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Non-paper No. 54*
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**CONTACT GROUP ON ENHANCED ACTION ON THE PROVISION OF
FINANCIAL RESOURCES AND INVESTMENT**

Draft text

This non-paper contains draft text for negotiation on (1) paragraph 10, section 4, and related paragraphs 18, 26, 27 and 35 in section 6 of non-paper 34, which were re-ordered and enhanced, and (2) paragraphs 15, 16, 19, 24, 25, 28, 32, 34, 36, 38, 39, 40 and 41 in section 6 of non-paper 34, which is based on informal consultations and submissions to the contact group on enhanced action on provision of financial resources and investments held on 2 – 6 November 2009.

This draft negotiating text replaces the paragraphs of non-paper 34 mentioned above. Non-paper 34 is included in the annex to this non-paper, and the sections and paragraphs that were not discussed at the resumed seventh session of the AWG-LCA have the same status as the draft negotiating text in this non-paper.

[Generation][Provision] of financial resources¹

[Public finance][International public Finance][Assessed contribution]

1. [The main source of funding will be new and additional financial resources provided by developed country Parties and other developed Parties included in Annex II, over and above the financing provided through institutions outside the framework of the financial mechanism of the Convention and over and above the goal of 0.7 percent of the GDP of the developed country Parties as ODA. The major source of financing will be the public sector.]
2. [All Parties may provide and developing countries may avail themselves of financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels.]
3. [All Parties, in accordance with their respective capabilities, shall implement and periodically report on policies and instruments to mobilize public and private financial resources, and improve enabling environments for investment in support of measures to mitigate and adapt to climate change outlined in Article 4.1 of the Convention.]
4. [Both public and private finance should play a major role in the implementation of this Agreement. Public finance should support enhanced action on adaptation and capacity-building. Private funding, channelled via appropriate policy frameworks, should be the main source of necessary investment for mitigation.]

* This non-paper replaces non-paper 48.

¹ The text on sources of finance as presented in annex XII of non-paper 34 has not been considered in preparing this section.

5. [Parties should encourage the establishment of a robust carbon price signal, including through a progressive integration into the global carbon market, as a key means to deliver cost-effective emissions reductions globally.]

Option 1

Alternative 1: An assessed contribution from developed country Parties and other developed Parties included in Annex II [, based on historical climate debt, including historical emission debt and adaptation debt,] amounting to at least [[0.5--1] [0.8] [1.5] [2], per cent of gross national product] initially set at [0.5-1 per cent of GDP].

Alternative 2: An assessed contribution from developed country Parties over and above current ODA amounting to (expressed as a percentage of the GDP of all Annex I Parties): 1.5 per cent per annum for adaptation, 2 per cent per annum for supporting the NAMAs of developing country Parties; 1 per cent per annum for technology transfer and deployment; and 1 per cent per annum for capacity development in developing countries, especially those listed in paragraph 1 (c) (i) of the Bali Action Plan.

Alternative 3: [Assessed] contributions by all Parties except LDCs, [based on a contribution formula developed by the COP, updated on a regular basis] reflecting capacity to pay and responsibility for emissions.

Alternative 4: Assessed contributions by developed country Parties and other developed Parties in Annex II, based on a contribution formula developed by the COP, updated on a regular basis reflecting per-capita capacity to pay and cumulative per-capita responsibility for emissions since 1850.

Alternative 5: Contribution of all Parties except LDCs on the basis of assessed contribution of Annex II Parties and voluntary contribution from other Parties.

Alternative 6: Draw on contributions from all Parties, except LDCs, in accordance with their national circumstances and respective capabilities through multi-year pledges and multi-year replenishments, promoting predictability through each Party's formal indication of the level and source of its expected contribution.

[Innovative sources][Levies and taxes]

6. [The major source of financing will be the public sector in developed country Parties and other developed Parties included in Annex II. Private finance and carbon market finance are additional and supplementary to public-sector financing.

7. Any funding pledged outside the Convention shall not be regarded as a fulfillment of commitments by developed country Parties under Article 4.3 of the Convention and their commitments for measurable, reportable and verifiable means of implementation in terms of paragraph 1(b)(ii) of the Bali Action Plan.]

Option 2²

A mechanism for financing climate change action whereby a certain number [or percentage] of allowances [for developed country Parties] is set aside and monetized through international auctioning. COP shall determine the quantity of allowances [for developed country Parties] to be set aside and auctioned to support adaptation, REDD, capacity-building and other climate change actions.

