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Developed nations block progress on Adaptation Fund shift to serve Paris Agreement

Penang, 28 July (Chhegu Palmuu): At the 62nd sessions of the UNFCCC's Subsidiary Bodies (SBs) which took place last month in Bonn, Germany from 16 – 26 June, developed countries blocked progress on “arrangements for the Adaptation Fund (AF) to exclusively serve the Paris Agreement (PA)”.

Developing countries saw the efforts by developed countries to stall progress on the issue of “arrangements for the AF to exclusively serve the PA” by the latter linking the issue to resolution on the issue of the “membership of the AF Board”, which was another matter under consideration.

The stance of developed countries led to the transmission of an “informal note” to the next session of the SBs in Belem, Brazil, prepared by the Co-facilitators, **Isatou F. Camara (Gambia)** and **Claire Holzer Fleming (United Kingdom)**, under their own responsibility and with no formal status. On the other hand, developing countries represented by the **Iraq** for the **G77 and China**, requested to take forward the same substance of work as a “conference room paper”(CRP) to capture in-session work achieved.

Both formats – the informal note and the CRP – were captured in two separate footnotes in the

agreed conclusions. The conclusions agreed to was read out by the Chair of the Subsidiary Body for Implementation (SBI) **Julia Gardiner (Australia)**, in the closing plenary held on June 26, and to be posted on the [SBI 62 website](#) as well as captured in the report of the session.

[An informal note is usually produced by the presiding officers of the consultations (viz. the Co-facilitators), while a CRP is produced by a group of Parties or a Party (in this case by the G77 and China)].

Besides the “arrangements for the AF to exclusively serve the PA”, the other two issues under consideration were the “membership of the AF Board” and the “fifth review of the AF”; all three issues ending up with texts in “brackets”, denoting lack of agreement, with the latter two containing different options.

The main bone of contention was whether the three issues on the AF are to be contained in a single draft decision text or there be three separate decisions. The single decision stance was insisted upon by developed countries (as in the informal note, albeit with a caveat stating “*it does not prejudge the number of draft decisions that Parties may wish to recommend or consider on these matters*”), while

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developing countries argued for three separate draft decision texts given the three different mandates (as contained in the CRP as three annexes). While the substance of the texts is the same, the key difference between the informal note and the CRP was over whether there be a single decision on the issues or there be three separate decisions.

The insistence by developed countries on a single draft decision text stemmed from their firm stance of linking the issue on the “arrangements for the AF to exclusively serve the PA” with the issue of the “membership of the AF Board”. This stance of linking the two issues was viewed by developing countries as an effort to hold hostage the “arrangements” issue to the resolution of the “membership” issue, thus blocking progress on the arrangements for the AF to exclusively serve the PA. [See details below.]

Arrangements for the Adaptation Fund to exclusively serve the Paris Agreement

By decisions [1/CMP.14](#) (Conference of Parties meeting as Parties to the Kyoto Protocol) and [13/CMA.1](#) (meeting of Parties to the PA) taken in 2018 in Katowice, Poland, the AF shall exclusively serve the PA once the share of proceeds from the PA’s Article 6.4 carbon market mechanism becomes available. Currently, the AF is largely financed by the share of proceeds from the certified emission reductions (CERs) generated by the Kyoto Protocol’s “Clean Development Mechanism (CDM)”.

In Baku last year, decisions [2/CMP.19](#) and [13/CMA.6](#) requested SBI 62 to consider the matter of the “arrangements for the AF to exclusively serve the PA” and to make recommendations on this matter for consideration at CMP 20 and CMA 7, respectively, later this year in Belem. The critical issue in this regard is for the CMA to mandate the AF Board to develop and conclude new trustee arrangements with the World Bank (WB) to enable the monetisation of the Article 6.4 share of proceeds, and thus, the availability of resulting funds would then trigger the AF transition to exclusively serve the PA. Currently, existing trustee arrangements with the WB is under the CMP (which enables monetisation of the share of proceeds from the CDM CERs). Additionally, there

are governance related issues to be addressed under the PA given that the AF is currently governed solely by decision [1/CMP.3](#) under the Kyoto Protocol.

[Hence, the issue of “arrangements for the AF to exclusively serve the PA” is of topmost priority for developing countries to ensure a smooth transition of the AF, keeping it alive and operational during the process. It is to be noted that the AF is considered by developing countries as a very unique, important Fund that pioneered “direct access” modality and providing full ownership of their adaptation projects. Developing countries also have a larger representation in the membership of the AF Board – unlike other multilateral climate Funds.]

During the negotiations, after three informal consultations, there was agreement reached on the need for new trustee arrangements with the WB and that after it coming into effect, the existing trustee arrangements with the WB under the CMP will be terminated with a view to ensure a smooth transition of the AF to exclusively serve the PA. Further, there was also agreement on governance-related decisions, that the CMP decisions with respect to the AF, including with regard to its institutional arrangements, operational and access modalities, shall apply mutatis mutandis under the PA after the AF transitions to exclusively serve the PA; as well as current secretariat services to the AF Board to continue seamlessly after the AF transition. [See informal note and CRP on this.]

