Work of the Contact Group on item 3

Section G

10 February 2015 @ 15.00 h

G. [Option I: Finance[[1]](#footnote-2)

[Guiding principles]

34. [***Option 1***: All [[developed country Parties][Parties included in annex X] and other Parties included in [Annex II][annex Y]][Parties in a position to do so, considering evolving capabilities][countries in a position to do so] to provide climate finance as a means to [enhance action towards achieving the objective of the Convention][meet the goal of staying below the [2][1.5] °C temperature increase] and to achieve the [sustainable development trajectories that combine adaptation and mitigation to climate change and its impacts and the] transformation required to that end and in line with the needs of [developing countries][Parties not included in annex X], in accordance with their obligations and commitments under Articles 4, paragraphs 3, 4,5, 7, 8 and 9, of the Convention, the principles under the Convention, in particular the principles of common but differentiated responsibilities and respective capabilities and equity, noting that the extent to which [developing country Parties][Parties not included in annex X] will effectively implement their commitments will depend on the effective implementation by [developed country Parties][Parties included in annex X][Parties in a position to do so, considering evolving capabilities][all countries in a position to do so] of their commitments related to financial resources, transfer of technology and capacity-building, acknowledging that the need for support by [developing country Parties][Parties not included in annex X] may change over time and be accommodated under Article 4, paragraph 7, of the Convention, and acknowledging the need for financing for forestry in line with the Warsaw Framework for REDD-plus[, including alternative approaches to results-based actions such as joint mitigation and adaptation for the integral and sustainable management of forests];

***Option 2***: Each Party / All Parties individually or collectively to mobilize climate finance through a diversity of actions from a variety of sources as a means to stay below the long-term temperature limit and to achieve the transformation required to that end, according to and in line with their respective and evolving responsibilities and capabilities / the principles and objectives of the Convention, acknowledging the importance of leadership to be taken by [developed country Parties][Parties included in annex X] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so], acknowledging that some Parties need support in order to take action, and acknowledging that the need for support by Parties may change over time or be met with different means of support/ [all [Parties][countries] in a position to do so][Parties included in annex X] [Parties in a position to do so, considering evolving capabilities] should provide financial support to Parties in need of support; acknowledging the need for climate-resilient economies and societies;

***Option 3:*** All Parties shall individually or collectively mobilize climate finance through a diversity of actions from a variety of sources as a means to stay below the long-term temperature limit and to achieve the transformation required to that end, acknowledging that the actions to be taken will differ according to, and in line with, Parties’ respective and evolving responsibilities and capabilities, acknowledging the importance of leadership to be taken by developed country Parties, also acknowledging that some Parties need support in order to take action, and further acknowledging that the need for support by Parties may change over time or be met with different means of support. All Parties in a position to do so shall provide financial support to Parties in need of support, acknowledging the need for climate-resilient economies and societies;

***Option 4:*** In accordance with the objectives set forth in Art. 3 of this Agreement and pursuant to the Convention’s ultimate objective, all investments are to progressively become low-emission and resilient to climate impacts, contributing to the necessary transformation towards sustainable development and the achievement of the goal of maintaining the average global temperature increase below 2 ºC or 1.5 ºC, as well as building economies, societies and ecosystems that are resilient to climate change;

***Option 5:*** In the implementation of this agreement, all developed country Parties and other Parties included in Annex II to provide climate finance as a means to enhance action towards achieving the objective of the Convention and to achieve the transformation required to that end, and in line with the needs of developing countries, in accordance with their obligations and commitments under Article 3, paragraphs 1, 2, and article 4, paragraphs 3, 4, 5, 7, 8 and 9, of the Convention;

The principles under the Convention, in particular the principles of common but differentiated responsibilities and respective capabilities and equity, acknowledging that the need for support by developing country Parties may change over time and be accommodated under Article 4, paragraph 7, of the Convention, and acknowledging the need for financing for forestry in line with the Warsaw Framework for REDD-plus;

The extent to which developing country Parties will effectively implement their commitments will depend on the effective implementation by developed country Parties of their commitments related to financial resources, transfer of technology and capacity-building;

***Option 6***: All Parties in a position to do so should provide financial support to Parties in need of support, as a means to achieve the objectives of this Agreement, acknowledging the need for climate-resilient economies and societies.]

[34 bis. Parties decide that the governing body shall develop objective criteria to define Parties in a position to provide support.]

[34 ter. Parties to reduce international support for high-carbon investments, including international fossil fuel subsidies.]

35.[***Option 1*:**

35.1 [**Option (a):** [The mobilization, provision [and delivery] of finance shall:][ Parties are encouraged to mobilize climate finance from a variety of sources, according to and in line with respective and evolving responsibilities and capabilities; acknowledging that Parties with higher capabilities should support Parties with lower capabilities]

a. Deliver adequate and predictable funding[, including through direct access,] for the full and enhanced implementation of the agreement, enhance addressing climate change as part of promoting sustainable development, in particular in [developing countries] [Parties not included in annex X], including through enabling enhanced mitigation and adaptation actions [and protecting the integrity of Mother Earth];

b. Encourage low-emission growth, reductions in high-carbon investment, and adaptation needs of [developing countries][Parties not included in annex X], and climate-resilient development;

c. Support the integration of climate objectives into other policy-relevant areas and activities such as energy, agriculture, planning and transport, national fiscal accounts, development policy and plans in line with country circumstances and according to countries’ priorities;

d. Promote continuous efforts to ‘climate-proof’ investments, including relevant international public finance flows;

e. Enhance addressing climate change in addition to the coordination of development aid, acknowledging that climate finance is to be separate from official development aid;

f. Encourage policy signals by governments / catalyse policy actions by governments and adjustment or improvement of policies;

g. Deliver additional adequate and predictable funding for adaptation, in particular for the implementation of the Cancun Adaptation Framework, for building institutional capacity and appropriate legal frameworks, integrating adaptation into national development policies, and for monitoring and evaluation processes [and appropriate institutional arrangements such as the Climate Resilience and Sustainable Development Mechanism];

h. Advance the implementation / fulfilment of commitments by [developed country Parties][Parties included in annex X] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] in terms of finance, technology transfer and capacity-building to enable [developing country Parties] [Parties not included in annex X] to implement policies, strategies, regulations and action plans on climate change education, training, public awareness, public participation and public access to information and thus enable effective adaptation and mitigation action by all Parties;

i. Facilitate assistance to [developing country Parties][Parties not included in annex X] for readiness support / Support readiness for implementation/ implementing climate actions;

j. Establish a readiness programme as an enabling activity;

k. Maximize and incentivize ambitious mitigation actions, in particular through payment for verified results, where appropriate;

l. Take into account the urgent and immediate needs and special circumstances of the LDCs and SIDS;

m. Ensure a country-driven approach in the mobilization, provision and delivery of climate finance;

n. Recognize the need for a special mechanism in the agreement to fast track urgent action required to assist the most vulnerable countries that are already experiencing existential challenges from climate change, in the LDCs, SIDS and countries in Africa;

o. Promote climate finance readiness activities, such as enhancing enabling environments.

