurance premiums will become more expensive and therefore unaffordable for those seeking protection and insurers, thereby resulting in areas becoming uninsurable.[247] For example, long before Hurricane's Helene and Milton struck Florida in the US, insurers had been withdrawing from the Florida market.[248]

Why should the Fund for Responding to Loss and Damage not be paying for insurance premiums?

First, using money from the Fund to pay for insurance premiums risks diverting much-needed grant-based finance —which is intended to directly support vulnerable communities in developing countries— into the hands of private or multinational insurance companies, many of which are based in the Global North. This flow of funds essentially redirects climate finance back to wealthier countries, undermining the core principle that Loss and Damage finance should address historical responsibility and provide reparative justice to those who contributed the least to climate change but suffer the most from its impacts. It could result in a situation where money ostensibly meant to address loss and damage in developing countries is —in effect— boomeranging back to institutions in developed countries.

Second, the reliance on insurance as a mechanism for Loss and Damage finance fails to recognize the structural inequalities that insurance models often perpetuate. Insurance schemes are typically designed with profitability in mind, meaning premiums can be prohibitively expensive —even when going through reinsurance markets— especially for poorer countries that are disproportionately affected by climate disasters. Over time, insurance schemes might cover recurring losses less and less as risk assessments to determine claim policies may evolve to be exclusionary.

Finally, relying on insurance risks undermining the moral basis of the Fund for Responding to Loss and Damage. The Fund is meant to represent global cooperation and to take steps to deliver climate justice by providing grant-based, unconditional finance, to enable developing countries to recover from loss and damage and regain lost development. Channelling Loss and Damage finance into insurance premiums—which may not even cover all forms of loss, particularly non-economic loss like cultural heritage or ecosystem damage— would essentially turn the Fund into a profit-generating mechanism for insurers.

Hurricane Beryl: A case study

One such example of the inadequacy of insurance to address loss and damage is Hurricane Beryl. Hurricane Beryl was the earliest Category 5 hurricane to ever form in the Caribbean.[249] It caused extensive devastation across multiple Caribbean States including the St Vincent and the Grenadines, Grenada, Barbados and Jamaica, as well as within the Yucatán Peninsula and the US and Canada in early July, 2024. The total economic loss and damage incurred by St Vincent and the Grenadines alone is estimated at US$ 230.6 million which is equivalent to approximately 22% of the island nations 2023 GDP[250]. However, the Caribbean Catastrophe Risk Insurance Facility, supported by the World Bank and other donors, provided only US $85m in insurance payouts to the region in the aftermath of Hurricane Beryl [251] thereby leaving a US $145.6 million gap. If we take this as an example whereby the Fund for Responding to Loss and Damage had been reduced to only paying insurance premiums to address loss and damage, the countries impacted by Hurricane Beryl would need to seek other sources of finance, including loans and diverting fund from essential services such as health and education, to fill this gap, thereby increasing indebtedness and rolling back development gains.

In light of this in adequate response, following the hurricane, the Permanent Council of the Organisation of American States (OAS) approved by acclamation the following resolution:

> "Addressing the impact of Hurricane Beryl and strengthening climate resilience in the America's"[252]. The resolution calls "for the immediate capitalization and operationalization of the Loss and Damage Fund". It further calls "on all nations to take immediate and ambitious actions to curb their emissions, in line with the goals of the Paris Agreement, including its first Global Stocktake and related decisions of the UNFCCC process, particularly the target of 1.5° Celsius, and to call on developed countries to provide financial and technical support to developing States, particularly vulnerable countries, to help them build resilience and withstand existential threats posed by climate change".

This OAS resolution is significant, because it clearly defines what type of financial support and collaboration developing countries are seeking in the aftermath of extreme climatic events that cause loss and damage. Furthermore, OECD data shows that in 2022, SIDS only received just 3.4% (US$ 3.2 billion of which only 53% was grants) of the US$ 91.6 billion provided as public, attributable, multilateral, climate finance[253]. This higher share of grants is crucial for SIDS. Particularly because a report for the International Monetary Fund (IMF) "found that debt levels of small climate-vulnerable developing States quickly increase following climate-related disasters –not only because of the impact on their economies, but also because they must take on new debt to finance reconstruction"[254].

B

TRACKING FINANCIAL FLOWS

Implementing a robust system for tracking financial flows and reporting is also necessary to ensure that climate finance delivered under the NCQG reaches the intended beneficiaries and achieves the impact desired. This system should leverage existing frameworks, such as the UNFCCC's Biennial Transparency Reports (BTRs), but with enhanced granularity and frequency to improve monitoring and evaluation. Furthermore, midterm and end-of-goal reviews should be conducted to assess progress and make necessary adjustments. These reviews should be based on comprehensive data and involve consultations with all stakeholders, including civil society organisations and vulnerable communities, to ensure inclusivity and broad-based support.

Ensuring that the financial burden is shared equitably among developed country parties is a critical aspect of accountability. Contributions should align with CBDR-RC as per the Convention and Paris Agreement.

"Implementing a robust system for tracking financial flows and reporting is also necessary to ensure that climate finance delivered under the NCQG reaches the intended beneficiaries and achieves the impact desired."

