

## Developed countries oppose process to set new collective finance goal

Bonn, 9 May (Meena Raman) – At the climate talks in Bonn, Germany, held under the UNFCCC, developed countries are opposed to the launch of a process to set a new collective goal on finance that takes into account the needs and priorities of developing countries.

(In Paris, under paragraph 53 of decision 1/CP.21, Parties had agreed that “...prior to 2025 the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement [CMA] shall set a new collective quantified goal from a floor of USD 100 billion per year, taking into account the needs and priorities of developing countries.”)

They argued that it was too premature to have this discussion, while developing countries insisted that the CMA should launch work on this matter as early as possible, in light of its relevance to the preparation of nationally determined contributions (NDCs), so that the outcome is completed in 2024 at the latest. Developed countries also said that the ‘donor-base’ had to be broadened to take into account the “changing financial landscape.”

Discussions in informal consultations on the matter first began on the issue under the Ad-hoc Working Group on the Paris Agreement (APA) on 5 May and continued on 8 May under agenda item 8, facilitated by the APA Co-chairs, **Sara Bashaan (Saudi Arabia)** and **Joe Tyndall (New Zealand)** on ‘possible additional matters’ to be considered for further work. This was necessary, given that neither the APA or the UNFCCC Subsidiary Bodies had been tasked to do so in relation to the implementation of the Paris Agreement (PA), commonly referred to as the ‘orphan’ or ‘homeless’ issues.

Another ‘homeless’ issue which was discussed further at the informal consultations was on ‘modalities for biennially communicating finance information on the provision of public financial resources to developing countries in accordance with Article 9.5 of the PA, which first began on 3 May. (See TWN Update 6 for details of discussions in this regard.)

Wrangling continued over this matter with discussions on 4 and 5<sup>th</sup> May which continued on 8 May on how to capture the progress in the discussions at the session. Developed countries did not want the conference room paper (CRP) submitted by the **African Group** and the **Like-minded Developing Countries (LMDC)** and supported by the **Arab Group**, from being attached to the informal notes which, among other things, wanted 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.

In the final iteration of the informal notes in this regard, the APA Co-chairs reflected the options proposed by Parties on the Article 9.5 issue and also annexed the CRP by the developing countries as well as a submission by the **European Union (EU)** which stated that “no specific additional matters need to be considered by the CMA” as the completion of the work under the Subsidiary Body for Implementation (SBI) under agenda item 15 on identifying information to be provided under Article 9.5 “as sufficient to operationalise this article and conclude the necessary work under the Paris Agreement Work Programme (PAWP) regarding it.” (See further details on this below.)

*New collective quantified goal on finance*

The APA Co-chairs asked Parties to consider the following questions:

❖ Should the APA recommend to the CMA when it could initiate consideration of setting a new collective quantified goal on finance in accordance with decision 1/CP.21, paragraph 53, for decision prior to 2025?

❖ At such time as the work to set a new collective goal is initiated, which body should be mandated to take this work forward?

**Egypt**, speaking for the **G77 and China** said that this matter was critical for developing countries. It referred to the USD 100 billion per year that was agreed to in Cancun, Mexico in 2010, and where Parties had also agreed to limit temperature rise to 2 degrees C, and said that the goal “did not emanate from a process based on the needs and priorities of developing countries for climate finance which was new, additional, predictable and adequate” adding that developing countries were uncertain if the USD 100 billion was new and additional. (The USD 100 billion was announced by the US in Copenhagen in 2009).

Egypt said that if Parties looked at the NDCs of developing countries, it was clear that the USD 100 billion will not be able to deliver on what actions are needed. Referring to the recently concluded replenishment for the Global Environment Facility (GEF), it said that the “outcome was not rosy” as the allocation for climate change had declined. In relation to the Green Climate Fund (GCF), what has been pledged and what is available for programmes is also “not rosy,” stressing the importance of having a new goal. It also reminded Parties that in Paris, the USD 100 billion per year by 2020 was stretched to 2025, with the its “purchasing value” being much less.

Egypt said that in the period when Parties were talking about enhanced implementation of actions under the PA, there is need for a “dramatic scale-up” and stressed that how the needs and priorities of developing countries are incorporated and delivered through a multilateral process that comes up with a goal was vital, which is not based on “individual collections” (of pledges.) In this regard, the G77 and China said that in order to take a decision on a new collective goal, Parties need to set out the work, as it was a process (to define the goal) and is not a “number alone.”

There is need for a process relating to the “technical work and analysis based on the needs and priorities of developing countries which are articulated in the NDCs and this work needs to be initiated by a body so that the information “gets to a negotiated process, leading to a quantified goal.”

