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Deep North-South divide over approaches to bridging climate finance gaps beyond 2012

Bonn, 24 May (Marjorie Williams)- Developing countries with one voice called for concrete specification of the nature and sources of filling the financing gaps to address climate change, which will emerge after the Fast Start Finance period ends in 2012.

Developed countries insisted that developing countries will not "fall off the cliff" as they are committed to financing beyond the 2012 period. Many developing countries countered that they were not so much interested in not falling down but in taking off and building up on the financing needed relatively to the growing set of obligations they have taken on and in helping them meet the challenge of deteriorating climate.

Developed countries also reacted cautiously to a suggestion by AOSIS (viewed favorably by a number of developing countries) for a political commitment to another round of three-year fast start financing as a concrete way of beginning to bridging the widening financing gap.

While the EU appears to be neutral to the AOSIS call for another 3 years fast start financing, the US was emphatic that fast start finance was a specific one-time commitment and would not set precedence.

The US also noted that the 2020 goal of mobilizing $100 billion was made in the context of meaningful mitigation actions for 2020. It said that there is symmetry between the finance provision and the mitigation provision for the year 2020. Thus, if developing countries want to have a mid-term finance target then it asked if they were willing to have a midterm mitigation target?

Many developing countries noted that the $100 billion was inadequate and there were no concrete steps as to how it would be sourced or how it would be distributed. It was not based on science or assessment of the needs of developing countries.

The lively exchanges occurred in the AWG-LCA contact group to focus on 'finance' on May 23, 2012, which saw an 'airing of views and proposals on how to address the political content of the financing gap'.

Developing Parties were reminded by developed countries that the $100 billion per year by 2020 was a goal.

Colombia went as far as stating that in the new post-2020 regime (under the Durban Platform) it was prepared to and expected that developing countries would contribute to the financing of climate change activities (according to their respective capabilities).

Algeria expressed the deep concern of the **African Group** that the discussion was not more focused. It noted that partners are not willing to move on developing countries' important and crucial concerns, especially around their economic and natural vulnerability. It said that the African Group hopes to get somewhere on this issue and would table a Conference Room Paper document on the issue.

The **Philippines** said that what it expected from Cancun and Durban is the scaling up of resources and not the same old resources. It noted that the $100 billion is not a commitment but a commitment to a goal of mobilizing jointly and depended on whether developing countries will take meaningful mitigation actions subject to transparency. This money would come from all sources ('even our pocket, especially if is loans'). The Philippines said that the $100 billion had no scientific basis nor was it based on any assessment or determination of what is needed or required to meet the objective of the convention and so should be looked at as a floor and not as a ceiling.

Further, it noted that the scaling up is new and additional relative to what was there before. The Philippines pointed out that $100 billion annually by 2020 would be dependent on whether developing countries will take meaningful actions and developing countries have agreed to undertake Biennial Update Reports, International Consultation and Analysis, and guidelines for the domestic measuring reporting and verification (MRV) of domestically financed mitigation actions. Hence the obligations are already there. Noting that the registry for the mitigation actions of developing countries is subject to the availability of resources to provide assistance to developing countries and that developing countries still do not know how NAMAs are going to be funded, the Philippines said that the gaps must be met with new and additional financing. The Philippines said that it would join Algeria in tabling the CRP document with specific suggestions on what will happen after 2012 and up to 2020 for financing.

Egypt: in its intervention said that all developing countries are talking about a 'taking off approach' while partners are taking about a 'not falling down approach'. 'Developing countries wanted to build on what we have and move forward.' Egypt said that the discussion was about quantification, scaling up, ensuring predictability of finance. It noted that the work program doesn't have anything about quantifying how to deal with the gap—to better understand the gap between 2012-2020. In reference to the US's remarks, Egypt noted that the $100 billion was not set with mitigation goal and that a midterm goal for mitigation is something new. Egypt flagged that the elements (Biennial report, registry and ICA etc.) mentioned by the Philippines will need funding and noted that there is no clear strategy on how this will happen. Egypt said that it will look at Barbados' suggestion but it noted that developing countries wanted something to build upon and that clarity and credibility are what are important.

China said that in the Bonn session, partners are not working in a cooperative way and that the contact group is stuck. China said that there are many gaps: Gaps in needs and obligation, commitment and fulfillment to developing parties and the more pressing gap between 2012 and 2020. It said that in the Durban decisions, there was only a short sentence that affirmed finance and that this was not adequate to meet the concerns of developing countries and the challenges ahead. Thus there was need for more visible funds and funding arrangements. China strongly requested that developed countries make commitment in Doha on a scaled up basis for at least the next three years.

