

WORK OF THE AWG-LCA CONTACT GROUP

Agenda item 3.4.

Finance

version of 24 November 2011 @ 15:00

Draft co-facilitators consolidated text on Long Term Finance¹

The Conference of the Parties at its seventeenth Session,

(Option 1) *Recalling* Article 4 and Article 11 of the Convention;

(Option 2) *Recalling* the article 4 of the Convention,

Recalling the commitments of the developed country Parties and other developed Parties included in Annex II to the provisions of financial resources mandated under Articles 4.1, 4.3, 4.4, 4.5, 4.8, and 4.9 in accordance with Article 11 of the Convention,

(Option 1) *Recalling* also the Bali Action Plan (decision 1/CP.13) which called for enabling the full, effective and sustained implementation of the Convention through long-term cooperative action, now, up to and beyond 2012, and decision 1/CP.16,

(Option 2) *Also recalling* paragraph 1 e) of the Bali Action Plan, Decision 1/CP.13,

Reiterating paragraph 97 of decision 1CP/16, that in accordance with the relevant provisions of the Convention, scaled up, new and additional, predictable and adequate funding shall be provided to developing country parties, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change,

(Option 1) *Reiterating* paragraph 18 of decision 1/CP.16 that requested developed country parties to provide developing country parties, with long-term, scaled-up, predictable, new and additional finance, technology and capacity-building consistent with relevant provisions, to implement urgent, short, medium, and long term adaptation actions, plans, programmes and projects at local, national, sub-regional and regional levels, in and across different economic and social sectors and ecosystems,

(Option 2) *Reaffirming* that scaled up, predictable, new and additional, and adequate funding shall be provided by developed country Parties to developing country Parties, in accordance with principles and provisions of the Convention, to enable and support enhanced action on mitigation, adaptation, capacity-building and technology development and transfer in developing countries, for enhanced implementation of the Convention,

(Option 3) *Recalling* that, in accordance with the relevant provisions of the Convention, scaled-up, new and additional, predictable and adequate funding shall be provided to developing country

¹ This consolidated text is based on current submissions made by Parties and will be updated to incorporate additional submissions.

Parties, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change,

Acknowledging the need for scaling up climate finance from 2013 towards 2020, in the context of meaningful mitigation actions and transparency on implementation with a view of reducing global greenhouse gas emissions so as to hold the increase in global average temperature below 2°C above pre-industrial levels,

(Option 1) *Recalling* the commitment of developed country Parties to the goal of mobilizing jointly USD100bn per year by 2020, to enable and support enhanced action on mitigation, adaptation, technology development and transfer and capacity-building, as contained in para 97 of the Cancun Agreement,

(Option 2) *Recalling further* that developed country Parties committed, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020,

(Option 4) *Recalling* paragraph 98 of decision 1/CP.16 in which developed country Parties commit, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD100 billion per year by 2020 to address the needs of developing countries;

Recognizing that this commitment might be insufficient to fully address the needs of developing country Parties, given that recent estimates of international financial flows and investments required to address adaptation, mitigation, technological and capacity-building needs of developing countries are in the range of several hundreds of billions of USD a year,

Recognizes that fully addressing the needs of developing country Parties on, inter alia, adaptation, mitigation and capacity-building is likely to exceed USD 100 billion per year;

(Option 1) *Reiterating* that funds provided to developing country Parties may come from a wide variety of sources, public and private, bilateral and multilateral, including innovative sources,

Emphasizing that the main source of funding shall be public financial resources provided by developed country Parties, and that public finance should be prioritized for supporting adaptation activities in developing country Parties particularly vulnerable to the adverse effects of climate change,

Recognizing the importance of public finance in supporting climate-related investments in developing countries, including adaptation measures in the most vulnerable and least developed countries,

Recognizing that institutional investors such as pension funds, sovereign wealth funds, and insurers control trillions of dollars seeking long-term investment opportunities, *urges* Parties to take concerted action to identify and implement means to facilitate large-scale private investment into low-carbon, climate resilient infrastructure in developing countries;