XIV

ALIGNING ALL FINANCE FLOWS AND ARTICLE 2.1C

Article 2.1(c) of the Paris Agreement aims to align all the world's capital towards climate action by "making finance flows consistent with a pathway towards low greenhouse gas (GHG) emissions and climate-resilient development." However, the language of Article 2.1(c) is vague on what exactly this entails and must be interpreted in light of historical responsibility and the ongoing inequities of the climate crisis.

The inclusion of Article 2.1 (c) into the NCQG would pre-judge the outcomes of the Sharm el-Sheikh Dialogue on Article 2.1(c) which concludes in 2025, and is something

"The inclusion of Article 2.1 (c) into the NCQG would pre-judge the outcomes of the Sharm el-Sheikh Dialogue on Article 2.1(c) which concludes in 2025, and is something that would require a larger conversation that extends well beyond the NCQG."

that would require a larger conversation that extends well beyond the NCQG. Furthermore, Article 2.1(c) refers to "all" financial flows for countries that have signed the Paris Agreement, whilst the NCQG is specific to climate finance support to developing countries[255]. Moreover, the idea that Article 2.1(c) has the potential to create investment, fiscal space for market confidence, or address outstanding national debts, is flawed. One that is based upon the premise that developing countries do not need financial freedom to develop their economies, one that should come from the receipt of equitable, international climate finance under the NCQG.

It is important to reiterate the constraints of developing countries, especially in relation to the focus on private finance for Adaptation under the Sharm-El-Sheik dialogue on Article 2.1(c). We note that for many developing economies the need for grants remains the most accessible and urgently needed form of finance. Grants provide immediate support without adding to their debt burden and can be targeted towards specific projects addressing unique challenges. For instance, research based upon reports from the IMF[256], indicates that the average debt-to-GDP ratio for Pacific States increased from 32.9% in 2019 to 42.2% in 2021, with Fiji, Vanuatu, and Palau exceeding 70%. Developed countries have grown economically strong for various reasons and therefore have a greater fiscal capacity to support their levels of debt. They have the trust of the global capital markets to service high levels of debt through their economies. The opposite has happened in the developing countries, who also face a lack of trust by global capital markets and are additionally exposed to much higher interest rates. [257]

The alignment of all finance flows within the multilateral fora of the UNFCCC also raises significant questions around transparency and elevates significant concerns about greenwashing in some of the ways in which 2.1 (c) is being interpreted. Instead, 2.1(c) must include a comprehensive, just, and equitable approach to aligning financial flows with climate goals, by ensuring the phase-out of fossil fuel subsidies, redirecting finance towards renewable energy, and providing new and additional, predictable support to developing countries for mitigation, adaptation, and addressing Loss and Damage through polluter-pays mechanisms. It should also emphasise the transformation of the global financial system to reduce structural inequalities, ensuring that developing countries are not burdened with unsustainable debt, whilst advancing their climate resilience and low-carbon development goals.

"For many developing economies the need for grants remains the most accessible and urgently needed form of finance. Research based upon reports from the IMF, indicates that the average debt-to-GDP ratio for Pacific States increased from 32.9% in 2019 to 42.2% in 2021, with Fiji, Vanuatu, and Palau exceeding 70%."

"Article 2.1(c) must include a comprehensive, just, and equitable approach to aligning financial flows with climate goals, by ensuring the phase-out of fossil fuel subsidies, redirecting finance towards renewable energy, and providing new and additional, predictable support to developing countries for mitigation, adaptation, and addressing Loss and Damage."

XV

ACCESS ENHANCEMENT

Climate finance is clearly a crucial catalyst for achieving the Paris Agreement's goals. One of its key features is "access," which refers to who receives climate finance, how, and when. Ensuring that access to finance is just, transparent, and timely is fundamental for fairness and equity in the global response to climate change. Without enhanced access, even a large finance goal would be ineffective. The NCQG must address access challenges by simplifying processes and ensuring transparency, ensuring that finance is used effectively, and critically, that it reaches those who need it most[258]. There are many dimensions to the challenge of access, with new financial mechanisms as well as existing climate finance mechanisms often creating barriers to accessing funds for developing countries and the communities within them, thereby impeding equitable resource distribution.

In the joint submission made by AOSIS and the LDC Group[259] at the second MAHWP of the NCQG, the two groups emphasise that the NCQG "must ensure efficient and effective access to financial resources in particular for LDCs and SIDS". The submission also stresses the need for all channels (i.e. bilateral, regional and multilateral channels) to undertake specific measures to enhance access for LDCs and SIDS, which they indicate could include:

- Creating minimum allocation floors for the LDC and AOSIS groups, in particular for adaptation, and loss and damage response;
- Standardising and prioritising direct access for our national and regional institutions, including local non-governmental and community-based organisations; and;
- Ensuring that the concessionality level of climate finance provided and mobilised must take into account our levels of debt sustainability.

For SIDS and LDSs as well as developing countries at large, enhanced and direct access is essential to ensure that they can obtain climate finance in a timely manner and that the amount received is not diminished by transactions and fees incurred when funds pass through international intermediaries such as multilateral development banks or

"Ensuring that access to finance is just, transparent, and timely is fundamental for fairness and equity in the global response to climate change."

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"For SIDS and LDSs as well as developing countries at large, enhanced and direct access is essential to ensure that they can obtain climate finance in a timely manner and that the amount received is not diminished by transactions and fees incurred when funds pass through international intermediaries."

