

## Divergent views on whether ‘modalities’ for finance information part of Paris mandate

Bonn, 4 May 2018 (Meena Raman) – Parties were divided on whether the issue of ‘modalities’ for the biennial communication of indicative information on the financial resources available to developing countries under Article 9.5 of the Paris Agreement (PA) is part of the Agreement’s mandate and therefore, part of the PA’s Work Programme (PAWP).

At informal consultations held on 3 May on the issue under the UNFCCC’s Ad Hoc Working Group on the Paris Agreement (APA), Parties expressed divergent views on the issue, with developed countries, led by **Japan**, that the issue of ‘modalities’ for the information was “outside the mandate of the PA” and not a part of the PAWP, while developing countries argued otherwise.

(Article 9.5 of the PA provides that developed countries “shall biennially communicate indicative quantitative and qualitative information” related to the provision and mobilisation of financial resources, “including as available, projected levels of public financial resources” to be provided to developing countries.)

(Discussions on the Article 9.5 are happening under two subsidiary bodies – under the Subsidiary Body for Implementation (SBI) which is addressing ‘the identification of information under Article 9.5 to be provided by Parties’ under agenda item 15, while the discussions under the APA are procedural to determine whether and in which body ‘modalities’ for such information will be discussed. This was a highly contentious issue, which held up the closing of the climate talks last year, as developed countries were opposed to discussing the ‘modalities’ for such information.)

At the informal consultation held on Thursday which is facilitated by the APA Co-chairs **Sara**

**Baashan (Saudi Arabia)** and **Joe Tyndall (New Zealand)**, two questions were posed to Parties to kick off discussions on the issue viz:

- What, if any, are those specific additional matters concerning Article 9.5 that are not being addressed by the SBI under its agenda item 15, and may require consideration by the Conference of Parties to the Paris Agreement (CMA) and
- if there are such specific additional matters, what is the appropriate forum for considering them?

Speaking for the **African Group, South Africa** said that the matter was of crucial importance and must be resolved, adding that it had submitted a ‘conference room paper’ (CRP) on the issue under the SBI agenda item and that Parties must concentrate on the procedural aspect under the APA agenda item to further consider the information that is to be provided.

“We see the reporting on finance, including accounting and transparency of finance as an important continuum”, said South Africa and explained that the Group would like to see a registry (for the finance information) and for the Secretariat to be mandated to prepare a synthesis report of the submissions and for Parties to consider this synthesis report. It also wanted the information to be aligned with the common time frames of nationally determined contributions (NDCs) to be decided under Article 4.10 of the PA. (Under Article 4.10 the CMA is to consider at its first session, common time frames for NDCs. Currently, most Parties NDCs have a time frame of 10 years while for a few, it is 5 years).

Explaining its proposal further, South Africa said that it proposed a decision to start the communication process which is about ex-ante

information on finance, which it said should start next year, so that “we consider what the ex-ante provision on finance will look like.” It added that “such a decision should start to trigger the facilitative multilateral consideration of progress and technical expert review in relation to the information provided and reported under the transparency framework. These are the procedural elements we would like to see in a decision.”

In answering the second question posed by the Co-Chairs South Africa said that the mandate exists under the APA to have the discussion.

**Egypt** for the **Group of 77 and China** said the matter at hand is related to the implementation of the PA and it is critical to strike a balance as part of the outcome Parties hoped to achieve at the 24<sup>th</sup> meeting of the UNFCCC’s Conference of Parties (COP24) and that the matter was an intrinsic part of the PAWP. The G77 clarified that there were two components to the process: one under the SBI and one under the APA and that there should be progress on both the issues.

**Japan** said it would like to remind Parties that the issue of ‘modalities’ for the information was “outside the mandate of the PA” and not a part of the PAWP for the first CMA, which it said was clearly stated in the decision of the 23<sup>rd</sup> meeting of the Parties to the UNFCCC (COP 23).

The **United States** agreed with G77 and China on the importance of Article 9.5 for the implementation of the PA and that this was why it had agreed to discussing it under the SBI. “We do not agree that we have a mandate or need a mandate (to discuss it under the APA), it said adding that the issue had been resolved and it “was uncomfortable to revisit the issue.”

**Gabon** expressed that Parties were discussing the issue of ‘modalities’ for the information under the APA and they needed to know how the information obtained would be processed and therefore Parties needed to discuss this to figure out how to operationalize Article 9.5 of the PA. It asked what kind of process was envisaged once the identification of the information had been done.

The **European Union** stressed that the SBI item would provide the clarity on identifying the type of information to be provided by countries and Parties could continue discussions there.

**China** explained that the purpose of the discussion is to have better implementation of the PA. It wanted to understand how the information,

without the modalities could enable developed countries to implement the Article. “Once they communicate the information, what will we do with the information? How do we ensure that whatever is communicated is implemented? This relates to ex-ante information. Our NDCs will be implemented soon. Without the ex-ante information, it will be difficult to implement our NDCs,” it said further, adding that the issue of the modalities was a key part of the PAWP package.

**Switzerland** supported the Japan and the US and added that Parties should be “faithful” to the Paris mandate.

**Saudi Arabia** stressed that Article 9.5 is integral to the PAWP package, because Parties would need the finance information on what was coming in the pipeline, and in the absence of that information, developing countries would not be able to raise the level of ambition. It saw the matter as being “fundamental” and did not view it as an “additional matter” and that attempts to refer to it as a “political” issue would not help (the process). It also said that those who felt that Article 9.5 was not part of the PAWP would need to explain to other Parties why they thought that was the case.

