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Role of New Collective Quantified Goal (NCQG) for Sustainable development and outcomes of COP29

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Abstract: Climate finance is a key issue for the developing counties to mitigate the climate change and to meet the Sustainable Development Goals. At United Nations Climate Change Conference in 2010 (COP16) at Cancun, Mexico, an agreement was reached by the member countries to establish a Green Climate Fund (GCF). The developing nations pledged to provide $100 billion annually up to 2020 for technology development, support projects and policies for climate adaption, mitigation and holistic sustainable development. At COP21 in Paris, the member countries decided to establish New Collective Quantified Goal (NCQG) prior to 2025, with the Cancun commitment as the foundation.

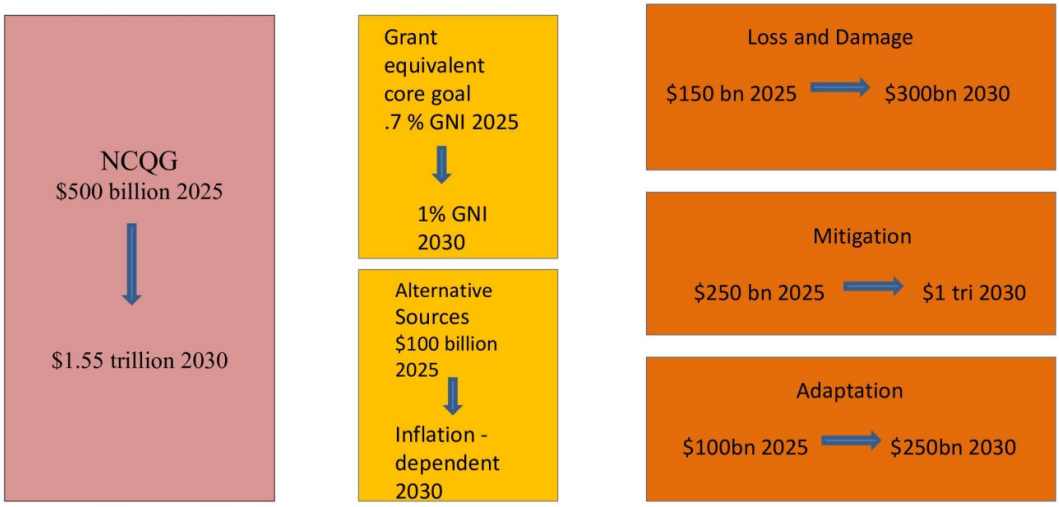
Key words: NCQG, climate finance, carbon credit, sustainable development

Introduction: The discussions and outcomes at most of the Conference of Parties lack accountability and meticulosity. Therefore, the NCQG for climate finance was designed to create a framework by taking into account the needs and priorities of the developing countries. The NCQG was planned to establish clear and quantified objectives that nations aspire to achieve, scope and access feature, source of funding and a transparent and accountable process to track the progress towards the achievement of the desired goals. Against this milieu, with COP29 held in Nov.2024 at Baku, Azrbaijan, the outcome was not on expected lines. The way forward is to keep the talks ongoing. The developing countries should create a carbon credit mechanism to enhance transparency and uphold environment integrity.

Climate Finance: The main objective of the Climate Finance is to generate ample funds for reducing green house emissions and enhance the sinks for the emissions, to increase the resilience of human and ecological systems towards climate change, to provide proper funding to meet the environment development plans of the concerned nations and to achieve the goals of the Paris agreement. The Article 9 of the Paris agreement specifies that the developed country Parties shall provide financial resources to support the developing country Parties with respect to both mitigation and adaptation

in continuation of their existing obligations under the Convention, whereas the other Parties are encouraged to provide or continue to provide such support voluntarily.

