

**Ninth meeting of the Standing Committee on Finance
Bonn, Germany, 10–11 March 2015**

**Background paper on the consideration of the long-term finance issues
referred to in decision 3/CP.19, paragraph 12**

Expected actions by the Standing Committee on Finance

The SCF will be invited to consider:

- a) The invitation by the COP to provide inputs to the in-session workshop on Long Term Finance (LTF) that will be organized by the secretariat;
- b) The relevant previous and on-going work by the SCF in discussing its inputs to the in-session LTF workshop;
- c) The following activities relating to long-term finance:
 - i. Substantive inputs to be provided on the issues relating to the in-session workshop, and as part of its workplan for 2015;
 - ii. Modalities through which the SCF may wish to consider such substantive inputs;
 - iii. Modalities through which the SCF may wish to communicate these inputs.

I. General context and background

A. Mandate

- 1) COP 19 in Warsaw and COP 20 in Lima decided to continue the deliberations on LTF with three core elements for the period 2014 to 2020: (i) biennial submissions by developed country Parties on their strategies and approaches for scaling up climate finance; (ii) annual in-session workshops to be organized by the secretariat; and (iii) biennial high-level ministerial dialogues on climate finance.¹
- 2) With respect to the annual in-session workshops, COP 20 decided that these will focus, in 2015 and 2016, on the issues of: (i) adaptation finance, (ii) needs for support to developing country Parties, and (iii) cooperation on enhanced enabling environments and support for readiness activities, and invited the thematic bodies under the Convention in particular the SCF, the Adaptation Committee and the Technology Executive Committee, where appropriate, to consider LTF issues referred to in decision 3/CP.19, paragraph 12 when implementing their 2015-2016 workplans, as an input to the annual in-session workshops on LTF.²
- 3) An in-session workshop on LTF is expected to be held during the 42nd session of the Subsidiary Bodies of the Convention, in June 2015 in Bonn, Germany.

B. General overview of the Long-term Finance process

- 4) COP 17 in Durban launched a work programme on LTF that was extended at COP 18 in Doha and concluded at COP 19. The LTF work programme aimed at contributing to the ongoing efforts to scale up the mobilization of climate change finance after 2012.³ Additional aims of the LTF work programme were to inform developed country Parties in their efforts to identify pathways for mobilizing the scaling up of climate finance to USD 100 billion per year by 2020 from public, private and alternative sources in the context of meaningful mitigation actions and transparency on implementation, and to inform Parties in

¹ Decisions 3/CP.19 and 5/CP.20.

² Decision 5/CP.20, paragraphs 13–14.

³ Decision 2/CP.17 paragraph 127 and 130.

enhancing their enabling environments and policy frameworks to facilitate the mobilization and effective deployment of climate finance in developing countries.⁴

- 5) As part of its work on LTF, COP 18 agreed to continue the existing processes within the Convention for assessing and reviewing the needs of developing country Parties for financial resources to address climate change and its adverse effects, including the identification of options for the mobilization of these resources and the adequacy, predictability, sustainability and accessibility of these resources.⁵
- 6) Following on the conclusion of the LTF work programme at COP 19, Parties decided to continue deliberations on LTF until 2020 through the three core elements of the LTF as mentioned in paragraph 1 above.
- 7) Two rounds of submissions have been made by developed country Parties on their strategies and approaches for scaling up climate finance in 2013 and 2014.⁶ The secretariat was requested by the COP to prepare a compilation and synthesis of the biennial submissions on the strategies and approaches (Decision 3/CP.19 para. 10), to inform the in-session workshops. This document is expected to be available at the end of April this year.
- 8) A high-level ministerial dialogue on climate finance was held at COP 20 in Lima. Key conclusions and recommendations from this high-level ministerial dialogue include the following:⁷
 - a) The Convention has many of the institutional basis and many of the instruments and elements to provide predictability, accessibility of, and clarity in the use of financial flows;
 - b) Clear signal on improved predictability of climate finance flows, and improved information on climate finance provided and used is needed and is essential for progress on enhancing climate finance;
 - c) The dialogue provided a clear political signal on the need to articulate those elements that enable successful mobilization, deployment, and use of climate finance not only for the pre-2020 period, but also as Parties approach the post-2020 world, and ultimately securing much needed predictability, efficiency and clarity in the flow of resources.
- 9) Additionally, an in-session workshop was organized in June 2014,⁸ which provided a platform for interaction among Parties on LTF issues. The 2014 LTF in-session workshop looked at two main areas of discussion:
 - a) Strategies and approaches for scaling up climate finance from 2014 to 2020:
 - i. Expected levels of climate finance mobilized from different sources;
 - ii. Policies, programmes and priorities;
 - iii. Actions and plans to mobilize additional finance;
 - iv. Ensuring a balance between adaptation and mitigation financing;
 - v. Steps taken to enhance enabling environments.
 - b) Cooperation on enhanced enabling environments, support for readiness activities and the needs for support of developing countries:
 - i. Cooperation on enhanced enabling environments and readiness at the country, programme and project level;
 - ii. Lessons learned from fast-start finance in connection with the effective deployment of climate finance;
 - iii. Actions needed to better address the needs for support of developing countries.
- 10) Table 1 below, provides an overview of the activities and outcomes of the long-term finance process to date.

