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GLASGOW CLIMATE NEWS UPDATE
PUBLISHED BY THIRD WORLD NETWORK
16
17 NOVEMBER 2021

The Glasgow decisions on climate finance

New Delhi, 17 Nov (Indrajit Bose) — The Glasgow climate talks adopted a host of decisions on climate finance following intense wrangling among developed and developing countries. These include the long-term climate finance (LTF); New collective quantified goal on climate finance (NCQG); Compilation and synthesis of, and summary report of the workshop on biennial communications of information related to Article 9.5, of the Paris Agreement (PA); Matters related to the Standing Committee on Finance (SCF); Report of the Green Climate Fund (GCF) to the COP and guidance to the GCF; Report of the Global Environment Facility (GEF) to the COP and guidance to the GEF; Matters relating to the Adaptation Fund (AF); Report of the AF Board for 2020 and 2021; and Fourth Review of the AF.

All the decisions were bitterly contested and nearly every paragraph of the draft texts continued to be bracketed, with no solution in sight until the last day of the COP. Ministerial consultations had to be convened on the LTF and NCQG issues and the UK COP Presidency had to intervene on the other issues to help Parties arrive at consensus. The decisions were adopted under COP 26, the 16th session of the Kyoto Protocol Parties (CMP 13) and the 3rd session of the Conference of Parties to the PA (CMA 3). There were some important small but significant wins for developing countries, that will keep the pressure up on developed countries to meet their obligations under the UNFCCC and the Paris PA.

This update presents the highlights of some of the key finance decisions adopted in Glasgow.

LONG-TERM CLIMATE FINANCE (LTF)

The key problematic issues on the LTF included continuation of the LTF agenda under the COP; work on reviewing progress on the delivery of the USD 100 billion goal commitment of the developed countries under the LTF; and language around the definition of climate finance.

Developing countries were in favour of the continuation of the LTF agenda item under the COP, while developed countries were vehemently opposed to it (see related update). The decision adopted is a win for developing countries, for they were able to secure an extension of the LTF agenda, as well as set a process in motion to review the delivery of the USD 100 billion goal.

On the definition of climate finance, developing countries were able to secure a mandate for the SCF to work on "climate finance definitions". The language in the decision was however considerably weakened, since the developed countries were completely opposed to the idea of giving any mandate to the SCF for a single multilaterally agreed climate finance 'definition', which developing countries were pushing for (more on this below).

In the decision adopted, Parties decided that "continued discussions on long-term climate finance will conclude in 2027".

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Parties also requested the SCF to "prepare a report in 2022 on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries (to be considered at COP 27)…and to continue to contribute to assessing the achievement of the goal in the context of the preparation of its biennial assessment and overview of climate finance flows (BA)".

Parties also invited the COP 27 Presidency (Egypt) to "organize the high-level ministerial dialogue on climate finance in 2022 on the progress and fulfilment of the goal of mobilizing jointly USD 100 billion per year by 2020".

Expanding the work of the LTF further, Parties decided "to convene biennial high-level ministerial dialogues on climate finance in 2022, 2024 and 2026" and requested the COP Presidency "to summarize the deliberations at the dialogues for consideration by the COP in the year thereafter".

In relation to the climate finance definition, Parties requested the SCF "to continue its work on definitions of climate finance, taking into account the submissions received from Parties on this matter, with a view to providing input for consideration by COP 27 (November 2022)".

As explained above, developing countries were in favour of mandating the SCF to work on one definition rather than multiple definitions and they said that this would aid in transparency and accountability of climate finance. They proposed that climate finance resources must be new and additional, climate-specific and consist of grants, concessional loans and guarantees or other instruments that ensure concessional finance. Developed countries were opposed to this, and were of the view that having one definition of climate finance was just not possible since each Party defined climate finance differently.