**Option (b):** In the implementation of this agreement, financial resources provided by developed countries as for the means of implementation shall:

a. Be new, additional, adequate and predictable resources by developed country Parties and other Parties included in Annex II for promoting sustainable development in developing countries;

b. Facilitated and enhanced access of developing countries shall be ensured;

c. The scale of financial resources to be provided shall be periodically reviewed and updated every five years in relation to regular assessments of the needs of developing countries and the gap in resources provided and in the context of the agreed temperature goal.

**Option (c):** Climate finance shall:

a. Be provided as new, additional, adequate and predictable financial resources by developed country Parties and other Parties included in Annex II for the full and enhanced implementation of the Convention as part of promoting sustainable development in developing countries;

b. Enhance addressing climate change in addition to development aid acknowledging that climate finance is to be separate from official development aid;

c. Provide additional adequate and predictable funding for adaptation, in particular for the implementation of the Cancun Adaptation Framework, for building institutional capacity and appropriate legal frameworks;

d. Advance the implementation / fulfilment of commitments by developed country Parties in terms of finance, technology transfer and capacity-building to enable developing country Parties to take action plans to implement Article 6 of the Convention;

**Option (d)**: In the implementation of this agreement, financial resources provided by developed country Parties, as for the means of implementation shall:

a. Consist of new, additional, adequate and predictable financial resources provided by developed country Parties and other Parties included in Annex II to developing country Parties for the full and enhanced implementation of the Convention, as part of promoting sustainable development in developing countries, including through enabling enhanced mitigation and adaptation actions;

b. Ensure facilitated and enhanced access of developing countries;

c. Enhance addressing climate change in addition to development aid, acknowledging that climate finance is to be separate from official development assistance;

d. Deliver new additional adequate and predictable funding for adaptation from public sources and on a grant basis, including for the implementation of the Cancun Adaptation Framework and adaptation related provisions included in this agreement, for building institutional capacity and appropriate legal frameworks;

e. The scale of financial resources shall be periodically reviewed and updated every four years in relation to regular assessments of needs of developing countries and in the context of the temperature goal.]

35.2 [**Option (a):** Parties / [[Developed country Parties][Parties included in annex X] and other Parties included in [Annex II][annex Y]][Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] to mobilize and provide financial resources for the enhanced implementation of the Convention under this agreement, in order to / in a manner that:

a. ***Option i***: Ensures an equal allocation of financing between adaptation and mitigation[, including financing for joint mitigation and adaptation,] ensures an equitable distribution between different regions of [developing countries] [Parties not included in annex X] and enhances country ownership in the disbursement of financial resources taking into account the urgent and immediate needs and special circumstances of the LDCs and SIDS;

***Option ii***: [Aims at][Ensure that] a balanced approach of a 50:50 allocation of financing for adaptation and mitigation [and 50 per cent of the adaptation allocated to the LDCs and SIDS] while recognizing the importance of financing for adaptation[, taking into account the urgent and immediate needs and special circumstances of the LDCs and SIDS];

***Option iii***: Prioritizes adaptation, with all financing for adaptation to be grant-based / Encourages Parties to prioritize grant-based assistance for adaptation, while recognizing the importance of financing for mitigation[, taking into account the urgent and immediate needs and special circumstances of LDCs and SIDS];

***Option iv:*** With a view to striving towards an appropriate balance between mitigation and adaptation over time;

b. Prioritizes [developing country] [Parties not included in annex X] needs and identified country-driven plans, strategies and priorities of all countries, recognizing the importance of enhancing national needs assessments;

c. ***Option i***: Takes into consideration the need for adequacy and predictability in the flows of funds and the need for clarity of appropriate burden-sharing among [developed countries][Parties included in annex X] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so], taking into account the urgent and immediate needs and special circumstances of the LDCs and SIDS;

***Option ii***: Is new, additional, adequate, predictable and sustainable, within budgetary constraints, and acknowledges the need for adequate financial flows mobilized from a variety of sources, public and private, bilateral and multilateral, including alternative sources, in the context of meaningful mitigation action and transparency of implementation[, taking into account the urgent and immediate needs and special circumstances of LDCs and SIDS];

***Option iii***: Takes into consideration the need for new, additional, adequate, predictable and sustainable climate finance, taking into account budgetary cycles and the need for clarity of appropriate burden-sharing among developed countries;

c bis. Prioritizes public sources, while acknowledging that financial flows are mobilized from a variety of sources, public and private, bilateral and multilateral, including alternative sources, in the context of meaningful mitigation action and transparency of implementation;

d. Is flexible and systematically and regularly scaled up / updated;

e. Is results-based / needs-based and delivers the greatest impact possible and targets the effectiveness of mitigation and adaptation action / mitigation and adaptation results that can be measured, reported and verified;

f. Avoids duplication, allows for flexibility, ensures efficiency and transparency and builds a partnership among governments, development partners and the private sector to invest in a low-emission and climate-resilient future;

g. Encourages South–South cooperation which is voluntary, free of monitoring and can be supplementary / complementary, but not substitute commitments of [Parties included in [Annex I][annex X] to the Convention] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] while acknowledging that South–South cooperation is not a commitment of Parties under the Convention;

h. Recognizes [developing countries’] [Parties’ not included in annex X] / all Parties’ investments in supporting transformational change as part of their contributions;

i. Applies lower thresholds for receiving support for actions, with clear, transparent and quantifiable targets that go beyond ‘business as usual’;

j. Is capable of adapting dynamically to changing realities and future developments and needs, including in respect to climate finance, in line with the provisions and principles of the Convention, in particular the principle of common but differentiated responsibilities / reflecting evolving capabilities and responsibilities;

j bis In a manner that is capable to adapting dynamically to changing realities and future developments and needs, in the light of effectively implemented mitigation action and climate impacts, in line with the provisions and principles of the Convention;

k. Takes into account the urgent and immediate needs of [developing countries] [Parties not included in annex X] that are particularly vulnerable to the adverse effects of climate change / Prioritizes the specific needs and special circumstances of the most particularly vulnerable countries, including landlocked countries, recognizing the special circumstances of LDCs and SIDS, giving priority to countries with least capabilities and/or ensuring a fair geographical allocation of resources, while ensuring that the importance of providing support to other [developing countries] [Parties not included in annex X] is in no way diminished;

l. Uses the diversity of available channels and instruments under the Convention so as to limit the proliferation of finance in order to increase its efficiency and effectiveness and encourage the accountability and transparency of the UNFCCC in the provision of financial support, the mobilization of climate finance and the shift towards climate-friendly investments;

m. Pursues a gender-sensitive and country-driven approach;

n. Targets the drivers of climate change;

o. Encourages Parties to build effective enabling environments and provides recognition of the importance of implementing low-carbon, climate-resilient development strategies and NAPs;

p. Encourages Parties to take steps to eliminate public incentives for high-carbon investments;

q. Recognizes that climate finance flows are not limited to flows from developed [Parties included in annex X][Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] to [developing country Parties] [Parties not included in annex X];

r. Collectively exceeds the aggregate ambition of individual commitments / contributions;

s. Develops and improves enabling environments for the enhanced mobilization of support;

t. Is quantifiable, comparable and transparent;

u. Establishes links and builds synergies between mitigation and adaptation actions;

v. Enhances / catalyses international cooperative initiatives and recognizes their contribution to assisting Parties’ implementation of this agreement;

w. Facilitates needs-based financing for joint mitigation and adaptation for the integral and sustainable management of forests and other sectors.