**Ecuador** for the **LMDC** said that it hoped that “the setting up of a new goal on finance will not be an arbitrary process,” adding that what is needed is “not a number” but “what the needs of developing countries are so that we are setting up a goal that is not an arbitrary process but is one that is participatory,” including being linked to science and with inputs from technical and scientific bodies as well as Parties, which will require analysis of the inputs. Hence, this could take time and there is need to start a process early instead of “rushing at the end.”

**Norway** said that this matter was not necessary to be a part of PAWP, adding that it was too early to discuss this in the absence of lessons learnt from the 2020 goal. It also said that under the Conference of Parties to the UNFCCC (COP), there were discussions on ‘long-term finance’ (LTF), with annual workshops and stocktaking exercises and lessons learned.

**South Africa** for the **African Group**, responding the second question posed by the Co-chairs, said that in the Paris mandate, the timeline was clear as a decision is needed at the CMA in 2024. There needs to be a “procedural decision” for the CMA to start the consideration of a new goal no later than 2020 and there could be a request to the Standing Committee on Finance (SCF) to initiate a technical analysis for the consideration by the CMA, it said, adding that the earlier the decision is made on the new goal, the more clarity there is for developing countries.

The **EU** said that while setting the new collective goal is important, it did not think it was the right time to discuss this matter and that paragraph 53 does not mention a process. It said further that Parties need to focus on what is mandated for CMA1.

**Honduras** for the **Independent Alliance of Latin America and the Caribbean (AILAC)** said that in order to build a new finance goal, Parties need to learn from the lessons of the LTF and to take into account the most recent information based on science, agreeing that the process needs to be inclusive and requires technical work.

**Canada**, while agreeing with the G77 and China that they should be a process for a new quantified goal, learning from the experiences and assessments of the current goal, it said that it was premature to consider new collective goal, as a decision was needed only prior to 2025. It added that it was not necessary to state the process now but to finish the work on the LTF.

**China** said it was eager to see the finance goal as early as possible and that it was important to initiate a process next year at CMA 2. It also said that support from the bodies of the Convention was necessary in this regard, with the SCF and the Subsidiary Bodies also helping. Learning from the previous process is also a process, said China, emphasising the need for an early process, given that it will take a long time for learning the lessons, the collection of information and for consultations.

**Ecuador** for the **LMDC** in response to developed countries said that the timeline was clear and that a decision was needed latest by 2024. In response to those who referred to the LTF, it said that developed countries have said during the LTF discussions that it might not continue after 2020.

**Malawi** for the **LDCs** also called for a process for setting the new goal, learning lessons including from the LTF and that the goal has to be science based, that must address meaningful ambition on mitigation and adaptation. A decision was needed by 2024, it added further.

**Japan** said that an assessment of the 2020 goal was needed and it was too early for the consideration of the new goal.

**Egypt** for the **G77 and China** in response to interventions referring to the LTF programme said that the LTF was only until 2020 and there was no assessment of the USD100 billion. If such as assessment was needed for the new goal, then there should be a mandate given to the LTF to do so. For a new goal prior to 2025, two procedural requirements are needed: a process to review and assess the USD 100 billion goal and a technical process in ascertaining the needs and priorities of developing countries and information on both is needed by 2020. This can be part of the LTF which can be done through the SCF, said Egypt.

**India** also agreed that unless such a process is initiated, it would be difficult to arrive at a new goal. The **Philippines** also expressed similar views as other developing countries.

**Australia** in response said that a “considered approach” was needed and there were a lot of uncertainties, adding that it will not be known what the finance flows will be as the countries who will need to make a contribution will change in time. It added that this was a matter not to be concluded by the PAWP.

**New Zealand** also said that the time is not yet ripe for a recommendation for the CMA. It agreed that prior to 2025, a process is needed which should not be arbitrary and the needs of developing countries should be taken into account. It added that there is need to “expand the mandate” to address the prevailing global financial landscape, with a broader donor base.

**Maldives** for the **Alliance of Small Island States** also agreed that a technical process is needed with the needs identified by Parties and that the LTF can inform the new goal. It said that the APA could make a recommendation for CMA 3.

The **United States** said that there was no need to focus work beyond the preparations for CMA1 and that there is no need to start a process in 2018 for a 2025 goal. It said that paragraph 53 does not decide on a process and that the APA does not need to make a recommendation to the CMA.

**Saudi Arabia** in response said that Parties need to ask if the setting of a new collective goal is part of the package decisions in Poland. It said that Parties need to agree if this matter is part of the PAWP or if it has to be “added to the rest of the issues which end up as casualties” with no work being undertaken by anybody.