Option 3

A uniform global levy on CO₂ emissions above a threshold of [1.5] [2.0] tonnes of CO₂ per capita; the LDCs shall be exempt.

² Replaces option 2 and 11 of non-paper 34.

Option 4

Alternative 1: [Levies for developed countries on] [Funding from instruments addressing emissions from] international aviation and maritime transport [that could be developed by ICAO and IMO].

Alternative 2: Levies for developed countries on] [Funding from instruments addressing emissions from] [A proportion of any funds generated through policies approaches and measures for] international aviation and maritime transport [that could be developed by ICAO and IMO.]

Option 5

An international adaptation levy on airfares, except on journeys originating from or destined for LDCs [that could be developed by ICAO].

Option 6

A share of the proceeds of [2] [3-5] per cent on CDM and [2] [4] [8] [10] [12] per cent on [joint implementation and emissions trading] [[market-based mechanisms] under the Kyoto Protocol].

Option 7

A levy of 2 per cent on capital transfers between entities in [Annex I][Annex II] Parties collected by [Annex I] [Annex II] Party governments and remitted in full to the Convention Adaptation Fund.

Option 8

Where appropriate, alternative forms of contributions may be agreed between or among Parties.

[Other sources]

Option 9

Additional contributions by developed country Parties over and above the assessed contributions, contributions from philanthropic organizations[and innovative sources of finance – including implementation of the principle, external debt swap/relief for sustainable development of developing countries, special drawing rights for sustainable development and carbon market finance driven by more ambitious reduction commitments of developed countries.

Option 10

Carbon market finance and private investment leveraged as appropriate by domestic policy frameworks and targeted public funds.

[Compliance sources]

Option 11³

Agreed penalties or fines on non-compliance of [developed country][Annex II] Parties with their commitments to reduce emissions and provide support in the form of financial resources, technology transfer and capacity-building.⁴

[Bring in para. 43, non-paper 34, and additional text related to compliance]

Institutional Arrangements

8. Parties [shall] [agree to] [strengthen] [operationalize] the [an effective] financial mechanism [[under the Convention] to [enhance] [ensure] the [full] implementation [commitments contained in

³ Represents Option 8 of paragraph 10 of non-paper 34.

⁴ Some proposals suggest that this option be used to provide funding for adaptation.

Article 4.3, 4.4, 4.5, [4.6,] 4.8 and 4.9 in the context of Article 4.7] of the Convention [, in accordance with its Article 11, sub-paragraphs 1, 2 and 3;]]

9. [[Under this financial mechanism, the COP shall establish specialized fund/s,⁵ funding windows, and a mechanism to link various funds;][Further, Parties agree that [to establish] the XX fund[s]⁶ [will be established];]

10. [The COP will appoint] [Parties agree [that] [to establish][an]

[Executive Board as [an][the] operating entity]

[XX fund[s][will be established]as [an] operating entity[ies]]

of [this] [the] financial mechanism

[which shall work under the [authority and] guidance of, and shall be [fully] accountable to, the COP, which shall decide on its policies, programme priorities and eligibility criteria]

[pursuant to Article [11][11.1] of the Convention]

11. The [Executive Board][operating entity] specified in paragraph 3 above shall

[have an equitable and balanced representation of all Parties] [within a transparent system of governance]] [in accordance with Article 11.2 of the Convention]

[be governed by equal representation from Annex I Parties and non-Annex I Parties]

[be governed by balanced representation of net contributors and net recipients].

11. bis [Parties will agree to a process to develop a governance mechanism]

12. [The COP shall invite] [The fund[s] shall [be administered by [a]][operate with]

[trustee or trustees selected through a process of open [competitive] bidding]

[an existing international financial institution[as its trustee]] [on an interim basis;]].]

