



Fight over Adaptation Fund matters to continue at COP 31

Kathmandu, June 30 (Chhegu Palmuu): At the closing plenary of the sixty-fourth session of the Subsidiary Bodies (SB64) on 18 June in Bonn, Germany, developing countries represented by the **Group of 77 and China (G77 and China)** led by **Uruguay**, noted the “progress made on negotiations on two of the three separate mandates of the Adaptation Fund (AF)”, adding that “the progress we made in this session is [that] we all acknowledged as Parties that we have achieved consensus on the matter of the arrangements of the AF to exclusively serve the Paris Agreement [PA] and on the initiation of the fifth (5th) review of the AF, and we look forward on forwarding the texts for adoption in Antalya for COP 31”.

The three matters relating to the AF are, (i) arrangements of the Fund to exclusively serve the PA, (ii) membership of the AF Board and the 5th review of the AF, and are viewed by developing countries as three “separate” mandates and hence, three “separate decisions” once consensus is achieved respectively without any linkage whatsoever among them.

On the other hand, developed countries see the three matters as a single “package” decision, especially linking the arrangements matter to the controversial AF Board membership, (which is highly political and currently clearly lacks

consensus). Developing countries are firm against any change in the composition of the AF Board (which provides them larger representation unlike other multilateral climate funds). The dominant issue is over the change in terminology in relation to membership of the Board, pushed by developed countries to be in line with the PA, viz. from the current “Annex 1 Parties/non-Annex 1 Parties” (as defined under the Convention) to “developed/developing countries” (as under the PA). Developing countries view this matter as a political issue, delinked altogether from the institutional arrangements of the AF.

[This crux of the matter about the number of decisions, whether three or single, has been lingering since SB62 in Bonn last year, when negotiations started (See [TWN Update](#)), and with continued stalemate at SB 63 at COP30 in Belem despite a “clean” or agreed text denoting “consensus” on the arrangements matter (See [TWN Update](#)). Thus, developing countries see their topmost priority matter of arrangements as being held hostage by developed countries to the matter of the AF Board membership.]

By decisions 1/CMP.14 (Conference of 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 governed under the CMP, is primarily financed by the share of proceeds from the certified emission reductions (CERs) generated by the Kyoto Protocol's "Clean Development Mechanism (CDM)", besides voluntary contributions from developed countries. The institutional "arrangements" of the AF to exclusively serve the PA constitutes new trustee agreement (with the World Bank) and memorandum of understanding regarding secretariat services (with the Global Environment Facility). The new trustee agreement is key to ensuring prompt monetization of the PA's Article 6.4 share of proceeds to trigger the AF transition to the PA.]

POINT OF ORDER RAISED BY ARAB GROUP

At SB 64 in Bonn, right from the outset, the **G77 and China** stood firm in maintaining that the arrangements issue is a priority matter to be first solved, given the presence of a "clean" [draft text](#) from Belem (which was taken as the basis for negotiations), denoting "consensus" in the room and hence, warranting a stand-alone separate decision. They underlined "three separate decisions in three separate documents, one for each decision", at the first informal consultations on 9 June. This also aligned to the guidance by the Subsidiary Body for Implementation (SBI) Chair **Julia Gardiner (Australia)**, who announced at the opening plenary that the AF matters constitute "three separate mandates". Developing countries also made clear that they see no linkage to the separate terminology issue of the AF Board membership [which lacks consensus as reflected in the four options in the [draft text](#)], while **Switzerland** and the **European Union (EU)** reiterated on the linkage and for "one" decision on all AF matters essentially blocking a separate decision on the arrangements issue.

At the second informal consultations on 11 June, **G77 and China** restated its position to transmit the "clean" text on arrangements for a stand-alone decision, which was echoed by all of its sub-groups, namely, **Saudi Arabia for Arab Group**, **Kenya for African Group**, **Honduras for Independent Alliance of Latin America and the Caribbean (AILAC)**, **Maldives for Alliance of Small Island States (AOSIS)**, **Nepal for Least Developed Countries (LDCs)**, **China for Like-Minded**

Developing Countries (LMDC) and **Bhutan for Landlocked Developing Countries (LLDCs)**, along with the **Philippines, Bangladesh, Uganda, Malawi and Cuba**. Further, **Saudi Arabia for Arab Group** said it did not want the matter to be "held hostage", and **Kenya for the African Group** requested to be put on record that "we are being pushed to no transition".