⁴ Decision 4/CP.18, paragraph 2.

⁵ Decision 4/CP.18, paragraph 8.

⁶ Submissions received in 2013 are available at :< <http://bit.ly/1zKYeko>>. Submissions received in 2014 are available at:<<http://bit.ly/1M8CokG>>

⁷ A summary report of the ministerial dialogue is available at: http://unfccc.int/files/meetings/lima_dec_2014/application/pdf/hlmd_summary.pdf>

⁸ [FCCC/CP/2014/3](http://unfccc.int/files/meetings/lima_dec_2014/application/pdf/fccc_cp_2014_3_summary_report_on_the_in-session_workshop_on_long-term_finance_in_2014.pdf): Summary report on the in-session workshop on long-term finance in 2014.

Table 1: Overview of the process on Long-term Finance under the Convention

LTF process	Mandates and objectives	Issues discussed	Outcomes and outputs	Suggested way forward	Actions taken by the COP
Work programme on LTF (2012)	Decision 2/CP.17, paragraphs 126-130 by which the COP launched the LTF work programme in order to: <ul style="list-style-type: none"> Contribute to the on-going efforts to scale up the mobilization of climate change finance after 2013; Analyse options for the mobilization of resources from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources and relevant analytical work on the climate-related financing needs of developing countries. 	<ul style="list-style-type: none"> Options for the mobilization of financial resources for climate change in developing countries; Needs for support of developing countries; Enabling environments; Lessons learned from the fast-start finance period. 	<ul style="list-style-type: none"> Substantial increases in financial resources are needed in order to help developing countries to undertake climate change mitigation and adaptation action; Options for raising climate finance including carbon pricing policies, removal of fossil fuel subsidies, as well as potential innovative sources arising from actions to reduce emissions of greenhouse gases from the maritime and aviation sectors; There is significant potential to increase the role of the private sector in mobilizing investments for projects and programmes in developing countries; Clarity on the delivery of climate finance after 2012 is critical. <p>Output: Report on the workshops on LTF</p>	<ul style="list-style-type: none"> Call for a political process on sources and options for mobilizing climate finance; Need for further work on improving information on the climate-related financing needs of developing country Parties; Need for intensified work on enhancing enabling environments; Need to strengthen the tracking of climate finance both public and private. 	COP 18 decided to extend the LTF work programme for one year to continue to explore clarity on the provision of climate finance after 2012. An in-session high-level ministerial dialogue was mandated for COP 19 in order to give adequate political consideration to the LTF issues at the level of the COP.
Extended work programme on LTF (2013)	Decision 4/CP.18 by which the COP decided to extend the LTF work programme for another year, in order to: <ul style="list-style-type: none"> Inform developed country Parties in their efforts to identify pathways for mobilizing the scaling up of climate finance to USD 100 billion per year by 2020; Inform Parties in enhancing their enabling environments and policy frameworks to facilitate the mobilization and effective deployment of climate finance in developing countries. 	<ul style="list-style-type: none"> Conceptual Issues related to the identification of pathways for the mobilization of climate finance including challenges and barriers to the identification of pathways; Enabling environments and policy frameworks for the mobilization and effective deployment of climate finance in developing countries. 	<ul style="list-style-type: none"> In light of the challenges in identifying quantitative pathways for the mobilization of climate finance, qualitative information related to policies and programmes aimed at mobilizing climate finance could be useful; On enabling environments for the mobilization of financial resources: Importance of sending right fundamental signal for mobilization through the use of carbon and energy pricing systems, removing fossil fuel subsidies; On enabling environments for the effective delivery of climate finance: Importance of establishing national policy frameworks in developing countries that are conducive to deployment of climate finance based on country's context; Importance of in-country and donor coordination. <p>Output: Report on the outcomes of the extended work</p>	<ul style="list-style-type: none"> Regular and standardized reporting on climate finance could play a key role in providing assurance on the actions being taken to meet the USD 100 billion commitment; In light of the political importance of identifying a 'pathway', identifying the current levels of climate finance would be an option for going forward and the work of the SCF in the biennial assessment and overview of climate finance flows can play a key role in this regard; Need for further discussion on definitional issues, especially on defining private sector finance in the context of the USD 	COP 19 concluded the LTF work programme. COP 19 requested developed country Parties to submit information on their strategies and approaches for mobilizing climate finance. LTF deliberations to continue through in-session workshops on LTF, biennial high level ministerial dialogue as well as submissions by developed countries

