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# ADP: Divergent views on enhancing means of implementation in new agreement

Bonn, 13 June (Meena Raman)- Diverging views were apparent among developing and developed countries over how to address finance, technology transfer and capacity building in the 2015 agreement.

An interesting exchange of views took place at a roundtable under workstream 1 (on the 2015 agreement) to consider issues on finance, technology transfer and capacity building of the Ad Hoc Working Group on the Durban Platform for Enhanced Actions (ADP) which was held on Saturday, 8 June.

Developing countries stressed the importance of the new agreement in enhancing the commitments of developed countries for the provision of the means of implementation, building on the existing institutions and arrangements currently under the Convention, such as the Green Climate Fund (GCF) and the Technology Mechanism. Many developing countries stressed that while these institutions and arrangements were in place, delivery of finance, technology transfer and capacity building were yet to be seen. They wanted the elements of finance, technology transfer and capacity building to be an integral part of the 2015 agreement. They also wanted clear commitments for scaled-up, new, additional, predictable, and adequate climate financings both before and after 2020.

Concerns were also expressed, especially from India, about developed countries emphasising the role of the private sector and carbon markets in generating financial resources, which they viewed as a shifting of developed country commitments to the private sector.

On the other hand, developed countries led by the United States and Japan viewed the means of implementation as part of a 'package' of decisions in the 2015 outcome, implying that it would not be integral to the 2015 agreement. Developed countries stressed that public resources should leverage private investments in developing countries and emphasised the importance of the carbon markets. Many of them said that financial resources should only be provided to developing countries in "need" and that those with "capabilities" must also contribute.

Developing countries wanted the barriers to technology transfer removed especially as regards intellectual property rights (IPRs), but developed countries such as Japan said that this was not a critical issue.

The United States was concerned that in an agreement which is applicable to all, it was hard to see how developing countries were conditioning their commitments on the provision of the means of implementation, as this would mean some countries making conditional commitments while others had unconditional commitments.

Australia said Parties should not be distracted by upfront pledges and roadmaps for financing but for partnerships for green growth.

The European Union said what the new agreement needs to do is to mobilise change. It talked about trillions of dollars of investments going into countries, and that systems should be in place that drives investment choices both from the public and private sectors. On who is to provide the finance, it said there is need for a broader range of Parties who are contributing well beyond 2020 with changing capacities and economic circumstances.

Co-chair of the ADP, Harald Dovland (Norway) chaired the session.

**Egypt** speaking for the **Like-Minded Developing Countries in Climate Change (LMDC)** said that with half of the world's population, of which almost half live below US$2 a day, the developing countries of the LMDC continue to face severe development challenges. Yet, they were doing more than their fair share, in their own national contexts and as contribution to the global effort, to undertake national adaptation and mitigation actions. More could be done had the Convention been fully implemented.

The Convention, said Egypt, is not simply about mitigation and transparency of mitigation action. It is more importantly, also about enhancing action on adaptation and on the enhanced provision of finance, including for technology development and transfer; enhanced technology access, transfer, and development, including through removal of barriers; and enhanced capacity building from developed countries to developing countries. These must be integral elements for both the pre-2020 and post-2020 discussions. These provide the enabling conditions that support enhanced actions by developing countries under the Convention.

It said the ADP outcome in 2015 must, therefore, incorporate and integrate provisions related to finance, technology development and transfer and capacity-building. The outcome should trigger increased financial flows, technology transfer, and capacity building activities to developing countries, in accordance with the Convention. A robust and transparent system for MRV (measurement, reporting and verification) of such support should be integrated into the ADP outcome. There is no need to reinvent the wheel. What needs to be done here is to address the implementation gap in the differentiated responsibilities of countries under the Convention.