One paragraph that developing countries were in favour of did not make it to the decision adopted. The paragraph proposed in the initial draft was as follows: "Draws attention to the lack of a multilaterally agreed definition of climate finance and acknowledges that a [common] definition of climate finance is important to have clarity to avoid double counting and to account for the financial flows from developed to developing countries to address climate action]. Developed countries proposed brackets when the paragraph was introduced by developing countries and it eventually got dropped from the final decision adopted.

The decision adopted "notes with serious concern the gap in relation to the fulfilment of the goal of developed country Parties to mobilize jointly USD 100 billion per year by 2020, including due to challenges in mobilizing finance from private source".

According to sources, during the discussions on the aforesaid paragraph, developed countries wanted to push the responsibility to developing countries and the lack of "enabling environments" in their countries due to which the private sector had not been able to mobilise finance. Instead of taking responsibility for the lack of fulfillment of the goal, they suggested welcoming their efforts in meeting the goal of USD 100 billion. Following a lot of heated exchanges, the language above was adopted.

On adaptation finance, the decision requests developed countries "to significantly increase their provision of adaptation finance, including by, as appropriate, considering doubling adaptation finance with the aim of achieving a balance between mitigation and adaptation".

Developing countries wanted stronger language and more emphasis on adaptation finance, but there was a lot of opposition from developed countries to make references to "doubling". Earlier versions of the paragraph included language emphasizing the importance of public and grant-based resources for adaptation finance, but these were dropped from the final text.

The decision adopted also requests the SCF "to undertake further work on mapping the available information relevant to Article 2.1(c), of the PA, including its reference to Article 9 thereof, with a view to providing input for consideration by COP 27.

(Article 2.1(c) is on making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.)

NEW COLLECTIVE QUANTIFIED GOAL ON FINANCE (NCQG)

Discussions on the NCQG were also highly contentious, with developing countries calling for a concrete process to be established to arrive at the goal and developed countries wanting to discuss the goal via "workshops". The decision adopted is an important win for developing countries, especially in terms of setting a process for the goal, even though the language from the initial draft was whittled down in some areas.

In the decision adopted, Parties recognized that the "deliberations on the new collective quantified goal will be cyclical in nature, with the political deliberations providing guidance to the technical work to be conducted and the technical work informing the political deliberations".

On the process, parties decided to establish "an ad hoc work programme from 2022 to 2024" under the CMA, "to be facilitated by co-chairs, one from a developed country and one from a developing country, appointed, in consultation with the respective constituencies," by the CMA "at its third, fourth (November 2022) and fifth (November 2023) sessions".

Parties also decided "to conduct four technical expert dialogues per year as part of the ad hoc work programme, with one of these dialogues to be held in conjunction with the first regular session of the subsidiary bodies for the year and one to be held in conjunction with the session of the CMA, and the two remaining dialogues to be organized in separate regions with a view to facilitating inclusive and balanced geographical participation".

Parties further requested "the secretariat, in organizing the technical expert dialogues…to ensure the participation of all interested Parties, academia, civil society actors, including youth, and private sector actors, and that all meetings are open to observers and are webcast".

Parties also requested "the co-chairs of the ad hoc work programme to prepare an annual report on the work conducted under that work programme, including a summary and key finding of the technical expert dialogues, for consideration by the CMA".

Parties also decided "to convene high-level ministerial dialogues starting in 2022 and ending in 2024, ensuring effective political engagement and open, meaningful and robust discussion, to be informed by the reports of the technical expert dialogues… with a view to providing guidance on the further direction of the ad hoc work programme for the following year" and requested the COP Presidency to "prepare a summary of the deliberations at the high-level ministerial dialogue" for the consideration of the CMA.

Parties decided to "continue its deliberations on setting a new collective quantified goal at its fourth, fifth and sixth sessions, taking stock of the progress made and providing further guidance on the ad hoc work programme, taking into consideration the annual reports of the co-chairs of the ad hoc work programme…including the key findings contained therein, and the summary reports on the high-level ministerial dialogues…including the guidance contained therein."

