TWN 21

DUBAI CLIMATE NEWS UPDATE
PUBLISHED BY THIRD WORLD NETWORK

20 DECEMBER 2023

Dubai decision "notes with deep regret" failure of meeting USD 100b in 2022

New Delhi, 20 Dec (Indrajit Bose and Meena Raman) — The Dubai climate talks adopted a host of decisions on climate finance on Dec 13, following intense negotiations among developed and developing countries. Many of these decisions relate to 'urging' or 'encouraging' developed countries to meet their existing financial commitments, with little to show on actual delivery of climate finance.

The decision on long term finance (LTF) "*Notes with deep regret* that the goal of developed country Parties to mobilize jointly USD 100 billion per year by 2020…was not met in 2021" and it "*welcomes* the ongoing efforts of developed country Parties towards achieving the goal of mobilizing jointly USD 100 billion per year." This same paragraph is also repeated in the decision adopted under the Global Stocktake (GST).

Among the decisions adopted apart from the LTF include: biennial communications of information related to Article 9.5 of the Paris Agreement (PA); matters relating to the Adaptation Fund (AF); new collective quantified goal on climate finance (NCQG); guidance to the Green Climate Fund (GCF) and Global Environment Facility (GEF); and matters related to the Standing Committee on Finance (SCF). The SCF matters covered Article 2.1 (c) of the PA, adaptation finance, Article 4.5 of the PA, and climate finance definitions.

(Article 9.5 deals with developed countries communicating biennially ex ante information of their projected levels of public financial resources to be provided to developing countries; Article 2.1(c) deals with the goal of "making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development", while Article 4.5 deals with the provision of support, to developing countries for the implementation of their nationally determined contributions [NDCs].)

The decisions were heavily contested with several iterations of the draft texts being produced and which continued to be bracketed, with no solution in sight until the very end of the COP on most of the issues. Ministerial consultations had to be convened on Article 2.1 (c), adaptation finance and the NCQG. The decisions were adopted under COP 28, the 18th session of the Kyoto Protocol (CMP 18) and the 5th session of the Conference of Parties to the Paris Agreement (CMA 5).

The key political fights on finance centered around developed countries trying to remove references to "developed country Parties" in the

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context of those responsible for providing and mobilizing finance for developing countries; emphasis by developed countries on moving away from a "bifurcated" approach of differentiation; and undue focus on private sector and multilateral development banks (MDBs) to deliver climate finance.

Apart from the specific decisions on finance, the decision on the GST also has a section on the finance element, aspects of which are highlighted below. In particular, the GST decision in paragraph 67, states the following:

"*Highlights* the growing gap between the needs of developing country Parties,…, highlighting that such needs are currently estimated at USD 5.8–5.9 trillion for the pre-2030 period;" while paragraph 68 states:

"Also highlights that the adaptation finance needs of developing countries are estimated at USD 215–387 billion annually up until 2030, and that about USD 4.3 trillion per year needs to be invested in clean energy up until 2030, increasing thereafter to USD 5 trillion per year up until 2050, to be able to reach net zero emissions by 2050."

LONG-TERM CLIMATE FINANCE

Contentious issues in the draft text arose around capturing language on the failure of developed countries in the delivery of the USD 100 billion per year by 2020 commitment; how and whether a report by the Organisation for Economic Cooperation and Development (OECD) (which states the goal appears to have been reached in 2023) should be reflected in the draft decision (see related update).

Developed countries wanted to reflect language welcoming the progress made in achieving the goal but developing countries were of the view that it would not be wise to reflect a positive message and were not willing to accept any language indicating that the goal had been fulfilled. Developing countries also pointed to the lack of agreed definition of climate finance, which created difficulties in accounting whether the goal had been reached. Developing countries also wanted to reflect numbers from an Oxfam report, which states that the amount fulfilled by developed countries was only around USD 21 billion. Developed countries did not want to reflect the Oxfam report, and following intense negotiations, references to both the OECD and Oxfam reports were dropped.

Parties agreed on the following paragraphs in the decision, apart from noting the failure to meet the USD 100 billion per year in 2021 as stated above.

