

SBI: Financial shortfall confronts Secretariat-mandated activities, key issues deferred to Paris

Kuala Lumpur, 16 June (Hilary Chiew) – The 42nd session of the Subsidiary Body on Implementation (SBI) closed on 11 June with mixed results and the warning of a deficit in the programme budget for the current year and the biennium 2016-2017.

In its address to the plenary of the SBI, a subsidiary body of the UN Framework Convention on Climate Change (UNFCCC), the Secretariat outlined the administrative and budgetary implications of a number of decisions arising from the session that requested the Secretariat to organise workshops, stating these cannot be met with the existing resources within the core budget. A draft decision from the SBI to the Conference of Parties (COP) for adoption in Paris in December approves a core programme budget of Euro 54,648,484 for the biennium 2016-2017.

The funding shortfall is expected to affect the organisation of side events and exhibits in 2016; cutting additional meetings of constituted bodies from three to two over the 2016-2017 biennium; the review of greenhouse gas inventory and review of a higher number of biennial update reports from developing countries; funding to strengthen adaptation programme in the area of loss and damage, the Adaptation Committee and the National Adaptation Plan processes.

Presiding over the closing session, SBI Chair Amena Yauvoli (Fiji) cautioned that in the absence of adequate funding, the Secretariat will not be in position to undertake the required activities.

(In one of the budget contact group meetings in Bonn, developed countries including the European Union and the United States made it clear that they were under strict constraints from capital regarding increase in the core programme budget for the biennium 2016-2017. The Secretariat also informed Parties that most of the funds were voluntary and earmarked by donors rather than contribute to the core budget.)

Another key issue of concern to many developing countries at the SBI 42 was the outcome of the first round of the international assessment and review (IAR) of Annex I developed countries (2014-2015). They expressed disappointment that Parties could not reach agreement on this, warning that this could undermine the transparency framework meant to build trust and confidence among Parties. China and Brazil questioned the obstruction by some Parties against the call for submissions for Parties' views on the issue which they said would be important for improving the IAR.

[The Conference of Parties (COP), by Decision 1/CP.16, decided that developed country Parties should enhance reporting in national communications (NC) and submit biennial reports which outline progress in achieving emission reductions and the provision of financial, technology and capacity-building support to non-Annex I Parties, building on existing reporting and review guidelines, processes and experiences. It also established a new process, international assessment and review, under the SBI for developed country Parties that aims to promote the comparability of efforts among all developed country Parties with regard to their quantified economy-wide emission limitation and reduction targets.

The IAR has 2 parts: (i) a technical review of the biennial reports, where relevant in conjunction with the review of annual greenhouse gas (GHG) inventories, and national communications of developed country Parties, which will result in an individual review report for each developed country Party; and (ii) a multilateral assessment of developed country Parties' progress in implementation towards the achievement of emission reductions and removals related to their quantified economy-wide emission reduction targets. The multilateral assessment will be conducted on the basis of biennial reports, the national GHG inventory (including the national inventory report) and the NC, the technical review

report of biennial reports, as well as supplementary information on the achievement of the Party's quantified economy-wide emission reduction target.]

In contrast, developed country Parties are satisfied with the IAR process which comprised the multilateral assessment in a working group session setting during SBI 41 in Lima in December 2013 and the recent session of the SBI (1 to 11 June) in Bonn. They are of the view that the process would contribute towards the international consultation and analysis (ICA) process for developing country Parties and urged developing countries to submit their biennial update reports (BURs) in a timely manner to facilitate the ICA process.

[The process of international consultation and analysis applies to non-Annex I Parties and consists of two steps: (i) the technical analysis of BURs, and (ii) a facilitative sharing of views among Parties. The process aims to enhance the transparency and accountability of information reported in BURs by non-Annex I Parties. A team of technical experts will conduct the technical analysis of BURs.]

A significant development at the SBI 42 was the completion of nominations for the Executive Committee of the Warsaw Mechanism on Loss and Damage meaning that it is now able to start its work.

Speaking for the Group of 77 and China, South Africa pointed out that while progress was made at this session of the SBI, a number of key areas had little or no progress and warned that this will add to the work pressure in Paris (at year end) at a time when Parties are engaged in intense negotiations.