In the decision adopted, Parties decided that "the new collective quantified goal aims at contributing to accelerating the achievement of Article 2 of the PA of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change; increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".

Parties also decided "that the consideration of the new collective quantified goal will…take into account the needs and priorities of developing countries and include, inter alia, quantity, quality, scope and access features, as well as sources of funding, of the goal and transparency arrangements to track progress towards achievement of the goal…"

Parties agreed that the deliberations shall be informed by inputs from Parties, constituted bodies, including their relevant outputs; the best available scientific information; information from other relevant intergovernmental processes and insights from the business and research communities and from civil society; information from Parties, particularly information related to the needs of developing countries; and other technical reports.

Parties decided to conclude its deliberations by setting the new collective quantified goal in 2024.

Several developing countries had called for the deliberations to conclude in 2023 rather than 2024 given that the NCQG would have a bearing on the next round of NDC submission by developing countries in 2025. However, developed countries were in favour of deliberations to conclude in 2024. Another key ask of some developing countries was to reflect a quantum mobilization target for the NCQG but this did not make it to the final decision. Previous versions of the draft decision text had the following language: "Deliberations on the quantum mobilization target should start from range of a commitment by developed countries to mobilize jointly at least USD 1.3 trillion per year by 2030, of which 50% for mitigation and 50% for adaptation and a significant percentage on grant basis from a floor of USD 100 billion, taking into account the needs and priorities of developing countries". Since there was no agreement on reflecting any number, as this would amount to pre-judging the deliberations according to developed countries, the language got dropped.

MATTERS RELATED TO THE SCF

Key sticky issues around this included mandating the SCF with further work on the definition of climate finance. In the decision adopted, Parties requested the SCF "to continue its work on definitions of climate finance, taking into account the submissions received from Parties on this matter, with a view to providing input for consideration by CMA 4".

The paragraph though was whittled down due to disagreements. An earlier version of the draft text read: "Underlines that the lack of a universal climate finance definition represents an outstanding challenge for the provision and mobilization of climate finance and requests the SCF to continue its technical work on operational definitions of climate finance...".

(According to a Decision 11/CP.25 adopted in Madrid in 2019, the COP had underscored "the important contribution of the SCF in relation to the operational definitions of climate finance," and invited Parties to submit...their views on the operational definitions of climate finance for consideration by the SCF in order to enhance its technical work on this matter in the context of preparing its 2020 Biennial Assessment and Overview of Climate Finance Flows [BA]. Following the submissions, the SCF included a section on the definition issues in its 2020 BA. At the latest SCF meeting held in Oct 2021, developing countries had called for COP recommendations to the SCF to continue work on the definition of climate finance. However, developed countries did not agree, and the recommendations of BA 2020 could not be adopted. The fight took place again in Glasgow and developing countries were able to secure the mandate for the SCF for the work.)

On the review of the functions of the SCF, the COP Presidency convened consultations with Parties but the consultations could not be completed. The COP Presidency announced at the closing of the CMA plenary that Parties will continue to consider the matter at CMA4 (in Nov 2022).

BIENNIAL COMMUNICATIONS OF INFORMATION RELATED TO ARTICLE 9(5) OF THE PA

Article 9(5) mandates developed countries to biennially communicate indicative quantitative and qualitative information on the provision and mobilization of projected levels of public financial resources to be provided to developing countries.

During the discussions, key divergences arose on the draft text included language around highlighting concerns around missing elements from the first biennial communications of developed countries and calling on developed countries to improve information in certain specific areas.

(The first biennial in-session workshop on the biennial communication of information was organized in June 2021, following which the UNFCCC Secretariat released a summary report, which was considered by the CMA in Glasgow. During the workshop, developing countries expressed that the information provided by developed countries was still not adequate enough to enable them to prepare their climate action plans and wanted to ensure that the next round of information covers the gaps identified in the workshop report.)

The decision adopted on the matter "recognizes with concern" that not all developed country Parties have provided biennial communications in accordance with Article 9(5) of the PA and urges developed countries to submit biennial communications in 2022.