**Option (b):** Furthermore, developed country Parties and other Parties included in Annex II, in the implementation of this agreement, to provide financial resources for the enhanced implementation of the Convention, in a manner that:

a. Ensures an equal allocation of financing between adaptation and mitigation on a 50:50 basis, ensures an equitable distribution between different regions of developing countries and enhances country ownership in the disbursement of financial resources; prioritizes adaptation, with all financing for adaptation to be grant based;

b. Takes into consideration the need for assuring additionality, adequacy and predictability in the flows of funds and the need for clarity of appropriate burden-sharing among developed countries;

c. Is systematically and regularly scaled up and based on developing countries’ needs as identified by them and in line with a process to regularly update the scale of support needed by developing countries in the context of the temperature goal;

d. Meets the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change/ Prioritizes the specific needs and special circumstances of the most particularly vulnerable countries;

e. Provides for predictability and sustainability on the scale of resources, through implementing a burden-sharing process between developed countries;

f. Pursues a gender-sensitive and country owned and driven approach and ensures the right to development for developing countries; and

g. Enhances/catalyses international cooperative initiatives and recognizes their complementary and additional contribution to assisting Parties’ implementation of the Convention.

**Option** **(c)**: Developed country Parties and other Parties included in Annex II to provide financial resources for the enhanced implementation of the Convention under this agreement, in a manner that:

a. Ensures an equal allocation of financing between adaptation and mitigation, ensures an equitable distribution between different regions of developing countries and enhances country ownership in the disbursement of financial resources; prioritizes adaptation, with all financing for adaptation to be grant based;

b. Takes into consideration the need for assuring additionality, adequacy and predictability in the flows of funds and the need for clarity of appropriate burden-sharing among developed countries;

c. Is systematically and regularly scaled up and based on developing countries’ needs;

d. Meets the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change/ Prioritizes the specific needs and special circumstances of the most particularly vulnerable countries;

e. Catalyses international cooperative initiatives and recognizes their contribution to assisting Parties’ implementation of the Convention.

**Option (d):** Developed country Parties and other Parties included in Annex II to provide financial resources for the enhanced implementation of the Convention under this agreement, in order to / in a manner that:

a. Aims for a balanced allocation of financing between adaptation and mitigation, while assuring a minimum of 50% of resources for adaptation and an equitable distribution between different regions of developing countries and enhances country ownership in the disbursement of financial resources; with all financing for adaptation to be grant based, prioritizing the urgent and immediate needs and special circumstances of developing countries particularly vulnerable to climate change, including in particular LDCs and SIDS and African States;

b. Ensures additionality, adequacy and predictability in the flows of funds and the need for clarity of appropriate burden-sharing among developed countries;

c. Is systematically and regularly scaled up and based on developing countries needs, in line with a process to regularly update the scale of support in the context of the temperature goal;

d. Meets the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change, including in particular SIDS, LDCs and countries in Africa;

e. Gender-sensitive and based on a country owned and driven approach and ensure the right to development of developing countries;

f. Explore further options to simplify access procedures to funds, especially for LDCs and SIDS.]

[35.2 bis. The Governing Body to this agreement shall explore further options to simplify access procedures to funds, in particular, for LDCs and SIDS.]

[35.2 ter. The actions taken by Parties in the mobilization of climate finance shall reflect and be dynamically adapted to future changing needs, developments, and environmental and economic realities, reflecting evolving capabilities and responsibilities.]

***Option 2***: Parties should ensure that climate finance and investment provided and mobilized under this agreement:

a. Creates policy certainty, by encouraging Parties to set their own strategies and priorities for low-carbon and climate resilient development;

b. Aligns with country driven strategies and priorities, and in doing so achieves a balance between finance and investment for mitigation and for adaptation;

c. Is delivered in simplified and coordinated ways, from a variety of sources, in order to reduce duplication of effort and to improve effective delivery and implementation;

d. Delivers mitigation and adaptation results that can be measured, reported, and verified as part of a results-focused policy and enabling environment;

e. Helps build a partnership among governments, development partners, and the private sector to invest in and support country-driven strategies and priorities for low-carbon and climate-resilient development.

***Option 3***: The mobilization and provision of finance to promote low-emission, climate-resilient development.

***Option 4***: Developed country Parties shall provide financial resources to developing country Parties for the full and enhanced implementation of the Convention under this agreement, in a manner that:

a. Ensures as new, additional, adequate and predictable for the full and enhanced implementation of the Convention which is in line with the overriding priorities of sustainable economic and social development in developing countries;

b. Takes into consideration the need for assuring additionality, adequacy and predictability in the flows of funds based on clear burden-sharing arrangements among developed country Parties;

c. Enhances actions on addressing climate change in addition to development aid, acknowledging that climate finance is to be separate from official development aid;

d. Provides additional, adequate and predictable funding for adaptation, in particular for the implementation of the Cancun Adaptation Framework, for building institutional capacity and appropriate legal frameworks;

e. Advances the fulfilment of commitments by developed country Parties in terms of finance, technology transfer and capacity-building to enable developing country Parties to take action plans to implement Article 6 of the Convention;

f. Ensures an adequate and equal allocation of financial resources between adaptation and mitigation, while prioritizing adaptation, with all financing for adaptation to be grant based, and enhances country ownership in the disbursement of financial resources;

g. Is systematically and regularly scaled up and is based on the needs of developing country Parties over time;

h. Meets the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change / Prioritizes the specific needs and special circumstances of the most particularly vulnerable countries;

i. Pursues a gender-sensitive and country-driven approach;

j. Enhances / catalyses international cooperative initiatives and recognizes their contribution to assisting Parties’ implementation of the Convention.]

36. [All Parties to cooperate in the implementation of this agreement in order to:

a. Support the enhanced ambition of all Parties, through the provision of support from [Annex II Parties][Parties included in annex Y] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] to [developing country Parties] [Parties not included in annex X];

b. Enable Parties’ best efforts based on their respective capabilities, foster country ownership and achieve sustainable development.]

[36 bis. Parties agree on a common transparency framework, applicable to all Parties, which shall promote transparency of support providing information on the delivery, use and impact of support as well as the implementation of enabling environments.

The governing body shall elaborate further guidance related to the transparency framework of support while recognizing that it should evolve and improve over time.]

37. [Efforts of subnational and local governments, subregional entities and the private sector to be recognized. ]

[37 bis. Clarity on the scaling up of resources shall be a key component of the agreement on post 2020 commitments through synthesized biennial submissions of developed country Parties on their updated strategies and approaches for scaling up climate finance from 2014 to 2020, including quantified forward-looking information on the expected level of funding to be provided.

a. Regular assessments and reviews shall be conducted on scaling up levels of ambition in both mitigation and adaptation taking into account evolving needs identified by developing country Parties.

b. A process for the determination of the level of resources required to keep levels of temperature increase to below 1.5 – 2 degrees Celsius shall be conducted.]