Egypt said that the provision of finance by developed countries is the cornerstone for enhanced action. New words must not be invented by Parties when referring to the provision of financing. The words that we have always used and the various COP (Conference of Parties) decisions describe the climate finance to be provided under the Convention as scaled-up, new and additional, adequate and predictable. We should not substitute other words to dilute the commitment of developed countries. Many estimates of the financing needs of developing countries to address climate change from the UNFCCC secretariat, UN agencies, international organizations such as the World Bank, and various research institutions, suggest that the scale of climate financing needed by developing countries run from multiple hundreds of billions to more than a trillion dollars per year up to 2030.

Yet in the period 2005 to 2010, Egypt said, developed countries reported in their 5th national communications as having provided as climate financing only a total of US$64 billion through bilateral channels as development assistance (ODA) and through multilateral channels such as the Global Environment Facility and the World Bank's Climate Investment Funds. Developed countries pledged in Cancun to jointly mobilize up to US$100 billion per year by 2020 from various sources but have not provided any clear pathway on how such pledge would be achieved, aside from the fast start finance of US$30 billion between 2010 to 2012. So both the ambition with respect to the scale of financing and the actual delivery of what financing support is made available continue to be major implementation gaps. In order to raise global mitigation ambition both in the pre-2020 and post-2020 timeframes, there should be a specific commitment from developed countries to provide scaled-up, new, additional, predictable, and adequate climate financings both before and after 2020, through the GCF.

On technology, the implementation gaps in this area lie not only with respect to the scale of the technology transfer activities but also in the quality of the technology transfer activities. From their 5th national communications, technology transfer activities in the period 2005-2010 with developing countries tended to focus on how to use the technology that may be acquired from developed countries either by commercial sale or publicly-funded transfer. On the other hand, many of their efforts with other developed countries tend to focus on the early stages of the technology cycle, in the form of collaborative research, development and demonstration in relation to new technologies. This implies that contrary to the Convention, the technology transfer activities of developed countries are intended to produce customers and end-users of their technologies rather than to assist developing countries develop and produce their own endogenous technologies.

Parties need to address issues that hamper technology development and transfer and address barriers. Flexibilities in the IPR regime must be made. Patents, which are granted on low scientific thresholds, inhibit competition and technology transfer and deployment. We need to look at concessional technology acquisition and see how best the GCF can be used towards this end. On capacity building, the outcome must create, for both the pre- and post-2020 period, a robust and effective operational mechanism for capacity building financed by developed countries.

**India** said the central problem or barrier in enhancing efforts on climate change is the gap in implementation of commitments related to provision of financial resources and technologies.

It noted with deep concern lack of commitment to any roadmap to ratchet up the provision of such finance either to achieve the goal of providing US$ 100 billion per year by 2020 and beyond and strongly advocated a MRV of financial commitments and technological support to enhance transparency. In the presentation of reports by different Funds and committees on Finance (under the UNFCCC), it observed that these aspects were hardly touched upon. At the same time, the sources and channels of providing long-term finance by developed countries have to be clearly identified. It is necessary to expeditiously provide initial capital to the GCF for its operations.

India said a pertinent issue is that of finding an appropriate balance between the public and private funds needed at the required scale. An emphasis on greater role of the private sector and carbon markets in generating the required resources is not appropriate. This amounts to dilution of public obligation by shifting the responsibility to the private sector. Further, the size of carbon markets is too small considering the magnitude of resources required for meeting climate change. Carbon markets remain in trouble with the prices in carbon markets falling in, primarily due to the low ambition levels of the developed countries. In effect we are ensuring its failure this way. Private finance is highly volatile in terms of flows and can play only a supplementary role. The MDBs (multilateral development banks) themselves are deeply over-stretched in terms of their financing. Moreover, the resources they provide are in the form of loans, which are not the kind of flows that are needed and certainly will not count towards financing for mitigation or adaptation. Another point of concern, said India, is various innovative sources of finance being deliberated upon that may have incidence on developing countries. Hence the process here must ensure that incidence (of innovative sources of financing) should not fall on developing countries, which is in violation of the principle of CBDR (common but differentiated responsibilities).