[The Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP) is negotiating "a protocol, another legal instrument or an agreed outcome with legal force under the Convention applicable to all Parties" commonly referred to as the "Paris agreement". This is expected to be concluded in December 2015.]

On the impact of implementation of response measures, the Group reaffirmed the importance to give full consideration on what actions are necessary to meet the specific needs and concerns of developing country Parties arising from the implementation of response measures, in accordance with the principles and provisions of the Convention.

In this regard, it welcomed progress made and remained committed to engage constructively in this issue as well as other matters of concern including unilateral measures during the next session in order to forward draft decision for consideration by the 21st Conference of the Parties (COP21).

The G77 and China reiterated that adaptation is of urgent priority for developing country Parties and call for urgent and immediate implementation of the National Adaptation Plan (NAP) process. It welcomed the draft decision and the extension of the mandate of the Least Developed Countries Expert Group for consideration at COP 21.

On capacity-building, the Group was disappointed with the lack of progress as in its current form, the Durban Forum for Capacity-building is inadequate to enhance capacity-building support, adding that it will continue to call for the establishment of a permanent institutional arrangement for effective implementation and monitoring of capacity-building.

[In the draft conclusion proposed by the SBI Chair and adopted by Parties at the closing session on 11 June, it was agreed that Parties would continue consideration of the terms of reference for the third comprehensive review of the implementation of the framework for capacity-building in developing countries at SBI 43 at year end on the basis of the draft text contained in Annex I. Parties also agreed to continue consideration of the matter at SBI 43 on the basis of the draft decision text contained in Annex II with a view to recommend a draft decision for COP21.]

The text for a permanent institutional arrangement is bracketed in paragraph 9 of Annex II which reads: [*Decides* to establish a Capacity-building Committee under the Convention to utilize the Durban Forum and the Capacity-building Portal and facilitate effective capacity-building implementation at the international, regional and national levels in accordance with the capacity-building framework ...].]

On the revision of the 'guidelines for the preparation of national communication by Parties included in Annex I to the Convention, Part II: UNFCCC reporting guidelines on national communications', the G77 and China said it looked forward to adopting the comprehensive guidelines to be used for the seventh national communication by Annex I Parties.

On the international assessment and review (IAR) for Annex I Parties, South Africa said the Group actively participated in the first round of the IAR process as it is an important component of the transparency arrangement under the Convention. It stressed the need for Annex I Parties to enhance information on provision of support for developing countries. The Group was disappointed with the lack of progress on substantive issues with the outcome of the first round of the IAR and called on developed countries to show leadership by engaging constructively on this issue.

It welcomed the in-session workshop on gender responsive climate policy which focused on mitigation action and technology development and transfer. It highlighted the need for a glossary on gender-related terms for that could enhance Parties' understanding of the interface between gender and climate policies.

On the 2013-2015 Review, the Group welcomed the special event which presented the report of the Structured Expert Dialogue and looked forward to continue working on the item in Paris.

(The 2013-2015 review is a joint agenda item of SBI and the Subsidiary Body on Scientific and Technological Advice.)

It noted with concern the serious lack of contribution for funding for participation of developing countries' representatives in UNFCCC meetings in particular the forthcoming ADP and COP meetings. It urged Parties, in particular Annex I Parties to enable the full and effective participation of developing countries in these meetings.

Sudan speaking for the African Group said it looked forward to the result of the Poznan Strategic Programme on technology transfer to further enhance the programme. It highlighted challenges to formulate and implement national adaptation plans (NAPs) due to inadequate funding. Therefore, it said, there is a need for clear guidance on how developing countries can access finance to implement their NAPs.

On intergovernmental meeting, the Group said there is the need for the COP and Meeting of Parties (of the Kyoto Protocol) to be held annually and it looked forward to constructive discussion at SBI 44 on the timing and frequency of the organisation of the meeting sessions.

Noting that the IAR is an important component of the transparency framework, the African Group stressed the need for Annex I Parties to enhance provision of support for developing countries. The Group was disappointed with the lack of progress on substantive issues related to the IAR outcome and called upon developed countries to show leadership to build trust and confidence.

