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COP19: Disappointment over long-term finance but gains on other finance decisions

Geneva, 29 Nov (Meena Raman) –The 19th session of the UNFCCC's Conference of Parties (COP 19) adopted on Saturday, 23 November, seven decisions on matters relating to finance and two decisions relating to the Adaptation Fund under the 9th session of Conference of Parties meeting as the Parties to the Kyoto Protocol (CMP9).

The **G77 and China** wanted COP 19 to be a 'Finance COP' with a clear roadmap on long-term finance for the period 2013-2020, with many developing countries calling for a target of USD70 billion to be mobilised by 2016. This however was not agreed to by developed countries, especially the **United States**, which warned that if the text on long-term finance (LTF) was reopened, it too would want it's changes to be also reflected.

The US also wanted the LTF work programme to be closed in Warsaw and did not want this to continue being on the COP agenda.

The **Philippines**, which coordinated the **G77 and China** on the finance issues, said that it had negotiated in good faith but felt a deep disappointment that the fragile balance of compromise had been breached especially in LTF when the text was particularly unbalanced in its substance. It expressed greatest disappointment with the stance of the US. "All the compromises were taken out of this text and nothing remained but the options of our partners," lamented the Philippines. It said that "we have gained nothing but a series of processes without any commitments" in relation to LTF.

However, said the Philippines, there were other important decisions on finance agreed to by Parties such as arrangements between the COP and the Green Climate Fund (GCF), which is meant to ensure that the GCF as an operating entity is guided by and is accountable to COP. It also said that Parties had agreed to provide initial guidance to the GCF.

Australia (during its statement on the final closing session of the COP and CMP), referring to the decisions adopted on long-term finance and the GCF, said that its participation in the decisions did not indicate acceptance of developed countries having to maintain and increase public climate finance as well as ambitious and timely contributions to enable the operationalization of the GCF.

Decisions on matters relating to finance which were adopted at COP 19 covered the following areas: (a) Work programme on long-term finance; (b) Report of the Standing Committee on Finance (SCF); (c) Report of the Green Climate Fund (GCF) to the COP and guidance to the GCF; (d) Arrangements between the COP and the GCF; (e) Report of the Global Environment Facility (GEF) to the COP and guidance to the GEF; (f) Fifth review of the financial mechanism; (g) Report on the work programme on results-based finance to progress the full implementation of the activities referred to in decision forest related activities (reducing emissions from deforestation and forest degradation – REDD-plus).

Under CMP9, decisions were adopted in relation to the report of the Adaptation Fund Board and the second review of the Adaptation Fund.

COP President Marcin Korolec (Poland) convened an informal plenary of the COP on Saturday, 23 November at around 10 am to provide an overview of the decisions on the finance issues. The decision on results-based finance related to REDD-plus was adopted on Friday, 22 November.

A contact group facilitated by Kamel Djemouai (Algeria) and Herman Sips (Netherlands) was set up during the first week of the COP to address the finance issues, with Ministers, Maria Kiwanuka

(Uganda) and Martin Lidegaard (Denmark) roped in during the second week to conduct ministerial level consultations on long-term finance.

During the informal stock-taking plenary of the COP on Saturday, 23 November in the morning, prior to the adoption of decisions evening of the same day, Parties gave their views on the finance related matters.

Fiji for the **G77 and China** said that it had hoped the Warsaw COP would be a 'Finance COP' referring to the various finance related issues under the COP agenda. While appreciating the contributions by developed countries to the LDC Fund and the Adaptation Fund, Fiji expressed sadness and regret that its expectations was shattered again, in an obvious reference to the lack of clear targets and a roadmap for mobilising the USD 100 billion per year by 2020.

Nicaragua said that LTF is a core issue for the G77 and China and made some suggestions for improvement of the decision text (L.13 document) in the hope of making the document palatable. On paragraph 7, it suggested insertion of the target of USD 70 billion by 2016. On paragraph 11 of the decision which requests the SCF to consider ongoing technical work on operational definitions of climate finance, it wanted removal of the words "subject to availability of funding".