However, at the fourth informal consultations on 24 June, **South Africa** on behalf of the **African Group** shared that with respect to negotiations on matters relating to the operation of the CDM, there was still uncertainty about the ending of the share of proceeds from the CERs [see [draft decision text](#) in which end dates for issuance, transfer and cancellation of CERs, as well as management of financial resources, are not agreed yet].

According to South Africa, this meant that existing trustee arrangements with the WB cannot be terminated, unless there is certainty of no more CDM share of proceeds needing to be monetised; else the whole purpose of ensuring the transfer of all remaining CDM funds to the AF is defeated. Therefore, it said further that this issue cannot be

resolved now and there has arisen the need to speak to the WB and the AF Board on the matter.

All of the **G77 and China** sub-groups agreed on the need for a smooth transition of the AF without leaving behind any CDM resources. The **European Union [EU]** agreed as well that the issue needs to be sorted out without losing any potential assets from the CDM, and was seconded by **New Zealand** and the **United Kingdom (UK)**. Hence, the matter of the “arrangements for the AF to exclusively serve the PA” had to be kept in “brackets” to be taken to the next SB 63 session.

Membership of the AF Board: Issue over change in terminology of groups of Parties

The issue regarding “membership of the AF Board” was about the change in terminology with reference to representation of groups of Parties – from “Parties included in Annex 1 to the Convention (Annex 1 Parties)” and “Parties not included in Annex 1 to the Convention (non-Annex 1 Parties)” as referenced in decision 1/CMP.3 under the Kyoto Protocol, to “developed country Parties” and “developing country Parties” respectively, aligned with the terminology used in the PA.

The demand for terminology change was led by **Switzerland** for the **Environmental Integrity Group [EIG]**, who said at the very first informal consultations on 19 June, that the “understanding” and “mutual agreement” in Katowice was that upon transition of the AF to exclusively serve the PA, there would be a change in terminology. It further clarified that it was formally withdrawing its original proposal on the change in composition of the AF Board and in this regard, expressed that “one single country had a strong proposal, who is no longer around this table” [alluding to the **United States**].

The **EU** echoed Switzerland and said that the AF transition is “intertwined with the membership”, the composition of the Board remaining the same, but reference to the “Annexes” to be replaced by “developed and developing countries”.

South Africa for the **African Group** agreed to the mutual understanding in Katowice on the terminology change and premised it on the basis of

“faith and multilateralism” essential to the process. **Nepal** for the **Least Developed Countries (LDCs)** affirmed that it didn’t want to see any change in the composition of the Board, but it saw the terminology in line with the PA as appropriate, which was supported by the **Maldives** for the **Alliance of Small Island States (AOSIS)**. This set of views is represented by “Option 1” in the informal note and the CRP which reads:

“Composition of the Adaptation Fund Board and the number of Board members is unchanged; Terminology to be amended with reference to representation of groups of Parties to be aligned with the Paris Agreement text”.

In response to the mutual understanding in Katowice, **Saudi Arabia** for the **Arab Group** said it “doesn’t recognise any understanding”, but referred to the decision text of Katowice [which doesn’t contain the understanding], and it also didn’t view the terminology change as “legally relevant”, and said that there should not be a discussion issue. It also stressed further on the need to avoid any talk about the composition of the AF Board and thus, avoid setting a “precedent”.

Honduras for the **Independent Alliance of Latin America and the Caribbean (AILAC)** said that the terminology change should not be discussed now. **China** stated that the terminology should remain unchanged. This set of views is represented by “Option 2” in the informal note and the CRP which reads:

“No further discussion at this session; procedural conclusion at this session to defer consideration of matters related to the membership of the Board until the transition of the Adaptation Fund to exclusively serve the Paris Agreement is complete”.

At the fourth informal consultations on 24 June, **Russia** underlined the importance of both, the terminology and nomination of members, to remain unchanged and proposed “Option 3” reflected in the informal note and the CRP which reads: *“Composition of the Adaptation Fund Board, the number of Board members and the procedure of their nomination are unchanged”*

Next, the **EU** also presented a new textual proposal sharing that the membership issue was very

“essential” to the EU and the EIG and that a lot of work on the language was conducted in the last couple of days with Parties, who were also consulting their “capitals”. It said that before the final informal consultations the next day, it is presenting a textual proposal with a “footnote” which is “not to corner Parties, but to get some text into the draft [of the informal note] to work with and [the text] is not take it or leave it”. Its proposal is reflected in “Option 4” of the informal note and the CRP which reads:

“Composition of the Adaptation Fund Board and the number of Board members is unchanged; Terminology with respect to the composition of the Adaptation Fund Board is amended, such that: With respect to the seats referred to in paragraph 6(d–e) of decision 1/CMP.3, “developed country Parties” replaces “Parties included in Annex I to the Convention (Annex I Parties)”, and “developing country Parties” replaces “Parties not included in Annex I to the Convention (non-Annex I Parties)” respectively. [Footnote: This does not alter the status of countries, nor does it prejudice future negotiating positions or views of Parties in this regard]”

The EU’s proposal was supported by **Switzerland** for the **EIG**, **New Zealand** and the **United Kingdom (UK)**.