"Notes the efforts by developed country Parties to improve transparency of its delivery, and *looks forward* to further information on positive progress on the delivery made in 2022."

"Notes the different estimates, in the report by the SCF on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries…of progress towards achieving the goal of mobilizing jointly USD 100 billion per year from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources, and *recognizes* the lack of a common definition and accounting methodology in this regard."

Other issues of contention included a call by developing countries to reflect in the decision how burden sharing was implemented among the developed countries in the context of the USD 100 billion goal. Developed countries, however, did not agree to such an approach. Developed countries also did not want to "welcome" any pledges made for the loss and damage fund in the decision because in their view, it had nothing to do with long-term climate finance. These were not included in the final decision which was adopted. Developing countries also stressed the need for the decision to capture the importance of grant-based public funding for developing countries; simplifying access to climate finance; and the need to improve transparency in finance delivered to developing countries.

Following are some of the other highlights of the LTF decision agreed in Dubai:
"Urges developed country Parties to fully deliver on the USD 100 billion per year goal urgently and through 2025, noting the significant role of public funds, and *calls on* developed country Parties to further enhance the coordination of their efforts to deliver the goal".

"*Emphasizes* the need for further efforts to enhance access to climate finance, including through harmonized, simplified and direct access procedures, to address the needs of developing country Parties, in particular for the least developed countries and small island developing States".

"*Encourages* developed country Parties to consider ways to enhance access to climate finance to respond to the needs and priorities of developing country Parties".

"*Acknowledges* the fiscal constraints and increasing costs to adapt to the adverse effects of climate change and, in this context, *reiterates* the need for public and grant-based resources for adaptation in developing country Parties, especially those that are particularly vulnerable and have significant capacity constraints, such as the least developed countries and small island developing States".

"*Recognizes* the need to improve the effectiveness and quality of climate finance provided and mobilized from developed country Parties to achieve tangible impacts in developing country Parties and to improve transparency in this regard".

"*Also recognizes* the importance of support provided and mobilized by developed country Parties to facilitate enhanced ambition and implementation".

Meanwhile, in the finance section of the decision on the GST, the following text was agreed to in paragraph 76 as follows: "*Welcomes* recent progress made by developed countries in the provision and mobilization of climate finance and *notes* the increase in climate finance from developed countries in 2021 to USD 89.6 billion and the likelihood of meeting the goal in 2022, and *looks forward* to further information on the positive progress."

MATTERS RELATED TO THE SCF

The matters related to SCF saw discussions on Article 2.1 (c) of the PA, adaptation finance, Article 4.5 of the PA and climate finance definitions.

ARTICLE 2.1 (C)

Developed countries had stressed the need for a dedicated Paris-aligned work programme on Article 2.1(c), which several developing countries were not in favour of as there is no common understanding on what the article means. As discussions emerged, developed countries called for a space to discuss the report from the Sharm el-Sheikh dialogues to advance work on Article 2.1 (c).

(In 2023, two Sharm el-Sheikh Dialogues (SeSD) were conducted, to exchange views on and enhance understanding of the scope of Article 2 1(c), and its complementarity with Article 9 of the PA and a report was produced. The report, among other things, highlighted that there is no common understanding among Parties on the meaning of Article 2.1(c). Developing countries had raised concerns in relation to how Article 2.1(c) could be used to impose top-down international approaches that undermine the bottom-up nature of the PA, and impinge on domestic policies. See related update.)

Following discussions, Parties decided to "continue and strengthen the Sharm el-Sheikh dialogue …to exchange views on and enhance understanding of the scope of Article 2.1(c),…and its complementarity with Article 9…including with regard to the operationalization and implementation of Article 2.1(c), in 2024 and 2025…".

Parties also decided the dialogue would be facilitated by two co-chairs, and requested the Secretariat "to organize at least two workshops per year…and to prepare a report on each workshop," and also requested "the co-chairs of the dialogue to prepare a report on the deliberations under the Sharm el-Sheikh dialogue in 2024 and 2025" for consideration by CMA6 and CMA 7.

