

The major finance issues for the Glasgow climate talks

Glasgow, 31 Oct (T. Ajit)- There are several important matters related to climate finance on the agendas of COP 26 and CMA 3, as well under the meetings of the Subsidiary Body for Implementation (SBI) as well as the Subsidiary Body for Scientific and Technological Advice (SBSTA).

We set out below some of the key issues to be discussed during the two-week duration that begins on Oct 31 to Nov 12.

USD 100 BILLION GOAL

Two key events are planned, which are expected to deliberate on the delivery of USD 100 billion per year by 2020, which is critical for the success of Glasgow. This 2020 finance goal got shifted to 2025 in Paris. The events include the 4th biennial high-level dialogue on long term climate finance planned on 4 Nov and 1st high level ministerial dialogue on climate finance under the CMA on 8 Nov. In issue will be if the pledges of further finance from developed countries will be realized in real terms.

LONG-TERM CLIMATE FINANCE (LTF)

At COP 25 in Madrid, a key issue under the LTF was a proposal by developing countries, led by the G77 and China, for its continuation beyond 2020 with COP 26 agreeing on its modality, along with a status report on the USD 100 billion per year by 2020 goal. Developed countries on the other hand had opposed to the continuity of the LTF discussions beyond 2020, given that this is a process under the Convention and that the Paris Agreement deals with the post-2020 timeframe.

Developing countries countered this saying that the issue of LTF does not end in 2020. With no consensus at COP 25, rule 16 of the UNFCCC's Rules of Procedure was applied which means that any item on the agenda whose consideration was not completed at a session would be included automatically in the agenda of the next session. Discussions are likely to be contentious over the continuation of LTF under the COP as well as the focus of the work under the LTF.

NEW COLLECTIVE QUANTIFIED GOAL ON FINANCE

In the decision adopted in COP 24, Parties had agreed to initiate in 2020, deliberations on setting a new collective quantified goal from a floor of USD 100 billion per year. In the same decision, Parties had also agreed to consider in their deliberations "the aim to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."

Since Parties did not meet in 2020 due to the COVID-19 pandemic, discussion on the goal will be key at COP 26. Developing countries are expected to call for a roadmap to be agreed towards setting the new collective quantified goal. Also, proposals by developed countries asking developing countries to also contribute to the goal are likely to be contentious, since under the Convention and the Paris Agreement, it is the

obligation of developed countries to do so, and not developing countries.

MATTERS RELATED TO THE STANDING COMMITTEE ON FINANCE (SCF)

Discussions on SCF matters would be focused on the review of the functions of the SCF and the COP is expected to make recommendations on all aspects of its work, which includes the SCF's two flagship reports i.e. the biennial assessment and overview of climate finance flows 2020 (BA 2020) and needs determination report of developing countries (NDR). Guidance to the Green Climate Fund (GCF) and Global Environment Facility (GEF), the operating entities of the Financial Mechanism of the Convention, are also likely to be discussed as part of the review of the functions of the SCF.

Both the reports as well as guidance to the GCF and GEF are expected to be challenging for developing countries.

The NDR report is a historic report since this is the first ever report on the determination of the needs of developing countries for implementation of the Convention and the Paris Agreement. The report states that the finance needs of developing countries are in trillions of US dollars. According to the executive summary of the NDR, "NDCs from 153 Parties...cumulatively amounting to USD 5.8 trillion to USD 5.9 trillion up to 2030. Of this amount, USD 502 billion is identified as needs requiring international sources of finance and USD 112 billion as sources from domestic finance." (See related [TWN Update](#).) Following the adoption of the report, the US SCF member had objected to forwarding the report to the COP. It can be expected that there will be discussions on the report of the SCF as well as recommendations emerging from the NDR report.

In relation to the BA 2020, the SCF failed to send recommendations to the COP and CMA owing to differences in the committee over whether the SCF should continue to work on the operational definition of climate finance as well as recommendations on making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development referred to in Article 2.1(c) of the Paris

Agreement). (See related [TWN Update](#).)