UN Agencies. Direct access to climate finance, also ensures that developing countries can build in-country capacity that supports coherent, nationwide efforts for climate action and sustainable development.[260]

Whilst for communities direct access to climate finance is essential to realise local leadership and ownership, and community led approaches to, and decision making on, climate action, thereby leading to more effective and sustainable implementation that sees funding targeted to community needs and priorities. Community access and local leadership are principles that are well recognised across humanitarian and development finance —including under the The Grand Bargain, Pledge for Change, and principles of locally-led adaptation— and therefore must be reflected under the NCQG.

The need for enhanced access under the NCQG applies to private entities as well. For example, it has been shown that climate vulnerability increases firms' cost of capital and financial exclusion[261], thereby highlighting an under-appreciated economic cost for developing economies. This higher financing cost restrains economic growth, reduces tax revenue, and limits government investments in infrastructure and adaptation, creating a vicious circle that exacerbates vulnerability and economic disadvantages when international support is not forthcoming. At COP26 the Taskforce on Access to Climate Finance was launched to try and respond to the issues related to access that developing countries have been facing, namely in relation to finance that is: slow, complex, resource intensive and/or highly projectized. The Taskforce identified five core principles[262] for access which are as follows: Country Ownership; Harmonisation of Processes and Alignment of Finance; Responsiveness to Country Needs and Climate Vulnerability; Flexibility and Innovation; and Transparency and Accountability. Whilst robust assessment of the Taskforce's progress remains elusive, these principles are a good starting point for access under the NCQG.

The issue of access and transparency can be enhanced through novel solutions, one of which is the evolution of the internet to its next generation —Web3[263]— and the technologies it offers, namely blockchain. While blockchain and Web3 technologies offer potential solutions to these challenges —through a prioritisation of decentralisation, transparency and accountability[264]— a critical lens rooted in climate justice is essential to avoid replicating existing power imbalances and ensure these technologies genuinely enhance access to climate finance[265].

Blockchain's immutable ledger and smart contracts hold promise for transparent and auditable financial

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"The Taskforce on Access to Climate Finance identified five core principles for access which are as follows: Country Ownership; Harmonisation of Processes and Alignment of Finance; Responsiveness to Country Needs and Climate Vulnerability; Flexibility and Innovation; and Transparency and Accountability."

"The issue of access and transparency can be enhanced through novel solutions, one of which is the evolution of the internet to its next generation —Web3— and the technologies it offers, namely blockchain."

transactions, potentially increasing trust and integrity. However, transparency alone does not guarantee equitable access. Power asymmetries in data ownership and access could further marginalise vulnerable communities. Through frameworks of Decentralised Science[266] (DeSci) and Regenerative Finance[267] (ReFi), community-led data governance and bottom-up led finance coordination models that prioritise local knowledge and decision-making can ensure that transparency mechanisms actually benefit those most in need.

Developing countries are at the seat of innovation around Web3 and blockchain. Decentralised ledgers and finance (DeFi) platforms[268] enabled by Web3, have the potential to democratise access to data and capital, theoretically bypassing the traditional gatekeepers of climate finance. Decentralised Autonomous Organisations (DAOs) offer a potential model for inclusive governance that could democratise decision-making processes in climate finance. This could address historical power imbalances and ensure that the voices of those most impacted by climate change are heard. However, the success of DAOs in achieving equitable access hinges on equitable participation and power-sharing. A critical lens demands robust mechanisms to ensure diverse representation, prevent elite capture, and to prioritise the needs of marginalised communities when accessing climate finance.

We note that without intentional design, these Web3 platforms risk reinforcing existing inequalities. High barriers to entry, such as technological literacy and financial resources, could exclude those most in need of climate finance. A just and equitable transition requires capacity building and accessible interfaces that empower marginalised communities to participate meaningfully in these new financial ecosystems. Notably, there are clear species emerging to pursue these opportunities, specifically under the digitalisation aspirations articulated in the Antigua and Barbuda Agenda for SIDS: A Renewed Declaration for Resilient Prosperity[269], —which lays out the next decade of action for SIDS— as well as under the African Union's Digital Transformation Strategy for Africa (2020-2030)[270].

The nascent Web3 ecosystem presents a unique opportunity to shape technology with equitable access as a core principle. In the context of the NCQG, a climate justice-oriented Web3 would prioritise open-source solutions, community ownership, and regenerative economic models that expand access to climate finance for developing countries, whilst also allowing for transparency and traceability in a manner that has been lacking with current processes.

"Developing countries are at the seat of innovation around Web3 and blockchain. Decentralised ledgers and finance (DeFi) platforms enabled by Web3, have the potential to democratise access to data and capital, theoretically bypassing the traditional gatekeepers of climate finance."

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XVI

HUMAN RIGHTS AND INTERGENERATIONAL EQUITY

The recent report[271] of the UN Secretary General, Antonio Guterres, on the interlinkages between human rights and loss and damage states:

> "Loss and damage, referring to harm from the adverse impacts of climate change, can affect the full enjoyment of human rights. Respecting, protecting and fulfilling human rights amid the climate crisis requires taking effective action to address harm to human rights from loss and damage, including economic and non-economic loss and damage. The impact of loss and damage on human rights can be both direct and indirect, with cascading implications for different interconnected rights."