Similarly, in the case of technology transfer, India said barriers to access affordable environmentally sound technologies such as IPRs must be addressed under the ADP. Many of the technologies that can help developing countries to move towards a lower emissions path are out of their reach due to IPRs and their costs. For example, the lack of alternative technology prevents many of us from phasing out HFCs. Lack of finance under the GCF is another factor in this regard. India proposed that to facilitate concessional technology, a window may be provided under the GCF. India strongly supports a facilitative IPRs regime that balances rewards for the innovators with the common good of humankind and thereby enables developing countries to take early and effective mitigation and adaptation actions at the national level.

On capacity building, India said this is another critical enabler for enhanced action by developing countries. Referring to presentations on energy initiatives at the earlier roundtables (the day before), it said many options exist and are being tried in different parts of the world. However, their diffusion and adoption would require substantial efforts to train manpower and facilitate understanding and domestic capacities in developing countries.

Despite the fact that there has hardly been any movement so far as the provision of finance, technology and capacity building are concerned, India stressed that developing countries are already making significant contribution towards global efforts on combating climate change at a substantial cost to their economies. Some studies have even pointed out that the aggregate impact of actions taken by developing countries exceeds the aggregate impact of actions taken by developed countries. These developing country actions can be enhanced further with greater provision of finance, technology transfer, and capacity building.

While institutions and mechanisms have been created in pursuance of the Bali Action Plan, these institutions and mechanisms such as the GCF and the Technology Mechanism must be strengthened and must work on a clear time line to enable and incentivise enhanced actions, said India.

**China** said that the discussions must be put into context. The mandates from Durban and Doha for the 2015 agreement are to discuss enhanced action for implementation of the Convention commitments. This is the subject matter that has to be addressed. Discussions in any format should reflect the main elements that require to be implemented. The issue of capacity building must be discussed, associated with technology transfer and finance support. This also requires the discussion on associated issues of transparency and support.

The term 'actions' refers to the implementation of commitments under the Convention and the starting point for the 2015 agreement is the Convention provisions, said China. It needs to build on the agreed outcome from the Bali Action Plan, which was to enable the full, effective and sustained implementation of the Convention. The provision of the USD 100 billion by 2020 should be the starting point on how to scale up implementation, which is part of enhancing actions.

As regards technology transfer, the Technology Executive Committee and the Climate Technology Centre and Network (CTCN) have not addressed the barriers for such transfer especially that of IPR and the financial support to make it happen. Under the ADP, there is need to consider how we establish mechanisms for technology transfer, building on the Convention and institutional arrangements from the Bali process.

On finance, it supported India's call for a special GCF window on technology, and also wanted a window for capacity building. To ensure transparency in the support of finance, technology transfer and capacity building, it said clear MRV provisions were needed.

**The Philippines** said that what developing countries were getting thus far was a longer list of responsibilities without associated financing. Referring to the Cancun goal of mobilising the USD 100 billion by 2020, the goal has not been reached. There has been no predictability of support and unclear accessibility because of conditionality and no adequacy. It stressed Article 4.1 of the Convention on the commitments of Parties has no reference to "respective capabilities", referring to developed countries linking the provision of finance to the respective capabilities of all countries. It said further that much current financing is in the form of loans. Financing should be ex ante and not ex post and for all developing counties.

On proposals by developed countries for new market mechanisms, it reminded Parties that mechanisms were used for developing countries to assist developed countries to meet their commitments for emissions reductions (referring to the Clean Development Mechanism under the Kyoto Protocol). It said that developing countries were getting more responsibilities and were being asked to do more via new market mechanisms to meet the commitments of developed countries.