Reaffirming the role of the private sector in providing finance for climate-related investments in developing countries, highlighting that a robust carbon market is required, which drives the carbon price necessary for low-carbon investment, to achieve global mitigation objectives in an efficient way and to support the level of private and public sources required,

Stressing that innovative sources, such as carbon pricing of global aviation and maritime transportation, have the potential to generate large financial flows,

Recognizing that increased climate finance flows depend in part on domestic enabling environments, *urges* developing countries to promote transparency and good governance and improve regulatory and economic policies that reduce investment risks;

Acknowledging that the role of the private sector should be strengthened by further efforts to address regulatory barriers and through developing policy frameworks necessary to leverage private climate finance, including an efficient international carbon market,

Reiterating the need for enhanced action on the provision of financial resources and investment to support action on mitigation and adaptation and technology cooperation,

Recognizing that providing support in particular financial support to developing countries is indispensable for the implementation of the Convention, and the relevant decisions of the Conference of the Parties, and that the extent of developing country parties actions in dealing with climate change is dependent on the extent to which finance, technology and capacity-building support is made available to them by developed country parties,

Recognizing the priority of developing country Parties that are particularly vulnerable to the adverse impacts of climate change and the adverse impacts of response measures including economic diversification,

Recalling that the goal of mobilizing \$100 billion in paragraph 98 of decision 1/CP.16 was made in the context of meaningful mitigation actions and transparency on implementation, *emphasizes* the importance of tracking progress by developing countries in implementing nationally appropriate mitigation actions in an internationally transparent manner;

Emphasizing that any funding pledged outside the UNFCCC shall not be regarded as a fulfillment of the legally binding commitments by Developed country Parties and other developed Parties included in Annex II under Article 4.3 of the Convention and under Para 98 of Cancun Agreements,

(Option 1) *Taking note* of the relevant reports on financing needs of developing countries, and reports on options for mobilization of resources to address those needs,

Recognizing the evolution over time in developing countries' needs and their ability to contribute to climate finance.

Welcoming the initial pledges made by some developed country Parties towards the initial capitalization of the Green Climate Fund and encourages other developed country Parties to contribute to the Fund to ensure its rapid operationalization,

1. *Recognizing* that developed country Parties commit, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD100 billion per year by 2020 to address the needs of developing countries;

2. (Option 1) *Decides* that developed country Parties should significantly scale-up their provision of predictable, new and additional, and adequate finance, without reduction, interruption or suspension, from present levels to at least USD100 billion per year as soon as possible and no later than 2020 as a means to ensure there is no climate change financing gap between 2012 and 2020;

(Option 2) *Reaffirming* that, in accordance with the relevant provisions of the Convention, scaled-up, new and additional, predictable and adequate funding shall be provided to developing country Parties, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change,

3. *Emphasizing* the importance of continuing to provide ongoing support beyond 2012 to address the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, such as LDC's, SIDS and Africa,

4. (Option 1) *Agrees* that a significant portion of new multilateral climate financing should flow through the Green Climate Fund; and that allocation of these resources should be balanced between adaptation and mitigation;

(Option 2) *Reaffirming* that a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund,

5. *Decides* that the financial support to be provided by developed country parties should be ‘new and additional’ and should be on grant or ‘concessional basis’. These should be provided through budgetary mechanisms of developed country Parties and could be generated, according to the national discretion of such Parties concerned from new instruments in accordance with the principle of Common But Differentiated Responsibilities of UNFCCC;

(Option 1) *Decides* that main source of funding will be public sources, supplementary funding may come from private sources, as well as through multilateral and bilateral channels, with a view to develop modalities to facilitate MRV of the flows of the supplementary sources;

(Option 2) *Decides* that the major source of new and additional resources referred to in paragraphs [1-3] above shall be public finance, which shall comprise primarily the assessed budget contributions of developed countries and may also comprise supplementary alternative sources in developed countries of public finance consistent with the principles of the Convention;