[12. bis [The [Board][fund[s]] shall be serviced by a secretariat [of independent and professional staff contracted by the Board]. [The COP shall invite [existing international institutions] [institutions selected through a process of open [competitive] bidding] to serve as a secretariat on an interim basis;]

12. ter Each of the separate funds may be advised by an expert group or committee, which could also be supported by a technical panel or panels addressing specific issues addressed by the fund;

12. quater To ensure transparent and efficient governance, a consultative/advisory group of all relevant stakeholders, and an independent assessment panel, may likewise be appointed;

12. quinques The Executive Board of the financial mechanism, with the approval of the COP, shall institute suitable external independent oversight as well as internal monitoring and evaluation of the management and operation of the financial mechanism established under the Convention;]

13. [Parties agree to make efficient and effective use of [current][existing] institutions and other channels, including bilateral, regional and multilateral channels, in accordance with Article 11.5 [, within a robust system of measurement, reporting and verification of financial resources provided through these channels]][financial resources provided through such current institutions and channels, including

⁵ Convention Adaptation Fund; Mitigation fund under the Convention; REDD Fund; The Multilateral Climate Technology Fund to support implementation of the technology mechanism; A multi-window mechanism to address loss and damage including an Insurance Fund ; The Special fund to address impacts of response measures; The Global fund to support a feed-in tariff programme; The Capacity-building Fund; the Technology Risk Facility; the Venture Capital Fund, the Technology Grant programme and other funds as required.

⁶ [World Climate Change Fund or Green Fund] [Global Fund for Climate] [Climate Change Funds, Adaptation Fund, and Green Enabling Environment Funds]

bilateral, regional and multilateral channels, to developing country Parties will not count towards fulfilment of the commitments of developed countries and other developed Parties included in Annex II to the Convention with respect to provision of financial resources under the Convention;]

[13. bis Parties reaffirm the role of the Global Environmental Facility as an operating entity of the financial mechanism under Article 11 of the Convention. The Parties request the GEF to increase its efforts with regard to readiness and capacity-building activities.]

[14. Parties hereby define a high-level body/forum that shall work under the guidance of the COP, and which shall, inter alia, provide an overview of international sources of finance, review the balanced distribution of international public finance across priorities, and encourage synergies with other environmental agreements;

14.bis The high-level body/forum described in paragraph 7 above shall have equitable and balanced representation of all Parties and include all relevant actors;]

[15. The Parties shall establish [X], accountable to the Conference of the Parties, which shall establish policies and operational guidance.

16. [[X] shall take the form of a group drawing on finance experts housed within an appropriate institution.]

17. [X] shall provide regular reports to the COP on its operations and activities.

18. [X] shall provide, upon request, advice to developing countries in matching mitigation [and adaptation] needs with available sources of finance;

19. [[X] shall maintain a [register][public database] of proposed mitigation [and adaptation] actions and sources of finance and report on its contents to the COP on a regular basis;]

20. [[X] shall collect and undertake technical analysis of information on climate finance needs, sources and flows, and prepare regular reports for the COP.]]

[Bring in relevant text on fund modalities from Annex IX of Non-paper 34]

Annex I

Non-paper No. 34^{a,b}

20/10/2009

**CONTACT GROUP ON ENHANCED ACTION ON THE PROVISION OF
FINANCIAL RESOURCES AND INVESTMENT**

Revised annex IV to document FCCC/AWGLCA/2009/INF.2

Non-paper by the chair of the contact group

1. Preamble

PP.1 *Alternative 1:* Deeply concerned over the substantial gap between the financial resources required for enhanced action on adaptation and mitigation in developing countries and the level of financial resources currently available,

Alternative 2: Renewing the political determination to urgently and substantially scale up the provision of financial resources to support enhanced action on mitigation and adaptation and technology cooperation,

PP.2 *Alternative 1:* Noting the various estimates of financial resources needed to address adaptation⁷ and recognizing the urgency of taking enhanced action on adaptation by all developing country Parties, especially those referred to in [Article 4.8 of the Convention] [paragraph 1(c) (i) of the Bali Action Plan (Decision 13/CP.1)],

Alternative 2: Noting the scale of the financial resources needed to address the adaptation needs of developing countries that are particularly vulnerable to the adverse effects of climate change, especially those referred to in [Article 4.8 of the Convention] [paragraph 1 (c) (i) of the Bali Action Plan (Decision 13/CP.1)],

PP.3 *Alternative 1:* Further, noting that adaptation needs are already an urgent necessity, an early and ambitious emission reductions [by developed country Parties] will be required to achieve the ultimate objective of the Convention,

Alternative 2: Delete this paragraph.