In paragraph 12, which states: "Decides to continue deliberations on long-term finance and requests the secretariat to organize in-session workshops …", it suggested the following amendment: "Decides to extend the work programme on long term finance starting with the next Ad Hoc Working Group on the Durban Platform for Enhanced Actions (ADP) and requests secretariat to organize in-session workshops… ". As regards paragraph 13 on the high level ministerial dialogue on climate finance, which reads "… Further requests the presidency of the COP to summarize the deliberation of the dialogue", it suggested the addition of the following - "for the consideration by the COP" at the end of the sentence.

The Philippines for the G77 and China, Swaziland for the African Group and **Saudi Arabia** also supported the proposals by Nicaragua. (The final decision on the work programme on LTF did not take on board the proposals by Nicaragua, except in relation to paragraph 11 where the words "subject to availability of funding" was removed in relation to the SCF).

The Philippines reiterated that the Warsaw COP was supposed to be a 'Finance COP' but was a great failure. It said that the Group negotiated in good faith but felt a deep disappointment that the fragile balance of compromise has been breached especially in LTF when the text was particularly unbalanced in its substance. All the compromises were taken out of this text and "nothing remained but the options of our partners". This being said, important decisions are being taken such as arrangements between the COP and the GCF, which is meant to ensure that the GCF as an operating entity is guided and is accountable to COP. We have initial guidance to the GCF. In relation to adaptation, adaptation financing is in crisis and we have called for the rapid and initial capitalisation of the GCF in 2014.

The Philippines said that the greatest disappointment is the threat (by the US) on the reopening of the unbalanced text on LTF, which came out of the high level consultations which has gains (for the developed countries) while we have nothing but a series of processes without any commitments. Financial resources are a crucial enabling means for any rise in ambition of developing countries in the Durban Platform negotiations. It supported the points raised by Nicaragua and the African Group, lamenting that the G77 and China had received nothing but a total unbalanced text.

Nepal for the **LDCs** said it came to Warsaw with great expectations and called for pathways on finance with clear timelines and mid-term targets. It called for meaningful outcomes in the final hours of the COP.

Swaziland for the **African Group** said the LTF text was not up to its expectations and fell short. It shared the feelings of the G77 and China and supported Nicaragua. It called for further consultations to reach a better outcome on the LTF issue.

Maldives speaking for the **Alliance of Small Island States (AOSIS)** said they came to this COP with on a Warsaw finance package but were confronted with a lack of financial resources. It did raise in Doha (at the last COP) on the lack of clarity on pathways for the mobilisation of financial resources. To operationalize the GCF, strong signals for its capitalisation is needed.

Bolivia expressed disappointment that the LTF text did not have a clear provision on an amount of USD 70 billion per year by 2016 and stressed the need for a concrete number. It added that it was really committed to enhancing action on mitigation but that is on the basis of compliance by developed countries with Article 4.7 of the Convention. It also underlined the importance of public financial resources and said that the private finance is not the central part of the discussions.

It expressed concerns over the text in paragraph 6 of L.13, which reads *"Request Parties to enhance their enabling environments and policy frameworks to facilitate the mobilization and effective deployment of climate finance"*, and said it is unacceptable to ask developing countries to change their policies in order to facilitate private investment in the arena of climate change. We are not going to discuss here how to open our economies to private investments and this is not an issue of climate change, added Bolivia.

Cuba also expressed disappointment with the decision on LTF. It said developed countries were asking for new commitments from developing countries (in an apparent reference to the negotiations under the Durban Platform) but they were not meeting their commitments on providing finance and technology transfer. It lamented that there was no roadmap on finance or resources to make the GCF operational. **Algeria** also called for the LTF decision to reflect the target of USD 70 billion per year by 2016.

China also said that the LTF text was not balanced and had supported the G77 call for the Warsaw COP to be an 'implementation COP'. The LTF decision needed to have milestones with specific quantified amounts of how the USD 100 billion is going to be mobilised ad called for the target of USD70 billion by 2016 to be mentioned. This, it said was not asking for too much as the current text did not meet the minimum requirements of developing countries.