In light of these impacts, and recognising that there are differences in views amongst Parties as to whether the NCQG should include financing for addressing loss and damage, the report makes a clear call for the operationalisation of human rights law, harm-reducing and remedial climate action to be adequately financed. Highlighting the urgent need to scale up climate finance from developed countries for mitigation, adaptation and to compensate for loss and damage the report further stresses[272]:

> "Funding to compensate for loss and damage should come primarily from developed countries and those most responsible for climate change, in line with the principles of equity and polluter pays and common but differentiated responsibilities and respective capabilities. Developed countries should also consider mobilizing financing through novel sources, such as equity-based taxation."

Concluding, the report makes clear the link between the dependence on climate finance to avert, minimise and address loss and damage to ensure the protection of the rights of present and future generations. As well as underlining the obligations of States under human rights law to ensure that people whose rights have been violated because of loss and damage have access to justice and

"Recognising that there are differences in views amongst Parties as to whether the NCQG should include financing for addressing loss and damage, the report of the UN Secretary General on loss and damage and human rights makes a clear call for the operationalisation of human rights law, harm-reducing and remedial climate action to be adequately financed."

"The obligations of States under human rights law are to ensure that people whose rights have been violated because of loss and damage have access to justice and effective remedy, which may encompass reparation, compensation, restitution, rehabilitation, satisfaction and guarantees of non-repetition."

effective remedy, which may encompass reparation, compensation, restitution, rehabilitation, satisfaction and guarantees of non-repetition.

Furthermore the report of the Special Rapporteur on the Right to Development on climate justice and loss and damage has laid out the four interrelated pillars of climate justice[273] which also embed 12 overarching human rights principles. The four pillars are: Mitigation, Adaptation, Remediation, and Transformation. Within the conclusion of the report, the Special Rapporteur recommends that by covering the four interrelated pillars, a climate just NCQG can deliver climate finance that avoids negative impacts on human rights.

“The report of the Special Rapporteur on the Right to Development on climate justice and loss and damage has laid out the four interrelated pillars of climate justice and recommends that by covering these four interrelated pillars, a climate just NCQG can deliver climate finance that avoids negative impacts on human rights.”

The collection and allocation of financial resources for the realisation of human rights creates binding obligations for both developed and developing countries, rooted in international human rights law and environmental treaties[274]. Developed countries, given their historical responsibility for global inequities and disproportionate contributions to climate change, are obligated under the Convention and Paris Agreement to provide financial, technical, and capacity-building support to developing countries. These obligations are framed by the principles of common but differentiated responsibilities and respective capabilities, recognizing that while all States must act, developed countries bear greater responsibility to assist in addressing the disproportionate impacts of climate change. Furthermore, the principle of intergenerational equity, enshrined in the Rio Declaration on Environment And Development and the Paris Agreement, mandates that States take actions to protect the rights of future generations to live in a sustainable environment.

“The Rio Declaration on Environment And Development and the Paris Agreement, mandates that States take actions to protect the rights of future generations to live in a sustainable environment.”

Developing countries, while entitled to international assistance, are also bound by international human rights obligations toward their own citizens. Fiscal legitimacy requires that they manage both domestic and international resources with transparency, accountability, and efficiency in the economic, social and cultural development of their countries and citizens. As duty bearers tasked with upholding and protecting human rights, developing countries must prioritise the human rights of marginalised and vulnerable populations, such as women, children, and persons with disabilities, in the formulation and implementation of fiscal policies.

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Furthermore, the Declaration on the Right to Development[275] emphasises that the right to development includes the active, free, and meaningful participation of all individuals in development, particularly in the formulation of policies that affect their development. While this principle applies

broadly to development policies, it reinforces the need for inclusive processes in economic decision-making, ensuring that marginalised groups and subnational governments have the opportunity to contribute to shaping policies that impact their well-being. This aligns with obligations under the International Covenant on Economic, Social, and Cultural Rights (ICESCR)[276], which mandate the progressive realisation of rights such as health, education, and an adequate standard of living. By integrating these participatory principles into fiscal decision-making, States can ensure that fiscal policies uphold human rights and address the needs of the most vulnerable.

XVII

CONCLUSION: THE NCQG AS A CATALYST OF EQUITY AND AMBITION

We are but one species on this Earth that sustains us all. We are not separate from one another, nor from the soil, the water, or the air. Each species —whether plant, animal, or fungus— plays a critical role in maintaining the balance of life. When one falls, the ripple effects touch us all. Can we truly imagine the future we are leaving for tomorrow? Every day now brings uncertainty, as science reveals new insights into our rapidly changing world. Why are our models behaving in ways we did not predict? Has the massive loss of biodiversity, combined with the pollution of our atmosphere, land, and seas, accelerated us past critical thresholds and tipping points far sooner than we anticipated? And how can we forget that when we set the goal to limit warming to 1.5°C, we acknowledged that it came with only a 50% chance of success?

Intergenerational equity is deeply rooted in moral and legal principles, emphasising the responsibility of the present generation to safeguard the rights and resources of future generations. The idea is that today's actions —particularly concerning the climate crisis— must not compromise the ability of future generations to meet their own needs.