Referring to the discussions on Article 9.5 in the SBI agenda item on May 2, it said there was a huge resistance to consider the CRP submitted by the African Group, and which was endorsed by the **Like Minded Developing Countries (LMDC)** and the **Arab Group**. (For more on this see TWN Update 5). It added that there was not much progress under the SBI agenda.

**Ecuador** for the **Like Minded Developing Countries (LMDC)** provided an eloquent description of the task at hand. “There are two types of information we are working on currently. What information on financial support needs to be provided by developed countries; one is an indicative qualitative and quantitative information under 9.5 and one is on Article 9.7 which is on information on support provided and mobilized. One is ex-ante information (Article 9.5) and one is ex-post information (Article 9.7).”

On the information under Article 9.7, Parties have identified the need to develop these modalities under the Subsidiary Body on for Scientific and Technological Advice (SBSTA), it said further. “What we need here is to develop modalities on how the information (under Article 9.5) is presented. It will help to address our concerns to discuss modalities (for this), said Ecuador further.

**India** said that developing countries had the full right to know how the information would be communicated and what the modalities would be and unless they did that, the PAWP could not be fixed.

Towards the end of the meeting, Co-Chair Tyndall said that they had heard several different views and that they would discuss the issue at the next session on the issue which has been scheduled for 4 May.

During the discussions, **Timor Leste** also said that scaling up support is critically important and the APA mandate is to discuss further matters related to the PA. It proposed that 'Loss and Damage' be discussed under the APA agenda (item 8) to give the PAWP its balance and comprehensiveness.

In response, Tyndall informed Timor Leste that agenda item 8 was to consider procedural issues that were not being addressed under the PAWP. She asked Timor Leste to state what were the issues that the Warsaw International Mechanism on Loss and Damage was not addressing and which could be discussed under agenda item 8 and that would be required to be adopted by the first CMA.

#### *Discussions under the SBI*

Meanwhile, informal consultations under the SBI were convened afternoon of May 3 on the identification of on the identification of information to be provided under Article 9.5 of the PA.

The co-facilitator of the informal consultations, **Seyni Nafo (Mali)** reminded Parties that the **African Group** had submitted their CRP on the matter and that submissions were also made by **Switzerland** on behalf of the **Environmental Integrity Group (EIG)**, the **United States** as well as the **Alliance of Small Island States (AOSIS)**.

**South Africa** for the **African Group** asked the co-facilitators to project their proposal contained in their CRP on the screen, which was done, and explained the proposal. South Africa said that the proposal was also supported by the **LMDC**.

The proposal, said South Africa identified, among other matters, the following information:

As regards the "qualitative information" the proposal includes- " (1) Responsiveness to developing country needs, priorities and

expectations; (2) Information on the relationship between public interventions used and private finance mobilized; and (3) Information on actions to be taken to and plans to mobilize finance for the implementation of NDCs and national adaptation plans.

In relation to the 'quantitative information', the proposal includes:

"(1) Expected levels of climate finance to be provided through multilateral, bilateral, regional and/or other channels; (2) Expected levels of climate finance to be provided through the UNFCCC financial mechanism, including the operating entities...; (3) Expected levels of mitigation finance to be provided; (4) Expected levels of adaptation finance to be provided; (5). Expected level of support for technology transfer and capacity building to be provided..."

On what to do with the information, South Africa also explained that it wanted a decision "to establish a registry of information to be communicated by developed country Parties" and for "the Secretariat to prepare a synthesis report for consideration"

The African Group wanted its CRP to be the basis of discussions and to be included in the updated informal note of the co-facilitators. This was supported by other developing countries including **China**, the **LMDC**, **India** and the **Philippines**.

**Switzerland** said that it was not ready to use the African proposal as a basis for negotiations or for one Party's submission to be attached to the informal note. It said that there is potential for the clustering of elements in relation to the identification of the ex ante information.

The **European Union** supported the Swiss proposal. The **US** said that the African Group CRP was "out of the scope and mandate" of the PA. It added that the information identified in the African proposal could be part of an updated informal note by the co-facilitators, which could also include ideas contained in the US submission and Parties could consider what elements are within or outside the Paris mandate.

**Australia** also echoed the sentiments of the **US**. **Japan** wanted to proceed on the basis of the co-facilitators' informal notes and said that it was very hard to predict with certainty the support to be provided as this was based on needs, experience and consultations with recipients. Hence, this

cannot be known beforehand in order to make a pledge or commitment.

**Malawi** for the **LDCs** said that some elements were missing from the co-facilitators' informal notes, including support for loss and damage and the geographic allocation of finance.

**South Africa** in response to Japan said that it was confused as Japan has provided upfront information on finance for longer terms beyond one year. It said that "the intention is not to set top down rules or to tell governments to change things" but "what we are asking is for clarity of information as regards the pledges."

**Switzerland** in response said that it was not possible to provide "a number" as there is a "dialogue" with a partner country. "When a

commitment is made, it is disbursed over several years" and that information is reported ex post, adding that there was a difference in understanding among Parties.

The **EU** said that with its 28 member states, there are difficulties with the type of information to be provided, adding that some countries have different budget cycles and different approaches in their bilateral programmes.

Following the exchanges, **Nafo** said that the co-facilitators will work on revising their informal notes, in streamlining the document without prejudice to any Party's position to address the overlaps and redundancies and another informal session will be convened next Monday, 7 May.