During the negotiations, developed countries were not in favour of the paragraph and said instead that the paragraph should read that not all developed countries have provided the communications "in time", rather than in accordance with Article 9(5) of the PA. The final decision in this regard is a win for the developing countries.

The decision welcomes "the summary report on the biennial in-session workshop on information to be provided by Parties in accordance with Article 9.5 of the PA held on 11 June 2021 and invites Parties and relevant institutions to consider the key findings and messages contained therein".

The decision adopted also recalls that the "next biennial in-session workshop on information to be provided by Parties …will be held in 2023". The decision also "requests developed country Parties to submit their second biennial communications in 2022…before 31 December 2022".

The decision invites developed countries "to take into account the following areas for improvement identified in the summary report", particularly in relation to:

(a) The indicative projections of climate finance for developing countries and specific plans for scaling up the provision and mobilization of climate finance;

(b) The information provided on projected levels of climate finance and lack of detail on themes, various channels and instruments across the biennial communications;

(c) The information on the shares of projected climate finance for adaptation and mitigation, and on plans for addressing the balance between the two".

The decision also recognizes that developed countries "submitted information…for the first time in 2020 and that improvements based on lessons learned should be considered when preparing biennial communications in 2022, taking into account the areas for improvement identified in the summary report…including enhancing the quality and granularity of information on programmes, including projected levels, channels and instruments, particularly on climate finance for the least developed countries and small island developing States, and on relevant methodologies and assumptions".

REPORT OF THE GCF TO THE COP AND GUIDANCE TO THE GCF

Guidance to the GCF was contentious in the areas around the Board's governance and efficiency, in terms of how prescriptive the guidance should be by referring to issues that the Board was already undertaking work on, and in relation to a paragraph on "unilateral" conditions imposed by the Board on entities from developing countries.

The decision welcomes the reports of the GCF to the COP, "including the list of actions taken by the Board of the Green Climate Fund in response to guidance received from the Conference of the Parties". The decision "reiterates the request to the Board to continue efforts to maintain the balance in the allocation of resources between adaptation and mitigation".

The decision also encourages the "Board to strengthen country ownership and regional management by proactively engaging national designated authorities in all aspects of the project and programme cycle".

The decision "takes note of the exceptional circumstances of the coronavirus disease 2019 pandemic and its significant impact on the implementation of the Board's updated four-year workplan, recognizes the Board's efforts during that period and encourages the Board to continue to improve the efficiency and effectiveness of its work".

(Developed countries had wanted language that encouraged the Board to "further improve the efficiency and effectiveness of its decision-making," but developing countries opposed to this. In the past the GCF Board has been divided over what developed countries refer to as "governance" issues due to delays in arriving at decisions in the Board. Developing countries have countered saying the GCF has processes and rules in place, which the Board follows and the virtual meetings held in 2020 and 2021 due to the Covid-19 pandemic proved difficult especially for the developing countries due to challenges in time zones and connectivity, among others.)

The decision "takes note of the continued efforts of the Board to provide financial resources for activities relevant to averting, minimizing and addressing loss and damage in developing country Parties consistent with the existing investment results framework and funding windows and structures of the GCF, including through the Project Preparation Facility and the Readiness and Preparatory Support Programme".

The decision took note of the "significant number of remaining policy gaps, including updating the accreditation framework including approving the project-specific assessment approach, updating the simplified approval process, approving the policy on programmatic approaches, completing policies related to the investment framework, and addressing matters related to the Private Sector Facility and strategy, as well as outstanding matters from the rules of procedure of the Board, and urges the Board to prioritize closing the policy gaps as a matter of urgency and to explore diversifying its selection of financial instruments for addressing climate risk including parametric insurance for climatic events".

The decision also urges the "Board to finalize in a timely manner its work related to the guidance and arrangements of the COP on financing for forests and alternative approaches".

