

SUBMISSION ON FUTURE INSTITUTIONAL LINKAGES FOR THE ADAPTATION FUND OF THE KYOTO PROTOCOL

This submission is made as a contribution to the work of the Standing Committee on Finance on the matter of the future institutional status of the Adaptation Fund of the Kyoto Protocol in the UNFCCC, including the Green Climate Fund, an operating entity of the financial mechanism of the Convention.

The role and functions of the SCF

1. The Standing Committee, later named Standing Committee on Finance, was established “under the COP to assist the COP in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate change financing, rationalization of the financial mechanism, mobilization of financial resources and measurement, reporting and verification of support provided to developing country Parties” (Decision 1/CP.16, paragraph 112).
2. At COP17, in Durban, the mandate and functions of the SCF were further elaborated in Decision 2/CP.17, paragraphs 120 to 125. Among the activities identified for the SCF, as laid out in paragraph 121 (e) is on the provision of expert inputs... into the preparation and conduct of the periodic reviews of the financial mechanism by the COP.
3. The SCF then developed guidelines for the 5th review of the financial mechanism, and these updated guidelines were adopted by the COP in Decision 8/CP.19, and its Annex. Among the sources of information for this review are the report of the Adaptation Fund Board and the outcomes of the initial review of the Adaptation Fund.
4. In its Decision 6/CP.20, paragraph 22, the COP then requested the SCF to “consider issues related to possible future institutional linkages and relations between the AF and other institutions under the Convention. Among the institutions in particular is the Green Climate Fund established by the COP and designated as an operating entity of the financial mechanism of the Convention.
5. Paragraph 122 also provided that the SCF may perform any other functions that may be assigned to it by the COP.

The Adaptation Fund of the Kyoto Protocol

1. The COP decided to establish an adaptation fund “to finance concrete adaptation projects and programmes in developing country Parties that are Parties to the KP, as well as activities identified in paragraph 8 of decision 5/CP.7.” ((decision 10/CP.7, paragraph 1). It also decided that the adaptation fund shall be financed from the share of the proceeds on the clean development mechanism project activities and other sources of funding (paragraph 2).

2. **The financial mechanism of the Convention serves as the financial mechanism of the Kyoto Protocol, “through the entity or entities entrusted with the operation of the financial mechanism of the Convention”** as provided for in Article 11 of the KP, a related legal instrument under the Convention as its title suggests, the Kyoto Protocol to the Convention on Climate Change.
3. Article 12 of the KP defines the clean development mechanism whose purpose **“shall be to assist Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3”**. Article 12.4 of the KP also states that the CDM shall be **subject to the authority and guidance** of the COP.
4. Article 12.8 of the KP states that the CMP **“shall ensure that a share of the proceeds from certified project activities is used to cover administrative expenses as well as to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”**

The COP as supreme body of the Convention, shall keep under regular review the implementation of the Convention and any related legal instruments that the COP may adopt, and shall make within its mandate, the decisions necessary to promote the effective implementation of the Convention (Article 7, paragraph 2 of the UNFCCC).

COP decisions related to AWG-LCA and various approaches including opportunities for using markets

1. In its decision 2/CP.17 on the outcome of the work of the AWG-LCA, the COP defined a new market-based mechanism, **“operating under the guidance and authority of the COP... and which subject to conditions to be elaborated, may assist developed countries to meet part of their mitigation targets or commitments under the Convention.”** (Paragraph 83)
2. At COP 18, in Doha, Decision 1/CP.18 on the agreed outcome pursuant to the Bali Action Plan, paragraph 51 (i), on the work programme to consider possible elements of the new market-based mechanism, lists **“a share of the proceeds to cover administrative expenses and assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation.”**

These are texts that are taken almost verbatim from Article 12 of the Kyoto Protocol on the Clean Development Mechanism, and used as a basis for the establishment of the Adaptation Fund under the Kyoto Protocol.

The Green Climate Fund and adaptation financing

1. The Green Climate Fund was established by the COP in Decision 1/CP.16, paragraph 102. In the same decision, in paragraph 100, it was decided that **“a significant share of new multilateral funding for adaptation should flow through the GCF..”**
2. The GCF was launched through Decision 3/CP.17 and was designated as an operating entity of the financial mechanism of the Convention. Part of the guidance of the COP contained in this decision is paragraph 17, which requests the Board of the GCF to “initiate a process to collaborate with the Adaptation Committee and the Technology Executive Committee, as well as other relevant thematic bodies under the Convention, to define linkages between the Fund and these bodies, as appropriate.” This guidance was reiterated in COP.18, and again in COP.19 as part of the initial guidance of the COP to the GCF. The COP also requested the Board to “balance the allocation of GCF resources between adaptation and mitigation activities.”
3. The Governing Instrument of the GCF, states that the Fund will have thematic funding windows which initially shall be for adaptation and mitigation (paragraph 37) and that “an integrated approach to funding mitigation and adaptation will be used to allow for cross-cutting projects and programmes.” The Board shall also ensure adequate resources for capacity-building and technology development transfer (paragraph 38).
4. Subsequently, at COP20, the COP requested to the GCF to “accelerate the operationalization of its adaptation and mitigation funding windows and to ensure adequate resources for capacity-building and technology development and transfer” (Decision 7/CP.20, paragraph 8).

All of the above elements are part of the negotiations currently taking place under the ad hoc working group on the Durban Platform (ADP), and can be found in the draft negotiating text that was developed by the ADP, to be the basis of negotiations, known as the Geneva text.

Among these are elements that call for the financial mechanism of the Convention under Article 11 to serve as the financial mechanism of the 2015 agreement, and that related funds established under the KP will also serve as instruments of the new agreement.

SUBMISSION

On the institutional linkage, and in the light of the above, the means are in place to establish the Adaptation Fund of the KP as part of the financial mechanism of the Convention, and to designate it as the main operating entity to channel adaptation financing including in any new agreement to be reached in Paris at COP 21. The Board of the AF may then continue to serve the “new” Adaptation Fund, initially to be composed of Parties to the Convention, and later on open for membership of the CMP to any new agreement, should this be agreed, and whenever it enters into force.

Some proposals under the ADP call for an enhanced CDM to be put in place under the new agreement. As shown above, decisions of the COP have been taken that use, almost verbatim, the text of Article 12 of the KP on the CDM that could be used as a basis for setting up an Adaptation Fund under the Convention, based on the existing Adaptation Fund under the Protocol. This could be done in the same manner that the COP took Decision 10/CP.7 which established the adaptation fund under the KP.

The CMP of the KP would have to decide to recommend such a move to the COP. The COP could then take this decision as the supreme body of the Convention in accordance with Article 7 of the Convention.

The AF, through its Board, can be an accredited institution in the GCF. Institutions that have been accredited to the AF have already been accepted and accredited under the fast-track accreditation process in the GCF. The AF and the GCF both pursue a country-driven approach, and share the direct access modality. The GCF can benefit from the concrete experience of the AF on both of these.

All of these can be considered by the SCF in its deliberations on the COP guidance to the SCF on these issues.

Bernarditas Muller
Observer
South Centre