CO-CHAIR SUMMARY

PETERSBERG CLIMATE DIALOGUE 2024 IN BERLIN

The Governments of the Federal Republic of Germany and the Republic of Azerbaijan co-hosted the Petersberg Climate Dialogue (PCD) from 25 to 26 April 2024 in Berlin. For fifteen years, the PCD has provided an important forum for high-level political discussions on climate cooperation in preparation of the annual UN Climate Conferences. This year's co-chairs – Federal Minister for Foreign Affairs of Germany Annalena Baerbock and COP29 President Designate Mukhtar Babayev, Minister of Ecology and Natural Resources of the Republic of Azerbaijan – welcomed Ministers, and high-level representatives of 37 countries, alongside the UNFCCC Executive Secretary, representatives of UNFCCC observer constituencies, civil society, business and youth delegates. Governor of California Gavin Newsom delivered a virtual keynote.

H.E. Mr. Olaf Scholz, the Federal Chancellor of Germany and H.E. Mr. Ilham Aliyev, President of the Republic of Azerbaijan addressed the High-Level Segment of the PCD. Chancellor Scholz underlined that building on the success of COP28 and the Paris Agreement with national climate plans makes economic sense, pointing out the European Green Deal as climate action and growth package. He stressed that Germany kept its promise of delivering 6 billion EUR of climate finance from budgetary resources in 2022 and pointed to updated NDCs as an opportunity for all countries to safeguard investments in green technologies. President Ilham Aliyev expressed his gratitude to the international community for the trust shown towards Azerbaijan, as it has been unanimously chosen to host COP29. He reaffirmed Azerbaijan's strong commitment to make a meaningful contribution to addressing the challenges posed by climate change and make COP29 a success.

The PCD focused on implementation to keep 1.5°C within reach. The central importance of a decision on the New Collective Quantified Goal (NCQG) in COP29, as well as scaling up finance and investment was clear to all, as was the role that 1.5°C aligned national climate plans (NDCs) can play in catalyzing economy-wide transformation; participants also recognized the importance of engaging finance and economy Ministers in this undertaking.

The Troika Presidencies consisting of the United Arab Emirates, Azerbaijan and Brazil held a session among Ministers, reinforcing their intention to work together to secure global momentum based on the outcomes of the first Global Stocktake and mobilizing efforts to ensure success of the COP29 and COP30. Ministers commended that COP28 set a clear path of travel to a course for 1.5°C, pointing especially to the need for a balanced just, orderly and equitable energy transition, and emphasized the key importance of climate finance and investments from public and private sources in driving the relevant commitments into action. The UAE Consensus, a result of the first Global Stocktake, recognized and called on sustained reductions in GHG in line with 1.5°C pathways, including tripling renewable energy, doubling energy efficiency, and transition away from fossil fuels in energy systems in a just, orderly and equitable manner, as well as ending deforestation until 2030.

There was broad consensus among Ministers that to keep the 1.5°C limit within reach, a global economic transformation both at high speed and scale is necessary, with massive investment efforts by public and private stakeholders, as well as appropriate instruments and incentives for this to happen. Ministers stressed the substantial levels of finance and assistance needed to accomplish a climate-resilient 1.5°C-aligned future, particularly in developing countries, which are in the order of the trillions of dollars. The goal was described as multi-layered with public funds as its foundation, different sources and instruments, and a total quantum required for the global transformation. Ministers had open discussions on commonalities and differences on the New Collective Quantified Goal on Climate Finance (NCQG) and committed to continue the exchange, at the appropriate moments, in the months leading up to COP29.

Participants from developed countries indicated that the OECD will publish a report by mid-2024 that is anticipated to confirm that the 100 billion USD commitment of developed countries was met in 2022, and will also include a description of the methodology applied by the OECD for the assessment.

Across the rooms, many also highlighted the need to address linkages between climate and nature in the international agenda with the upcoming UN Summit of the Future, the COP for the UN Convention on Biodiversity, and the UN Convention to Combat Desertification.