[37. ter A clear process for periodic reviews and assessment of the finance goal based on the needs assessments of developing country Parties, addressing gaps in the delivery of resources and in line with an agreed goal on the limit of temperature increase, shall be established under this agreement.]

[37. quater An effective measurement, reporting and verification of support mechanism, including of all means of implementation shall be developed.]

[Anchoring institutions under the legal agreement]

38. [***Option 1***: The Financial Mechanism [of the Convention and its Kyoto Protocol] [under Article 11 of the Convention] shall serve as the financial mechanism of the 2015 agreement:

a. The GCF shall be the main financial entity under the new agreement and/or anchored in the new agreement and/or strengthened;

a bis. A special window for loss and damage is hereby established under the GCF and shall, inter alia, provide finance for regional risk pools, micro-finance initiatives, and measures to address compensation;

a ter. A replenishment cycle of the GCF shall be established;

b. The SCF shall assist the governing body of the agreement[, in cooperation with existing bodies and activities under the Convention];

c. Coordination to be further enhanced among contributors and between institutions[, including the process initiated as per decision 10/CP.19];

d. [Placeholder for financing loss and damage.]

**Option (a)**: This will also apply to the operating entities of the Financial Mechanism and funds established under the Convention and its Kyoto Protocol. All the rules and guidelines developed by the COP and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol in relation to the operation of the Financial Mechanism, its operating entities and associated funds shall apply mutatis mutandis to the financial mechanism of this agreement:

a. The GCF shall be strengthened, including regarding funding, as follows:

* + - * [Annex I Parties][Developed country Parties][Parties included in annex X] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] to provide 1 per cent of gross domestic product per year from 2020 and additional funds during the pre-2020 period to the GCF;
      * [Annex II Parties][Parties included in annex Y] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] to provide a list of specific amounts / percentages reflecting the required share of climate finance to be provided to the GCF, subject to review;
      * All countries in a position to do so to provide funding to the GCF;
      * Funding for the GCF to be drawn mainly from public sources.

b. Other funding mechanisms serving the agreement shall include:

* + - * The Adaptation Fund:
        + To be part of the post-2015 climate finance architecture and/or to operate under the new agreement under the guidance of the governing body in relation to activities developed under the agreement;
        + To be enhanced and included under the GCF as an adaptation window, be inscribed in the new climate regime and defined in the financing sphere of the agreement;
      * Institutional arrangements for REDD-plus finance [as per decision 10/CP.19];
      * The LDCF, to provide support to the LDCs for adaptation action;
      * The SCCF, to be anchored in the agreement;
      * The Climate Resilience and Sustainable Development mechanism (CRSD) is established in order to promote climate resilience and sustainable development trajectories that combine adaptation and mitigation to climate change and its impacts, articulating the means of implementation of the Convention, linking provision of finance, transference and development of technology and capacity building, enhancing the actions of developing countries to achieve the objective of the Convention. In this aim, the CRSD shall articulate the work of the Financial Mechanism, the Technology Mechanism and the Capacity-Building mechanism.

**Option (b)**: No further provisions.

**Option (c):** To receive funding from the GCF for implementation of the agreement, a Party must:

a. Be a Party to this agreement, and

b. Have fulfilled its reporting requirements as described in section J.

***Option 2*:** The Financial Mechanism of the Convention to support the implementation of actions undertaken under this agreement.

***Option 3*:** The Financial Mechanism of the Convention under Article 11 shall serve as the financial mechanism of the 2015 agreement; the related funds established under the Kyoto Protocol will also serve as instruments of the legal agreement. This will also apply to all rules and guidelines developed by the COP and the CMP in relation to the operation of the financial mechanism, its operating entities and associated Funds and to the decisions related to the transparency and MRV of support.

***Option 4*:** The Financial Mechanism of the Convention under Article 11 shall serve as the financial mechanism of the 2015 agreement; the related funds established under the Kyoto Protocol will also serve as instruments of the legal agreement. This will also apply to all rules and guidelines developed by the COP and the CMP in relation to the operation of the financial mechanism, its operating entities and associated Funds and to the decisions related to the transparency and MRV of support; with the GCF acting as the main operating entity of the Financial Mechanism.

The GCF shall be strengthened, as follows:

a. Developed country Parties to provide at least 1 per cent of gross domestic product per year from 2020 and additional funds during the pre-2020 period to the GCF.

***Option 5:*** The Financial Mechanism of the Convention under Article 11 shall serve as the Financial Mechanism of the 2015 agreement; the related funds established under the Kyoto Protocol will also serve as instruments of the legal agreement. This will also apply to all rules and guidelines developed by the COP and the CMP in relation to the operation of the Financial Mechanism, its operating entities and associated Funds and to the decisions related to the transparency and MRV of support; with the GCF acting as the main operating entity of the Financial Mechanism.

Developed country Parties shall provide 1 per cent of gross domestic product per year from 2020 and additional funds during the pre-2020 period to the GCF. The financial resources provided by developed country Parties shall be additional to the official development aid without any contingency.

***Option 6:*** The Financial Mechanism of the Convention under Article 11 shall serve as the financial mechanism of the 2015 agreement; the related funds established under the Kyoto Protocol will also serve as instruments of the legal agreement. This will also apply to all rules and guidelines developed by the COP and the CMP in relation to the operation of the financial mechanism, its operating entities and associated Funds and to the decisions related to the transparency and MRV of support; with the GCF acting as the main operating entity of the Financial Mechanism;

a. The operating entities of the financial mechanism shall serve this agreement in line with their respective mandates, under the guidance of the COP and the CMP of the 2015 agreement.

b. Further coordination and rationalization of the operating entities under the Convention and this agreement shall be developed, with a view to ensuring predictable, new, additional and adequate resources, including the transfer of technology for these funds.]

[38 bis. GCF, the main institution under the Financial Mechanism of the Convention, will aim for a 50:50 balance between mitigation and adaptation over time, which will also aim for a floor of 50 percent of the adaptation allocation for particularly vulnerable countries, including LDCs and SIDS.]