Switzerland, the **EU**, and the **United Kingdom (UK)** reiterated their entrenched position on a "package" decision and hence, denied "consensus" on the arrangements issue until the membership matter was also resolved, with **Canada** toeing the line, despite it being an "observer", (as it is not Party to the Kyoto Protocol). **Switzerland** countered that "all are collectively are holding hostage" by not engaging on the membership issue.

Saudi Arabia for Arab Group responded with clarification that the terminology issue will be discussed as a "separate" matter given separate mandate. It then invoked "[Rule 34](#)" [citing the UNFCCC's Rules of Procedure on point of order], questioning on the treatment of the "three separate matters". It requested a point of clarification from Co-facilitator **Koosje Beumer-van der Loo (Netherlands)**, asking whether "in her assessment", does the arrangements matter enjoy "consensus", to which she replied "yes", further stating that "Parties are not proposing further amendments", but there are "different" views on the membership matter and if this is linked or not to the arrangements matter.

Saudi Arabia then "disapproved" the Co-facilitator's approach, stating that there are three separate matters, with also clear instructions from the SBI Chair on the separate mandates. It further questioned why a "text" [on arrangements] enjoying "consensus" [as per the Co-facilitator's assessment as well], is not being transmitted for recommendation for adoption if the clear process is to be followed. It asked which rule is being applied that says other separate mandates need to be cleared in order to "forward a clean text enjoying consensus on a separate matter". The point of order was also supported by **Kenya for the African Group** and **Honduras for AILAC**.

The **UK** and **Norway** reiterated that they see "no consensus" unless there is adoption of a single decision on all three matters. Further, **Switzerland** elaborating its position on the membership issue, stated that it is simply asking for a change in

terminology to “two developed and two developing country Parties” instead of “two Annex 1 Parties and two non-Annex 1 Parties” as outlined in the current AF Board membership and it is “up to Parties to decide whether it should be developed or developing” (in relation to status of countries). It assured of no change in the number and composition of the Board with geographical balance also remaining intact.

With the matter eventually taken to the SBI Chair **Gardiner** for further guidance, **Saudi Arabia** made clear to Co-facilitator **Beumer-van der Loo** to relay its questions to the SBI Chair. It is learnt that SBI Chair **Gardiner** engaged in bilateral consultations with groups the rest of the week, following which she eventually addressed Parties at the informal consultations on 16 June where she stated there is “no agreement on decisions to take forward” and that the issue of number of decisions and issue of membership is not resolved at the technical level, and would require engagement at higher levels.

The **G77 and China** requested to escalate the matter to the heads of delegation (HODs) level to find a way forward for a successful outcome on the AF. Further, **Saudi Arabia** for the **Arab Group**, **South Africa** for the **African Group** and **China** for the **LMDC** made clear that consensus has already been reached on two mandates (alluding to the arrangements matter, as well as on the 5th review of the AF, which was agreed by all at the second informal consultations on 11 June to undertake it, following the transition of the AF to exclusively serve the PA.)

The HODs was convened by the SBI Chair **Gardiner** on 17 June in a “closed” (only Parties and not webcast) setting, where sources said that the Chair asked for views on the membership matter, including on bridging proposals, as well as whether decisions can be taken independently on the other two mandates.

It is learnt that the **G77 and China** reiterated its stance on the three “distinct” mandates, as also announced by the SBI Chair herself in her guidance, and that there were two “clean” texts on the arrangements matter and the 5th review which were ready for transmission to the CMP and CMA. It highlighted that the group is finding itself

“blocked” from making progress on the critical issue of the arrangements due to a “political” issue on the AF Board membership regarding terminology and that it did not wish to see any changes in the Board

Sources further said that **Switzerland** for the **Environmental Integrity Group [EIG]** confirmed that there was “consensus on two issues” but reiterated the need for a decision as a “package” aligned with the PA language on the membership matter, pointing to option 4 in the [draft text](#) (which is a proposal by the **EU**).