Ecuador said that there was a need to ensure balance between adaptation and mitigation financing. With regard to sources, Ecuador said there was a need for a spin-off group on the delivery of finance. It also flagged the need for a draft decision with respect to the COP and the GCF and the potential role of the Standing Committee to coordinate with the GCF. There was also the need for a system to assess financial contributions and to measure what will happen during the transition period (between the fast start finance and the post-2020 regime 2012-2020) and beyond.

Bangladesh said that the gap has to be met incrementally and that the $100 billion needs to start from 2013 adding $11 billion or so accumulating to $99 billion. It said that this was big billions and there was need to talk about the sources— where will if flow from. There are a good number of sources already discussed and reports in the last year, including the UN-SG's Advisory Group on Finance (AGF) as well as measures such as maritime levies etc.

It said that it is up to the Parties to discuss the sources of financing and this cannot remain undefined. It also said that there was need for discussion on how to deliver and monitor the flow of funds as there were lots of misunderstandings about the flow of finance due to the repackaging of ODA. It also called for a registry to ensure transparency on where money is coming from and where it is going. It also called for balanced allocation as between adaptation and mitigation.

Columbia in its intervention, while acknowledging that one issue uncovered is the issue of scaling up climate finance 2012-2020, said that countries needed to start thinking constructively on what assurances are being talked about. It said that it was committed and willing to do its fair share in meeting the financing of climate change activities and that it and other likeminded countries see contributions (by all countries) to the Financial Mechanism, with respective capabilities. Columbia said that parties should start considering the possibilities of intermediate targets for the period up to 2020.

Barbados said that developing countries were speaking with one voice on the vital importance of having a spin-off group on finance. It said that many issues are political in nature and that there are technical issues vis-à-vis the gap in the work program that need a political space for discussion. Barbados said a political decision will have to be taken on how the gap issue will be addressed. This is a priority for AOSIS. Barbados called for another period of FSF-like commitment. It said that this would be appropriate and would provide greater clarity and certainty to developing countries to cover new commitments under LCA and the worsening impacts of climate change. Barbados said its preference is for a new 3 years period rather than 8 years. It said that in the post Durban political context, which is focused on a new legally binding agreement to be concluded by 2015 and enter into force in 2020, many of the obligations and actions that developing countries will take that would ensure this, would need to be done before 2020. So in negotiating under the finance building block, with regard to the $100 billion, Barbados noted that this amount might prove inadequate in allowing developing countries to put in place the activities related to this new agreement.

The **EU** said that with regard to the gap, 'we are not going to fall off a cliff' It said that the EU had been clear and conscious that climate finance will be required for 2012 and beyond. It said that the EU will work towards a pathway for scaling-up finance to 2020 and that it recognized that public finance is important to most vulnerable developing countries. The EU said it was committed to providing its fair share of international public support as well as private and innovative finance. However, private finance will have to play a larger role. The EU said there will be workshop on long term finance (LTF) workshop in July and another later in the year which will seek to de-mystify both LTF, public and private finance. The reports from these workshops will go to the COP.

India said that the process of how we are going to bridge the gap is important. It said that what we are discussing here is building the process for constructive engagement. It noted there are two different views: Annex I says 'trust us, there is no falling off the cliff'. But what is proposed are workshops (on long term finance). India questioned if workshops are going to deliver constructive engagement. It said that workshops rarely do this. Spin-off groups are a process for this. India said that while Durban last year set a clear goal to get the GCF going, now the question of Doha is to make it operational and run efficiently. We collectively have responsibility to the larger world and there is need to accomplish something that is more than a just a statement of intent. India supported Barbados' suggestion on fast start finance. The issue was the kind of resources and the arrangements needed. It further noted that the $100 billion is grossly inadequate.

The **US** said that the math it is not as simple as going from $10 billion to $30 billion to $100 billion. It said that whereas Fast Start Finance was all public, the $100 billion is public and private. So there is no direct comparison between the two, it is going from apples to oranges. The US said that it has scaled-up dramatically by ten times its support for developing countries and now supports adaptation in 110 countries. It said that it was committed to continuing to scaling-up as 2020 approaches and that with other developed countries that commitment was put in writing in Durban.

The US also said that Fast Start Finance (FSF) was a one-time political commitment (COP15). It does not set a precedent for increments of 3 year commitment periods. The US said that it was not comfortable with another three year second round of FSF start period (in reference to the Barbados' proposal, above). The US also noted that the 2020 goal of mobilizing $100 billion was made in the context of meaningful mitigation actions for 2020. It said that there is symmetry between the finance provision and the mitigation provision for the year 2020. Thus it said that if developing countries want to have a mid-term finance target then are they willing to have a midterm mitigation target? Lastly the US said that though it welcomes the sharing of concerns, there were already two spaces for discussions: the Standing Committee and the Long Term Finance (LTF) work programme both of which have COP agenda items and hence the COP president can create contact group(s) for LTF. It said that these were the appropriate political space to discuss these matters hence there was no need for conclusions from the contact group on these matters.