Under the CMA's guidance to the GCF, Parties requested "the Board to continue to enhance support for mitigation proposals, in line with the governing instrument and investment framework, that support countries in contributing to holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels".

The decision under the CMA also requests the Board "to continue to enhance support for the implementation of adaptation projects and programmes, in line with the governing instrument, informed by national adaptation plans and other voluntary adaptation planning processes, and adaptation communications, including those submitted as components of nationally determined contributions, as applicable, with a view to contributing to the global goal on adaptation to enhance adaptive capacity, strengthen resilience and reduce vulnerability to climate change, and in line with the guiding principles and factors for determining terms of financial instruments".

A paragraph that was contentious was on welcoming the first report of the SCF on the determination of the needs of developing countries related to implementing the Convention and the PA and for the GCF Board to take note of the needs and priorities of developing countries. Developed countries were opposed to including the language in the guidance, and the paragraph was dropped.

Another paragraph proposed by the Africa group read: "Urges the Board to avoid imposing unilateral policy conditions in deciding on the approval of accreditation or reaccreditation of developing country direct access entities as well as funding proposals and to ensure in an inclusive and transparent manner that such approvals are within policy frameworks". Developed countries were not supportive of the proposal and suggested deleting the paragraph adding that there was nothing called unilateral policy conditions that was ever imposed.

The Africa group dropped the paragraph in the spirit of compromise, but with a warning. "We will compromise, but this is an instruction to the Board. Unilateral policy conditions are being imposed by the Board. It is unacceptable that a condition not discussed by the Board was imposed on an entity. We cannot have decision-making with a loaded gun on our head. We will inspect every single condition and will not allow small diversionary tactics by developed countries. This is a warning call. On that basis, we will delete our proposal," said South Africa.

(The Africa group was referring to a condition imposed by Swedish Board member on the reaccreditation of its entity, the Development Bank of Southern Africa. The conditions imposed included a net-zero emissions target no later than 2050 for its reaccreditation. Since there was no consensus on the condition, the entity could not be reaccredited).

REPORT OF THE GEF TO THE COP AND GUIDANCE TO THE GEF

On the COP's guidance to the GEF, the key highlights include the COP calling upon developed countries "to make financial contributions to the GEF to contribute to a robust eighth replenishment of the GEF to support developing countries in implementing the Convention"; encouraged "additional voluntary financial contributions to the eighth replenishment of the GEF", and invited the GEF to "duly consider the needs and priorities of developing country Parties when allocating resources to developing country Parties".

The decision also recognizes that the GEF "does not impose minimum thresholds and/or specific types or sources of co-financing or investment mobilized in its review of individual projects and programmes".

The decision also urges the GEF "to enhance its support for projects that engage with stakeholders at the local level, and to continue to provide funding for projects related to technology training and scale up South–South cooperation and triangular cooperation with the Technology Executive Committee and the Climate Technology Centre and Network".

The decision also requests the GEF, "as part of the eighth replenishment process, to take note of the needs and priorities for climate finance, including those identified in the first report on the determination of the needs of developing country Parties related to implementing the Convention and the PA, nationally determined contributions, national communications and national adaptation plans, as well as in other sources of available information, including the biennial assessment and overview of climate finance flows and other relevant reports".

On the CMA's guidance to the GEF, the key highlights include calls to support developing countries reporting requirements under the enhanced transparency framework (ETF) of the PA. Securing paragraphs on reporting support under the ETF was very key for developing countries in Glasgow.

The decision "welcomes that the Capacity-building Initiative for Transparency…will continue to support developing country Parties, upon their request, in building their institutional and technical capacity for the ETF and encourages the GEF, Parties and implementing agencies to work collaboratively to ensure that this support is delivered in a timely manner".

The decision requests the GEF "to continue to facilitate improved access to the Capacity-building Initiative for Transparency by developing country Parties" and for the GEF "to consider increasing its support for the ETF as part of its eighth replenishment process".

