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COP discusses Green Climate Fund and other issues

Durban, 1 Dec (Marjorie Williams) – The Conference of Parties of the UNFCCC met on 30 November to consider the report of the Transitional Committee (TC) of the Green Climate Fund (GCF), the Technology Executive Committee and other issues.

On the GCF, there were divergent views on how to proceed with the report of the TC, which included the governing instrument of the Fund as it was not adopted by consensus, following objections from the US and Saudi Arabia.

While some countries did not want a re-negotiation of the governing instrument of the Fund, others wanted their concerns to be addressed. The G77 and China called for an open, transparent and inclusive process through a contact group to draft the decision necessary for the COP in relation to the GCF.

COP President, Ms. Maite Nkoana-Mashabane, Minister of International Relations and Co-operation of South Africa proposed to conduct transparent and inclusive informal consultations based on the report of the TC and would report back to the COP on the results of the informal consultations.

Minister Trevor Manuel of South Africa, one of the Co-chairs the TC, presented the report of the Transitional Committed (TC) to design the Green Climate Fund (GCF). The committee of 4O members, with 15 from developed countries and 25 from developing countries from the seven regional groups, met four times in 2011.

Manuel reported that the final TC meeting considered the report including a draft-governing instrument and submitted this to the COP for its consideration and decision.

He further said that the outstanding and important next steps for the operationalization of the GCF included the selection of the board through the regional groups, and transitional arrangements were important for an effective and early start of the GCF in 2012. He also emphasised the importance of finance for the quick start and initial capitalization of the Fund.

The Philippines, speaking on behalf of the **Group of 77 and China** said that the work of the TC was a very intensive process and that the Group had faced very difficult time constraints in finishing a very difficult and important work.

The Philippines said it was necessary that negotiations of the decision to adopt the governing instrument should be conducted through a contact group and not through informal consultations. It said the G77 and China is hard at work for a decision on the GCF. It said that the decision of the COP should include transitional arrangements, nomination of board members and when they will meet, consideration of the permanent trustee of the GCF and all other elements to operationalize the Fund in Durban.

The Philippines said the Group has been committed to have a dedicated climate fund (since 1991), a fund that will be consistent and coherent with the principle and obligations under the Convention. It stressed that operationalizing of the Fund should receive the necessary financial support for rapid start, adequate initial capitalization, and long term financing.

Venezuela, speaking on behalf of the **Bolivarian Alliance of the Peoples of Our America** (**ALBA**), said financing is important for developing countries and that Cancun paved the way for the establishment of an instrument for channeling funds to the institution in good faith. It said that it had hoped that the TC would be able to bring to the COP a recommendation for "our" green fund but instead the COP was receiving a report under the (authority of the) co-chairs of the TC and not a consensus document.

It said that the COP must evaluate and consider this report and that ALBA was concerned over the report, stressing that the proposed fund will take us in a diametrically opposite position from what was envisaged. It also said the report distanced itself from developing countries and disassociated itself from the Convention (referring to the GCF having a weak link to the COP).

Venezuela said that ALBA supports the full operationalization of the GCF. The report provided elements of input for the COP and there was need for an open-ended process where countries can work on the proposal. These included, for example, the need to amend and modify so that the Fund must possess legal international authority and legal personality; legality of the COP (the Fund to be under the authority and guidance of the COP); no conflict of interest with the World Bank to have monopoly over climate finance; selection of the trustee (should be with an open process). It said that the conflict of interest that was apparent in the design stage could not be transferred into the operational phase of the Fund.

Venezuela further said there was clear need for transitional rules for the board. It was concerned that the Fund would work as a private company. It said that the text of the final decision on the GCF should include specification of sources for the fund. Ultimately, Venezuela, said the document cannot be accepted in the present form: we would be accepting a bad fund not only for climate change but also for sustainable development.

Egypt (supported by Iraq) said the TC worked hard and submitted a concrete proposal for an effective delivery of funds that developing countries aspired to have. But, it said, the text fell short on critical elements that are crucial for an effective fund. These included issues such as legal personality and accountability to the COP. Egypt said that the concerns raised by developing countries in the final meeting of the TC (in Cape Town) should be dealt with in a transparent and inclusive manner. It said that we do not need another climate fund, but a fund that achieves a paradigm shift in climate finance.

