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Developed countries table proposals on finance after initially blocking progress

Geneva, 11 October (Marjorie Williams)- The last meeting of the informal group on finance under the Ad-hoc Working Group on Long-term Cooperative Action (AWG-LCA) held on October 7, 2011, saw proposals by developed countries to the draft negotiating text on long-term finance after initially blocking such a text in the previous days.

The informal group, chaired by co-facilitator Mr. George Børsting (Norway) focused discussion on long-term finance. During the meeting developing country Parties welcomed the joint-submission by Australia, Japan and Canada to the negotiating draft text.

Agreement was previously reached on a consolidated draft negotiating text on the issue of the Standing Committee. Both the Standing Committee and long-term finance for the Convention are strong positions of the developing countries in the finance negotiations under the AWG-LCA.

The developing countries aimed, at this last meeting to have draft negotiating texts on these two issues by the end of the Panama session, in order to come out with decisions in Durban.

In presenting their submission, **Japan** noted that of the seven paragraphs, 5 replicated parts of the Cancun Decision 1 CP 16, with slight modifications (substitution of the word 'decision' for 're-affirm'). Japan said that the submission had two additional paragraphs on "sources" and on "gaps", which it hoped would contribute to the work and give Parties a better picture on long term finance. (Paragraphs 4 and 6 of the joint-submission drew much flak from developing countries).

Paragraph 4 states as follows – "Recognizes that each Party determines the mode and source of its contributions in support of the goal of mobilizing $100 billion …."

Paragraph 6 states as follows – "Emphasizes the importance of continuing to provide ongoing support beyond 2012 to address the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, such as LDC's, SIDS and Africa."

Japan said that their contribution aimed at giving the Parties a better picture of long-term finance and that the intervention was meant to allay developing countries' concerns that there would be a gap in financing after the fast-start period ended in 2012 and up to 2020, as well as to address the concerns of the most vulnerable countries, particularly small island countries, LDCs and Africa.

All Parties expressed appreciation for the joint submission and said it built upon the growing good will emerging in the group. However, the content of the submission generated a great deal of disappointment and frustration among developing countries.

Developing countries' interventions pointed out that both paragraphs 4 and 6 did not seem to present much that was new and were mainly preambular in nature, with paragraphs containing vague language about continuity beyond 2012.

Developing countries also took issue with Japan's proposal that the entire submission be included, as submitted, in the consolidated text. Developing countries, as a whole were adamant that this would be a non-starter and strongly pushed backed on this intention. Brazil said that Japan was trying to block the progress of the group by setting back the discussion. Ultimately, Australia, Canada and Japan backed down on their demand and respected the consolidated draft text.

Australia in commenting on the presentation of their joint-submission by Japan said that it was a tangible sign of commitment to continue the conversation. It pointed out that Australia was committed to the goal of USD $100billion by 2020.

The **Philippines on behalf of G77 and China** said that the Group had not had enough time to study the joint-submission and consult on the matter. It said that some of the text referenced in the submission, which was taken from Copenhagen Accord and the Cancun decision was distorted and was not in accordance with the relevant provisions of the Convention.

Colombia referring to paragraph 6 of the joint-submission said that Parties should not to re-open the Cancun decision, but to build upon it. (Paragraph 97 of the Cancun decision does not confine funding to LDCs. SIDs and Africa).

Egypt also raised question about paragraph 6 of the joint-submission. It said that the text looked like a mix between paragraphs 95 and 97 of the Cancun decision. It said there was no recognition of the balance between adaptation and mitigation and that the text read as if continuous support would only be provided for urgent and immediate needs. Egypt posed the question as to whether the text meant that only urgent and immediate needs will be covered. It said that the paragraph acknowledged the needs of developing countries, but this needed to be discussed hand-in-hand with sources and scale of finance.

Barbados said the joint-submission, which followed the lead of the EU in submitting text to the group, sent a strong political signal on the willingness to engage on the issue of long-term finance, an important issue for the group. It said that there is no sacred cow in terms of what should be discussed. (This was in reference to the unwillingness of developed countries to discuss long-term finance at the start of the Panama meeting). It said that it supported the reference to the GCF in the submission but pointed out that the group needed to go beyond general references to the key plank of the architecture. Barbados said that negative messaging (that had been circulating in the corridors of the Panama) was troubling and that there was a need to ensure the GCF was operationalized by and become fully operational after Durban. It said that it was key that the developed countries support the design process and the capitalization of the fund.

New Zealand supported the joint-submission and did not see it as re-opening Cancun but rather re-affirming it.

Saudi Arabia said the joint-submission was simply a listing of elements and was primarily of a preambular text in nature, which communicated no decision. It said that paragraph 1 simply referenced the provisions of Convention but did not cite the specific relevant articles. It also queried whether paragraph 5 of the submission (that mentioned "significant share" of new multilateral funding for adaptation) meant that there would be bilateral and unilateral flow outside of the GCF.