This principle is reflected in Indigenous teachings, such as the "Seventh Generation" principle[277], which guides decision-makers by asking them to consider the long-term impact of actions taken on descendants seven generations into the future. Faith leaders have also invoked these principles, including Pope Francis in his encyclical Laudato Si[278], with the intention of emphasising our moral duty to protect the Earth and ensure that future generations inherit a planet capable of sustaining life. Similarly, in 2015, the Islamic Declaration on Global Climate Change[279] and the Buddhist Climate Change Statement to World Leaders[280] called for an end to fossil fuels, scaled up climate finance, and highlighted our ethical obligation to act as stewards of the environment for the well-being of all future inhabitants. This is also consistent with the age old message contained in the philosophy of Hinduism as articulated in the Vedas—and something which is highlighted in the Hindu Declaration on Climate Change[281]— which opens with the Athara Vedic text: "The Earth is my mother and I am her child". This moral argument connects directly with the notion of climate justice and thereby frames the climate crisis as a profound violation of intergenerational equity.

From a legal perspective, intergenerational equity has been enshrined in human rights law and advisory opinions from international bodies. The Maastricht Principles on the Human Rights of Future Generations[282] assert the duty of States to protect the environment for future generations. While recent advisory opinions from bodies such as the International Tribunal for the Law of the Sea (ITLOS) and the recent developments on seeking Advisory Opinions on climate change by the Inter-American Court for Human Rights and the International Court of Justice (ICJ), underscore the need for climate action to protect future generations.

"Intergenerational equity is deeply rooted in moral and legal principles, emphasising the responsibility of the present generation to safeguard the rights and resources of future generations."

"The 'Seventh Generation' principle, guides decision-makers by asking them to consider the long-term impact of actions taken on descendants seven generations into the future."

"From a legal perspective, intergenerational equity has been enshrined in human rights law and advisory opinions from international bodies."

Box 10: The Historic Advisory Opinion from the International Tribunal for the Law of the Sea (ITLOS)[283,284]

The International Tribunal for the Law of the Sea (ITLOS) advisory opinion on the scope of State obligations to protect and preserve the marine environment has significantly strengthened the legal basis for addressing climate change-related impacts on the marine environment. It has done so by clarifying the obligations of States under United Nations Convention on the Law of the Sea (UNCLOS) to prevent, reduce, and control marine pollution from greenhouse gas emissions and to protect and preserve the marine environment from climate change impacts. This is a historic development as it explicitly links UNCLOS to international agreements like the Paris Agreement, thereby solidifying the legal foundation for climate action in the context of ocean governance.

This means that Parties to UNCLOS are expected to take into account the goals and commitments of the Paris Agreement when implementing their obligations to prevent, reduce, and control marine pollution and protect and preserve the marine environment. Moreover, the opinion emphasises that merely adhering to the Paris Agreement is insufficient. States must do more than make pledges and promises at annual climate conferences; they have a legal obligation to take all necessary measures to prevent, reduce, and control greenhouse gas emissions affecting the marine environment and that it must align with climate science and the objective of limiting global warming to 1.5°C.

The Advisory Opinion specifically refers to the UNFCCC Convention and notes: that developed countries should "continue taking the lead" in emissions reductions and under paragraph 79 reminds us that: …"Article 9, paragraph 1, of the Paris Agreement requires developed country Parties to provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the UNFCCC".

Box 11: The Historic Pacific Youth Led Movement Taking Climate Change To The Highest Court

We are seeing genuine, hopeful, and action-oriented leadership from exceptional youth rising to fill the decades-long gap of inaction by political leaders. Taking their future into their own hands, in 2019, a small group of Pacific students formed the Pacific Island Students Fighting Climate Change and launched a global campaign to bring the climate crisis before the world's highest court. Their efforts contributed to the historic adoption of Resolution 77/276 by the UN General Assembly in March 2023, requesting an advisory opinion from the International Court of Justice (ICJ) on the obligations of States regarding climate change and human rights.

The ICJ Advisory Opinion on climate change represents a crucial opportunity to clarify the full range of obligations States have under international law to prevent significant harm to States and their populations. The Court's ruling will address not only obligations under the Paris Agreement but also broader sources of international law, considering whether States must do more to ensure the longer-term preservation of ecosystems and protect the rights of future generations.

The ruling could also have significant implications for climate finance. Whether or not States succeed in reaching consensus on a NCQG under the Paris Agreement, the court's ruling could provide authoritative guidance on States' responsibilities under international law to ensure equitable financial support for mitigation, adaptation, and Loss and Damage, particularly for the most vulnerable countries. It could imply that developed countries, reflecting their historical responsibility and increased capacity, should not only meet their existing obligations under international law but also scale up grant-based climate finance, ensuring fairness for current and future generations.

By interpreting and applying the principle of intergenerational equity, along with potentially offering authoritative legal guidance on States' obligations with respect to climate finance, the ICJ could provide a powerful tool to hold States accountable for gaps in ambition and equity that threaten global climate justice.