*[Proposals for decisions related to anchoring institutions under the agreement]*

* + - * [Clear roles should be agreed on the two existing operating entities of the Financial Mechanism of the Convention and coherence should be achieved in climate finance channelled through other financing institutions;
      * The COP to be given the authority to adjust institutional settings, to take decisions on consolidating and coordinating institutions and processes, and/or to give guidance to the operational entities as needed, at a later stage;
      * Need for the simplification, improvement and rationalization of access, including direct access, especially for the LDCs and SIDS; and/or the harmonization of approval and accreditation processes between various channels and institutions leveraging potential non-climate-specific financing mechanisms and institutions; and/or the operation of all funds under the Convention to be transparent, competitive and based on rules, with operating criteria underpinning those rules that are compatible with the requirements of private investors, in order to effectively stimulate co-investment; and/or information on how all disbursements include provisions for ‘climate proofing’ measures;
      * The Financial Mechanism must continue to be main source of financing;
      * The replenishment of the Financial Mechanism and its operating entities to be linked to IPCC scientific assessments;
      * Need to establish how the operating entities of the Financial Mechanism will work to implement the finance provisions of the new agreement and how the financial provisions will work with respect to other bodies or mechanisms under the Convention;
      * The SCF shall assist the governing body of this agreement and be further strengthened:
        + By enhancing its work on coherence and coordination and on rationalizing the Financial Mechanism.
      * Regarding the GCF:
        + The establishment of a window for REDD-plus;
        + [The establishment of a window] for loss and damage;
        + Need for: improved and prioritized access for the LDCs and SIDS and/or arrangements between thematic bodies of the Convention and the GCF to be strengthened;
        + The GCF to operate under the guidance of the governing body in relation to activities developed under this agreement, and/or to support mitigation readiness activities in [developing countries] [Parties not included in annex X], and/or to capitalize on its knowledge of existing funds and increase its role by helping to finance some of the pipeline projects of those funds;
        + The governing body of this agreement to: explore further options for simplifying the procedures for accessing funds from the GCF; and/or develop, jointly with the COP, specific additional modalities for the operation of the GCF with respect to activities developed under this agreement.
      * Decision to address additional rules of the Financial Mechanism and institutions in supporting the implementation of the legal agreement, where appropriate.]

*[Addressing the scale of resources]*

39. [Climate finance [to][shall] be scaled up to provide the financing, access to technology and capacity-building necessary to meet the goal of limiting the temperature increase to below [2][1.5] °C, [and of building economies, societies and ecosystems that are resilient to climate change] in line with the needs of [developing countries] [Parties not included in annex X]. ]

[39 bis.Scale of resources provided by developed country Parties shall be based on a percentage of their GNP of at least (X per cent) taking into consideration the following:

a. The provision of finance to be based on a floor of USD 100 billion per year, and shall take into account the different assessment of climate related finance needs prepared by the secretariat and reports by other international organizations,

b. Based on an ex-ante process to commit quantified support relative to the required effort and in line with developing countries’ needs,

c. The scale of provision of finance shall be reviewed every five years in the light of a dynamic assessment of needs of developing countries and gaps in the delivery of financial resources

d. Based on clear burden-sharing arrangements among developed country Parties to identify the flows of financial support from developed countries, including through the application of an assessed scale of contributions from developed countries;

e. Including aggregate and enhanced specific / individual commitments / contributions by developed country Parties,

f. Based on a road map with annual targets for public funding from developed country Parties in the post-2020 period or pathways with annual expected levels of climate finance towards achieving short-term quantified goals;

g. A short-term collective quantified goal that defines the expected, scaled-up climate finance level for the post-2020 period should be determined in order to enhance the predictability of the provision of climate finance, indicating specific levels of public sources to be provided; this goal shall be regularly reviewed and updated.]

[39 ter. A periodic process for assessing the needs of developing countries to implement the Convention, including through this agreement, is established, the assessment process will be based on Parties’ submissions and other relevant reports and will be performed every four years aligned with replenishment cycles of the operating entities of the Financial Mechanism; the outcomes of the process should serve as input in the replenishment process.]

[39 quater. The GCF shall be strengthened, as follows:

a. Developed country Parties to provide a list of specific amounts / percentages reflecting the required share of climate finance to be provided to the GCF, subject to review and in accordance with Article 11 and the arrangements between the COP and the Fund;

b. Developing linkages with the thematic bodies under the Convention and this agreement, in order to provide the GCF with the necessary expertise to serve its funding windows, both present and future.

c. Funding windows to be established by the GCF on Technology development and transfer and Loss and Damage.

d. The GCF replenishment shall be based on a specific financial target linked to the overall financial goal in line with the temperature goal and the gap in provisions of finance provided to developing countries in the context of the needs assessment and the temperature goal.]

40. [The importance of providing clarity on the level of support, in particular financial support, that will be provided to [developing countries][Parties not included in annex X] to allow for the enhanced implementation of the Convention, in particular with regard to adaptation, to be recognized as a crucial element in creating the necessary conditions for the enhanced participation of developing countries in the global effort to combat climate change and adapt to its adverse effects.]

[40 bis. The GCF acting as the main operating entity of the Financial Mechanism for the implementation of this agreement. The GCF shall be strengthened, through ensuring predictable, sustainable and adequate resources. Including through the following resources as follows:

a. Developed country Parties to provide 1 per cent of gross domestic product per year from 2020 and additional funds during the pre-2020 period to the GCF;

b. The GCF replenishment shall be based on a specific financial target linked to the overall financial goal in line with the temperature goal and the gap in provisions of finance provided to developing countries, in the context of the needs assessment and the temperature goal; and

c. Developed country Parties to provide a list of specific amounts / percentages reflecting the required share of climate finance to be provided to the GCF, subject to review and in line with the principle of burden-sharing among developed country Parties.]

[40 ter. Developed country Parties to provide a list of specific amounts / percentages reflecting the required share of climate finance to be provided to the GCF, subject to review.]

41. [***Option 1***: The provision of finance to be based on a floor of USD 100 billion per year:

a. Based on an ex ante process to commit quantified support commensurate with the required effort reflected in the adaptation and mitigation goals / relative to the required effort and in line with [developing countries’] needs [of Parties’ not included in annex X];

b. Based on clear burden-sharing arrangements among [Annex II Parties][Parties included in annex Y] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] to identify the flows of financial [public] support from [developed countries] [Parties included in annex X], including through the application of an assessed scale of contributions from [developed countries] [Parties included in annex X] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so];

c. Including aggregate and enhanced specific / individual commitments / contributions by [[Annex II Parties][Parties included in annex Y], complemented by other Parties in a position to do so][Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so];

d. Based on a road map with annual targets for public funding in the post-2020 period or pathways with annual expected levels of climate finance towards achieving short-term quantified goals;

e. Based on an agreed percentage formula for the calculation of the contributions of [[Annex I Parties] [Parties included in annex X] and differentiated [developing country] [Parties not included in annex X]] [Parties in a position to do so considering, evolving capabilities] [all countries in a position to do so] based on GDP or other indicators.

***Option 2***: Agreement not to specify individual / quantified commitments, quantified targets or specific indicators for the post-2020 period.

***Option 3***: The provision of finance to be based on a floor of USD 100 billion per year:

a. Based on an ex-ante process to commit quantified support relative to the required effort and in line with developing countries’ needs;

b. Based on clear burden-sharing arrangements among developed country Parties to identify the flows of financial support from developed countries, including through the application of an assessed scale of contributions from developed countries;

c. Including aggregate and enhanced specific / individual commitments / contributions by developed country Parties;

d. Based on a road map with annual targets for public funding from developed country Parties in the post-2020 period or pathways with annual expected levels of climate finance towards achieving short-term quantified goals.