**Nepal** for the **Least Developed Countries (LDCs)** said the provision of sufficient finance, technology transfer and capacity building under the new agreement is important. It also stressed the need to address loss and damage, as well as gender mainstreaming. It said low carbon development can attract more ambition on the provision of the means of implementation. The GCF should be sufficiently resourced and become operational, for both adaptation and mitigation and must allow for direct access. Capacity building needs to be a core element of the new agreement, and should be country driven and focus on institutional development. It also stressed on barrier free technology transfer. Many developing countries have prepared technology needs assessments and were looking desperately for financial support, Nepal added.

**Bangladesh** stressed the importance of new and innovative sources financing and the need for direct access.

**Nauru** for **the Alliance of Small Island States (AOASIS)** called for a dramatic scale up of new and additional finance, which is adequate and predictable. The sources should be identified and the GCF should be operationalized as soon as possible. It wanted enhanced action on adaptation. Given the economic and scale of impacts of climate change, there is need to upscale the provision of the means of implementation.

**Colombia** called for bold actions outside of the box. It called for commitments from all Parties to be implemented according to CBDRRC (CBDR and respective capabilities). It called for a dynamic approach to raise ambition and for the provision of means of implementation. It said any review process for the post-2020 agreement must include a strong component on means of implementation and be adjusted with evolving needs. It said for the generation of new resources, markets can play an important role.

**Norway** stressed payment for verified emissions reductions. Support must always result in action. The existing frameworks and institutions that have been created need to be strengthened. It said that Parties need to find ways to get public funds to get private funds. It was keen to avoid an empty discussion on numbers when implementation is unclear and stressed the importance of support for the most vulnerable.

The **Republic of Korea** called for an MRV system for recipient countries. It said public finance is insufficient and private investments should be mobilised with subsidies.

**Australia** said it is time for green economic growth. There is a growing capacity to act in emerging economies and also there is need to support those most in need. On the provision of means of implementation, it is in the context of meaningful mitigation action. All Parties have a mutual responsibility and public finance must leverage much larger finance. There is opportunity to engage the private sector and to invest in green growth, and carbon markets have an important role. Parties should not be distracted by upfront pledges and roadmaps for financing but for partnerships for green growth.

**The European Union** said what the new agreement needs to do is to mobilise change. It was not talking about a few billion dollars here and there but about trillions of investments going into countries. Systems should be in place that drives investment choices both from the public and private sectors. There will be a lot of investments from the private sector with public policy frameworks, with the right signals for the carbon price. There is need to build on the tools we have and to use public resources and financial institutions to leverage resources. There is need to work with those most in need. Enabling environments are a crucial part with robust MRV systems. On who is to provide the finance, it said there is need for a broader range of Parties who are contributing well beyond 2020 with changing capacities and economic circumstances. There is also needs to drive innovation.

**Japan** while agreeing that the means of implementation are important, questioned how this is placed in the new agreement. It was of the view that it should build on discussions based on existing arrangements and results should be included in the 2015 'package'. On finance, it said public finance should be used to leverage private finance. Most of the finance is from private investments and depends on the business environment and progress of markets in developing countries. It did not believe that IPRs is a critical issue.

**The United States** said significant climate finance will continue to flow beyond 2020. We have agreed to ramp up USD 100 billion up to 2020. Fulfilling ambitious commitments will need significant resources and those with lower capability will require assistance compared to those who have capabilities. It said that whether finance is part of the overall package and how it is reflected in the new agreement needs to be considered. Pushing capital to developing countries requires the enabling environment. There needs to be a robust mechanism for transparency of support.

How the post 2020 mitigation commitments are, is relevant to how support is viewed, it added. It was concerned that mitigation is expressed in conditional terms depending on what others do and that if it is conditioned on the provision of support, there would be uncertainty which reduce the willingness all to act. In an agreement which is applicable to all, it is hard to see how it will work if some have conditional commitments while others are unconditional.

**Switzerland** stressed the importance of financing low carbon and climate resilient development. For transformational changes, it called for a blend of private and public money.