There was broad consensus that climate targets must not just exist on paper, they must transform the real economy: become central reference documents for sustainable development and investment. Cutting emissions in line with 1.5°C requires engaging our economies and engaging our societies. The Petersberg Climate Dialogue closed with the common understanding that we need to activate many stakeholders nationally and internationally and connect the dots between discussions happening in different fora. Participants agreed that we need high-level momentum in the spirit of the PCD.

MAKING THE INTERNATIONAL FINANCIAL FRAMEWORK DELIVER ON AMBITION AND IMPLEMENTATION

Ministers agreed on the important role of Multilateral Development Banks (MDBs), recognizing improvements made while reinforcing the need for further reforms. Many highlighted the progress in the reform process of MDBs, the World Bank evolution process ('bigger and better bank') and the implementation of some of the recommendations of the CAF Review.

Several speakers pointed out that scaling up climate finance from all sources (public and private, multilateral and bilateral) is essential, as is further work to effectively mobilize resources across a broad range of contexts.

Some participants called for a greater focus on just transition and technology transfers from developed to developing countries. There were also calls for deeper commitments to climate-related reforms in other fora, such as private financial institutions.

When exchanging ideas on how to mobilize and catalyze more investments and climate finance in climate solutions, transparency and accessibility were consistent themes. Many participants underlined the importance of public finance, in particular for adaptation, some also mentioned loss and damage, and for incentivizing private investments, including through de-risking and risk-sharing. Participants stressed the need to lower the cost of capital and hurdles to private investment, especially in developing countries. Closing the gap between perceived and real risks and using appropriate tools such as guarantees, as well as the need for credit rating agencies to integrate climate risk into their evaluations, were also discussed. Many participants also mentioned the centrality of adaptation investments.

Many also pointed to the need to employ innovative finance and instruments to deliver additional and sustainable support, such as green bonds and levies on carbon-intensive industries or sectors, such as international shipping, while also pointing out the challenges of fiscal space and debt.

Ministers discussed constructively the need for a more coherent approach by climate and finance Ministers and suggested that the Coalition of Finance Ministers for Climate Action play a more prominent role towards and at COP29.

DESIGNING A NEW COLLECTIVE QUANTIFIED GOAL ON CLIMATE FINANCE (NCQG) THAT IS FIT-FOR-PURPOSE, EFFECTIVE AND FAIR

All participants recognized the central role of the decision on the NCQG at COP29. There was broad consensus that public funds must remain the core of the NCQG, but that financial needs for a global transformation cannot be met through public funds alone. Some participants called for a discussion about the definition of climate finance. Many underscored that the NCQG should be based on a global effort that assesses all financial sources and instruments available.

Participants consistently cited the crucial role of private finance mobilization to scale up funding. Ministers recognized that the majority of the current private investments are made in the Global North. They called for the channeling of a swiftly growing, predominant share of private investments to developing countries. There was broad understanding that the core of public finance must be used in the most catalytic way possible to leverage additional sources. At the same time, many participants emphasized the challenges associated with attracting private finance for adaptation, some also mentioned loss and damage. Therefore, many ministers stressed that a substantial part of public finance must remain available for adaptation and resilience, some also included loss and damage.

Equally, Ministers highlighted the need to ensure transparency on the origins and the recipients of financial flows as a key enabler for trust.

Developed countries underscored that they are committed to continuing to take the lead on climate finance in accordance with the Paris Agreement. A good number of Ministers highlighted the need for the NCQG to reflect the new and dynamic global realities that have emerged since 1992. Therefore, they underscored that the new goal's contributor base needs to expand, reflecting Parties' capacity to contribute, levels of GHG emissions and the size of their economies. They noted that this is in line with the Convention and the Paris Agreement. At the same time, some participants emphasized that the core of public finance should continue to be mobilized and provided by current contributors, citing principles and decisions within the Convention and the Paris Agreement.

Ministers mentioned the importance of generating additional sources of finance and expanding fiscal space. In this regard, they stressed the reform of multilateral banks (MDBs) in aligning their investments with the goals of the Paris Agreement in order to provide a robust volume of concessional and blended capital to further catalyze private investments. Additionally, they underscored better linkage between national banks and MDBs.