The **United States** said that the finance package of decisions was a difficult compromise and the texts by the co-chairs contained elements that the US was not comfortable with. It was prepared to accept the decisions as they are but if they were reopened, then the US will also want to see its changes reflected. It referred to paragraph 7 of the LTF text where it wanted maintaining the continuity of both public and private finance; (the paragraph now refers to continuity of mobilisation of public climate finance…). It also wanted both developed and developing countries to take steps to enhance the enabling environment (for climate finance). It said the LTF work programme was supposed to be closed in Warsaw and did not want this on the COP agenda. The US warned that if the texts were reopened, it would want to make the additional changes.

The **European Union** said that it was ready to contribute to the GCF next year after the requirements have been fulfilled. It said that adaptation required substantial public finance and said its members had contributed USD 90 million and also made announcements for substantial contributions to funding REDD-plus activities.

Switzerland said it was impressive to see increased amount of financing with the Adaptation Fund being able to reach its USD 100 million goal. It was deeply committed to mobilising the USD100 billion per year by 2020 and for this to also include innovative sources of funding. It said that the LTF decision was an ambitious one which strengthened the mandate and drew attention to paragraph 10 for information on qualitative and quantitative elements of a pathway. **Canada** said it was willing to accept the decisions on the GCF and the LTF as presented as a matter of compromise.

When the COP plenary resumed close to 5 pm in the evening of Saturday, Nov 23, the finance decisions were adopted with no changes, except with a small change in the LTF decision in paragraph 11 as proposed by Nicaragua on the deletion of the words "subject to availability of funds".

During the final plenary of the COP/CMP, **Australia** speaking for itself referred to the decisions adopted on long-term finance and the GCF and said that its participation in the decisions did not indicate acceptance of developed countries having to maintain and increase public climate finance as well as ambitious and timely contributions to enable the operationalization of the GCF. **Canada** also clarified its understanding in relation to paragraph 13 of the GCF decision (L.12) to mean that developed countries may also provide finance through other channels (and not just the GCF).

At the CMP 9 (held on earlier in the day), during the discussion around the Adaptation Fund, it was reported that financial contributions have been made by developed countries in 2013 to enable the Adaptation Fund to reach its fundraising goal of USD100 million.

The Vice-chair of the Adaptation Fund Board thanked the donors from Europe, Norway and Switzerland that made it possible for funding adaptation projects in Cuba, Seychelles, Myanmar, Belize and Uzbekistan. It said that funding will still needed for projects in Mali, Nepal and other LDCs which are key and appealed for contributions "to empty the pipeline to fund these projects". **Bahamas** for the **G77 and China** thanked the donors who responded to the fund raising strategy of the AF Board.

Highlights from the LTF, GCF and SCF decisions

Work programme on Long-term finance

Among the highlights of the decision on long-term finance is as follows: Paragraph 7 "urges developed country Parties to maintain continuity of mobilization of public climate finance at increasing levels from the fast-start finance period in line with their joint commitment to the goal of mobilizing USD 100 billion per year by 2020 from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources, in the context of meaningful mitigation actions and transparency of implementation."

Paragraph 8 calls on developed country Parties to channel a substantial share of public climate funds to adaptation activities, recalling in paragraph 9 that a significant share of new multilateral funding for adaptation should flow through the GCF.

In paragraph 10, it requests developed country Parties to prepare biennial submissions on their updated strategies and approaches for scaling up climate finance from 2014 to 2020, including any available information on quantitative and qualitative elements of a pathway, on the following: (a) Information to increase clarity on the expected levels of climate finance mobilized from different sources; (b) Information on their policies, programmes and priorities; (c) Information on actions and plans to mobilize additional finance; (d) Information on how Parties are ensuring the balance between adaptation and mitigation, in particular the needs of developing countries that are particularly vulnerable to the adverse effects of climate change; (e) Information on steps taken to enhance their enabling environments, following on from the report of the co-chairs of the extended work programme on long-term finance.