The decision further requests the GEF to contribute to the consideration of the support provided to developing countries by:

(a) Estimating the cost to developing countries of implementing the ETF, which includes establishing and enhancing a reporting system, as well as the full agreed cost of reporting and the cost of capacity-building for reporting;

(b) Considering how to adequately incorporate the costs…into the set-aside of the eighth replenishment process of the GEF, while taking the necessary measures to ensure, as appropriate, that the set-aside does not impact the allocation of resources to developing countries…;

(c) Reporting to the CMA 4 on any actions taken to implement the guidance on supporting developing countries implement the ETF and any changes to the estimated costs;

(d) Reporting to the CMA on activities and provision of support under the Capacity-building Initiative for Transparency and on the provision of support for reporting under the PA, as well as monitoring and reporting on the timeliness of project review, approval and preparation, including disaggregated tracking of each element of project development (from project identification form approval to submission of chief executive officer approval request and disbursement through implementing agencies).

The decision also requests the GEF "to consider combining the application processes for support for producing biennial transparency reports, including by considering raising the funding ceiling of expedited enabling activity projects, and for Capacity-building Initiative for Transparency projects, as appropriate, and by developing an expedited process for projects related to preparing biennial transparency reports".

Parties also welcomed the "contributions made by developed country Parties to the Least Developed Countries Fund, amounting to USD 605.3 million, and encourages additional voluntary financial contributions to the Fund and the Special Climate Change Fund to support adaptation and technology transfer".

FOURTH REVIEW OF THE ADAPTATION FUND (AF)

In the decision that got adopted, the CMP decided that the fourth review of the Adaptation Fund (AF) will be undertaken in accordance with…the terms of reference (ToR) agreed by Parties for the review. The ToRs cover the objective, scope and sources of information for the review.

In the proposed draft decision on the 4th Review of the AF, discussions were contentious around the scope for the review. Under the ToRs, the scope of the review included language on "eligible" developing countries. The corresponding language read: "The provision of sustainable, predictable, accessible and adequate financial resources and the mobilization of financial resources to fund concrete adaptation projects and programmes that are country driven and based on the needs, views and priorities of [eligible] developing country Parties". Developing countries did not support the inclusion of the word 'eligible' and in spite of objections by the United States (US), to not delete the word. Developing countries were successful in removing the word in the final decision that got adopted because the US is not a Party to the Kyoto Protocol, and therefore, could not block the decision of the CMP. Developing countries wanted the word 'eligible' to be deleted, as this would imply that not all developing countries are eligible to AF funding, which in their view is contrary to the KP.

Divergences also emerged over whether to reflect the AF serving the PA in the draft decision text, as well as over the CMA having a say on the review, (commonly referred to as the 'governance' issue.) Developing countries were not in favour of including the CMA since the review is under the CMP. However, developed countries wanted a reference to the CMA, given that the AF currently serves both the Kyoto Protocol as well as the PA. References to the AF serving the PA remained in the decision that was adopted.

(At COP 24, it was decided that the AF shall exclusively serve the PA and shall no longer serve the KP once the share of proceeds from the mechanism under Article 6.4 of the PA becomes available. Article 6.4 establishes a mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development for use by Parties on a voluntary basis.)

The decision "takes note of decision 13/CMA.1, stating that the AF shall serve under the guidance of, and be accountable to, the CMA with respect to all matters relating to the PA, effective 1 January 2019, subject to the decision on this matter made by the CMP, and notes decision 1/CMP.14, in which it decided, inter alia, to ensure that developing country

Parties and developed country Parties that are Parties to the PA are eligible for membership on the AF Board".

The CMP also requested the SBI "to complete its work on the fourth review of the AF at its fifty-seventh session, while welcoming the participation of Parties to the PA, with a view to recommending a draft decision on the matter for consideration and adoption by CMP 17". The CMP also invited the CMA to consider the outcomes of the review at its fourth session.

Parties also welcomed the voluntary contributions to the AF from several countries equivalent to USD 356 million.