LTF process	Mandates and objectives	Issues discussed	Outcomes and outputs	Suggested way forward	Actions taken by the COP
			programme on LTF	100 billion commitment; <ul style="list-style-type: none"> • Need for further work on climate finance effectiveness throughout the whole life cycle of climate finance. Such work could usefully draw on lessons learned during the fast-start finance period and consider relevance of the principles of aid effectiveness. 	
2014	<p>Decision 3/CP.19 whereby deliberations on LTF to continue through, inter alia, in-session workshops to be organized by the secretariat, which will focus on:</p> <ul style="list-style-type: none"> • Information submitted by developed country Parties in their strategies and approaches for mobilizing scaled up climate finance (first submissions received in 2013); • Cooperation on enhanced enabling environments and support for readiness activities; • Needs for support to developing countries. 	<ul style="list-style-type: none"> • Expected levels of climate finance mobilized from different sources; • Actions and plans to mobilize additional finance; • Ensuring a balance between mitigation and adaptation finance; • Cooperation on enhanced enabling environments including actions undertaken to enhance enabling environments; • Actions needed to better address the needs for support of developing countries. 	<ul style="list-style-type: none"> • While it was recognized that the submissions by developed countries provided valuable information on their efforts to scale up climate finance. some areas of improvement were identified; • Further actions and planning on additional finance are dependent on 'push and pull' factors; • Support for readiness activities should go beyond accreditation processes and be built around an iterative proves with multiple entry points along the funding cycle; • Setting priorities and needs assessments should be country-driven processes; • Needs assessments should look more into investment opportunities and try to identify the appropriate financial instruments required to deploy climate finance effectively. <p>Output: Summary report on the in-session workshop on LTF.</p>	<ul style="list-style-type: none"> • The areas of improvement on the information provided in the strategies and approaches included, inter alia: • Incorporation of information on quantitative elements of a pathway; • Improved information on the expected levels of climate finance mobilized from different sources including private finance mobilized by public interventions; • Information on the steps undertaken to enhance enabling environments; • The level of aggregation of the information on updated strategies and approaches; • More information on how the finance provided addresses developing countries' needs and priorities. 	<p>COP 20 adopted decision 5/CP.20 which :</p> <ul style="list-style-type: none"> • Decided on the focus of the annual in-session workshops on LTF in 2015 and 2016; • Requested developed country Parties to enhance available quantitative and qualitative elements of a pathway in their next submissions on their strategies and approaches for mobilizing climate finance for the period 2016-2020; • Requests Parties to continue to enhance their enabling environments and policy frameworks to facilitate the mobilization and effective deployment of climate finance.

