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Divergences over climate finance issues

Glasgow, 4 Nov (TWN) – At the Glasgow climate talks, finance negotiations continue to witness divergences among developed and developing countries under some key issues such as Long-term finance (LTF) and the fourth review of the Adaptation Fund.

These discussions are taking place under COP 26, the 3rd session of the Conference of the Parties to the Paris Agreement (CMA 3) and 16th session of the Conference of the Parties to the Kyoto Protocol (CMP 16).

LONG TERM FINANCE

In a contact group convened on 2 Nov on LTF, differences arose over whether the LTF agenda under the COP should continue and what the focus of its work should be.

Developing countries were in favour of continuing the agenda item under the COP and proposed a range of different areas of the work for the LTF, while developed countries said that the discussions in LTF were duplicative of discussions under Article 9(5) of the Paris Agreement (PA), and hence there was no need for the LTF agenda under the COP.

(Article 9(5) of the PA 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.)

Ecuador for **G77 and China** explained the rationale behind the LTF agenda continuing under the COP saying that the LTF had a work programme which ended in 2020, but this did not mean the agenda itself ends, since there is further work to be done. The focus of the discussion on Article 9(5) under the CMA is ex-ante communication of information on provision and mobilization of finance, while the focus of the LTF agenda under the COP is ex-post information and assessing that ex-post information in order to ascertain whether the USD 100 billion per year goal by 2020 was met or not.

(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. But there was no agreement on the proposal.)

Ecuador also said that while there had been independent reports which claimed that the USD 100 billion goal was not met, there was no process under the Convention to assess the delivery of the goal or to draw lessons from the experience. It further clarified that under the decision adopted in Paris in 2015, the 2020 finance goal got shifted to 2025, and therefore, the LTF work under the COP would be to assess the goal until 2025, through a system of regular reporting.

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Third World Network is an independent non-profit international research and advocacy organization involved in bringing about a greater articulation of the needs, aspirations and rights of the peoples in the South and in promoting just, equitable and ecological development.

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Gabon for the **Africa Group** outlined their expectations of a decision on the LTF under the COP. It said the decision must have clear language requesting the Secretariat to initiate a process of monitoring and reporting and the COP considering progress made on the delivery of the USD 100 billion per year goal. Gabon stressed that the process was important to inform Parties' understanding of whether or not developed countries were in compliance with their obligation. The decision must underscore the importance of agreed eligibility and access criteria for all developing countries and there must be language stating concerns around imposition of new policy conditions for accessing climate finance, said Gabon, adding further that there was no link between the LTF and the Article 9(5) process because the LTF was about taking stock of the delivery obligations of the developed countries.

India for the **Like-Minded Developing Countries (LMDC)** said climate finance discussions should reflect trust, ambition and transparency. Continuation of LTF under the COP would ensure trust; the process must undertake ambitious augmentation of finance provision which takes into account the needs and priorities of developing countries; and transparency achieved via a multilaterally agreed definition of climate finance, which should be reflected in the LTF decision. It also said that conversations on the USD 100 billion seemed as if it was the end goal and reminded Parties that the goal was to mobilise USD 100 billion per year by 2020 (from 2010) and that there is a USD 720 billion lack of unfulfilled commitments on the part of developed countries. India reminded Parties that the PA is not exclusive of the Convention and that the PA is a part of the Convention.

Brazil for **Argentina, Brazil and Uruguay (ABU)** said the LTF is the only process under the Convention where Parties could deliberate on the issue of the climate finance architecture, focusing on the USD 100 billion goal and how to scale up provision and mobilization of resources for climate action in developing countries. It suggested that COP 26 must adopt a decision to renew the LTF work programme to assess the achievement of the USD 100 billion per year goal and that the absence of a clear definition of climate finance prevents an accurate assessment.

Malawi for the **Least Developed Countries (LDCs)** stressed the need for developing countries to be supported ambitiously in return for expectations of scaled-up climate action. It stressed the need to see linkages between the LTF discussions and science; for the LTF discussions to factor in the Needs Determination Report (NDR) by the Standing Committee on Finance (SCF) and draw lessons from the USD 100 billion per year goal. It also said that the LTF decision could have an element around the definition of climate finance to be able to track the inflows and outflows. Malawi also wanted the issues around access to climate finance and finance support for adaptation and loss and damage to be captured in the LTF decision.

Antigua and Barbuda for the **Alliance of Small Island States (AOSIS)** suggested extending the LTF to track the USD 100 billion per year goal and added the obligation was established in Cancun (in 2010) and therefore, it could not be met under the framework of the PA. Further, it said that there was no duplication with the Article 9(5) architecture. AOSIS also stressed that without transparency, there could be no accountability and that Parties must discuss the extension of the LTF so that the objectives of transparency and accountability could be met.

Colombia for the **Independent Alliance of the Latin America and Caribbean (AILAC)** highlighted the need for additional grant-based finance and for financing loss and damage adding that there is need to talk of not just quantity but also the quality of climate finance flows and called for a UNFCCC synthesis report on the USD 100 billion goal. It further stated that the annual synthesis report should assess the delivery of the goal from 2020 to 2025, and for those reports to feed into the Global Stocktake (under the PA).