On capacity-building, it said the Group engaged constructively as it is of utmost importance for Africa but was disappointed that no progress was made. The Durban Forum for capacity-building is inadequate in its current form to enhance capacity-building support and need to establish permanent institutional arrangement for effective implementation and monitoring of capacity-building including linkages for adaptation, mitigation, technology and financial system.

It appreciated the successful organisation of the in-session workshop of gender, noting that it provided a platform for good practices and look forward to the report which would form the basis for further discussion of gender in the next SBI session.

Maldives representing the Alliance of Small Island States (AOSIS) stressed that it had emphasised throughout the session the science output of the 2013-2015 Review "which presented to all of us the cause for alarm". It said global warming of up to 2C presents a risk for impacts that would not keep with the ultimate objective of the Convention.

The Group was disappointed that Parties could not agree with proposed language that recognised the importance of the content of the Structured Expert Dialogue (SED) report. "Our conviction remained that the SED report is in line with its mandate of being factual and balanced, and support the recommendation that the present long-term global goal is inadequate and should be strengthened to 1.5C to fulfil the ultimate objective of the Convention," said Maldives. It added the work will continue at the next session in Paris with the expectation for an outcome that will be an important input for the work of the ADP which is in line with the Durban mandate.

AOSIS also expressed disappointment that the capacity-building item was not satisfactorily concluded but acknowledged that there is now better understanding of each other's position which would hopefully assist the process when Parties meet again in Paris.

On the flexible mechanism of the Kyoto Protocol, AOSIS was disappointed that Parties were not able to make greater headway on necessary improvement of the environmental integrity of the Clean Development Mechanism (CDM) through the agreement on crediting period, scrutiny of some project risks, improved additionality requirements and addressing double counting of emission reduction between host Parties and acquiring Parties. It sees the review of the CDM modalities and procedure as the ideal opportunity to redesign the CDM to deliver substantial net emission reduction so that it is not functioning purely as an offsetting tool.

On the review of the Joint Implementation (JI) guidelines, it said progress were made at this session and looked forward to further engagement to ensure that JI delivers net atmospheric benefits.

Speaking for the Least Developed Countries (LDCs), Angola welcomed the SED report but noted that Parties could not reach agreement. It said current global warming of 0.8C above pre-industrial level is already causing widespread impacts on the 850 million

people of the LDCs and that a 2C temperature rise runs counter to the objective of the Convention. It would like to see the long-term global goal be set at below 1.5C and anchored in the new climate agreement, adding that it would like to see the ADP take into consideration the outcome of the SED and increase its ambition and put us on the 1.5C pathway in the name of humanity. Although it was disappointed that Parties were not able to conclude the deliberation at this session, it nonetheless recognised progress made and believed that is a good basis for continuation of discussion at Paris.

Angola lamented that even as impacts of climate change are already affecting the most vulnerable countries with the present 0.8C rise in temperature, we see only marginal progress in the process to support adaptation for those with little to do with causing climate change. It said the monitoring and evaluation (M&E) of the process of formulating and implementing NAPs had shown that developing countries only managed to initiate their activities and in particular LDCs have not able to start formulation of NAPs towards medium and long-term adaptation. The M&E process at this session only revealed the many gaps and challenges faced by developing countries in the process and it looked forward to Parties recommending a decision in Paris that will address these gaps and needs.

It further expressed disappointment over the unwillingness of certain Parties to recognise special circumstances of LDCs and Small Island Developing States (SIDs), noting that the LDC category was established in recognition of unique structural handicaps including low income, high vulnerability and weak human institutional capacity.

Angola said the special circumstances of LDCs are equally relevant in the context of adaptation and access to finance, noting that the key reason causing lack of progress to formulate NAPs by LDCs is the critical lack of resources in the LDC Fund. Many proposals for NAPs are in limbo as for the first time in the history, the LDC Fund is empty and there is a shortfall of US\$ 1billion for full implementation of the National Adaptation Programme of Actions (NAPAs) to address the most urgent and immediate needs for the most vulnerable group of countries.

It, however, welcomed the agreement to forward the decision to COP 21 to extend the mandate of the Least Developed Countries Expert Group (LEG) for the next five years and expansion of the mandate to include technical guidance for medium and long-term adaptation.