II. Consideration of LTF issues by the SCF: overview of relevant elements from SCF's workplan and activities

- 11) In accordance with decision 3/CP.19, paragraph 12, the following LTF issues are to be considered by the SCF as it implements its 2015 workplan:
- Strategies and approaches for scaling up climate finance from 2014 to 2020 by developed country Parties;
 - Cooperation on enhanced enabling environments and support for readiness activities; and
 - Needs for support to developing countries from 2014 to 2020.
- 12) These issues cut across the mandates and activities included in the workplan of the SCF in 2015, and are largely similar to the areas of focus of the in-session workshops on LTF in 2015 and 2016.

A. Relevant elements in the SCF's 2015 workplan

- 13) A review of the activities included in the 2015 workplan of the SCF, which was endorsed by COP 19,⁹ suggests that LTF issues may be considered in the mandates and activities of the SCF in 2015 as reflected in table 2 below.

Table 2: Relevant mandates and activities of the SCF in 2015

Mandate/Activity	Expected outputs/outcomes by the SCF in 2015	Possible LTF issue for consideration
<i>Mandate: Rationalization of the Financial Mechanism including the undertaking of analyses and information</i>	Recommendations to the COP, as appropriate.	<ul style="list-style-type: none"> Adaptation finance Enabling environments Support for readiness
<i>Mandate: Mobilization of financial resources, including the undertaking of analyses and information exchange</i>	Recommendations to the COP, as appropriate.	<ul style="list-style-type: none"> Adaptation finance Enabling environments Needs for support
<i>Mandate: Improving coherence and coordination in the delivery of climate financing</i>	Recommendations to the COP, as appropriate.	<ul style="list-style-type: none"> Adaptation finance Needs for support Readiness
<i>Activity: work of the SCF on coherence and coordination on the issues of financing for forests taking into account different policies and approaches</i>	Third forum of the SCF; Conclusions from the discussions at the forum; Recommendations to the COP, as appropriate.	<ul style="list-style-type: none"> Adaptation finance Enabling environments (in the context of forest financing and beyond)
<i>Activity: work of the SCF on measurement, reporting and verification of support, including SCF's work on methodologies for reporting of financial information by developed country Parties</i>	Recommendations to the COP as appropriate.	<ul style="list-style-type: none"> Information in the strategies and approaches by developed countries and how to enhance transparency and clarity in the provision of climate finance
<i>Activity: work of the SCF on providing draft guidance to the operating entities of the Financial Mechanism (FM)</i>	Draft guidance to the operating entities of the FM.	<ul style="list-style-type: none"> Adaptation finance Support for readiness activities in developing countries
<i>Activity: work of the SCF on preparing for the second biennial assessment and overview of climate finance flows</i>	Interaction with relevant stakeholders; Preliminary work of the SCF on the second BA.	<ul style="list-style-type: none"> Needs of developing countries (also in light of the mandate by the COP to assess how adaptation and mitigation needs can most effectively be met by climate finance)¹⁰

⁹ See annex VIII to document FCCC/CP/2013/8, report of the SCF to COP 19.

¹⁰ Decision 3/CP.19, paragraph 11.

B. Relevant elements from previous work and activities of the SCF

14) In addition to considering the LTF issues in its workplan as mentioned in table 2 above, the SCF may want to also consider the outcomes of its work undertaken in recent years, which are relevant to the areas of focus at the in-session workshops. These include:

a. The input provided by the SCF to the extended work programme on LTF in 2013

15) In 2013, following a request by COP 18 to the SCF to provide inputs to the extended work programme on LTF, some committee members provided written inputs on their views on LTF. These inputs were compiled and submitted to the co-chairs of the extended LTF work programme as an input by the SCF.¹¹ The SCF may want to consider those submissions as it prepares its input to the LTF.

b. The outcomes of the first forum of the SCF which focused on climate finance

16) In 2013, the SCF held its first in-person forum which focused on the general theme of climate finance. During the forum, participants engaged on understanding the drivers to investments in mitigation and adaptation activities in developing countries. Participants also delved on the innovative approaches by national, bilateral, regional and multilateral organizations and the private sector in providing funding and investments for mitigation and adaptation as well as on the role of local actors in mobilizing additional climate finance. Issues related to the financing needs of developing countries and the tracking of climate finance were also discussed at the forum. The materials and presentations discussed at the forum are available on the SCF's webpage.¹²

c. The outcomes of the second forum of the SCF which focused on mobilizing adaptation finance