***Option 4***: Climate finance provided by developed country Parties shall be based on a quantified target taking into consideration the following:

a. The provision of finance to be based on a floor of USD 100 billion and shall take into account the different assessments of climate finance related needs prepared by the Secretariat and reports by other international organizations;

b. Based on an ex-ante process to identify the quantified support relative to the required effort and in line with developing countries’ needs;

c. It shall be reviewed every four years in line with the dynamic assessment of the needs of developing countries and gaps in the delivery of financial resources;

d. Based on a road map with annual targets for public funding from developed country Parties in the post-2020 period or pathways with annual expected levels of climate finance towards achieving short-term quantified goals;

e. A short-term collective quantified goal that defines the expected, scaled-up climate finance level for the post-2020 period should be determined in order to enhance the predictability of the provision of climate finance, indicating specific levels of public sources to be provided, this goal shall be regularly reviewed, updated and scaled up.]

[41 bis. A periodic process for assessing the needs of developing countries to implement the Convention including through this agreement, is established. The assessment process will be based on country parties submissions and other relevant reports and will be performed every four years aligned with replenishment cycles of the operating entities of the financial mechanism, the outcomes of the process should serve as input in the replenishment process.]

[41 ter. Complementarity between the existing operating entities of the financial mechanism of the Convention will be determined in accordance with the relevant decisions of the Conference of the Parties and the COP/MOP of this agreement.]

42. [***Option 1***: A short-term collective quantified goal that defines the expected, scaled-up climate finance level for the post-2020 period should be determined in order to enhance the predictability of the provision of climate finance, indicating specific levels of public sources to be provided.

***Option 2***: A short-term collective quantified goal that defines the expected, scaled-up climate finance level for the post-2020 period shall be determined every five years starting in 2020, based on a floor of USD 100 billion per year, in order to enhance the predictability of the provision of climate finance, indicating specific levels of funding from public sources to be provided.]

[42 bis. Financial support provided under the agreement shall be regularly scaled up and shall be subject to a triennial review.]

*[Contributions under the legal agreement]*

43. [***Option 1:*** In the context of common but differentiated responsibilities and respective capabilities, [Annex II Parties] [Parties included in annex Y] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] have the principle and main responsibility for providing support, including financial resources, for the enhanced implementation of low-emission and climate-resilient development in [developing countries][Parties not included in annex X], while ensuring the sustainability, predictability and additionality of finances.

***Option 2***: In the context of common but differentiated responsibilities and respective capabilities, developed country Parties have the responsibility for providing financial resources, including for the development and transfer of technology to developing country Parties for the enhanced implementation of the Convention, while ensuring the sustainability, predictability and additionality of finances.]

[43 bis. All Parties committed under Article 4.3 of the Convention shall prepare, maintain, communicate and implement a financial component in their nationally determined contributions, including, as appropriate, quantified financial pledges, targets and actions to mobilize climate finance to developing countries and to assist the implementation of the NDCs of developing countries, primarily through the Financial Mechanism of the Convention. Developing country Parties may clarify in their NDCs the extent to which the implementation of their nationally determined contributions is dependent upon the provision of international financial support, technology transfer and capacity building, including particular gaps and needs to this regard. The communication of the components pursuant to this paragraph shall follow the processes and timelines required for national budgets, taking into account the agreed communication channels and relevant guidance developed under the Convention.]

[43 ter. In accordance with the principles of the Convention, developed country Parties will submit their intended nationally determined contributions of financial resources in their INDCs. Developing country Parties will submit their requirements of funds in their INDCs, for the same cycle. ]

[43 quater. The provision of finance committed by developed country Parties to be based on a floor of USD 100 billion per year since 2020 shall be:

a. Based on an ex-ante process to commit quantified support relative to the required effort and in line with the needs of developing country Parties;

b. Based on clear burden-sharing arrangements among developed country Parties to identify the flows of financial support from developed countries, including through the application of an assessed scale of contributions from developed country Parties;

c. Including aggregate and enhanced individual commitments by developed country Parties,

d. Based on a clear road map with annual targets for public funding from developed country Parties in the post-2020 period and trajectory and pathways with annual expected levels of climate finance towards achieving short-term quantified goals;

e. Progressively increased according to the needs of tacking climate change in developing countries.]

44. [The contribution of resources under this agreement to consider predictable financial contributions by [developed country] governments [of Parties included in annex X][of Parties in a position to do so, considering evolving capabilities] [of all countries in a position to do so]; increasing options for leveraging a greater share of the carbon market-related proceeds, including options for carbon pricing and raising contributions via alternative and innovative sources of finance.]

[44 bis. The secretariat shall keep and update an online registry of the financial component communicated by Parties pursuant to paragraph 43 bis above, with a view to enhance transparency on the mobilization and provision of finance, technology development and transfer and capacity-building to developing countries.]

45. [***Option 1***: A collective goal for support to be achieved by all Parties in order to transition to a world in which all investments are directed at resilient and low-emission actions, and where finance, technology transfer and capacity-building that promote low-emission and resilient actions prevail.

***Option 2:*** All Parties will aim at contributing to the transition to a world in which all investments are directed at resilient and low-emission actions, and where finance, technology transfer and capacity-building that promote low emission and resilient actions prevail.]

[45 bis. All developed country Parties shall provide scaled-up climate finance to developing country Parties, as a means to meet the goal of staying below a 2º C or 1.5º C temperature increase and to achieve the technological transformation required to that end, complemented by the support provided by other Parties in a position to do, in line with the needs of developing countries, and with common but differentiated responsibilities and respective capabilities.]

[45 ter. Each developed country Party and other Parties in a position to do so commit to communicate on an annual/biennial basis in the post-2020 period the scaled-up, quantified financial contribution they will provide to support developing countries for the effective implementation of mitigation and adaptation action, in light of the transformational goal set forth in Art. XX above and the global goal set in Art. 3.3. which shall be considered and reviewed in accordance with section X.]

46. [***Option 1***: The enhancement of enabling environments, with respect for countries’ national prerogative to choose their domestic climate policies, to be a commitment of all Parties, through:

a. Enhanced national regulatory frameworks, including policies and measures;

b. The dedication of sufficient domestic resources by countries seeking support;

c. Putting in place conditions to mobilize, attract and absorb climate-related investments;

d. The provision of a price signal for emission reductions, including through payments for verified emission reductions.

***Option 2***: Agreement not to specify the enhancement of enabling environments as a commitment or obligation of Parties.

***Option 3:*** All Parties are encouraged to enhance enabling environments in order to further mobilize private finance for scaling up climate finance, where donor countries should mitigate the risk of the private sector by public intervention, and recipient countries should make efforts to improve their enabling environments to attract investments.]

[46 bis. Parties shall work with and through national and international financial institutions in order to align investment decisions and policies with the objective of the Convention as stated in its Article 2 and to facilitate low-emission and climate-resilient pathways.]

[46 ter. All Parties report on the status of, and efforts to improve, their enabling environments and mainstreaming efforts.]

[46 quater. A short-term collective quantified goal of USD 200 billion per year by 2030 should be committed by developed country Parties, which defines the expected, scaled-up climate finance level for the post-2020 period should be determined in order to enhance the predictability of the provision of climate finance, indicating specific levels of public sources to be provided.]