Litigation efforts are also increasingly invoking intergenerational rights, as seen in landmark cases such as Oposa vs Factoran[285], where young plaintiffs have argued that deforestation and subsequent environmental damage from timber agreements violated their constitutional rights to a balanced and healthful ecology, and to health, for current and future generations. Whilst Juliana v. United States[286] saw young plaintiffs argue that government inaction on the climate crisis violates their constitutional rights to life, liberty, and property. Intergenerational equity is also embedded in the growing call[287] for the recognition of ecocide as an international crime by the International Criminal Court (ICC), ensuring that those who cause widespread environmental destruction are held accountable, not just for present-day impacts, but for the long-lasting harm inflicted on future generations. The potential consequence of the recognition of ecocide by the ICC is the promotion of a shift from the "polluter pays" principle to the "polluter no longer pollutes." A shift that would have profound global implications, advancing the realisation of the right to a healthy environment by focusing on preventing environmental harm rather than merely compensating for it.[288] This growing momentum for applying legal and other levers for realising climate justice is a testament to the rising tide of public awareness and action to bring about a better world, where the rights of future generations are safeguarded, environmental stewardship is prioritised, and accountability for climate harm transcends time. A world in which actors and States responsible, are held to account, not only for present day impacts, but for the enduring legacy of their actions and the related impacts they have had on the planet and its inhabitants. If the catalysts of just climate action —namely climate finance— is not delivered this year under the NCQG at COP29, the repercussions will be much wider and possibly more costly for States as current and future generations rise up to protect their rights.

"Litigation efforts are also increasingly invoking intergenerational rights, as seen in landmark cases such as Oposa vs Factoran, where young plaintiffs have argued that deforestation and subsequent environmental damage from timber agreements violated their constitutional rights to a balanced and healthful ecology, and to health, for current and future generations."

"Intergenerational equity is embedded in the growing call for the recognition of ecocide as an international crime by the International Criminal Court, ensuring that those who cause widespread environmental destruction are held accountable, not just for present-day impacts, but for the long-lasting harm inflicted on future generations."

ANNEX I

Articles and decisions on Loss and Damage relevant to the inclusion of Loss and Damage in the NCQG from the United Nations Framework Convention on Climate Change and its Paris Agreement:

- **Article 11** of the Convention establishes the Financial Mechanism of the Convention for the provision of financial resources on a grant or concessional basis. Its operation is to be entrusted to one or more international entities.

- **Article 4** of the Convention requires full consideration to be given to actions necessary to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change. Part of this is a requirement for developed country Parties to meet the costs of adaptation to the adverse effects of climate change.

- **Article 1** of the Convention defines the adverse effects of climate change as changes resulting from climate change which have significant deleterious effects. This can be interpreted as requiring policies for avoiding (mitigation) and reducing (adaptation) but also for addressing the effects when they materialise (Loss and Damage).

- **Article 2** of the Convention sets out the ultimate objective of the Convention and any related legal instruments (i.e. the Paris Agreement) as stabilisation of greenhouse gas concentrations within a time frame sufficient to allow ecosystems to adapt naturally. However, the failure to avoid and reduce the adverse effects of climate change resulted in a need to create policy space for the evolving needs, concerns and priorities of developing countries.

- **Decision 2/CP.19 (2013)** established the Warsaw International Mechanism for Loss and Damage under the Cancun Adaptation Framework to address the gap in policy space to meet the needs and concerns of developing countries arising from the adverse effects of climate change. It was agreed that Loss and Damage associated with the adverse effects of climate change would include, and in some cases involve, more than that which can be reduced by adaptation. Parties also foresaw the need for financial support, as they requested developed country Parties to provide developing country Parties with finance (Paragraph 14).

- **Decision 1/CP.21 (2015)** established the Paris Agreement and set the stage for financial mechanisms, linking them to climate resilience and low greenhouse gas emission development. It decided a new collective quantified goal would be set, taking into account the needs and priorities of developing countries (Paragraphs 53-55).

- **Article 2 and Article 9** of the Paris Agreement outline objectives and financial commitments, which are in continuation of existing obligations under the Convention and to enhance the implementation of the Convention. Article 9 confirms the Financial Mechanism of the Convention, including its operating entities, shall serve as the financial mechanism of the Paris Agreement.

- **Article 8** of the Paris Agreement establishes Loss and Damage as part of the Paris Agreement, recognising the importance of averting, minimising and addressing Loss and Damage associated with the adverse effects of climate change.

- **Decision 14/CMA.1 (2018) and Decision 5/CMA.4 (2023) c**ontinued to build on the Paris Agreement's commitments, confirming the new collective quantified goal would take into account the needs and priorities of developing countries, acknowledging the urgency of scaling up climate action, and reinforcing the need for financial flows towards climate resilience.

Recognition of Loss and Damage in Financial Mechanisms:

Decision 2/CP.27 and 2/CMA.4 (2022) establish new funding arrangements, including a fund for responding to Loss and Damage and explicitly acknowledge the "urgent and immediate need for new, additional, predictable, and adequate financial resources to assist developing countries that are particularly vulnerable to the adverse effects of climate change in responding to economic and non-economic Loss and Damage associated with the adverse effects of climate change" (Paragraphs 1-3).

Decision 1/CP.28 and 5/CMA.5 (2023): designated "the Fund as an entity entrusted with the operation of the Financial Mechanism of the Convention, also serving the Paris Agreement, which will be accountable to and function under the guidance of the Conference of the Parties and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement.

Evolving Definition of Climate Finance:

The Standing Committee on Finance (SCF), although not officially adopted, defines climate finance as aiming to reduce emissions and vulnerability, which includes enhancing resilience to climate impacts. This implicitly covers Loss and Damage (Report of the Standing Committee on Finance, Addendum 2, 2023, Paragraphs 44(a), 9).

The establishment of funding arrangements and a specific Fund to address Loss and Damage is a clear recognition of the necessity to finance these areas (2023 SCF Report, Paragraph 7).