Nigeria said it welcomed the report of the TC and that the COP must undertake an open consultation and a contact group. It said that there were important factors that required attention such as the lack of direct linkages to constituencies (referring to all developing countries). It said that the members of the board will not be representing all constituencies and that there were only 5 members for Africa. It said that this had created problems in the Adaptation Fund.

Nigeria also said that there was a lack of delineated sources of funding and that pledges were not specified or quantified. It said that there was nothing about replenishment and noted that while in the GEF (Global Environment Facility) there is every 4 years a replenishment process, with GCF this was left open ended.

It said that there was anticipation that the private sector will provide a host of funding, but that this was not so for Africa. The CDM (Clean Development Mechanism) in Africa scored zero; the level of banking is narrow and there is low level of mobilization of the private sector as well as issues of trade imbalances. It said that the structural imbalance will not be changed and the issue of the private sector is a matter of policy. Nigeria also said that a number of African countries had undergone structural adjustment for 20 years. It further said that the private sector is mobilized on policies that government have done. It raised question about the reliance on the free market system to help us address this problem.

It further said that the UN had resolved the problem of funding by allocating to each country their contribution, which ensured steady and consistent funding. Without public funding it is impossible for the Fund to work well.

Saudi Arabia (supported by Iraq) said that it supported the creation of the fund and contributed to the report of the TC. It said that the GCF has been something that all developing countries have wanted a long time. Nevertheless, there are many reservations expressed by many developing countries.

It said that Parties cannot accept just any fund; there was need for a robust and healthy fund from the outset. It said that it is the UNFCCC that guides our work in creating such a fund and that the Convention clearly states that all the financial commitments are to be covered by countries listed in Annex II (of the Convention). Saudi Arabia said that there were numerous reports that funding from developed countries would be limited but will be coming from the private sector, but such funds should only be complementary. It said that developing countries should not pay for this fund. It further said that the COP should carry out monitoring and control of the fund and that this responsibility should not be left up to the board. It stressed that Parties need to implement the Convention and cannot escape from that.

El Salvador on behalf of **SICA (Central American Integration System)** said that the COP should consider operationalization of the GCF and that the Fund should be accountable to the COP and must have a legal personality and legal capacity, and financing window for adaptation and mitigation. It also said that it was important to define what the sources of financing will be, including new and innovative sources.

The Democratic Republic of the Congo (DRC) speaking on behalf of the **Africa Group** noted that African Ministers of the Environment at their recent meeting in Bamako (Mali) had re-affirmed the importance of making the GCF operational in Durban. The DRC said that the GCF should work in an effective manner to ensure access of developing countries to the Fund. It said Africa supports to make the GCF operational. The DRC said that it recognized that there are problems but that nonetheless the Fund should be made operational and that problems should be dealt with transparency.

Barbados, speaking on behalf of the **Alliance of Small Island States (**AOSIS) and supported by **Belize, Grenada, Palau** and **Samoa** called for early operation of the GCF and initial capitalization as essential elements of a balanced outcome of Durban. It said that given the urgency of climate change challenge the operationalization of the GCF cannot be delayed.

Barbados said that it would not support any effort to undermine or delay the operationalization of the GCF. It noted that there were elements that it was dissatisfied with. It would have liked for there to be a more ambitious nature; the establishment of dedicated funding windows for SIDs and LDCs; and a stronger relationship between the Fund and the COP. It further noted that there was no provision for replenishment of the fund.

It said that nonetheless it was prepared to adopt the recommendation of the TC since it represented a balanced package. Barbados said that AOSIS wanted a diverse committee to carry the work. It said proposed a draft covering COP decision for part 3 of the report as well as transitional arrangements for the rapid transition of the fund. It also said that the GCF should not be opened as an empty shell and that there needed to be start- up funds and pledges and its capitalization here in Durban.