On capacity-building, the Group was disappointed that no progress was made in this session, reiterating the need for establishment of institutional arrangements which will focus on the monitoring and reviewing of efforts and supports including providing advice and support for mitigation and adaptation-related activities.

The Group appreciated the in-session workshop on gender responsive climate policy which provided a platform for sharing views on how to impart gender-related climate technologies. It was pleased that delegates shared views on possible recommendation to move forward to attain gender responsiveness on climate change policies.

Expressing its disappointment over the IAR discussion, **China** recalled that the IAR is a new transparent framework established by the Cancun Agreement (COP 16) with the aim to improve transparency and compatibility among countries and to build confidence. It underscored that the agenda item on the outcome of the first round of the IAR (2014-2015) is crucial in two aspects.

First, to provide guidance to the preparation of the conclusion on IAR because it is not clear in decision 2/CP.17 the format, scope and procedure for inclusion. Otherwise, China said, without a common understanding of Parties, we cannot finish the first round of the IAR and would result in the delay of the revision of the modalities of procedure of the IAR.

Secondly, said China, the SBI provided the right place for Parties to discuss the multilateral issue of IAR instead of any informal bilateral discussion. However, due to time limitation and technical complexity, China believed it is best to call for submission from Parties about their views on this issue to provide clear understanding of each other and to accelerate the negotiation with regards to the IAR process.

It said that, unfortunately, it seemed that some Parties do not want to make a conclusion of the IAR or make a hasty conclusion without pointing out the lessons learnt and the direction of future enhancement. This, it said, would sacrifice the importance and effectiveness of the IAR and would damage mutual trust. It does not believe this is in line with the spirit of transparency and improvement over time. It urged all Parties to engage actively in this important item when they meet again in Paris to have fruitful discussion on inter alia the nature, format, scope, procedure and conclusion of the first IAR.

Similarly, **Brazil** conveyed its disappointment with the lack of willingness of some Parties to arrive at a conclusion on this agenda item. It said more than 60% of questions submitted during the written questions

and answers phase came from developing countries and they again participated actively during the working group session (conducted on 4 and 5 June during the Bonn SBI session). It noted that developing countries showed their commitment and engaged constructively.

Echoing China, Brazil said it was extremely disappointed over not having a substantive conclusion to the discussion and achieving consensus on forwarding the conclusion in reference to paragraph 12 of the Annex II of decision 2/CP.17

(Paragraph 12 said the SBI will forward conclusions based on the record referred to in paragraph 11 to relevant bodies under the COP as appropriate; Paragraph 11 noted that *‘the outputs of the international assessment for each Party will include the following: a record prepared by the Secretariat which includes in-depth review report, the summary report of the SBI, questions submitted by Parties and responses provided, and any other observations by the Party under review that are submitted within two months of the working group session of the SBI.’*)

Not doing so, said Brazil, is sending out signals of the lack of transparency. Saying that the IAR framework is robust and promotes transparency Brazil acknowledged its potential contribution to building trust among Parties.

“The procedural conclusion is the exact opposite of what we need now,” Brazil said, adding that Parties must set the tone and raise the bar, recognising the existing gaps and bridge the gaps.

“We must acknowledge our weaknesses if we want to be stronger. This is a learning by doing process and the second working group session is more efficient and had improved on the first session (in Lima last December),” it stressed, adding that there is need to improve the information provided by developed country Parties.

Brazil said it was baffled by the obstruction of some Parties against the call for submissions. It also called out to civil society and observer organisations to engage themselves more in the IAR process; keeping track of the Biennial Report (of Annex I Parties) as well as the output from the IAR contained in the record made available on the UNFCCC’s website; questioning the information provided by Parties and keeping up with the multilateral assessment working group session.

Bolivia expressed concern on the serious gap in the funding for the participation of developing countries in the process leading to COP 21 in Paris. It said it is very important to have an effective and inclusive participation of all developing countries in adopting an

outcome that will determine how we will address climate change.

It also raised the visa problem faced by some delegations to attend the COP meetings and more recently, the limited visa from 1 to 10 June (for Bonn) which made attending pre-sessional meetings impossible. It called on the host countries to consider this matter.