ADAPTATION FINANCE

Developing countries had expressed disappointment that the SCF was not able to agree on a baseline to determine the doubling of adaptation finance, owing to methodological limitations. They also expressed concerns that even if adaptation finance were doubled, there would be a wide gap between mitigation and adaptation finance (see related update).

(According to the SCF report, "three of the five sources of information reviewed…point to a baseline from 2019 of USD 19.4 billion on average across all included channels, thus indicating a doubling to USD 38.8 billion by 2025.)

Some developing countries had suggested having an adaptation finance work programme to discuss systemic issues impacting adaptation finance; agreeing on a baseline for doubling; and some had called for the "doubling of the doubling goal". They had also referred to the report by the United Nations Environment Programme (UNEP) on the Adaptation Gap Report (AGR) 2023 and called for numbers from the report to be reflected in the decision on the issue of doubling adaptation finance.

(The AGR states that the adaptation finance gap now stands at between US$194 billion and US$366 billion per year. Adaptation finance needs are 10–18 times as great as current international public adaptation finance flows." See related update).

However, with stiff opposition by developed countries to these proposals, these did not figure in the decision and merely noted the "executive summary of the SCF report on the doubling of adaptation finance and the recommendations therein" and encouraged "Parties to consider implementing those recommendations, as appropriate". The decision also "invites developed country Parties to continue to enhance transparency regarding their effort to double adaptation finance, including by, as appropriate, providing relevant information on a baseline for the doubling of adaptation finance."

As reflected above, the GST decision on finance did highlight that "…the adaptation finance needs of developing countries are estimated at USD 215–387 billion annually up until 2030."

Paragraph 86 of the GST decision also recognises that "that adaptation finance will have to be significantly scaled up beyond the doubling…, to support the urgent and evolving need to accelerate adaptation and build resilience in developing countries, considering the need for public and grant-based resources for adaptation and exploring the potential of other sources, and *reiterates* the importance of support for progress in implementing developing countries' national adaptation plans by 2030."

Paragraph 100 *"Urges* developed country Parties to prepare a report on the doubling of the collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025, in the context of achieving a balance between mitigation and adaptation in the provision of scaled-up financial resources…for consideration…" by CMA6 (in 2024).

ARTICLE 4.5

Developing countries stressed the importance of operationalizing Article 4.5 of the PA for enhanced support for higher mitigation ambition in developing countries.

(The **Like-Minded Developing Countries [LMDC]** had proposed the matter as a standalone agenda item for CMA5, but this was countered by developed countries, leading to the COP 28 Presidency proposing that the matter be discussed under 'Matters related to the SCF'.)

Explaining the rationale for the discussion, **Saudi Arabia** for the **Arab Group** had said the discussion on Article 4.5 is necessitated due to continued calls for enhancing mitigation ambition, and that enhancing mitigation ambition in developing countries depended on enhanced finance, technology and capacity building support by developed countries. It had said its key asks included having a chapter on Article 4.5 in the SCF's next biennial assessment and overview of climate finance flows (BA); reports by the SCF that touch on mitigation issues to include information on Article 4.5; and a biennial brief by the SCF in the context of reviewing the amount of finance provided from developed countries to developing countries and assessing gaps. Such information would inform developing countries and allow for higher ambition, it added.

India for the **LMDC** had said that Article 4.5 is a crosscutting issue with a bearing on Articles 9,10,11 of the PA (dealing with finance, technology transfer and capacity building respectively). The SCF should take a look at these intersections and examine why the finance flows are not commensurate with the needs of developing countries, said India further.

However, developed countries repeatedly objected to substantive discussions on Article 4.5, and following discussions, in the decision that was adopted, Parties requested the SCF "to consider Article 4.5 of the PA in implementing its relevant mandates and workplan".

Meanwhile, paragraph 73 of the GST decision *"Reiterates* that support shall be provided to developing country Parties for the implementation of Article 4 of the PA, in accordance with Articles 9–11 …, recognizing that enhanced support for developing country Parties will allow for higher ambition in their actions."

CLIMATE FINANCE DEFINITION

A key contentious issue in Dubai was whether to update the operational definition of climate finance, with developing countries requesting an update, and developed countries not in favour of doing so.