South Africa called for an LTF decision under the COP and added that the nature of deliberations should be such that there would be a technical and political process which should be captured in the decision. It said that the LTF agenda also needs to look at the broader agenda of finance as anchored in Article 4 of the Convention, besides focusing on the USD 100 billion per year goal, and issues around access and scaling up climate finance.

China also supported the extension of LTF under the COP and said that developed countries should put forth specific arrangements for enhancing the clarity, adequacy and predictability of climate finance. It also stressed on the need for Parties to arrive at a common definition of climate finance.

European Union (EU) said the delivery of finance needs to take place under the CMA and submissions by Parties under Article 9(5) of the PA, which gave Parties the technical and political space to discuss all matters of finance. It said that it did not support the extension of the LTF in its present form and called for a decision to reflect that the LTF ended in 2020.

Switzerland echoed the EU and said the conversation should move to the CMA and for efforts not to be duplicated. **Japan** stressed that the LTF agenda under the COP must end at COP 26, and that it was eager to continue the discussion in the coming years under the CMA. Japan clarified the reason for this move stems due to Parties being in the PA implementation phase.

The **United States (US)** said that 2020 was behind us and the LTF item under the COP would be duplicative, adding that every piece of the finance architecture had been replicated under the CMA, besides the new item under Article 9(5), looked forward to discussing matters under the CMA. The US also said that reflections on the USD 100 billion remain available such as reports from the Organisation of Economic Cooperation and Development (OECD), the 'Biennial Assessment' and 'Overview of Climate Finance Flow' reports by the Standing Committee on Finance (SCF), biennial reports and information under Article 9(5), which were continuing under the CMA. **New Zealand** and **Canada** also suggested moving the discussion to Article 9(5) under the CMA.

Discussions on the matter will continue this week.

ADAPTATION FUND

Discussions on the fourth review of the Adaptation Fund (AF) turned contentious at the informal consultations convened on the issue on 3 and 4 Nov. Divergences 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.)

(The AF currently serves both the Kyoto Protocol (KP) and the PA. 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. Negotiations on the share of proceeds are currently ongoing in Glasgow. 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).

Ecuador spoke for **G77 and China** and said that like in previous reviews, the focus of work for the fourth review was on performance of the AF, rather than on governance, adding that focus on governance would change the scope of the review and is a different discussion. It reiterated that the focus should be on whether the AF was responding to needs of developing countries.

South Africa for the **Africa Group** clarified that they were discussing the draft conclusions of the Subsidiary Body for Implementation (SBI) to the CMP and stressed that the line of authority to the CMP should be respected. It also said that Parties had already decided that the AF would serve the PA and therefore, there was nothing left to review at this stage in relation to that particular decision. The review should be on how developing countries are meeting the full costs for adaptation projects and whether their needs are being served, and it is not relevant if the AF serves one body or two bodies, said South Africa further. It also said that it was against any language that makes reference to the PA in relation to the fourth review of the AF.

India for the **Like-Minded Developing Countries (LMDC)** said the focus of the review should be on performance, adequacy of funds and scaling up funds and underscored that adaptation was no longer an option for developing countries and the Convention and the PA make it abundantly clear that financing adaptation was a legal obligation of developed countries.

Antigua and Barbuda for the **Alliance of Small Island States (AOSIS)** added the scope of the review should not be expanded to any matter that was still under discussion elsewhere (in reference to Article 6 of the PA on cooperative approaches and the share of proceeds to the AF) and that the group prefers not to negotiate matters through any backdoor.

Brazil for **Argentina, Brazil and Uruguay (ABU)** said the fourth review of the AF is an important opportunity to improve the collective effort to address gaps in funding and that the review should provide Parties with valuable information on the functioning of the Fund. It cautioned that the review should not revisit governance arrangements nor eligibility criteria of Parties under the AF.

Egypt said that while the third review's terms of reference (TOR) could be the basis for the fourth review and in doing the review itself, Parties need to be clear that the CMA has no authority on the AF. The time for authority will be when the share of proceeds from the Article 6 mechanism would become effective, and suggested that Parties not overload the discussion with political or controversial issues.

The **European Union (EU)** said that the AF had been serving the PA for two years now and the review should reflect this fact, adding that while there was broad convergence on the elements of the TOR of the fourth review, the CMA had a role to envisage transition of the Fund from the KP to the PA.

Norway suggested that the TOR from the third review could serve as the basis for the fourth review, adding that since the AF serves both the AF and KP, there is a need to explicitly mention that the review would be undertaken under the CMA. It said it did not see a need for anything more than factual updates since the third review.

The **United States (US)** said the decision should reflect how the AF has been serving the PA and also called for this to be included in the TOR of the fourth review.

Following discussions, a draft text on the fourth review, including the TOR, was presented to Parties, where references to the CMA were bracketed.

Parties are expected to continue deliberations on the matter this week.