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Developing countries oppose EU proposal to sunset long-term finance discussions

Kathmandu, 8 June (Prerna Bomzan): At an in-session workshop on 'long-term climate finance' held under the UNFCCC, developing countries expressed their firm opposition to a call by the **European Union (EU)** to sunset discussions on the matter under the Convention.

(The long-term finance- LTF- work programme was first launched in 2011 at the 17th meeting of the UNFCCC's Conference of Parties).

At the workshop held on 7 June by virtually, **Gabon**, for the **African Group**, in a strong rebuttal to the **EU**, made clear that LTF includes the addressing the goal of mobilizing USD 100 billion per year by 2020 by developed countries, which is far from being fully met. Since the goal's new deadline for fulfilment was extended to 2025 (via a decision in Paris in 2015), it questioned how the matter could be sunset, when its elements have yet to be fulfilled, and stressed the importance of continuing the LTF agenda under the Convention.

Other developing countries supported the **African Group** and also explicitly called for continuation of the LTF agenda beyond 2020, including the **Like-Minded Developing Countries (LMDC)**, **Argentina, Brazil, Uruguay (ABU)**, the **Least Developed Countries (LDCs)** and **Guinea** in its national capacity.

The developing countries were responding to an intervention by the **EU** that called for the discussions on the LTF agenda to be sunset. (See further details below).

The in-session workshop was co-facilitated by **Zaheer Fakir (South Africa)** and **Georg Borsting (Norway)**. Opening remarks were made by UNFCCC Executive Secretary **Partricia Espinosa**

and Chief Negotiator of the **COP25 Presidency Julio Cordano (Chile)**.

Espinosa expressed frustration that the USD100 billion per year by 2020 commitment (by developed countries) remains unfulfilled for more than 10 years. The pledge, she added was one of the main elements ensuring the adoption of the Paris Agreement (PA). The non-fulfilment of the goal was "unacceptable", given that for more than a decade later, "we are still talking about it", despite the experiencing the highest concentration of greenhouse gas emissions ever; extreme weather events that decimate countries with greater intensity and the most vulnerable people continue to suffer and lose lives, she said further.

The Executive Secretary added that the world has suffered from the COVID-19 pandemic, and that there were valuable lessons that show that climate impacts are likely to be far worse, highlighting that global emergencies do not stop at national borders, and that multilateralism is the only step forward. **Espinosa** stressed further that if we are to achieve success at COP26 (the 26th session of the UNFCCC's Conference of Parties), we need this commitment (of USD100 billion) to be met and it would be a signal as to whether future commitments under the PA can be trusted.

Cordano (Chile) also said that the USD100 billion commitment was overdue with almost a decade of discussing the issue. He looked forward to practical views and efficient discussions on what has been done, what could and should be improved and what other tools and methodologies needed to be identified. He highlighted the need to assess the volume of finance to developing countries, the imbalance between mitigation and adaptation finance, timely and adequate finance, how to make sure public finance is an enabler and multiplier in

a complementary manner and how financial instruments and sources can be articulated in a fair approach. Cordano stressed on achieving more clarity on LTF and that the credibility of UNFCCC was at risk if there were no clear and adequate deliverables at COP 26 in Glasgow.

(The 2020 in-session LTF workshop was designed to be held in two parts. Part 1 of the workshop was conducted virtually on 27 Nov 2020 and part 2 was organized in conjunction with the ongoing sessional meetings of the UNFCCC's Subsidiary Bodies. COP24 in 2018 had mandated the annual in-session workshops in 2019 and 2020. The LTF work programme comes to an end in 2020.

At COP25 in Madrid in 2019, developing countries led by **G77 and China** wanted a decision on the LTF to continue deliberations on climate finance under the COP beyond 2020. This was met by strong opposition by most of the developed countries of the **Umbrella Group**. With the impasse, the agenda item concluded with the application of Rule 16 the UNFCCC's Rules of Procedure, where if an item on the agenda of a session's consideration has not been completed at the session, it shall be included automatically in the agenda of the next session. Given postponement of COP26 in 2020 due to the ongoing pandemic and consequent pending decision, the crux of the issue is whether the LTF would now be addressed under the COP, post-2020).