**China** agreed with **Saudi Arabia** and said that it is important to think of the package of decisions to be adopted in Poland. It added that developing countries were not asking for “a number” but on how this issue is going to be dealt with arrangements to be put in place to arrive at a conclusion in 2024.

**Switzerland** said that it was not yet time to given any recommendation for the initiation of a process.

Following the exchanges by Parties, in the final iteration of the informal notes of 8 May, the APA Co-chairs noted the following:

“Parties identified the following options for the way forward:

❖ Option 1: the APA to recommend to the CMA to initiate technical work on the process for setting the goal as soon as possible or at CMA 2;

❖ Option 2: the process [should][could] be initiated at a future time to be determined by the CMA. So, no recommendation from the APA to the CMA is required;

❖ Option 3: The CMA's only role is to set the goal. Therefore, the CMA does not need to initiate a process;

❖ Option 4: No recommendation is needed from the APA to the CMA on when it [should][could] initiate the work to set the goal.

Further consideration of this matter will now take place in Bangkok, at the additional session in September this year.

#### *APA – Consideration of additional matter of 9.5*

During the APA informal consultations on the modalities for the 'modalities' for the biennial communication of indicative information on the financial resources available to developing countries under Article 9.5 of the PA, **South Africa** for the **African Group** explained its proposal once again which was supported by the **LMDC** and the **Arab Group** that was contained in a CRP with a proposed modality and process.

**Canada** said that it was clear that the issue of the "modalities" (for the communication of information) is not within the mandate of the Paris decision, adding that the on-going work under the SBI in identifying the information was sufficient.

APA Co-chair **Bashaan** asked Parties to answer the question on "what, if any, are those specific additional matters concerning Article 9.5, that are not being addressed by the SBI...that may require consideration by the CMA."

**South Africa** for the **African Group** in response said that the SBI was not dealing with the issue of 'modalities' but was "dealing with information." What was not being addressed was the "vehicle" by which the communication of information is to be submitted, saying that it had proposed a registry.

**Ecuador** for the **LMDC** explaining the rationale for its submission (with the African Group), said the issue that developing countries have been struggling is over the 'modality' for the communication of the information, or what kind

of instrument is to be used. The aggregation of that information will be useful to developing countries in their planning (for climate actions).

**New Zealand** said that Article 9.5 imposed new obligations on developed countries and the mandate in paragraph 55 of decision 1/CP.21 is for a process to identify that information and is not about the 'how' (to communicate the information).

The **EU** said that the issue of the 'modalities' is outside the mandate of the Paris decision and did not see the need for a procedural decision or for any additional matters to be considered beyond what is being discussed under the SBI.

The **US** said that all issues were considered and addressed in Paris and a balance was arrived at. It also said that there was no need for any additional mandate in relation to Article 9.5 as there are clear procedures for the biennial communication.

**Saudi Arabia** in response said that Parties need to come to an understanding and there is need for a vehicle to communicate the information. This matter is not being discussed under the SBI and Parties could ask the SBI to consider the ways and means for communicating that information.

**Switzerland** said that there are no further mandates from Paris that requires the consideration of the CMA. The mandate that needs to be delivered is under paragraph 55 which is being addressed under the SBI.

**China** in response said that there was need to have a frank discussion and asked developed countries how they were going to implement Article 9.5.

**Saudi Arabia** also weighed in and asked whether the work under the SBI to identify the information will operationalise Article 9.5 and wanted to know how information the information is being communicated. "We must know the mechanism," it added to communicate that information.

**Ecuador** for the **LMDC** said that it was frustrated with the unwillingness of developed countries to discuss this. It also said that under the SBI, Parties were dealing with the process to identify the information and after this is done, it wanted to know the next steps.

The **US** in response said that Article 9.5 "operationalises itself." It said further that developed countries have existing practices and have been communicating and making

submissions and there was “no gap to fulfil the mandate.”

**South Africa** for the **African Group** said that Parties were using the “mandates to avoid discussions.” It added that developing countries wanted clarity on the financial resources available to access them.

The **EU** in response said that paragraph 55 takes forward what is needed under Article 9.5 and there is no need for further guidance.

**Gabon** responding to the US said that it had answered part of the question where there is obligation and practice (to communicate the information) following the existing modality. It wanted to know when the first communication in this regard will be made; whether in 2020 or in 2022. The mandate in this regard it said was to make clear when and how the communication is done. **Malawi** for the **LDCs** echoed the sentiments of Gabon, as did **Ecuador (LMDC)**.

**China** said that information on the current processes on ex-ante information would be helpful proposed that the Secretariat provide a technical paper in this regard. In response to developed countries, **Saudi Arabia** said that the failure to operationalise Article 9.5 could be the first ‘casualty to drop out of PAWP’ and this could be listed as among the ‘paralysed’ items that will not be in the 2018 package of decisions.