The BA 2020, which provides an updated overview of climate finance flows in 2017 and 2018, revealed that the total public financial support provided by developed countries in their biennial reports (BRs) amounted to USD 45.4 billion in 2017 and USD 51.8 billion in 2018. It also showed that mitigation finance constituted the largest share of climate-specific financial support through bilateral channels at 65 per cent and the share of adaptation finance increased from 15 per cent in 2015–2016 to 21 per cent in 2017–2018. The report also revealed that "Adaptation finance has remained at between 20 and 25 per cent of committed concessional finance across all sources, showing little movement since the previous BA."

It is likely that discussions around further work on the operational definition of climate finance and Article 2.1 (c) of the Paris Agreement will be central as regards the BA.

On the guidance to the operating entities, the SCF could not agree on forwarding draft guidance to the COP because of differences in views among its members. Developed countries can be expected to question SCF's role in continuing to give guidance to the operating entities.

The guidance to the GCF and GEF which are separate agenda items under the COP and CMA. Discussions particularly on the guidance to the GCF are expected to be difficult, primarily on a range of issues as regards facilitating easier access to climate finance, imposition of unnecessary conditions on funding proposals by the GCF Board as well as imposing conditions on entities that apply for accreditation to do business with the Fund, and adaptation funding proposals being delayed or denied funding due to the lack of "climate rationale", among other issues. (See related [TWN Update](#).)

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

Article 9.5 of the Paris Agreement 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.

The first biennial in-session workshop on the biennial communication of information in this regard was organized in June this year, following which the Secretariat released a [summary report](#). During the workshop, participants shared views on the information included in the first biennial communications and discussed how to improve the predictability and clarity of information on financial support for implementing the Paris Agreement. Developing countries had expressed then that the information provided by developed countries were still not adequate enough to enable them in their climate action plans.

COP 26 will look at the workshop report and take a decision that is likely to influence future biennial communications. Developing countries are expected to highlight that their needs and priorities must be considered in this regard.

ADAPTATION FUND

Discussions on the Adaptation Fund (AF) matters will convene under the SBI. There are primarily two issues; one in relation to the membership of the AF Board and the other on the fourth review of the AF.

On the membership of the AF Board, the discussion is around changing the composition of the Board. Currently, developing countries hold the majority seats in the AF Board and the discussion on changing the composition stems from expanding the membership to include Parties to the Paris Agreement. (The current members of the AF Board are Parties to the Kyoto Protocol and since the AF now serves the PA, Parties to the PA who are not Parties to the KP, such as the US, Canada, Australia, Japan, want a say in matters of the AF).

In relation to the fourth review of the AF, developing countries are expected to raise the issue of predictable sources of funds. Earlier reviews of the AF have concluded that the Fund works well but does not have any reliable source of income. The AF used to rely on a 2 per cent share of proceeds from Certified Emission Reductions (CERs) issued under the

KP's Clean Development Mechanism, but with the fall in the prices of CERs, the Fund relies largely on voluntary contributions from developed countries.

TRANSPARENCY OF SUPPORT

Matters on transparency of support of the Paris Agreement's Enhanced Transparency Framework will be discussed under SBSTA. Key matters include avoiding additional burdens on reporting by developing countries (such as project level data) and how developed countries reflect grant equivalency in their reporting. Including information on the grant equivalency of the financial instruments used was a hard-won fight for developing countries in COP 24, (see [related update](#)) and discussions on how the reporting tables capture such information will be important at COP 26.

(In 2020, Oxfam had released a report titled, "Climate finance shadow report 2020: Assessing progress towards the \$100 billion commitment". The report had stressed on how numbers change when calculated on a grant equivalence basis and gave examples of contributions by Japan and France which had reported climate finance support to developing countries worth USD 9.7 billion and USD 4.8 billion. The numbers when calculated on a grant equivalent basis changed to about USD 5 billion and USD 1.3 billion respectively. See [related update](#).)

For developing countries, the success of Glasgow will depend on how the issues related to climate finance are resolved and what decisions/outcomes will be delivered in concrete terms. Making more promises will not be sufficient. What is needed are clear deliverables.