Zambia, speaking on behalf of the **least developed countries (LDCs)**, said that the LDCs have been recognized as being adversely affected by climate change and calls for financial support to address the effects of climate change cannot be over emphasized. It said that there is need for flow of finance for mitigation and adaptation. Zambia said that the governance instrument provided sufficient basis for the operationalization of the GCF through a decision of the COP. It said that LDCs had flexibility and was mindful that the Fund will evolve and improve over time. It further said that there was need for initial capitalization, board selection, and elaboration of legal personality.

Pakistan said the focus of discussions should be on the future arrangements including transitional issues (such as the distribution of seats, secretariat, board funding in near future). It said there were issues to be grappled with in Durban such as pledges and initial financial input, international legal juridical personality for direct access.

Indonesia said that it expected a better and more efficient fund. It said that the operationalization of the GCF is a mandate from COP 16 that we have to respect and that there is high expectation that the fund will start its operation soon after COP 17. It said there should be no re-negotiating of the TC's report. It was not a perfect piece but it is the best option and that unresolved issues should be expressed in a covering decision.

Grenada said that many Parties and groups of Parties endorse the report of the TC and that it was important to capture the progress made and move forward. It said that time is of the essence to operationalization and capitalization of the Fund.

Switzerland, speaking on behalf of the **Environmental Integrity Group**, said that it welcomed the report for the design of the GCF and that the report should be adopted by the COP. It said it was happy to host the first meeting of the board in Geneva.

The European Union said that the model of the TC with high level individuals worked. It said that it welcomed the outcome of TC and the annex to the draft governing instrument—which was a result of a compromise reached among TC members. It nonetheless felt that it should be possible to agree to it as part of a balanced package in Durban.

It said that in the current form (the draft governing instrument) the GCF will attract significant funding. It said that it would be counterproductive to make adjustments to the governing instrument. The generally supported the recommendation of the TC and said that the COP should find the right approach to turn the recommendations into a decision and that the Board should start working as early as possible. The EU called on regional groups and constituencies to select their members for the board.

The United States said that it has been consistently in support of the GCF since it was first proposed in 2009 and that the Obama Administration supported its inclusion in the Copenhagen Accord. It said it was committed to working to operationalise an effective ambitious fund. The TC had made great progress and that a great deal of very hard work enabled the presentation of draft document, but that the timeline for a document with this level of details was rushed. Hence the final document raised concerns and there was need for further work to be done.

Norway said it approved the draft governing instrument presented by the TC. It said that it was a solid piece of work that lays the foundation for effective and a good middle ground solution. Norway said that the GCF could promote a paradigm shift towards low carbon and could play a key role in channeling substantial new resources to developing countries.

Japan said that it was essential to have an agreement in Durban as this was a key deliverable of COP 17. It said that developed and developing countries needed to achieve low carbon growth through public and private sources. Japan said that the GCF is a pillar of long term finance and that the Fund should start as early as possible and that the group should be mindful not to re-open the subject. It said that the COP should agree on the covering decision and an interim arrangement. It said that it was open to all kinds of consultation.

Singapore said that the TC had fulfilled its mandate and submitted a credible report to the COP. It said the governing instrument contained in the report was not perfect but was balanced and that the structure can evolve over time, provided by initial capitalization and replenishment. It said that if the group tried to re-draft the governing instrument in Durban, it risked opening a Pandora's box. It said that several Parties have concerns with the governing instruments and wanted these concerns reflected in the instrument but the most appropriate way to capture these concerns was through a consensus covering resolution that will adopt the report and the governing instrument.

Australia said that it was important to agree the governing instrument as part of a balanced package. It said that there were innovative elements such as direct access and the private sector and that the GCF can be most important climate fund in the world.

New Zealand said that a fair compromise was reached by the TC in drafting the governance instrument and that the GCF design is an important outcome of Durban.

Fiji said that the operational and capitalization of GCF is paramount given the urgency and seriousness of the climate change issue.

Ethiopia said that the heads of states of Africa endorsed that the TC report to be accepted and not opened for negotiations.

At the end of the interventions the COP President, Mashabane, said that she would take forward a decision that would need to be adopted by the COP and proposed to conduct transparent and inclusive informal consultations based on the report of the TC and would report back to the COP on the results of the informal consultations.