(Option 3) *Decides* that the public sector of the developed country Parties and other developed Parties included in Annex II shall be the major source of the long term finance, and the private-sector sources may play a complementary role in addressing climate change challenges;

(Option 4) *Reaffirms* that, in accordance with paragraph 1(e) of the Bali Action Plan, funds provided to developing country Parties may come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources;

6. *Decides* that in accordance with article 4.3 of the Convention, and to ensure adequacy and predictability of the flow of support to developing countries, a burden sharing mechanisms established to identify the flows of financial support from developed countries, including through the application of assessed scale of contributions of developed countries;

7. *Decides* new and additional financial support provided by developed country Parties to developing countries will be replenished from wide variety of sources, mainly public sources, and including through:

- (a) Public sources building up on the commitments of the fast start finance identified in paragraph 95 of decision 1CP/16, and reaching at least 100 billion USD annually in 2020, based on assessed scale of contributions;
- (b) Predictable and sustainable financial resources reaching (x)% annually of all annex I GDP by 2020, based on assessments reports of the needs of developing countries;
- (c) Other potential supplementary sources of finance including market based, alternative and innovative sources;

8. *Decides* that a balanced allocation between mitigation and adaption shall be ensured by an allocation of at least 50% to the adaptation window and that when allocating adaptation finance attention shall be paid to particularly vulnerable countries in accordance with Article 4.9 of the Convention;

9. *Decides* that all adaptation finance shall be provided in the form of grants and wherever possible through direct access;

10. *Decides* that the developed country Parties and other developed Parties included in Annex II shall provide a clear work plan on their pledged assessed contributions post 2012 and up to 2020 for approval by COP seventeen;

11. *Decides* that adequate and predictable financial support shall be provided to developing countries based on their needs;

12. *Decides* that equitable allocation of financial resources will be followed, including through criteria based on geographical and/or needs, including urgent and immediate needs related to climate change, while ensuring balance between adaptation and mitigation;

13. *Decides* to commence work on a new framework to ensure greater transparency and consistency in reporting on the provision of long term financing by developed country Parties, taking into consideration lessons learned from the fast-start financing period and the Expert Reviews of developed country Parties National Communications;

14. (Option 1) *Adopts* the work programme on sources of long-term finance and the indicative schedule of workshops contained in the annex to this decision;

(Option 2) *Decides* to establish a work program in order to further elaborate on all the elements identified in paragraphs 1 to 6 of this decision, with a view to prepare a draft decision for the consideration of the Conference of the Parties at its 18th session;

15. (Option 1) *Decides* to work on the identification of sources for long-term finance from public finance, including innovative sources, and private finance, and a combination thereof, to be mobilized in order to achieve the long-term financing goal of 100 billion USD in the context of meaningful mitigation action and transparency in implementation; thereby addressing the conclusions and recommendations of all relevant reports including the report of the High-level Advisory Group on Climate Change Financing and the report on mobilizing climate finance in the context of G 20;

(Option 2) *Decides* to accelerate and intensify work, in the context of the AWG-LCA, on identifying, a wide variety of public and private, bilateral and multilateral sources of long term financing, including innovative sources, of at least USD100bn by 2020, with the aim of adopting a decision on sources of long term finance that can be accounted for the fulfillment of developed countries financial commitments, at the 18th session of the COP;

16. *Recognizing* that each Party determines the mode and source of its contributions in support of the goal of mobilizing \$100 billion referenced in paragraph 2,

17. *Taking note* of the relevant reports on the financing needs and options for the mobilization of resources to address the needs of developing country Parties with regard to climate change adaptation and mitigation, including the report of the High-level Advisory Group on Climate Change Financing,

18. (Option 1) *Invites* Parties, international financial institutions and relevant UN agencies to submit their views by the March 31st 2012, on preferred sources of long-term financial resources, including innovative sources; their technical feasibility, applicability and potential incidence on developing country Parties;