Representing the Environmental Integrity Group (EIG), Switzerland expressed concern of the lack of progress on the adoption of the draft decision for the 2013-2015 Review, noting that the Group been actively involved in the proceedings of the Review since its inception and the five substantive sessions of the SED over the span of two years. The SED had been exemplary and demonstrated an effective and efficient science-policy interface, said Switzerland. It noted that the science is clear and “deplored” the inability of the joint contact group of the SBI and the Subsidiary Body on Scientific and Technological Advice (SBSTA) to reach a meaningful conclusion. It called on all Parties to come back to the negotiation table in Paris to work decisively and clearly demonstrating how this whole process is guided by science and good will.

It considered the second round of the working group of the multilateral assessment to be helpful in enhancing understanding of the implementation of each Party commitment. This positive experience, it said, would contribute to enhance the biennial update report (BUR) and the international consultation and analysis (ICA) process for non-Annex 1 Parties.

Switzerland further said the EIG regretted that there was no progress on the review of the modalities and procedure of the CDM. It looked forward to engage other Parties to develop common stable ground for a mechanism that is important for many governments to announce even more ambitious Intended Nationally Determined Contributions (INDCs).

On the 2016-2017 biennium programme budget, the EIG commended the SBI Chair on the realistic decision with new elements that allowed Parties to even better assess the needs and priorities in the budget. “It allowed us to make choices when it comes to allocating the fund that we all contributed to allow the Secretariat to accomplish its tasks,” said Switzerland. But it also said it is aware that more work needs to be done in Paris which will be important not only for the ADP and new agreement but also the programmes and institutions under the SBI.

Australia speaking for the Umbrella Group welcomed the cooperative spirit that allowed progress for implementation of the agenda items which helped

clear the way for Paris. It was pleased with the constructive atmosphere in the multilateral assessment working group session which demonstrated the robustness of the transparency framework in continuing to build trust and at the same time facilitate the sharing of views for the ICA beginning in Paris for Parties ready to do so. It further encouraged (developing country) Parties that had not yet submitted their BUR to complete and submit their BUR in a timely manner.

On the review of the guidelines for reporting national communications of Annex I Parties, it looked forward to complete the revision.

The Umbrella Group was disappointed that Parties were not able to come to a substantive decision text on the 2013-2015 Review. Nevertheless, it welcomed the efforts and looked forward to substantive discussion and closing of the agenda item in Paris. On response measures, it would continue to work constructively towards a suitable outcome in Paris.

On capacity-building, it said Parties came a long way to have a draft terms of reference for the third review and a draft discussion for Parties to discuss and finalise in Paris.

It also welcomed the in-session workshop for gender responsive climate policy to increase awareness of gender equality and participation in responding to climate change.

The European Union (EU) said the 2-week discussion was substantive and constructive. It said the multilateral assessment process is an important part of the overall transparency framework of pre-2020 particularly understanding the progress made to build trust among all Parties, noting that the process

has demonstrated the value of discussion and need to have clear understanding of the rules applied.

It also urged developing country Parties to submit their BUR in order to continue the process and follow standards set by the multilateral assessment.

The EU stressed that it has strong interest in a functioning Secretariat that works under professional circumstances. It therefore appreciated having achieved agreement on the programme budget for the 2016-2017 biennium. Responding to the report of the Secretariat on this matter, it regretted that some important information were not mentioned by the Secretariat. One is the fact that Parties' contributions increased by 5.5% and no cut was introduced in order to allow the Secretariat to continue its business-as-usual.

(In a "zero percent" increase scenario discussed in the budget contact group, Parties were informed that there would be no "carry-over" of any funds to the financial year 2016 – in the past this carry-over comprised outstanding contributions from Parties to the budget. The EU then said that without any carry-over, a 2016 budget of the same amount as that of 2015 would require increased contributions of 5-6% to maintain the same level of expenditure.)

It too welcomed the extension of the mandate of the LEG as an important step forward in terms of addressing specific challenges of the LDC in the context of adaptation and believed the progress made would allow for further reporting to enhance formulation and implementation of NAPs at the next session.

(With inputs from Chee Yoke Ling.)