47. [***Option 1:*** Financing for adaptation to be provided in the form of multilateral and/or bilateral financing, including via:

***Option 2***: Financing for adaptation to be provided in the form of multilateral and/or bilateral financing, with a significant share of new multilateral funding for adaptation to be channelled through the Green Climate Fund:

47.1 A balanced allocation between adaptation and mitigation, or a 50:50 balance between the support provided for adaptation and mitigation, or at least 50 per cent of support to be provided for adaptation activities[, including financing for joint mitigation and adaptation approaches, plans and actions];

47.2 The use of levies for adaptation funding from any market-based mechanisms;

47.3 Financial risk management instruments;

47.4 The Adaptation Fund, the LDCF and the SCCF, and including through support to enable the mobilization of private-sector financial flows for adaptation investments, with the GCF providing assurance of support for countries’ adaptation efforts;

47.5 **Option (a)**: Diverse sources, including private sources, engaged in the provision of financing for adaptation, with public finance to constitute the key instrument in increasing support for adaptation:

a. Identification of sources and prioritization of public funding, as well as increase of private sector financial contributions for adaptation;

b. Encourage the International Civil Aviation Organization and the International Maritime Organization to develop a levy scheme to provide financial support for the Adaptation Fund.

c. In establishing the levy scheme, ICAO and IMO are encouraged to take into consideration the needs of developing countries, particularly the LDCs, SIDS and countries in Africa heavily reliant on tourism and international transport of traded goods.

**Option (b)**: Public sources primarily, with [supplementary] [complementary] funding to be drawn from private [and][or] alternative sources.]

[47.5 bis The Conference of the Parties serving as the meeting of the Parties to this Protocol shall, at its first session decide on a process to identify and implement new sources of finance for the implementation of this agreement, in particular for adaptation finance, and take a decision on these sources at its subsequent session.]

[47 bis. Developed country Parties have the responsibility for providing financial resources, including for the development and transfer of technology to developing country Parties for the enhanced implementation of the Convention, while ensuring the sustainability, predictability and additionality of the financial resources.]

48. [Support / New and additional finance, independent of adaptation budgets, to be provided for the financing and operationalization of the Warsaw International Mechanism [and for alternative policy approaches to results-based actions such as through the Joint Mitigation and Adaptation Mechanism for the Integral and Sustainable Management of Forests, and the Climate Resilience and Sustainable Development Mechanism].]

49. [***Option 1***:Support provided to [developing country Parties] [Parties not included in annex X] for technology development and transfer and support provided to the Technology Mechanism to ensure the effective implementation of technology to be channelled primarily through the GCF / the operating entities of the Financial Mechanism, taking into account the roles of the public and private sectors in mobilizing finance for technology / primarily from public sources, with supplementary funding to be drawn from private sources.

***Option 2***: Financial resources provided to developing country Parties for technology development and transfer and support provided to the Technology Mechanism to ensure the effective implementation of technology to be channelled primarily through the GCF / the operating entities of the Financial Mechanism, taking into account the roles of the public and private sectors in mobilizing finance for technology / primarily from public sources, with supplementary funding to be drawn from private sources.

***Option 3***: Financial resources provided by developed country Parties to developing country Parties for technology development and transfer and support provided to the Technology Mechanism to ensure the effective implementation of technology to be channeled through the operating entities of the Financial Mechanism.]

[49 bis. Funding for sustainable development trajectories shall be provided from developed countries to developing countries through the Climate Resilience and Sustainable Development Mechanism, articulating means of implementation and particularly funding for mitigation and adaptation following a needs-based approach, technology transfer and development and capacity building.]

50. [***Option 1***: Funding for capacity-building as well as measures to develop, adopt and implement policies, strategies, regulations and/or action plans on climate change education, training, public awareness, public participation and public access to information in [developing country Parties] [Parties not included in annex X]:

50.1 To be provided by [[developed country Parties] [Parties included in annex X] and other Parties] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] and organizations in a position to do so, in an adequate and predictable manner;

50.2 To be primarily channelled through the Financial Mechanism, taking into account the potential role of the private sector in supporting capacity-building and the need for enhanced coordination among donors and institutions.

***Option 2***: Funding for capacity-building shall be provided by developed country Parties to developing country Parties as for the implementation of climate change actions in line with COP decisions and Article 6 of the Convention, in an adequate and predictable manner.

50.1 To be provided by developed country Parties, in an adequate and predictable manner;

50.2 To be channelled through the Financial Mechanism .

***Option 3***: Funding for capacity-building shall be provided by developed country Parties to developing country Parties to be channeled through the Financial Mechanism as for the implementation of climate change actions in line with COP decisions and Article 6 of the Convention, in an adequate and predictable manner.

***Option 4***: Funding for capacity-building shall be provided by developed country Parties to developing country Parties as for the implementation of climate change actions in line with COP decisions and article 6 of the Convention, in an adequate and predictable manner.]

51. [***Option 1:*** Funding for REDD-plus to be adequate, predictable and sustainable, with financing continuing to be provided, including via [[Annex II Parties] [Parties included in annex Y] and Parties in a position to do so] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so], private and non-market-based sources and results-based finance.

***Option 2:*** Developed country Parties and/or Annex II Parties and/or all Parties in a position to do so shall support the implementation of the Warsaw Framework for REDD-plus through the provision of finance from both public and private sources;

***Option 3:*** Forest financing to be adequate, predictable and sustainable, with financing continuing to be provided by developed country Parties.]

[51 bis. Results-based payments for REDD-plus activities should be transferred to developing country Parties through, inter alia, the Green Climate Fund and/or the new market-based mechanism in accordance with the Warsaw Framework for REDD-plus Framework]

[51 ter. Developing country Parties implementing REDD-plus activities may utilize the positive incentives and results-based finance provided in accordance with the Warsaw Framework for REDD-plus, and any other related decisions, to support the implementation of their nationally determined contributions.]

52. [***Option 1:*** Parties in a position to do so / [[Annex II Parties] [Parties included in annex Y] and other Parties in a position to do so][Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] to provide Parties in need of assistance / [developing country Parties] [Parties not included in annex X] with financial and technical and capacity-building support in order for them to efficiently and effectively fulfil the reporting requirements of this agreement.

***Option 2:*** Developed country Parties to provide developing country Parties with financial, technical and capacity-building support in order for them to efficiently and effectively fulfil the reporting requirements of this agreement.

***Option 3:*** Developed country Parties shall provide developing country Parties with financial, technical and capacity-building support in order for them to efficiently and effectively fulfil the reporting requirements of this agreement.]

[52 bis. On the basis of solidarity and common sustainable development priorities, and in accordance with their national circumstances and capabilities, developing country Parties are encouraged to prepare, maintain, communicate and implement south-south cooperation initiatives encompassing finance, technology development and transfer, and capacity building, with a view to assist the implementation of the INDCs of other developing countries.]