At the current in-session workshop, on the mobilization and delivery of the USD100 billion goal, co-facilitator **Fakir** reported on the key findings from part I of the workshop as follows:

(a) Mitigation finance continues to represent over two-thirds of total climate finance provided and mobilized, while loans represent the larger proportion of public climate finance provided and mobilized. In addition, middle-income countries have benefited most from the climate finance provided and mobilized, and the LDCs and SIDS (Small Island Developing States) have received the larger share of adaptation finance;

(b) The net financial value of climate finance provided to developing countries may be less than half of that reported by developed countries after adjusting for grant equivalence.

The substantial part of the workshop was dedicated to three breakout group discussions, each facilitated

by a moderator. At the breakout group discussion moderated by **Amr Osama Abdel-Aziz (Egypt)**, **Gabon** for the **African Group** highlighted about the lack of a clear definition of what constitutes climate finance, and stressed the crucial need for moving forward from a generic version to a more detailed definition with several elements, entrusting the role to the Standing Committee on Finance (SCF) to elaborate this further.

The African Group shared that private sector finance is still lagging behind despite innovative sources of financing and that the multilateral development banks (MDBs) continue to have a huge role in channelling climate finance which comes with eligibility criteria to access finance. It stated that the USD100 billion goal clearly is far from being met, even with relaxed assessment and called for raising ambition by developed countries. Giving the context of COVID-19 pandemic situation and the resulting financial stress faced by many developing countries especially in terms of debt, the Group said that more loans provide less appetite for decision-makers in developing countries, and cautioned about how much of the USD100 billion comes through in the form of loans and grants, as well as how much for mitigation and adaptation with lesser finance going to the latter. Gabon reiterated the Group's position that finance is the cornerstone and that it is essential to move from ambition and targets into implementation on the ground.

It also said that the SCF's 'Needs Determination' report will play a major role in completing the picture of climate change action. It clarified that the developing countries' national adaptation plans (NAPs), nationally determined contributions (NDCs), national adaptation programmes of action (NAPAs) of LDCs, are the ingredients for financing the needs of developing countries while responsiveness must come from the climate finance providers (developed countries).

India for the **LMDC** clarified that the USD100 billion is a mobilization goal while Article 4.3 of the Convention talks about the provision of climate finance. It called for the need to have an assessment report of how much of the goal has been achieved, delving then into the definition of climate finance, highlighting the elements of 'new and additional finance' and 'grants'. It also said that there is a very skewed approach against adaptation initiatives. It also stressed on the importance of trust, ambition

and transparency and on the scope, speed, scale of climate finance.

India said that achieving ‘trust’ through continuation of LTF is vital, while ‘ambition’ should be reflected through the scope, speed, scale of the new collective goal for finance, while ‘transparency’ required a multilaterally agreed definition of climate finance. It further highlighted Articles 4.7, 4.8 and 4.9 of the Convention relating to commitments of the developed countries on both finance and technology transfer. It added that signals from climate finance providers are not sufficient enough for proper enhancement of adaptation finance.

Gambia for the **LDCs** also said that mobilization of finance and implementation of actions are not taking place at scale and speed required, especially for adaptation, with support to address loss and damage being very minimal. It stated that a big portion will have to be repaid since they involve mostly loans and highlighted that only few funds reach local level, and called for more support for local level climate action. Gambia also called for channelling funds to the Green Climate Fund (GCF) and other funds for developing countries, stressing the need to scale up grant-based support to reverse current trend in the share of loans and also highlighted that many countries are facing debt crisis.

The **Alliance of Small Island States (AOSIS)** called for transparency and accountability as regards the USD100 billion, adding that there is no way of tracking finance especially to SIDS. It underlined that access continues to be a challenge with burdensome procedures and lack of flexibility, particularly for local organisations. It highlighted that the main issue in relation to finance is about public policy with high ambition in developed countries, which will send the right signals to drive investments. AOSIS also said that SIDS were battling to get grants and faced eligibility criteria problems, adding that crisis struck countries cannot be subject to criteria based on GDP per capita.

Brazil for **ABU** stressed that provision and mobilization of climate finance should be new and additional with a clear balance between mitigation and adaptation. It also questioned about lack of comprehensive data, common definition and accounting method which posed additional challenges to track progress on the finance mobilization goal and financial flows. It also called

for a mandate to be given to the SCF to complete a synthesis report on the USD100 billion goal. It recalled that at COP25, some developing countries had wanted such a review by end of 2021 at the earliest and that at COP26, there is no time to lose, considering the need to address the new collective finance goal. It also called for a decision to continue the LTF work programme (beyond 2020).