Other sources and instruments highlighted, including innovative ones, were debt relief and swaps as well as levies on aviation, shipping, and financial transactions, as well as green taxonomies and the redirection of financial subsidies. Several participants highlighted that all sources of finance should be assessed in order for them to be reflected in the form of a multistakeholder goal or approach. In this regard, many participants featured the idea of a multilayered goal in discussions on both sources and contributors, while others called for a single goal.

Some participants indicated that their governments were willing to look for new ways to assess contributions and suggested that elements of flexibility in the goal might allow them to contribute to the NCQG among other on a voluntary basis.

The importance of introducing and strengthening enabling policy frameworks to unlock investments was underscored by a number of ministers, with some recognizing also the role of domestic resources mobilization. However, concern was raised by some participants that whereas domestic resource mobilization is important for national implementation, its role within the NCQG would require further debate.

Ministers pointed out the trust-building potential that lies in developing an ambitious, effective and fit-for-purpose NCQG that also creates a powerful signal for UNFCCC Parties and for the private sector.

DESIGNING NATIONAL CLIMATE PLANS FOR INVESTMENT ALIGNED WITH 1.5°C AND CLIMATE RESILIENT DEVELOPMENT

Ministers agreed that it is key to make NDCs for 2035a ambitious, implementable and linked to clear and predictable legal frameworks, emphasizing their critical role in keeping 1.5°C within reach. Many participants recalled the agreement made at COP28 that NDCs should be economy-wide and cover all sectors and gases. They also called for absolute emission reduction targets in NDCs, and for the global energy efforts agreed at COP28 to be reflected in NDCs.

Participants agreed that support, in particular for LDCs and SIDS, including with regard to the development and implementation of NDCs, continues to be a priority. Several voiced expectations that the G20, in particular, need to show ambition, given their responsibility for 80 percent of emissions.

Some Ministers pointed out that this specifically involves bringing sectors outside of energy, such as agriculture and transportation, into focus.

Many participants stressed the importance of accelerating the implementation of adaptation measures. Some participants also recalled the importance considering co-benefits between mitigation and adaptation, and several participants recommended reflecting contributions to the global goal on adaptation in NDCs. Some saw a role for addressing loss and damage in NDCs.

There was wide agreement that the formulation of new NDCs requires a whole-of-government approach with buy-in at the highest level, involving ministries of finance and the economy but also sectoral ministries, as well as at the sub-national level. Drawing from national experiences, many shared that for targets to be accepted by society and to be implementable for businesses, they require the engagement of a wide range of stakeholders and a clear and positive narrative.

Highlighting the need for global carbon neutrality by 2050, many participating presented the steps that they are taking toward this aim, including in their long-term strategies, as clear signals for investment. NDCs for 2035 provide an opportunity to take a new approach, in which NDCs become economic blueprints to contribute to sustainable development and prosperity. To this end, participants discussed the frameworks required for investments in the net-zero transformation. Central to many interventions was the importance of bringing the private sector on board to formulate and implement national climate plans. Some highlighted the challenges faced by small and medium-sized enterprises in transitioning to green practices, as well as the potential role of public-private partnerships and contributions of chambers of commerce to climate action. Many stressed the need to develop business cases for investors, including through instruments like carbon pricing as well as robust policy frameworks such as development plans and sectoral policies to enable long-term planning for the private sector.

Some participants stressed that the private sector is more able to cope with market risks than with policy risks. Some participants suggested bringing on board credit rating agencies and regulators, and pointed to the important work of the G20 Task Force on Climate in this regard.

Participants mentioned the first Biannual Transparency Reports as a supportive source for reviewing experiences with the implementation of countries' current NDCs and for the formulation of new NDCs. Several participants referred to key support from the NDC Partnership for their NDC design processes.

There was broad agreement about the link between finance and NDCs. Key areas of support of the international system for NDC design and implementation included means of implementation – finance, capacity building, technology transfer - in NDCs. Clear, implementable and investable targets were mentioned as important steps to unlock needed support, as well as the need for just transition plans and equitable distribution of investments, particularly in developing countries.