[52 ter. Financing for adaptation to be provided in the form of multilateral and/or bilateral financing, with a significant share of new multilateral funding for adaptation to be channelled through the Green Climate Fund;

a. A balanced allocation between adaptation and mitigation; at least 50 per cent of support to be provided for adaptation activities; public sources are primarily the sources of finance, with supplementary funding to be drawn from additional sources;

b. New and additional finance, independent of adaptation budgets, to be provided for the financing and operationalization of the Warsaw International Mechanism;

c. Will be regularly updated based on assessment of the needs of developing countries and gaps in delivery the of financial resources to developing countries and in the context of the agreed temperature goal;

d. Developed country Parties to provide developing country Parties with financial, technical and capacity-building support in order for them to efficiently and effectively fulfil the reporting requirements of this agreement.]

[Sources of finance]

53. [***Option 1:*** Financial resources to be mobilized and provided from:

Option (a): Primarily public sources, with supplementary funding to be drawn from private / alternative sources:

a. Stressing that public sources are the main source of finance, the scale of resources needed and the type of investments required, governments to work more closely together with the private sector;

b. [Developed country Parties][Parties included in annex X] [Parties in a position to do so, considering evolving capabilities] [all countries in a position to do so] shall incentivize the private sector to provide funding to [developing countries] [Parties not included in annex X];

c. Different [public] sources to be considered on the basis of clear criteria in order to avoid incidence on [developing countries] [Parties not included in annex X], and the sustainability, predictability and additionality of [public] sources to be clarified;

d. [Developed country Parties shall channel a substantial share of public climate funds to adaptation activities with prioritization for the most vulnerable developing countries, especially the LDCs and SIDS.]

Option (b): A wide variety of sources, including public, private and alternative sources, recognizing the need for a diversity of sources and instruments to suit recipients’ changing economic circumstances / with different types of financing for different activities and public sources for specific areas, given the limited potential for private investment, in particular in the most vulnerable countries and LDCs.

53.1 With regard to private and alternative finance:

a. All Parties to commit to cooperate in leveraging private finance and/or to mobilize / utilize public funds and means to facilitate and encourage private investment consistent with their capabilities, recognizing that private-sector financing is complementary to, but not a substitute for, public-sector financing where public finance is needed:

* A mechanism to attract the private sector to invest in projects, with clear definitions, respective roles and guidance on the mechanism, to achieve a useful balance of public and private sources, ensuring reasonable returns and full transparency;
* Efforts undertaken by export credit agencies to help investors manage risk;
* A clear signal to the private sector at all levels for it to contribute to the mobilization of climate finance and to reorient financial flows and trigger the required investments and involvement, including of local private sectors;
* Public-sector finance to catalyse and avoid crowding out private-sector investments, ensuring that private-sector investment is not displaced, with the efficient use of public resources and effective public policies to be the key focus of post-2020 cooperative efforts among middle- and higher-income countries;
* Need for strong public–private partnerships, which should be subsidized and incentivized;
* Be strategic and in line with national priorities and laws and be profitable for the private sector;
* Enhanced enabling environments for private-sector investment in adaptation;
* The governing body shall develop modalities for leveraging and freeing up private finance to support the implementation of this agreement.

b. A tax on oil exports from [developing] [Parties not included in annex X] to [developed countries] [Parties included in annex X][Parties in a position to do so, considering evolving capabilities][all countries in a position to do so] to be established;

c. An international renewable energy and energy efficiency bond facility to be established;

d. The phasing down of high-carbon investments and fossil fuel subsidies.

***Option 2:*** The mobilization of finance may come from a wide variety of sources, including public, private and alternative sources, recognizing the need for a diversity of sources and instruments to suit recipients’ priorities and changing economic circumstances.

***Option 3***: Financial resources to be provided from developed country Parties to developing country Parties:

a. Different sources to be considered on the basis of clear criteria in order to avoid incidence on developing countries, and ensure the sustainability, predictability and additionality of sources.

***Option 4***: Financial resources to be provided from developed country Parties to developing country Parties. Public sources from developed country parties direct budget contributions primarily, with supplementary funding to be drawn from private / alternative sources in developed countries. Other financial sources from developed country Parties to be considered on the basis of clear criteria in order to avoid incidence on developing country Parties and to ensure the sustainability, predictability and additionality of sources.

***Option*** ***5***: The financial resources used for the implementation of this agreement shall be provided from public sources in developed country Parties;

Public sources are the primary sources with other sources to be identified as complementary sources;

The operating entities of the Financial Mechanism and other funds under the Convention in particular the GCF and the Adaptation Fund, shall be replenished with sustainable resources to allow them to provide adequate support to developing countries;

Different sources to be considered on the basis of clear criteria in order to avoid incidence on developing countries and ensure the sustainability, predictability and additionality of sources.

***Option 6:*** Public sector financing from developed country Parties shall be the primary source of resources, with other sources to be considered supplementary.

Different sources to be considered on the basis of clear criteria in order to avoid incidence and ensure fiscal sovereignty of developing countries, and ensure the sustainability, predictability and additionality or resources.]

*[New subsection on reporting:]*

[With regard to reporting:

a. Parties to report on: support provided and mobilized, and methodologies‎ utilized;

b. Recipient Parties to report on: efforts to improve enabling environments, support received and estimated results of support received‎; and domestic resources committed or allocated.]

[*Placeholder* for proposal to include subsection on MRV of climate finance that should also include a specific reference to a regular cycle of climate finance]

***Option II: Finance*[[2]](#footnote-3)**

34. [Developed country Parties, and other Parties included in Annex II, to provide new, additional and adequate climate financing to assist developing country Parties in implementing their contributions and actions under the Convention and this Agreement; funding for such climate finance shall come primarily from public sources, including grant-based funds. Funding from private and/or other sources shall in no way diminish the obligation of developed country Parties to provide financial assistance to developing country Parties in accordance with the terms of the Convention and this Agreement. Funding from private and/or other sources shall be deemed to be entirely supplemental to funding from public sources.]

35. [Such climate financing shall be in a manner that facilitates the provision of assistance to developing country Parties for implementing their climate actions under the Convention and this Agreement and that aims to achieve a balanced approach of at least a 50:50 allocation of financing for adaptation and mitigation to be achieved in the near term, while recognizing the importance of financing for adaptation.]

36. [The Financial Mechanisms shall continue to provide financial support from developed country Parties to assist developing country Parties in implementing the Convention and this Agreement, and to establish windows of funds between the Financial Mechanisms established under the Convention, including, inter alia:

• The Adaptation Fund;

• The Loss and Damage Fund;

• The Least Developed Countries Fund; and

• Funds supporting the transfer of technology. ]

*[Structural suggestions on section G:*

*Include paragraphs 48 to 51 as part of a decision.*

*Include paragraphs 35.1 and 35.2 as part of a decision.*

*Proposals to move provisions on MRV of support to the finance section.]* **]**

1. Headings and subheadings used throughout these elements for a draft negotiating text are provisional and only intended to orientate the reader. [↑](#footnote-ref-2)
2. Proposed to replace the finance section as contained in option I. [↑](#footnote-ref-3)