

Difficult negotiations on long-term climate finance in climate talks

Penang, 1 Dec. (T Ajit and Meena Raman) — At the recently concluded climate talks in Marrakech, Morocco, Parties to the UN Framework Convention on Climate Change (UNFCCC) adopted a key decision on long-term climate finance (LTF) on the final day of the meeting on 18 Nov, after much wrangling on some key issues.

Arriving at the decision was apparently difficult as there were major divergences between developed and developing countries on some of the key issues as regards climate finance.

Sources revealed that among the issues that were most contentious included the ‘*Roadmap to the USD 100 billion*’, scaling-up climate finance, adaptation finance, the measuring, reporting and verification (MRV) of support and the referencing of Article 9 of the Paris Agreement in the preamble of the LTF decision. (See further details below.)

(The ‘*Roadmap to the USD 100 billion*’ was an un-mandated report launched by the United Kingdom and Australia on behalf of the developed countries just ahead of the climate talks. It claimed that USD 62 billion was mobilised in 2014 by developed countries and based on an analysis by the Organization of Economic Cooperation and Development [OECD], “pledges made in 2015 alone will boost public finance from an average of USD 41 billion over 2013-14 to USD 67 billion in 2020 – an increase of USD 26 billion.” This report was used by developed countries to assert their claim that they are on target to meet the USD 100 billion per year by 2020 goal that was agreed to at the climate talks in 2010 in Cancun, Mexico.)

As expected, developing countries led by the **Philippines** for the **G77 and China**, did not

want to lend legitimacy to the ‘*Roadmap*’ as it was not mandated by the UNFCCC.

Instead, they preferred to rely on the work of UNFCCC’s Standing Committee on Finance [SCF] which submitted a report to the 22nd session of the Conference of the Parties (COP22), which includes a ‘Summary and recommendations on the 2016 biennial assessment (BA) and overview of climate finance flows’, as mandated by the COP.

(The BA highlighted that the flows of public finance from developed to developing countries as reported in the biennial reports of developed countries was USD 25.4 billion in 2013 and USD 26.6 billion in 2014.)

When the talks began on 7 Nov, the COP agreed that a contact group be established on LTF, which was co-chaired by **Georg Borsting (Norway)** and **Andres Mogro (Ecuador)**.

During the informal consultations held under the contact group, several iterations of the draft text were hammered out until the last day of the COP, which was mainly conducted behind closed doors, not open to observers.

A bracketed text was finally forwarded by the co-facilitators of the contact group to the COP22 Presidency on the final day of the climate talks, following which the Presidency offered a bridging proposal.

Parties worked on the bridging proposal in an informal setting and that is how a decision on LTF got adopted on 18 Nov.

Following are the highlights from the LTF decision around the contentious issues.

USD 100 billion ‘Roadmap’

In para 2 of the decision adopted, the text reads: *“Welcomes with appreciation the submission made by developed country Parties in response to decision 1/CP.21, paragraph 114, and takes note of the information contained therein;”*

(Paragraph 114 of COP21 decision (1/CP.21) refers to the call to developed countries *“...to scale up their level of financial support, with a concrete roadmap to achieve the goal of jointly providing USD 100 billion annually by 2020 for mitigation and adaptation while significantly increasing adaptation finance from current levels and to further provide appropriate technology and capacity-building support;”*)

According to sources, developing countries led by the **G77 and China** were against the explicit reference in para 2 of the decision to the developed countries’ ‘Roadmap to the USD 100 billion’ and wanted to only “take note” of it and not welcome it.

On the other hand, developed countries led by the **European Union (EU)** and the **United States (US)**, wanted to “welcome” the report “with appreciation” and insisted that this was a red-line for them. For the G77 and China, the words proposed by the developed countries were viewed as being “too strong”, as it would lend credence to the ‘Roadmap’.

TWN learnt that that during the closed-door negotiations, the US had found it “mindboggling” that some Parties had suggested deleting the reference to the ‘Roadmap’.

The final compromise was the use of the terms *“the submission made by developed country Parties...”* which is an implicit reference to the ‘Roadmap’.

(According to several developing country negotiators and observers, there are serious issues in the ‘Roadmap’ as to what is regarded as ‘climate finance’ and there were significant questions about the accounting methodology involved in the analysis that is the basis for the

report.)

Sources also revealed that developed countries led by the US were particularly aggressive on their stand as regards appreciating the ‘Roadmap’ and also insisted that long-term climate finance was about pre-2020 climate finance (and not about the post-2020 time-frame which is covered by the Paris Agreement.)

According to a seasoned negotiator from a developing country, the US contention was that the LTF would end in 2020. “If is long-term climate finance, how can it end in the pre-2020 period?” questioned the negotiator.

MRV of Support

According to observers, developing countries achieved some success in deleting references to any numbers in decision adopted on what may be regarded as climate finance flows from developed to developing countries.

In the decision adopted, para 1 noted *“with appreciation the 2016 biennial assessment and overview of climate finance flows of the Standing Committee on Finance, in particular its key findings and recommendations, highlighting the increase of climate finance flows from developed country Parties to developing country Parties.”*

In an earlier version of the draft decision, the section on MRV of support read as follows:

“Notes with appreciation the 2016 biennial assessment and overview of climate finance flows of the Standing Committee of Finance, in particular its key findings and recommendations, underlining the need to improve reporting guidelines taking into account the challenges and limitations identified in the report and the importance of addressing methodological issues of tracking finance flows and for the reporting on finance provided to developing country Parties and the finding that global climate finance flows continued to increase, including flows mobilized from developed to developing countries reaching

USD 53 billion in 2013 and USD 61 billion in 2014.”

According to sources, deleting the numbers was important for developing countries because of the limitations and challenges mentioned in the 2016 BA.