ANNEX II

The 18 mentions of Loss and Damage in the Co-Chairs 2024 report on the Ad Hoc Work program of the NCQG are as follows:

A. Key findings from the technical expert dialogues

1. Ninth technical expert dialogue

Under 1 (a) Outstanding elements of the new collective quantified goal on climate finance:

- Paragraph 40 (j), on the importance of providing context for the NCQG, recognises the Loss and Damage finance gap: "Recognizing the current climate finance gap for responding to loss and damage and the need for sending a strong signal to the international financial architecture to close that gap."

- Paragraph 40 (k), acknowledges the efforts of developing countries to address loss and damage: "Acknowledging the efforts already made by developing countries to take adaptation action and address loss and damage using domestic resources."

- Paragraph 42 (b), presents an option for the structure of the goal with: "A single-layered goal with sub-goals for mitigation, adaptation, and loss and damage."

- Paragraph 45 (e), regarding qualitative elements of the NCQG and options for operational aspects of the goal, stressed the need to clarify "the additionality of climate finance and ensuring a balanced distribution of finance for mitigation, adaptation and addressing loss and damage under the NCQG;

- Paragraph 49 (a), regarding sources and actors, highlights that "The NCQG could provide clarity on how different sources relate to different types of needs and priorities, recognizing the need for grants and concessional finance for adaptation and addressing loss and damage."

- Paragraph 50 (a), on transparency arrangements for the NCQG, highlights that further clarity is needed on: "Building on the ETF, making potential adjustments relating to mandatory reporting of grant equivalence, the inclusion of loss and damage as a category for type of support and the reporting of private finance flows."

Under 1 (b) Linkages and interdependencies between elements of the new collective quantified goal on climate finance:

(ii) Structure, quantum and sub-goals

- Paragraph 59, highlights that: "Others voiced a preference for establishing thematic subgoals for adaptation, mitigation, and loss and damage, underscoring the need to prioritise the provision of public funding in the form of grants and concessional finance, particularly for adaptation and addressing loss and damage."

(iv) Sub-goals and quantum

- Paragraph 62, "Participants noted that setting sub-goals offers a targeted approach to supporting implementation of the Paris Agreement, aligning with its provisions on support for mitigation, adaptation, response to loss and damage, capacity-building and transparency, and that there may be various approaches to articulating sub-goals and their relationship to the quantum, with balanced allocations of finance for adaptation, mitigation and addressing loss and damage, with any allocation being country-driven, needs-based and informed by the best available science."

2. Tenth technical expert dialogue

(b) Qualitative elements

- Paragraph 77, on clarifying concessionality provisions, highlights that proposals included "e defining concessionality provisions by response type: concessional lending for mitigation action and public and grant-based sources of finance for adaptation, addressing loss and damage, and readiness and transparency support."

3. Eleventh technical expert dialogue

Context

- Paragraph 96, highlights that "Many participants stressed the importance of recognizing the interlinkages between various aspects of climate action, including the relationship between inaction on mitigation and adaptation and the resulting loss and damage."

(b) Access to climate finance

- Paragraph 98, highlights that Participants stressed the need to address systemic barriers to accessing climate finance including general consensus " that the NCQG should not create an additional burden

on developing countries. Participants therefore also stressed the need to prioritise grants over loans when providing finance for adaptation and responding to loss and damage, highlighting the issues faced by developing countries in securing financing for adaptation projects."

(c) Calls for action, channels, enablers and policy layers

- Paragraph 106, on enablers and dis-enablers of climate finance, highlights that " Participants emphasised the importance of technology development and transfer and of capacity-building, particularly for adaptation and for responding to loss and damage, as enablers and stressed the need to call for scaled-up support for technology development and transfer and capacity-building, with an emphasis on the needs of vulnerable groups and regional actors."

B. Summary of the meetings under the ad hoc work programme on the new collective quantified goal on climate finance

3. Third meeting

- Paragraph 135, on context, developing country Parties emphasised "the need for the provision of support for mitigation, adaptation and addressing loss and damage in a balanced manner, while recognizing the importance of financing just transitions."

- Paragraph 136 (a), On the structure of the NCQG, "Some Parties argued for the inclusion of subgoals or sub targets in quantitative amounts or shares in percentages of the goal by thematic area (e.g. adaptation, loss and damage) and/or by channel (e.g. the operating entities of the Financial Mechanism), while others referred to the need for balance in the financial support provided for adaptation, mitigation and addressing loss and damage."

C. Elements of the new collective quantified goal on climate finance for political consideration

- Paragraph 139 (b), on areas that would benefit from further political guidance at the high-level ministerial dialogue "[t]he nature and (thematic) scope of the NCQG, including whether it should have sub-goals for mitigation, adaptation, and loss and damage", was highlighted.

ANNEX III

The following preliminary analysis of the substantive framework for the draft negotiating text for the NCQG presents a compilation of the bracketed text, and therefore elements, at even greater risk of deletion from the text across key priority areas for developing countries and civil society. Including critical issues of equity, responsibility, financial commitments, and support for the most vulnerable countries. A more comprehensive assessment of the substantive framework can be found in the PICAN and Loss and Damage Collaboration NCQG Tracker.

- Support for vulnerable countries and equity:

- [support][address] in relation to NDCs, NAPs, and adaptation communications (para. 2).

- [current investment flows and] regarding the gap in investment flows to meet developing country needs, particularly for adaptation and loss and damage (para. 4).