17) In 2014, the SCF held its second in-person forum with specific focus on mobilizing adaptation finance. The forum was an opportunity for the SCF to draw a landscape of adaptation finance and engage with participants on the instruments both public and private that are used to support adaptation. The forum also delved on issues related to financing specific sectors related to adaptation. A report of the forum is available on the SCF webpage.¹³ Elements from the two forums of the SCF could be used in preparing inputs relevant to the areas of adaptation finance, enabling environments as well as needs for support of developing countries.

d. The first biennial assessment and overview of climate finance flows

18) In 2014, the SCF prepared and issued its first biennial assessment and overview of climate finance flows (BA) which covered the years from 2010 to 2012. The BA discussed the available estimates of global climate finance and flows of climate finance from developed to developing countries. It provided elements for an operational definition of climate finance and estimated that the total climate finance in all countries ranges from USD 340 to USD 650 billion per year, while the flows of climate finance from developed to developing countries ranged from USD 40 to USD 175 billion per year.¹⁴

19) The BA also addressed the thematic and geographic distribution of climate finance flows from developed to developing countries. In this regard, it found that 48 to 78% of finance reported supports mitigation or other/multiple objectives and that although adaptation finance remains a small share of the current estimates of climate finance, there is some evidence that it has been increasing. As for the geographic distribution, the BA found that the largest share of funding mobilized has been directed to countries of the Asia and Pacific region, while countries of Latin America and the Caribbean and Sub-Saharan Africa appear to have received broadly comparable shares of the finance committed.¹⁵ The information contained in the BA may be useful in preparing the SCF input with regard to adaptation, needs for support of developing countries.

e. The expert inputs to the fifth review of the Financial Mechanism

20) In 2014, the SCF prepared expert inputs to the fifth review of the Financial Mechanism (FM) following a request by COP 19. In preparing that expert input, the SCF examined the activities, policies and programme priorities of the operating entities of the FM in line with the criteria for the review. In so doing, the SCF drew conclusions and recommendations on issues relevant to adaptation, enabling environments that the SCF can draw on in preparing its input to the LTF.

¹¹ Available at < <http://bit.ly/1z1vmV8>>

¹² <<http://unfccc.int/7624.php>>

¹³ < <http://unfccc.int/8138.php>>

¹⁴ Summary and recommendations by the SCF on the 2014 biennial assessment and overview of climate finance flows, available at: < <http://bit.ly/1zQsYAD>>

¹⁵ Ibid 14.

III. Working modalities and provision of inputs to the in-session workshops

- 21) As elaborated above, the LTF issues to be considered by the SCF cut across several areas and elements of its workplan for 2015. This suggests that such consideration may be undertaken on an ongoing basis by the SCF as it implements its workplan in 2015 and 2016. In this regard, the SCF may wish to consider establishing a working group on LTF that will:
 - a) Facilitate the work of the SCF on how it can consider the thematic issues of the LTF in-session workshops in the implementation of the SCF's workplans for 2015 and 2016;
 - b) Present consolidated draft inputs to be endorsed by the SCF and subsequently submitted to the in-session workshops in 2015 and 2016;
 - c) Facilitate the work of the Committee on how it can reflect LTF issues in the elaboration of its draft workplan for 2016.
- 22) In addition to establishing a working group on LTF, the interaction with the other thematic bodies under the Convention, particularly the AC and the TEC, is also a good opportunity for the SCF to consider LTF issues. For example, the interaction with the AC may be useful in informing the input by the SCF on adaptation finance, while the interaction with the TEC may be useful in informing the SCF's input with regard to the issues of enabling environments needs for support and readiness. Further information on the work of the AC and TEC and their respective relevance to the work of the SCF, is included in the updated communication strategy for the SCF in 2015, which includes proposed collaboration areas between both bodies and the SCF.¹⁶
- 23) Additionally, The SCF may consider appointing a number of representatives to actively participate at the LTF in-session workshops in 2015 and 2016. These may be members of the working group referred to above, or also include other SCF members. These representatives may be engaged as resource persons in the in-session workshops.
- 24) Consolidated inputs to be submitted in-writing to the LTF in-session workshops may be posted on the SCF's web page for public reference.

¹⁶ SCF/2015/9/9.