The **EU** said that there cannot be a Fund defined by “rigid annexes of the Convention” and that contributors are actually having difficulties to have a seat on the AF Board. The **UK** underlined the need for “robust governance” calling for the terminology in line with the PA. **New Zealand** also touched on governance issues and to forward “one” document containing progress on all three issues to resolve at COP 31 in Antalya.

Canada and **Norway** expressed similar sentiments and suggested that the incoming COP 31 Presidency reach out inter-sessionally to resolve the matter before arriving at COP 31.

Russia made clear that any change in terminology was a “red-line” that excludes countries from participation in the Board, and that any change from “annexes” is renegotiating the Convention and the PA itself.

It is learnt that hearing no bridging proposals and no flexibility on positions, the SBI Chair **Gardiner** closed the session stating that she will inform the incoming COP 31 Presidency on the matter with a view to conclude it in Antalya.

In the next informal consultations on the same day, Co-facilitator **Beumer-van der Loo (Netherlands)** proposed and read out procedural conclusions which was opposed by **Saudi Arabia** for the **Arab Group**, that it cannot agree on anything before it is circulated or projected on screen given it needs to consult with its legal team, and requested to pause the session.

The draft procedural conclusions which was next circulated read as follows:

“1. The SBI continued consideration of:

- (a) the matter relating to the membership of the Adaptation Fund Board;*
- (b) the matter of the arrangements for the Adaptation Fund to exclusively serve the Paris Agreement; and*
- (c) the initiation of the 5th review of the Adaptation Fund.*

2. The SBI noted that progress has been made on the matter of the arrangements for the AF to exclusively serve the Paris Agreement and the initiation of the 5th review of the Adaptation Fund, and that Parties have a common understanding that these drafts are clean.

3. The SBI agreed to continue consideration of the matter relating to the membership of the Adaptation Fund Board at SBI 65 (November 2026) on the basis of the draft text prepared by the Co-facilitators for this agenda item at this session, available on the UNFCCC website”.

Following tough negotiations, developing countries succeeded in reshaping the adopted draft conclusions as follows:

“1. The SBI continued consideration of three separate mandates:

- (a) The matter of the arrangements for the Adaptation Fund to exclusively serve the Paris Agreement;
- (b) The initiation of the fifth review of the Adaptation Fund;
- (c) The matter relating to the membership of the Adaptation Fund Board.

2. The SBI noted that progress has been made on the matters relating to the arrangements for the Adaptation Fund to exclusively serve the Paris Agreement and the initiation of the fifth review.

3. The SBI agreed to continue consideration of the matters referred to in paragraph 1(a–c) above at SBI 65 (November 2026) on the basis of the work and progress achieved at this session and the draft texts available on the UNFCCC website. [Footnote 1: See document at <https://docs.unfccc.int/documents/10000181.1>]

4. The SBI noted that these conclusions do not prejudice the final outcomes at SBI 65.”

The conclusions in para 1 refers to the critical element of “*three separate mandates*”; in para 2, refers to “*progress has been made*” denoting “consensus” achieved on the two mandates and ready for adoption; in para 3, captures “*on the basis of the work and progress achieved at this session and the draft texts available*” with the [draft texts](#) (ensured with plural ‘s’) denoting three separate texts on the three matters; and para 4 ensured the removal of text pushed by developed countries viz. “does not prejudice the number of draft decisions on these matters”, and is replaced with more balance which states “*do not prejudice the final outcomes at SBI 65*”.

It is to be noted that when agreeing to the draft conclusions, the **UK**, the **EU** and **Switzerland** expressed their “understanding” that it does not “preclude one or several decisions” and this would need “legal interpretation” when in Antalya (COP 31) – the draft texts reflect “brackets” (not agreed) around whether a separate decision each or a single package decision on the three separate mandates under the AF.

Another showdown is expected in Antalya over these matters.