PP.4 *Alternative 1:* Highlighting that financial commitments have not been met by developed country Parties and other developed Parties included in Annex II and emphasizing the urgent need for these Parties to honour their commitments in accordance with Article 4, and in particular Articles 4.3, 4.4, and 4.5 of the Convention by providing resources to support adaptation, mitigation and technology transfer,

^a Reissued for technical reasons.

^b As requested by Parties during meetings of contact group on enhanced action on provision of financial resources and investment in Bangkok, this text has been produced by the chair of the contact group in preparation for the resumed seventh session of the AWG-LCA to take place in Barcelona. The production of this text has been informed by discussions during the contact group meetings, informals and submissions by Parties. The chair, in preparing this text, has focused on ensuring that Parties' positions remain adequately reflected. This non-paper supersedes non-paper no.13.

⁷ The United Nations Development Programme estimated that an additional USD 86 billion per year would be needed in 2015, and according to UNFCCC estimates, USD 28–67 billion would be needed in 2030.

Alternative 2: Recalling commitments in accordance with Article 4, and in particular Articles 4.3, 4.4 and 4.5, of the Convention,

PP.5 Developed country Parties and other developed Parties included in Annex II shall provide new and additional to ODA, adequate, predictable and sustained level of financial resources, on a grant basis for adaptation and a grant and/or concessional basis for mitigation, including for the transfer of technology, to support enhanced action on mitigation and adaptation in developing countries for enhancing the implementation of Articles 4.1, 4.3, 4.4, 4.5, 4.8, and 4.9, in the context of Article 4.7.

2. Objective and scope

1. The objective of the provision of financial resources is to promote equity and justice through further enhancement of the full, effective [, efficient] and sustained implementation of the Convention and the Bali Action Plan, so that the ultimate objective of the Convention can be achieved.

2. The provision of financial resources to developing country Parties for enhancing implementation of the Convention shall be guided by the principles of the Convention and the priorities of developing country Parties. Provision of financial resources to developing countries Parties should take full consideration of their specific needs and special circumstances, which may vary according to their national circumstances, their economic and technical capacity, and the implementation measures undertaken. Financial resources for adaptation shall be allocated to those particularly vulnerable to the adverse impacts of climate change, as identified in [paragraph 1 (c) (i) of the Bali Action Plan] [Article 4.8 of the Convention].

3. To [establish] [enhance] [operationalize], in accordance with Article 11 of the Convention, the Financial Mechanism of the Convention with a structure that meets the specific requirements laid down under Articles 11.1 and 11.2 of the Convention[, under the authority and governance of the COP], as mandated under Article 7.2 (h) of the Convention]. The Financial Mechanism shall enable, enhance and support mitigation and adaptation actions by developing country Parties to meet the objective(s) in accordance with Articles [4.3, 4.4 and 4.5] [4.3, 4.4, 4.5, 4.8 and 4.9] of the Convention [including the full cost of adaptation activities, technology transfer and capacity-building].

4. *Alternative 1:* The main source of funding will be new and additional financial resources, defined as resources over and above the financing provided through financing institutions outside of the framework of the financial mechanism of the Convention. These resources shall be regarded as fulfilment by developed country Parties and other developed Parties included in Annex II of commitments under Article 4.3 of the Convention, and of their obligations to provide measurable, reportable and verifiable financing, as referred to in paragraph 1 (b) (ii) of the Bali Action Plan.

Alternative 2: The developed country Parties, other developed country Parties included in Annex II to the Convention and other Parties, according to agreed eligibility criteria, or those in a position to do so, may also provide, and developing country Parties may avail themselves of, financial resources through bilateral, regional and other multilateral channels in fulfillment of the financial commitments [under the Convention] [in accordance with the relevant provisions of this Agreement].

3. Principles

5. [Chapeau]

Alternative 1: The operationalization of an effective financial mechanism with a view to enhancing the implementation of the Convention shall be guided by the following principles:

Alternative 2: The financial architecture to enhance the coherence and effectiveness of multilateral climate change support [, enabled by this agreement,] should be guided by the following principles:

- (a) Fulfil the implementation of the commitments contained in Articles 4.3, 4.4, 4.5, 4.8 and 4.9 in the context of Article 4.7 of the Convention and be underpinned by the principles of equity and common but differentiated responsibilities;
- (b) [Fair, inclusive, efficient and effective, and] [appropriately] [equitable and geographically] balanced representation of all Parties shall be ensured within a fully transparent system of governance;
- (c) *Alternative 1:* The financial mechanism shall operate and function under the authority, governance and guidance of, and be fully accountable to, the COP, which shall decide on its policies, programme priorities and eligibility criteria, and allocation of resources for adaptation, mitigation, technology and capacity-building and any other function that may be determined by the COP;