Need for Financing Climate action: The needs and estimates for climate finance typically have different scopes and follow different approaches and methodologies. The estimation depends upon data analysis and interpretation obtained from different governing bodies and climate agencies. As there is no prescribed methodology to estimate the needs, the governments have developed their own methodology and procedures for the financial needs. Climate finance should be able to meet the Paris agreement regarding temperature goal which mandates the developing countries to reduce the green house emissions drastically in many sectors, to enhance the renewable sources of energy, to improve the energy efficiency and lower the dependence on fossil fuels by systematically discouraging the coal-fired power stations. The funds needed to meet NCQG, for loss and damage; climate mitigation and adaption by 2030 are illustrated below:



Source: UNCTAD Analysis

Promoting a Sustainable future: The ultimate purpose of any policy regarding climate change is to promote a sustainable future for the life on earth. The major concern is about the way the electricity is generated. The coal fired power generation is one of the leading causes for pollution and climate change. Burning coal leads to air pollution which affects the human health and the unusual temperatures in the locality. Recently researchers from Stanford Doerr School of Sustainability has reported that the nitrogen dioxide and ozone emissions from coal fired power plants has alarming effects on the yield of rice and wheat in India. Their estimates show that there is about 10% loses annually in the parts of India. Planning on priority basis is needed to produce the energy by cleaner methods. There is great scope to generate electricity depending upon the geographical location and natural resources by wind (wind mill), solar panels, hydro

power and nuclear power plants with proper safety measures. The other method using osmatic pressure difference at the point at which the river enters the salty sea water is also successfully used by some countries for green and clean power generation. At the recent G20 summit held in Brazil, Indonesian President Probowo Subianto announced a progressive plan to close all the coal and fossil fuel fired plants by 2040. This is a very significant development as Indonesia is the largest exporter and third largest consumer of coal globally. It also highlighted the focus on coal is back – a challenge that most of the developing nations kept off in the climate meetings.

Issues with NCQG: There is difference of opinion among the countries regarding the structure and scope of NCQG, the time frame, source and scale of financial contributions. The developing countries are hesitant to bear the huge financial obligations and favour the larger role of developed countries for funding. The developed nations in turn emphasises to broaden the base for funding and to have a more inclusive approach towards climate finance. The $100 billion annual climate finance pledge made in 2009 and extended up to 2025 is a obtrusive source of wariness. The original target set for 2020 was missed by developed nations and was achieved in 2022 thereby missing their climate commitments and leaving the developing countries languishing with the outcomes of delayed climate action. While it is imperative that the NCQG provides new and additional financing, it is often difficult for the public sector alone to meet these NCQG targets. In 2019, the Organisation for Economic Co-operation and Development (OECD) revealed that private finance plateaued at around $14 billion USD since 2017, whilst public climate finance had reached $63 billion USD.

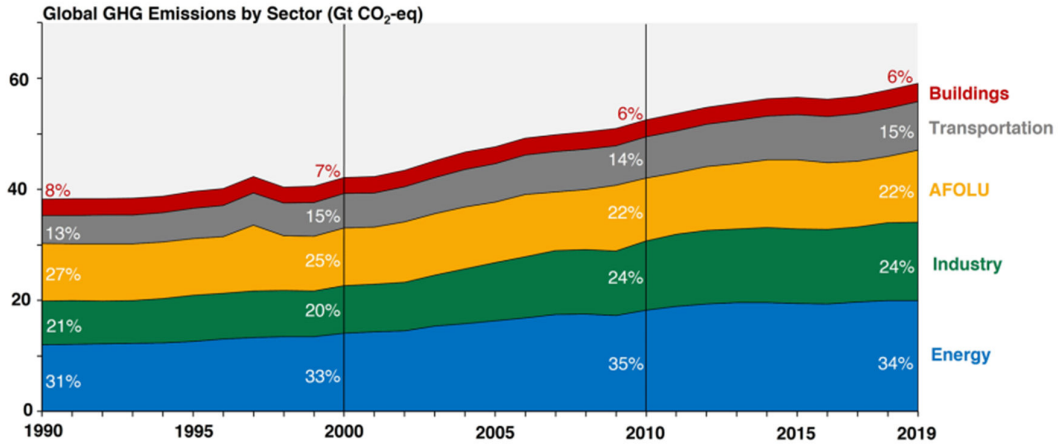
UNCATD Considerations for NCQG: The United Nations Conference on Trade and Development (UNCTAD) has put forth the following considerations for NCQG:

- The NCQG should be framed and governed by the needs and priorities of developing nations. The targets should be set in line with needs in agreement with suitable modalities and the opportunity to learn from the shortcoming of the previously set $100 million goal.
- The main goal of NCQG should be measured on grant equivalent basis but additional fund should be contributed by developed nations. Different and varied options for fund generation in addition to multilateral public, private and innovative sources should be identified.
- Many international institutions employ Gross National Income (GNI) based effort-sharing methodologies to determine budget contributions.
- Periodic review mechanisms might be agreed for the NCQG to allow for adjustments according to emerging needs, with emerging consensus around 5-year cycles to match the 5-year cycles for Nationally Determined Contributions (NDC) enhancement and Global Stock Takes, responding to and reinforcing these processes.

Developing countries require greater support to provide more comprehensive and sophisticated needs based assessments in the future. The NCQG could include a target for grants for technical assistance to support this work. Another important aspect of the NCQGs is to prioritise the concept of Carbon credits and take cohesive steps for mechanising it.

Carbon credit eco system: Global CO_2 emissions from all sectors have significantly increased since 1850. The majority of this increase has resulted from increased fossil fuel consumption and industrial emissions. Agriculture, deforestation, and other land-use changes have been the second-largest contributors. Globally, greenhouse gas emissions continued to rise across all sectors and subsectors, most rapidly in the transport and industry sectors. As a result, the atmospheric concentrations of greenhouse gases substantially increased, worsening the natural greenhouse effect, which negatively affects the life on the Earth

While the trend in emissions continues to rise, annual greenhouse gas growth by sector slowed in 2010 to 2019, compared to 2000 to 2009, for energy and industry, however remained roughly stable for transport.



Source: Data from IPCC (2022); Based on global emissions from 2019

The Paris Agreement in December 2015 was a mile stone and played a crucial role in bringing all nations into a common cause to put sincere efforts to combat climate change. It required all parties to agree to put forward their best efforts through 'nationally determined contributions' (NDCs).

At the national level, policymakers have three options to reduce greenhouse gas emissions:

1. To set a maximum limit for GHG emissions for the nations.
2. To introduce a carbon tax where the company pays for the amount of CO_2 they produce,

Carbon Tax directly sets a price on carbon emissions by charging a fixed tax per ton of

CO_2.

3. To implement an emission trading scheme – to create a carbon market. The last solution

has been gaining traction recently because of the positive encouragement of clean

producers of energy and incentivizing the Fossil fuel industry to become more efficient and

gradually reduce their emissions. This led to the creation of carbon credits.

Carbon Credit mechanism in India: India updated its NDCs in 2023 to take up the establishment of a domestic carbon trading market as a part of its climate plan. The energy conservation (Amendment) Act of 2022 provided a statutory mandate for such a carbon credit trading scheme (CCTS). The CCTS aims to decarbonize the Indian economy by pricing greenhouse gas (GHG) emissions and facilitating carbon trading.

In India, the major concern lies with the integrity of its carbon credits. The global experience has seen the repercussions of inadequate accountability in credit generation and credit transfers. There are fair chances of overstatements of project benefits in the forestry sector in the India's voluntary carbon market operationalised under the Green Credit Programme. To overcome this type of challenges and others in due course of implementation, India must enforce strict protocols for verification of genuinity of generated carbon credits.

Conclusion: India's carbon market must also harmonise with international carbon trading mechanisms, notably Article 6 of the paris agreement. The article 6 rulebook, finalised at COP26 summit in Glasgow, outlines how countries can engage in carbon trading while upholding environment integrity. India should do the carbon credit mechanism in a more transparent and legitimate way to pay the way for a robust sustainable development and to meet the finance goal of NCQGs. COP29 saw the finance commitment step up from the earlier commitment of $100 billion to $300 billion a year. Though this is a step in the right direction, it is clearly not as ambitious as expected because the climate change is a great threat and challenge for all the living beings on the earth.

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