The BA mentioned that challenges were encountered in “collecting, aggregating and analyzing information from diverse sources”. Other challenges highlighted included: “the limited clarity with regard to the use of different definitions of climate finance limits comparability of data; there were uncertainties associated with each source of data,” including “uncertainties” related to data on “domestic public investments” and “lack of procedures and data to determine private climate finance”.

Given these uncertainties and challenges, it was hard for many developing countries to accept the figures on the finance flows from developed to developing countries.

Scaling up climate finance

As regards the scaling up of climate finance, para 3 of the decision adopted reads: *“Welcomes the progress by developed country Parties towards reaching the goal of jointly mobilizing USD 100 billion annually by 2020,...and urges developed country Parties to continue to scale up mobilized climate finance towards this goal;”*

According to sources, negotiations on this issue were quite intense as developed countries with the **US** and **Switzerland** in the lead, wanted everything on ‘scaling up’ deleted, especially as regards long-term finance beyond 2020.

In a previous version of the draft decision of 15 November, the text on ‘scaling up’ was much longer and read as follows:

“Acknowledging that developed country Parties should continue to take the lead in providing and mobilizing climate finance from a wide variety of sources, recognising the important role thereof, taking into account the needs and priorities of

developing countries, and further confirming that those efforts should represent a progression beyond previous efforts,...urges developed country Parties to scale up their provision of financial support to developing country Parties in line with the latter’s increasing needs and priorities identified in a country-driven manner, including enhancing their national efforts within the global action to tackle climate change as identified in the nationally determined contributions (NDCs), where they exist.”

(NDCs refer to climate actions in the post 2020 time frame under the Paris Agreement.)

Clearly, the final compromise reach does not refer to the scaling-up of climate finance beyond 2020 but is limited to the USD 100 billion annually by 2020.

Adaptation Finance

On adaptation finance, para 5 of the decision adopted reads as follows:

“Urges developed country Parties to continue their efforts to channel a substantial share of public climate funds to adaptation activities and to strive to achieve a greater balance between finance for mitigation and for adaptation, recognizing the importance of adaptation finance;

Para 6 of the decision notes *“with appreciation the summary report on the 2016 in-session workshop on long-term climate finance, which focused on the issues of adaptation finance, needs for support to developing country Parties, and cooperation on enhanced enabling environments and support for readiness activities;*

(During COP22, a workshop on LTF focused on adaptation finance.)

Para 7 of the decision also notes *“the increase in adaptation finance to date as identified in the 2016 biennial assessment and overview of climate finance flows, and the need to continue efforts to significantly scale up adaptation finance, while stressing the need to strive for a*

greater balance between adaptation and mitigation finance, and invites Parties and relevant institutions to consider the key messages from the in-session workshop referred to in paragraph 6 above, including that:

- (a) Country-driven processes for the assessment of adaptation needs in developing countries are fundamental for scaling up adaptation finance;*
- (b) The nationally determined contributions and adaptation communications could constitute a good opportunity for supporting the scaling up of adaptation finance;*
- (c) The role of the private sector in adaptation finance needs to be further enhanced;*
- (d) Access to adaptation finance remains a challenge, particularly for small-island developing States and the least developed countries;*
- (e) Better information needs to be generated for more efficient planning, including through enhanced tracking of adaptation flows;*
- (f) Strengthening national public financing management systems is vital to support countries to effectively manage, track and monitor climate finance;*
- (g) Maximizing the effectiveness of adaptation finance is important in ensuring that limited financial resources achieve the greatest possible impact;"*

According to sources, in relation to adaptation finance, the paras above which were agreed to came "after a lot of struggle".

TWN was told that the **G77 and China** had a proposal to quadruple financing based on the SCF's BA, but the proposal did not fly in the negotiations.

(According to the BA, mitigation focused finance represented more than 70% of the public finance, and that adaptation finance provided to developing countries only accounted to about 25% of the total finance.)

Reference to Article 9 of the Paris Agreement

According to sources, the **G77 and China** wanted to include in the preamble to the decision a reference to Article 9 of the Paris Agreement,

which among other matters, reaffirms the legal obligation of developed countries to provide financial resources to developing countries.

Developed countries it seems refused to entertain any proposal on recalling Article 9 and a compromise was reached.

Instead of Article 9 being referenced explicitly, there is reference to decision 1/CP.21, which is the COP decision adopted in Paris to which the Agreement is annexed.

The preamble of the decision adopted reads:
"The Conference of the Parties,...Recalling Articles 4 and 11 of the Convention, Also recalling decision 1/CP.16, ...1/CP.21 ...".

In-session workshops for 2017 and 2018

The decision adopted also spells out themes for in-session workshops in 2017 and 2018 as follows.

Para 12 reads: *"Decides that the in-session workshops on long-term climate finance in 2017 and 2018 will, with a view to scaling up climate finance for mitigation and adaptation, focus on experiences and lessons learned from:*

- (a) Articulating and translating needs identified in country-driven processes into projects and programmes;*
- (b) Roles of policies and enabling environments for mitigation and adaptation finance;*
- (c) Facilitating enhanced access;"*

Para 13 states: *"Requests the secretariat to organize the in-session workshops referred to in paragraph 12 above and to prepare summary reports on these workshops for consideration by the Conference of the Parties".*

A developing country negotiator explained that "for consideration by the COP" referred to in para 13 is important in that the COP will need to consider the reports of the workshops and take a decision, which is different from just noting that an in-session workshop took place.

Besides the decision on LTF, COP22 also adopted other key decisions on finance relating to: the report of the SCF; terms of reference for review of the functions of the SCF; report of the

Green Climate Fund (GCF) to the COP and guidance to the GCF; and report to the Global Environment Facility (GEF) to the COP and guidance to the GEF.