- [and the right to development and just transitions] when reaffirming commitments based on equity and CBDR-RC (para. 6).

- [structural transformation of domestic and global economies and financial markets, and clear investment strategies] in relation to scaling up finance flows (para. 7).

- [USD 5.036–6.876 trillion][USD 5.012–6.852 trillion up until 2030][455–584 billion per year] when discussing costed needs in NDCs (para. 8).

- [and recognizes that developing country Parties have increased ambition despite the financing gap and barriers and challenges faced] related to the challenges faced by developing countries (para. 10).

- [with a view to providing an equitable distribution to all in developing country geographical regions in accordance with their special circumstances] related to equitable distribution of finance (para. 11).

Human rights and vulnerable groups:

- [Indigenous Peoples, local communities, migrants, refugees, workers, youth, and children] to ensure climate finance considers vulnerable groups (para. 12).

- especially those that are particularly vulnerable and have significant capacity constraints, such as the LDCs and SIDS, [as well as impacted communities, subnational actors, Indigenous Peoples and local communities, women, people with disabilities, migrants, refugees, workers, youth and children]. (para 36)

Burden-sharing and contributor responsibilities:

- [based on historical emissions] when urging burden-sharing arrangements (para. 21).

- [Urges developed country Parties and [encourages] other Parties [[that meet the criteria] set out in the annex]] to contribute to climate finance goals (para. 22).

- [the evolving needs and capacities of Parties] when emphasising delivery of the NCQG goal (para. 23).

Specific goals and financial allocations:

- [USD X][from a floor of USD 100 billion][of at least USD 1 trillion][of USD 1.1 trillion][of USD 1.3 trillion] [of USD 2 trillion] for the NCQG (para. 13).

- [USD X][at least USD 441 billion] in grant-equivalent terms for developed countries' contributions (para. 14).

- [Decides to set an NCQG of [USD X] of investment [globally][in developing country

- Parties][with a [particular focus on][target of] scaling up investment for developing

- countries] per year [by 2035][by 2035 through to 2040] from [all sources, public and private,

- [Parties that meet the criteria] set out in the annex for contributing to the finance goals (para. 17).

- [X per cent][USD X] of climate finance for various themes like adaptation and loss and damage (para. 26).

Access and equitable finance distribution:

- [aiming to achieve a minimum allocation of [USD X][X per cent] per year] for equitable distribution of climate finance (para. 35).

- [as well as impacted communities, subnational actors, Indigenous Peoples, and local communities, women, people with disabilities, migrants, refugees, workers, youth, and children] in enhancing access to climate finance (para. 36).

Barriers and systemic changes:

- [and other climate finance providers][all relevant actors] to reduce barriers to climate finance (para. 38).

- [by 2035] for introducing climate-resilient debt clauses (para. 38).

- [as soon as possible][by 2035] for phasing out inefficient fossil fuel subsidies (para. 38).

Transparency and accountability:

- [starting in 2026,][up until 2038] for reporting on financial support (para. 41).

- [through existing national reporting communications] for reporting climate finance data (para. 43).

- [developed country Parties and [encourages] other Parties contributing to the NCQG] to report on financial contributions (para. 45).

Review and revision of goals:

- [NCQG][goal's quantum] regarding progress review (para. 46-48).

- [various aspects of the goal][the goal][goal's quantum] for review (para. 48).

Contributor criteria:

- [Parties that meet one of the criteria listed below contribute to the goal] based on GNI per capita and emissions (para. 50).

- [Parties excluded from the criteria listed above] based on vulnerability and human development index (para. 51).

Loss and Damage:

  - **Acknowledgment of loss and damage needs:**

    - The gap between the needs of developing country Parties and the [current investment flows and] support provided, including the adaptation finance gap[, and on responding to loss and damage] (para. 4).

  - **Near-term action to address loss and damage (this para is not bracketed):**

    - Near-term action, support, and investment in meaningful mitigation activities are crucial for reducing the severity of climate-related hazards and the need for addressing them, including through adaptation and disaster preparedness, and responding to loss and damage (para. 5).

Finance for Loss and Damage:

- A call to include [X per cent][USD X] of climate finance specifically allocated for responding to loss and damage (para. 26). [whole para in brackets]

Delivery and context of climate finance:

- Climate finance will be delivered in the context of [mitigation and transformational adaptation] ambition[, and addressing loss and damage] (para. 23).

Public resources and grant finance:

- Highlights the need for public resources for adaptation [and loss and damage] and affirms the importance of grant and concessional resources, especially for [developing country Parties that are particularly vulnerable, such as LDCs and SIDS] (para. 32).

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IMAGE CREDIT

1. **Cover image:** A young boy swims off the coast in the Solomon Islands. Solomon Islanders live in close association with the sea and learn to swim at an early age. Yet as the climate crisis intensifies, climate induced displacement threatens to break these bonds as sea-levels rise and cyclones intensify. This is just one reason why intergenerational equity must be central to the NCQG. To ensure that this close association can continue, the NCQG must deliver climate finance in the trillions for mitigation, adaptation and Loss and Damage with dedicated subgoal. Image credit: Shutterstock / Ethan Daniels. Credit: © Loss and Damage Collaboration

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lossanddamagecollaboration.org

info@lossanddamagecollaboration.org
media@lossanddamagecollaboration.org