The **Philippines (on behalf of the G77 and China and supported by Egypt, Saudi Arabia and Paraguay**) said that given the important subject and the difficult issues still to be looked at there was need for an open and transparent process. The Philippines requested clarification on the meaning and details and precision about what was meant by "open transparent" informal consultations.

Saudi Arabia said that it supported a fully transparent process but not a bilateral process. It said that there were many divergent views, which could not be solved at bilateral level so the process should be informal, and there was a need to make sure that all could attend these meetings.

Mexico said there is no common definition of informal consultations and was concerned to limit the President's authority, and asked for trust for the President to find ways to conduct informal consultations.

In response to Mexico, **Venezuela** said that the ALBA group fully trusted the President's leadership, but was asking for the clarification as a way to strengthening the authority of the President.

Singapore said that the principle of transparent, open and inclusive is at the heart of this meeting and that it is important to make the assurance that the meeting to be conducted will be in a transparent, open and inclusive manner. It said that in order to assure colleagues the first meeting could be held in an open-ended setting.

The Philippines (supported by Nigeria) said that since the Parties have a mandate for a decision for the adoption of the GCF at the COP, the G77 and China had engaged into preparations and that both it and the AOSIS were preparing a (separate) draft decision that it hoped would be a conference room paper document for all Parties to consider. It said that it was crucial for Parties to get a fund in Durban that will serve all Parties' interests.

The session on the GCF ended with the President saying that she will conduct informal consultations.

Other issues

Technology Executive Committee

Parties welcomed the operationalization of the Technology Executive Committee (TEC) and commended the development of strong modalities, despite the fact that work on the Committee only got started in September 2011.

India, speaking for the **G77 and China** was pleased at the operationalisation of TEC and in the elaboration of the modalities and procedures and recommended that this be adopted by the COP. It also expressed concern that it took an entire year before the TEC had its first meeting. India said that the term of TEC may be extended by year to take care of late start. It also hoped that TEC would receive all resources for it to proceed with work and also hoped that the Climate Technology and Centre moved ahead. It wanted a strong relationship between the TEC and the CTCN. It was important for the COP to get information from the TEC on the policy overview while the CTCN reports on the bottom up experiences.

The discussion ended with the COP President proposing to establish a contact group led by Belize and the UK to arrive at a decision on the matter.

On other matters, Qatar was confirmed as the host of COP 18 and the Eastern European region will host COP 19 and CMP 9.

Proposals to amend various articles of the Convention were heard from Cyprus, Papua New Guinea and Mexico (jointly), Russia and AOSIS.

Cyprus proposed to amend Annex I to include Cyprus among the Annex I Parties, as it is a member of the EU and would have the same legal status as other EU members.

PNG and Mexico (supported by the EU, South Korea and Columbia and welcomed by Switzerland) proposed to amend Articles 17 and 18 of the Convention to implement the right to vote in unforeseen circumstances. Bolivia, Venezuela, Australia and Saudi Arabia voiced disagreement with the proposal.

Russia, (supported by Belarus, the Ukraine, Kazakhstan) proposed to amend Article 4.2(f) of the Convention to allow for periodic review of the economic and social status of Parties with the intent to expand the list of Annex I and Annex II countries. The EU said it was open to consider the Russian proposal, as common but differentiated responsibilities should be a dynamic not a static principle. The US said that it broadly supported the idea of evolution under the Convention and that the proposal warranted further discussion.

Saudi Arabia said it opposed the proposal, as it would change the very nature of the Convention. It would be re-negotiation the Convention rather than fine tuning it. It said that the distinction between Annex I and Annex II was not about economic development status but was a reflection of historical responsibility and historical responsibility is not of a dynamic nature.

The Chair proposed an informal consultation led by Brazil.

Proposals for a new protocol were presented by Japan, Tuvalu, US, Australia, Costa Rica and Grenada. AOSIS said that it had consistently called for a legally binding instrument to codify emissions reduction targets in order for there to be a robust global response to the challenge of climate change.

The Chair said that the item will be kept open pending the outcome of the AWG-LCA legal options group.