The **United States** said it appreciated and supported the joint submission and the concepts within it. It said that it was important for everyone to understand where Parties were on this topic and that it may have a proposal on this issue before the Durban COP begins.

Malawi, on behalf of the LDCs said it supported the views expressed on the joint-submission by all the developing countries. It said that the submission told the group what it already knew. What it expected was for Parties to go further and interpret paragraph 97 of the Cancun decision. The joint-submission did not tell anything and it did not make any difference.

In responses to the comments from the group, Japan said that it was convinced that the submission had value and requested that the submission be included, as a whole, in the revised consolidated chairs text as one block of option (it did not want the paragraphs divided and scattered through the text) so that later in Durban there can more focused discussion. It said that it wanted to assure the group that the proponents of the submission were ready to continue to deepen this discussion. It said that the submission reflected and tried to honor everything in the Cancun decision. It said paragraphs in the submission, which received many comments by the group were meant to observe the delicate balance of the Cancun agreement. It said the group was re-emphasizing its commitment to continue support beyond 2012 and that was this was the political message.

Australia said that the submission could be understood by reference to the paragraphs of the Cancun Decision.

Nicaragua said that the submission sought to draw attention away from the source of long-term finance, as there was nothing new in it.

The remaining time of the meeting was devoted to a general feedback discussion on the AWG-LCA finance co-facilitators' consolidated draft text. In this context, developing countries raised a number of critical points about the structure, prioritization and emphasis of certain points of the draft texts.

The **Philippines** noted that there had not been time for the **G77 and China** to reflect on the text but it would give some preliminary reflections. The Philippines raised questions about the options listed in the document, noting that some items listed as options were not really options, while some items presented as options were not much differentiated from other options so presented no real choice. For example, it said that one option presented simply affirmed the text in the Copenhagen Accord and another was the same but differently presented in the Cancun decision. The Philippines also said that there need to be attention to physical and economic vulnerabilities and that the specific needs of countries in each situation had to be taken account of.

The Philippines also said that there was a need to clarify the distinction between how funds are provided and where they are coming from. It further noted that the options were focused on adaptation but there was no discussion on financing for nationally appropriate mitigation actions (NAMAs) of developing countries. It wanted clarity on the source of funding and that a wide variety of public and private sources was not identical to innovative sources. The first option listed in the co-facilitator consolidated draft, the Philippines said, should be public sources (as this is the main source of funding). It said that commitments are made by governments and not by innovative sources. The prioritization of sources is important and that it should be primarily public sources.

In commenting on the co-facilitators' consolidated draft text, **India** said that the document should start with re-affirming the commitment to long-term finance and then move to principles followed by sources and modalities of long-term finance. It said that the discussion on innovative sources of finance and the private sector involvement should be later in the document. India said that there should be a section on the uses of the money as this was also important and that usage had to do with direct access and equity. It further said that the group had done good cooperative work and it emphasized that the work on finance should be seen in the context of a global public good.

On the co-facilitators' consolidated draft text, the **European Union** said that it was not sure that the structure of the document was perfect for moving forward but would be worked on in Durban, by re-grouping key themes and maybe with different options. It further said that not all paragraphs without options are agreed to by the Parties.

Australia said it was not sure about the content and clarity of the text and that it wanted its joints-submission with Canada and Japan reflected in the text.

Barbados speaking for **AOSIS** supported India's proposal on structure. It said there was need to address gaps and initial capitalization. These items should be grouped together. As with the Philippines, it raised the issue of the placement of preambular paragraphs and operational paragraphs. It said that text on pledges should have been in operative paragraphs and that this encourages other developed countries to make pledges toward the GCF.

Japan said that there was serious problem of structure with regard to the inclusion of the seven paragraphs of the joint-submission (with Australia and Canada). The group did not wish to have their 7 paragraphs scattered around in the preambular parts and that in the existing text there were paragraphs with ideas that they group did not want to support. It said that it wanted more accurate reflection of the different proposals in order to make it clear that there are important proposals.

Egypt supported the interventions of the other developing countries. It noted that the consolidated text provided a good basis for the road to Durban. It said that there was a difference between compilation and consolidation and that clustering is important to see different options.

Brazil, China, Ecuador, Guatemala and Peru supported Egypt's call for a consolidated text and not a compilation text. Brazil said that it did not approve the proposal by Japan as that would be a step back. It said that this was an attempt to block the work of the group. Peru said that Japan's proposal is not the way forward.

Australia said that it was happy to proceed with the consolidated text.

The meeting ended with the Chair saying that he would to continue to work on draft text and will work on how to take on comments from now and into the future. He noted that the group would be presenting two drafts co-facilitators' consolidated texts (one on the Standing committee and one on long-term financing) that would be open for comment and additional submissions for Durban. The Philippines said that all the conference room papers (submissions of Parties) should remain on the table and will be annexed to the report, and the co-Facilitators agreed to mention this in their oral report.