Developed countries said that the existing operational definition was suitable and broad enough to include the various flows, while developing countries argued that the existing operational definition was too broad and did not provide enough information and therefore it needed to be updated suitably. In the decision agreed, Parties decided to "consider updating" the operational definition.

Arguments by developing countries that a clear definition of climate finance would improve accountability, increase transparency and help track climate finance delivered to developing countries were met with a strict stance by developed countries that there could be no single multilaterally agreed definition of climate finance, and that it is a complex issue.

Following lengthy discussions, the decision adopted welcomed "that the sixth Biennial Assessment and Overview of Climate Finance Flows will contain a section compiling the operational definitions of climate finance in use" and requested the SCF "to consider updating, in the context of its sixth Biennial Assessment and Overview of Climate Finance Flows, its operational definition of climate finance…".

Other highlights of the decision adopted are as follows:
The decision "*notes* the technical report by the SCF on clustering types of climate finance definitions in use…and *also notes* the information therein on the clustering of elements aimed at assisting Parties in developing and applying definitions of climate finance and the discussions of the SCF regarding a potential update to the operational definition of climate finance of the Committee".

The decision "*further notes* the complexities, in relation to accounting of and reporting on climate finance at the aggregated level, associated with the application of the variety of definitions of climate finance in use by Parties and non-Party stakeholders".

The decision *also requests* the SCF "to prepare a report on common practices regarding climate finance definitions, reporting and accounting methods among Parties and climate finance providers…for consideration by COP 29".

ARTICLE 9.5 OF THE PA

Discussions on Article 9.5 of the PA, which speaks to developed countries providing indicative information biennially on projected levels of public financial resources to developing countries, focused on a key ask by developing countries for more granular and better information by developed countries.

Developing countries reiterated that such information is crucial for developing countries to plan their climate responses as outlined in their NDCs, national adaptation plans and in other documents submitted to the UNFCCC.

Developing countries sought clarity on information on how public grant-based resources for adaptation are taken into account; how projected levels of resources are aligned with the commitment to mobilize USD 100 billion a year; information on types of financial instruments used to mobilize and provide resources and how they align with the needs and priorities of developing countries; how existing multilateral channels will be used to mobilize and provide the resources; the need for an appropriate climate finance definition and operational definition of climate finance to ensure transparency and trust in ex-ante projection, among other things.

They also highlighted that the commitments made by developed countries were simply not being met and it was proving impossible to match up ex-ante reports with ex-post figures. They further suggested that developed countries must transition to multi-year budgetary processes and effectively streamline national approval processes to enable the full and effective scale up of financial support from developed to developing countries on a grant equivalent and concessional basis to reflect the urgency of climate action in this critical decade.

Developed countries, however, said that due to the nature of their budget cycles, providing exact estimates on long-term public climate finance would be difficult. They were also not ready to engage in a discussion or to reflect in the draft decision that the limitations of their current budgetary cycles posed a barrier to delivering climate finance to developing countries.

Following discussions, the decision adopted "*invites Parties, in accordance with Article 9.5… to take into account the following areas in preparing their biennial communications to be submitted in 2024, as applicable:*
(a) Information on the status of projected levels of climate finance stated in previous biennial communications;

(b) Information on the challenges and limitations of providing ex ante information, particularly in relation to budgetary and legislative requirements for the allocation and approval of public climate finance disbursements;

(c) Information demonstrating how ex ante information responds to the implementation needs of developing country Parties, as referenced in their nationally determined contributions, adaptation communications and other national plans;

(d) Information on efforts towards achieving a balance in the provision of climate finance for mitigation and adaptation;

(e) Information demonstrating how each of their biennial communications has improved compared with the previous one, including how areas for improvement set out in relevant decisions of the COP and the CMA have been addressed;

(f) More detailed information on strategies for scaling up the provision of climate finance, including through public interventions".

Parties also decided to "*consider updating the types of information…at (CMA7 in 2025)…on the basis of the experience of and lessons learned by Parties in the preparation of their biennial communications of indicative quantitative and qualitative information*".

(A separate article on the NCQG will follow.)