The decision in paragraph 11 requests the SCF, in the context of the preparation of its biennial assessment and overview of climate finance flows, to consider ongoing technical work on operational definitions of climate finance, including private finance mobilized by public interventions, to assess how adaptation and mitigation needs can most effectively be met by climate finance, and to include the results in its annual report to the COP.

In paragraph12, it was decided that deliberations will continue "on long-term finance and requests the secretariat to organize in-session workshops on, inter alia, strategies and approaches for scaling up climate finance …, cooperation on enhanced enabling environments and support for readiness activities, and on needs for support to developing countries, from 2014 to 2020." It further requests the secretariat to prepare a summary of the workshops for consideration by the COP and to inform the ministerial dialogue referred to in paragraph 13.

In paragraph 13, a decision is made to "convene a biennial high level ministerial dialogue on climate finance starting in 2014 and ending in 2020 and informed, inter alia, by the workshops referred to in paragraph 12 and the submissions referred to in paragraph 10." It further requests the presidency of the COP to summarize the deliberations of the dialogue.

Initial guidance to the GCF

In the initial guidance of the COP to the GCF, the following provides highlights of the decision adopted: In paragraph 8, the COP decided to adopt the following initial guidance on policies, programme priorities and eligibility criteria for the Green Climate Fund, as an operating entity of the financial mechanism of the Convention.

In paragraph 9, it "requests the GCF: (a) To balance the allocation of resources between adaptation and mitigation, and ensure an appropriate allocation of resources for other activities; (b) To pursue a country-driven approach; (c) In allocating resources for adaptation, the GCF will take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change. Paragraph 10 confirms that all developing country Parties to the Convention are eligible to receive resources from the GCF."

In additional guidance to the GCF, the decision provides as follows: Paragraph 11 "stresses the need to achieve full operationalization of the GCF, and in this regard urges the Board to an expeditious implementation of its 2014 workplan, including elements of decision 6/CP.18."

In paragraph 12, the Board is urged "to finalize as soon as possible the essential requirements to receive, manage, programme and disburse financial resources in line with the approved workplan of the Board so that the GCF can commence its initial resource mobilization process as soon as possible and transition subsequently to a formal replenishment process."

Paragraph 13 "calls for ambitious and timely contributions by developed countries to enable an effective operationalization, including for readiness and preparatory support of the GCF that reflects the needs and challenges of developing countries in addressing climate change in the context of preparing, by COP 20 (December 2014), the initial resource mobilization process described in paragraph 12 above,"

Paragraph 14 "underlines that initial resource mobilization should reach a very significant scale that reflects the needs and challenges of developing countries in addressing climate change; Paragraph 15 invites financial inputs from a variety of other sources, public and private, including alternative sources, for the Board's initial resource mobilization process."

The Board of the GCF (in paragraph 16) is requested "(a) To consider important lessons learned on country-driven processes from other existing funds; (b) To ensure that in its consideration and finalization of the GCF's access modalities, the Board takes into account the institutions already accredited by relevant institutions covered by the Board's agreement on the best practice fiduciary standards and principles and environmental and social standards; (c) To report to COP 20 on progress made in the implementation of this decision, as well as the implementation of decision 6/CP.18."

Paragraph 17 "invites Parties to submit to the secretariat annually, and no later than 10 weeks prior to the subsequent session of the COP, their views and recommendations in writing on the elements to be taken into account in developing guidance to the operating entities of the financial mechanism of the Convention."

Decision relating to the Standing Committee on Finance

The COP invited "the SCF to consider focusing its second forum on mobilizing finance for adaptation from both public and private sectors" (paragraph 5). It also endorsed the SCF's workplan for 2014–2015 (paragraph 6) and requested the Committee to implement that workplan (paragraph 7).

The COP also invited the SCF "to consider ways to increase its work on the measurement, reporting and verification of support beyond the biennial assessment … in accordance with its workplan for 2014–2015 and its mandates" (paragraph 9). It also calls on "the SCF to further enhance its linkages with the Subsidiary Body for Implementation and the thematic bodies of the Convention …:(paragraph 10) and requests the Committee "to consider, in its work on coherence and coordination, inter alia, the issue of financing for forests, taking into account different policy approaches" (paragraph 11).