Oral report to the Contact Group

Enhance action on the provision of financial resources (agenda item 3 (e))

Contact Group meeting, 24 May 2012

General results of the substantive discussion:
• A number of issues were identified during the discussion on finance; there were divergent views about the issues raised and how they are to be addressed.

Issues discussed:
• Regarding the funding gap 2012 to 2020:
  o Concerns were raised by developing country Parties that there will be a funding gap between the end of the fast-start finance (FSF) commitment period in 2012 and the commitment to the USD 100 billion goal in 2020. In order to address the funding gap, a proposal was made to consider a midterm target for the 2012 to 2020 period, with scaling up of climate finance towards achieving the goal of USD 100 billion. A further proposal to address the funding gap was to consider an FSF-like commitment over a three-year period within the post-Durban political context. Another proposal was to use an annual incremental approach to the scaling up of financing to bridge the gap between 2012 and 2020, building upon the USD 30 billion to be reached in 2012 and in order to reach the USD 100 billion in 2020.
  o Developed country Parties continued to assure that there will be no gap after the end of FSF in 2012 and emphasized their commitment to the USD 100 billion goal in 2020.

• Regarding long-term finance:
  o Concerns were raised by some Parties about the following issues: lack of clarity on sources; access modalities; delivery mechanisms; the scaling up of financing, including a general time frame and a clear pathway for the scaling up; and the adequacy of the USD 100 billion goal. Additionally, concerns were raised about where the outcomes of the work programme on long-term finance, which will be technical in nature, will be taken up in order for the outcomes to be used as inputs to the negotiations. The adequacy and predictability of new and additional financial resources was also emphasized. Scaling up of finance is related to enhanced action on mitigation and adaptation.
  o Other Parties stated that the issue of long-term finance is being taken up by the work programme on long-term finance, which provides the appropriate framework for discussions on the subject, in order to address the relevant issues. The outcomes of the work programme will be captured in the report by the co-chairs of the work programme to the Conference of the Parties (COP) at its eighteenth session.

• Regarding fast-start finance:
  o Some Parties raised queries on the transparency of FSF in relation to, for example, sources of FSF and the principle of new and additional in relation to FSF, and called for some form of assessment of FSF. The importance of lessons learned from FSF for climate finance was emphasized.
  o Developed country Parties restated their commitment to FSF and their commitment to climate finance beyond 2012, and taking into account the transparency of FSF reporting, also highlighting the importance of lessons learned to be taken into account. They identified the work programme on long-term finance as the relevant forum for this exercise.
Regarding the Green Climate Fund (GCF):
  o The arrangement between the COP and the GCF was raised as one of the issues to be agreed under the AWG-LCA. Additionally, the capitalization of the GCF was raised as a potential concern.
  o Another view was that the issue of the arrangement between the COP and the GCF needs to be taken up by the Board of the GCF.

Additional issues:
  o Additional issues that have been highlighted through the discussions as indicated by some Parties include:
    ▪ Interlinkages between finance (components of the financial mechanism) and other strands under the Convention, in particular adaptation and mitigation;
    ▪ Monitoring, reporting and verification of support;
    ▪ The funding for biennial update reports;
    ▪ The financing of new requirements in relation to meaningful mitigation actions by developing country Parties;
    ▪ The funding for national adaptation plans of the non least developed countries.