Guinea in its national capacity commented on the uncertainty of climate finance definition given the repayment of loans, and that mitigation has been over prioritised while adaptation has been marginalised. It agreed only few funds have reached local level and on the lack of information on finance mobilized and provided, calling for predictability to ensure ambitious climate action.

Sweden said that it has seen encouraging developments in relation to finance mobilization and from its country perspective, financial actors are aligning their decisions and investments in line with the PA. It said that in moving forward, the country will introduce regulatory measures and investment pipelines which support the goals of the PA and for scaling up finance. It highlighted that one key lesson to learn is the integration of climate actions into its national process and development cooperation.

Australia said that exploring lessons learnt on the effectiveness and impact of finance would be useful in setting the new collective finance goal. It said trillions of dollars are required for low-carbon pathways and climate resilience, and hence, relying on public finance alone is not possible, adding that action by all countries and both, public and private finance is needed. It recognized grants particularly for adaptation, but given the scale of the challenge, it was essential to involve wide range of instruments and broad range of sources. It also looked forward to the SCF’s ‘Needs Determination’ report in terms of not only quantitative but also qualitative needs as well as the tools and methodologies to determine the needs. It recognized the need for increased adaptation finance and that it is a priority for its region especially in the Pacific with over 70% of its bilateral and regional funding towards adaptation, focusing on SIDS and LDCs.

Nepal agreed on the need for a common definition for climate finance and pointed out that the LDCs prepared their NAPAs and are still awaiting funding, with the LDC Fund and the Adaptation Fund still remaining empty. It commented on lack

of private sector participation especially on adaptation actions, as well as a lack of financing for loss and damage. It pointed out that LDCs were spending a lot of resources addressing extreme events.

Uganda highlighted need to stress the difference between LTF and official development assistance (ODA), with the former being “additional” to ODA. It also stressed on capacity-building to access financial resources.

The **United States (US)** commented that it was not constructive to focus on the provider and recipient problem (referring to previous interventions by developing countries) but rather on true and genuine partnership. It stressed the importance of strong national financing frameworks and alignment of developing countries’ NDCs. On the issue of adaptation finance, it said that the real issue is of mainstreaming of broader infrastructure projects and planning towards climate resilience. Responding to the **US**’ comment on ‘mainstreaming’, **Malawi** clarified that developing countries have already ‘mainstreamed’ climate change in their NDCs, NAPs and NAPAs, and that it was now time for implementation.

At the closing plenary on reflections, the **African Group** reiterated that it’s not the developing countries’ responsibility anymore with their NDCs, NAPs, NAPAs already put forward and that the developed countries have more responsibility in terms of providing finance. It recalled that in Madrid, the African Group wanted the continuation the LTF discussions, and once again, it expected this as a major outcome of COP26.

The **EU** said that it has managed to scale up private finance and as regards definition of climate finance, there was already a good, operational definition and that there was no need to task the SCF further on defining this. It said that it did not want to shift responsibilities to developing countries but stressed that the mainstreaming of climate policies and creating an enabling environment including in addressing fossil fuel subsidies and carbon pricing do matter. On adaptation finance, it said that the recipients have to prioritise this because there has to be demand for this in the project pipeline. It called the LTF discussions to be sunset.

In response to the **EU**, the **African Group** clarified that bankable projects entail eligibility criteria by providers (developed countries) and access to finance, which eventually impact implementation

of action. It firmly objected to sunset of the LTF discussions.

In his closing remarks, chief negotiator of the COP26 Presidency **Archie Young (United Kingdom)** presented a brief summary of what he picked up which included the importance of meeting the USD100 billion goal, increasing access to finance, scaling up adaptation finance and climate finance as a whole. He said that the priority for the UK is to continue efforts to increase mobilization specifically for the USD100 billion and added that the UK is cognizant of the finance agenda in COP26. He shared that the G7 finance ministers committed to increase and improve climate finance through 2025, including for adaptation finance and said that the UK had also increased its dedicated public finance to USD11.6 billion for the period 2021-2025. He further stated that they looked forward to picking up the agenda at the 4th Long-term Finance Ministerial Dialogue at COP26.

More information about the outcomes and negotiations at UNFCCC from 2007 to 2019: <https://tinyurl.com/3p6tw5vx>