Fifth review of the Adaptation Fund: Divergence reflected by two options

On this matter, the **LDCs** and the **AOSIS** were very firm about abiding by the mandate and thus, initiating the fifth review, while the **African Group**, **Arab Group**, and **AILAC** did not support the review, giving the rationale that it is not practical in the context of the AF transition and that the review can be conducted once the AF exclusively serves the PA.

The **EU** was also flexible about the review as long as it was not deferred indefinitely. The two set of views are reflected in the two options contained in the informal note and CRP, respectively.

Arrangements for AF transition “held hostage” over change in terminology of membership composition of AF Board

With texts on all three issues under consideration and not agreed and in “brackets” in the form of an “informal note”, protracted negotiations next ensued over whether the three issues be contained in a single draft decision text or for three separate draft decision texts given three different mandates between developed and developing countries.

At the fourth informal consultations on 24 June which was supposed to be the second last session, Co-facilitator **Camara (Gambia)** proposed to take forward the work with “draft conclusions” containing “three annexes” carrying the three elements (issues) which was supported by **South Africa** for the **African Group**, **Saudi Arabia** for the **Arab Group**, and **China**, with the **EU** introducing a caveat that it would go along as long as the draft conclusions says “no different decisions”.

However, opposing the three annexes, the **UK** reiterated its preference for a “single draft decision text” which was supported by **Switzerland** for the **EIG**, **Canada** and **New Zealand**.

Next, the **African Group**, the **Arab Group** and **AILAC** stated that they can accept the EU’s caveat with the three annexes proposed by Co-facilitator Camara. However, the **UK** then changed its position and proposed to take forward “draft conclusions with the informal note” which was seconded by **Switzerland** for the **EIG**, **Canada** and **New Zealand**. The **EU** also added that it is trying to be “constructive” but that in splitting the elements (issues) by mandates, the “notion” on the change in terminology is “lost” and it was “reluctant to start all over again in Belem”.

Next, **New Zealand** offered a compromise to “separate the review” in a separate annex, but suggested keeping the arrangements for AF transition and the membership elements as a “package”, which was supported by the **UK**.

Responding to the proposed compromise as an “even worse option”, **Saudi Arabia** for the **Arab Group** further lamented that negotiations are showing “no good faith” and called for the “need to show progress in the finance room”.

South Africa for the **African Group** expressed its frustration stating that finance is again being “blocked by developed countries”, further berating **Canada** for blocking progress when it has pulled

out of the Kyoto Protocol. It reminded developed countries that the AF is a “developing country Fund of our CDM projects and that is why we have more members” in the AF Board.

The next day on 25 June, Co-facilitator **Camara (Gambia)** presented and proposed draft conclusions with the “informal note” as well as the “CRP” tabled by the **G77 and China**. Co-facilitator Camara proposed that the conclusions be “read out by the SBI Chair in the [closing] plenary” as well as “captured in the SB 62 website and in the report of the session”.

The **G77 and China** led by **Iraq** made a statement, thanking the Co-facilitators for their work, and highlighted that “we are committed to the work related to the AF as it is a key priority for developing countries. We are disheartened by the progress made, despite the flexibility and all the hard work we have put into it. In the spirit of ensuring that our hard work during these weeks is captured, we are okay to engage with the proposed text, and suggest the inclusion of the CRP proposed by G77 and China as a footnote”.

On the way forward proposed by Co-facilitator Camara, **South Africa** pointed out that from past experience, if the conclusions are not forwarded then the informal note should be carried by a

footnote and there should also be a second footnote carrying the CRP by the G77 and China. **Saudi Arabia** then suggested language formulation in the draft conclusions to carry the two footnotes.

The agreed conclusions thus reads:

“The SBI continued consideration of matters relating to the membership of the Adaptation Fund Board, and additionally considered the matter of the arrangements for the Adaptation Fund to exclusively serve the Paris Agreement, as well as the initiation of the fifth review of the Adaptation Fund.

The SBI agreed to continue consideration of these matters at SBI 63 (November 2025) on the basis of the work conducted at SBI 62.^{1 2}

The SBI noted that this work does not represent agreement among Parties, does not prejudice further work or prevent Parties from expressing their views in the future, nor does it prejudice the number of draft decisions on these matters that Parties may wish to recommend or consider”.

[Footnote 1 contains the link to the [informal note](#) by Co-Facilitators on the SBI 62 website. Footnote 2 contains the link to the [Conference Room Paper](#) submitted by the G77 and China on the SBI 62 website.]