(Option 2) *Invites* Parties, observers, international financial institutions and relevant UN agencies to submit their views by the May 15th 2012, on the financial needs of developing countries, public and private sources, and other sources of long term financial resources, and their technical feasibility, applicability, and adequacy;

19. (Option 1) *Requests* the secretariat to compile and prepare a synthesis of submissions by Parties including scenarios of likely volumes of funding given Parties' preferred options, in time for consideration by the AWG-LCA at its next session;

20. (Option 2) *Requests* the Secretariat to prepare a compilation and synthesis report, for the consideration by parties through the work program, on:

- (a) Different assessments and evaluations of the financial needs of developing countries;
- (b) Options for mobilizing and identifying sources of long term financing by developed countries, and their impacts and incidents on developing countries;

21. *Decides* that all developing country Parties are eligible to directly access the long term finance, to cope with the impact of climate change and the implications of the response measures;

22. *Decides* that direct and facilitated access of all developing countries to financial resources will be guaranteed by COP decisions;

23. *Decides* that the financial instruments or economic and environmental measures to be employed by developed country parties, if any, for raising new and additional resources should have no incidence on any developing countries or its entities, and the fiscal or economic effects such instruments or measures must be contained within national boundaries of the respective countries;

24. *Decides* that a mechanism shall be established to assess the incidence of the new and innovative sources of finance on developing country Parties;

25. *Decides* that developed country Parties and other developed Parties included in Annex II shall cover the full costs of any incidence on developing country Parties associated with the implementation of new or innovative sources of fund as stated in Article 4.7 of the Convention;

26. *Decides* that the provisions of the long term finance are pertinent to the UNFCCC process and shall be dealt with ONLY through the UNFCCC bodies.

27. *Requests* the secretariat to organize, from now and until the 18th session of the Conference of the Parties, [X] technical workshops open to representatives from Parties, international financial institutions, relevant UN agencies and organizations, accredited observer organizations and other relevant stakeholders on sources of long term climate finance to be provided by developed country Parties to developing country Parties, with a view to:

- (a) Providing opportunities for Parties to present and discuss their proposals and preferred options for ensuring provision by developed countries of scaled-up, new and additional, predictable and adequate funding, in accordance with paragraph 97 of decision 1/CP.16;
- (b) Clarifying assumptions, options and findings from relevant reports, processes and other inputs, on mobilizing sources from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources;
- (c) Considering approaches to avoid a gap in the provision of climate change finance after the 2010-2012 fast-start financing period;
- (d) Considering the scale of needs for climate finance beyond 2020;

28. *Requests* the secretariat to prepare a report on the workshops referred to in paragraph [6] above, to be made available by the 18th session of the Conference of the Parties;

29. *Requests* developed country Parties to commit to the initial capitalization of the Green Climate Fund without delay, such capitalization to include:

- (a) the full running costs entailed in operationalizing the Green Climate Fund before the 18th session of the Conference of the Parties, including the funding required for the formation and operating costs of the board and secretariat of the Green Climate Fund; and
- (b) a substantial first tranche of funding such that the Green Climate Fund is in a position to commence disbursement of funds to developing countries for the purposes of, inter alia, adaptation, mitigation, capacity-building and technology transfer by 2013;

ANNEX

Indicative schedule of activities on sources of long-term finance

Date	Event	Outputs	Inputs
28 Nov- 9 Dec 2011	COP 17, Durban, South Africa	Adopt a work programme and an indicative schedule of workshops/activities on sources of long term finance	- G20 communiqué - WB/Bill Gates reports - AGF report - Other relevant reports
31 March 2012			Parties submissions
Next meeting of the AWG-LCA XX XX 2012	Technical workshop		Compilation and synthesis of submissions by the Secretariat
SB session 14 May - 25 May 2012	Technical workshop		- Report from previous workshop - External experts
Inter-sessional XX XX 2012	Technical workshop		- Report from previous workshop - External experts
XX XX 2012	COP 18	Adopt a decision on sources of long term finance that can be accounted for the fulfillment of developed countries financial commitments	