Following the exchanges between Parties that continued on 8 May, in the final iteration of the informal notes, the APA Co-chairs noted the following: “Parties identified the following options for the way forward:

- ❖ Option 1: The APA to recommend to CMA 1 to initiate a process for the modalities for biennially communicating information on finance based on the following: a registry; synthesis report; timeframe for when to start the process of communication, with a link to Article 4, paragraph 10; and a trigger for technical review and multilateral assessment;

- ❖ Option 2: No specific additional matter needs to be considered by CMA 1, because this matter is not part of the Paris Agreement.

The informal note also annexes that CRP of the **African Group** and the **LMDC** which is also supported by the Arab Group as well as the submission by the **EU**.

### *At the Subsidiary Body for Implementation on Article 9.5*

Meanwhile, the SBI convened its final informal consultations on Article 9.5 on 8 May where Parties agreed on a revised iteration of the informal note prepared by the co-facilitators.

The informal consultations also discussed the draft conclusion where the mandate of Article 9.5 issue became contentious again. Developed countries led by the **US** wanted to ensure that the “mandate of Article 9.5” is clearly reflected in the draft conclusions. Following were the draft conclusions proposed:

#### *“Draft conclusions proposed by the Chair*

1. The SBI considered the identification of the information to be provided by Parties in accordance with Article 9, paragraph 5, of the PA.<sup>1</sup>

2. The SBI welcomed the progress made on this matter as reflected in the informal note by the co-facilitators of the informal consultations on this agenda item.<sup>2</sup>

3. The SBI requested its Chair to undertake consultations with the Co-Chairs of the APA with a view to ensuring coherence and coordination.

4. The SBI agreed to continue its consideration of this matter at XX session on the basis of the informal note referred to in paragraph 2 above.”

Paragraph 3 became the bone of contention. Referring to paragraph 3 of the draft conclusion presented, the **US** asked for the paragraph to be removed.

In response, the co-facilitator said that this was a standard formulation that was being used across the subsidiary bodies dealing with agenda items related to the PAWP.

The **US** took the floor again to express that if that was the case, such a formulation should be reflected at a “broader level” and that Parties should not be considering such language item by item. **Australia** also agreed with the US.

**South Africa** for the **African Group** sought clarification on the references to “broader level” and wanted to know where could such a formulation be raised.

**Saudi Arabia** intervened and said that it did not see any reason for the paragraph to be deleted and objected to the US’s proposal.

**Ecuador** for the **LMDC** said that it was standard language and that it did not want to get rid of the

paragraph from the draft conclusion.

**Switzerland** said it did not “care” about whether the paragraph was included or not, and that there is usually some language on interlinkages in the APA cover decision.

At this point the co-facilitator intervened to say that the draft conclusions would be left as is without any changes.

The **EU** came in to say that as long as the text applied to all the PA items, they would be okay, but if the language was in reference to some special consultations, that would be problematic.

The **US** took the floor and made a proposal. It proposed that paragraph 3 read: “*The SBI requested its Chair to undertake consultations with the Co-Chairs of the APA with a view to ensuring coherence and coordination with regards to the mandate in paragraph 5 of 12/CP.23 and paragraph 55 of Decision 1/CP.21.*”

(The references to the mandate were already in a footnote to paragraph 1. The footnote reads: “*In accordance with decision 12/CP.23, paragraph 5. See also decision 1/CP.21, paragraph 55*”). The US clarified that the proposal was just so that Parties are clear on the mandate.

(Para 5 of decision 12/CP.23 reads: “*Requests the SBI to consider, beginning ... (April–May 2018) and at*

*any subsequent sessions on the PAWP, identification of the information to be provided by Parties in accordance with Article 9, paragraph 5, of the PA, and to forward the outcomes to the Conference of the Parties (COP) at its twenty-fourth session (December 2018) with a view to the COP providing a recommendation for consideration and adoption by the CMA 1 session (December 2018).*”

**Saudi Arabia** intervened to say that Parties were getting too prescriptive and added that the purpose of the paragraph was only to send a message to the SBI Chair to coordinate with the APA Co-Chairs on the matter.

In response, the co-facilitator said that the language proposed by the US had already been captured in the informal note and that they should just reference paragraph 1 in paragraph 3.

Parties accepted the proposal and the paragraph finally read:

“3. *The SBI requested its Chair to undertake consultations with the Co-Chairs of the APA with a view to ensuring coherence and coordination with regards to the matter referred to in paragraph 1 above.*”

On paragraph 4, the co-facilitators said that the XX would be filled up after the UNFCCC bureau decides on the additional session. (An additional session is being planned in Bangkok in September 2018.)