Alternative 2: The financial mechanism shall operate and function under strategic guidance of the Meeting of the Parties to the Copenhagen Agreement;

- (d) *Alternative 1:* Maintain consistency with the policies, programme priorities and eligibility criteria adopted by the decisions of the COP in all activities, including those related to funding, that are relevant to climate change undertaken by institutions outside the framework of the financial mechanism;

Alternative 2: Coherence in the global financial architecture of multilateral climate change related support, including between the financial mechanism of the UNFCCC and various financial sources and funds not accountable to and outside the guidance of the COP, shall be promoted, with existing institutions utilized more efficiently;

- (e) Developed country Parties and other Parties included in Annex II of the Convention shall provide new and additional, adequate, predictable and sustainable financial resources and transfer technology to developing country Parties to make full and effective repayment of climate debt, including adaptation debt, taking responsibility for their historical cumulative emissions and current high per capita emission;
- (f) *Alternative 1:* All the developing country Parties are eligible to access the financial resources. Financial resources for adaptation shall be prioritized, especially for developing countries Parties referred to in [paragraph 1 (c) (i) of the Bali Action Plan (decision 13/CP.1)][Article 4.8 of the Convention];

Alternative 2: All developing country Parties are eligible to access financial resources, in accordance with the objectives and provisions under this Agreement, with special attention given to the adaptation needs of the most vulnerable countries, especially those identified in paragraph 1 (c) (i) of the Bali Action Plan (decision 13/CP.1), and particularly vulnerable populations, groups and communities by supporting adaptation at local and national levels;

Alternative 3: All Parties that meet specified criteria shall be eligible to access the financial resources, with special attention given to the needs of vulnerable countries. The criteria set should be based on: national and regional development priorities; natural and geographical characteristics; resource endowment; relative size of the economy; economic and technological capacity; position on the human development index; and, being eligible to borrow from the World Bank (IBRD and/or IDA) or to be an eligible

recipient of UNDP technical assistance through its country Indicative Planning Figure (IPF);

- (g) Funds shall be allocated for adaptation, mitigation, technology transfer and capacity building, in a balanced manner giving them equal consideration, with a special emphasis on adaptation, and the shares decided every two years, allocating financial resources based on the decided ratios;

- (h) *Alternative 1:* Enable direct access to funding by the recipients. Access to funds by Parties shall be inversely proportional to their contribution to greenhouse gases in the atmosphere;

Alternative 2: Access to financial resources [shall][should] be simplified and improved, including direct access where appropriate, and be provided in expeditious, effective, equitable, and timely manner, ensuring that fiduciary standards of the in-country recipient entities are as effective as the internationally agreed fiduciary standards and eligibility criteria;

- (i) Delivery of financial resources [shall][should] be efficient, goal-oriented and enable a shift from a project-based approach when dealing with proposals for funding to a programmatic approach, where appropriate, to make optimal use of the full range of means of implementation available and to allow for implementation at scale;
- (j) Delivery of financial resources should be country driven and ensure ownership through recipient country involvement during the stages of identification, definition and implementation of activities;
- (k) Financial resources shall be provided for the implementation of concrete actions, and their delivery [shall][should] strive to leverage other forms of financing, including private-sector financing through the carbon market and/or through other measures;
- (l) Financial resources [shall][should] be provided in a variety of forms inter alia, on a grant basis for those identified in paragraph 1 (c) (i) of the Bali Action Plan (Decision 13/CP.1) and full cost of adaptation; and a grant or concessional basis or in the form of guarantees, where appropriate, for mitigation and specific programmes as per commitments under Article 4.3, 4.4, 4.5, 4.8 and 4.9 of the Convention and should not crowd out private investment or create market distortion;
- (m) *Alternative 1:* Financial resources may be provided for funding international, regional or national activities that contribute to the continued fulfilment of Article 4.1 of the Convention;

Alternative 2: Delete this paragraph.

- (n) Mutual accountability, country ownership, alignment, harmonization, focus on results [with a compliance mechanism] and sound financial management[, taking into account the principles of aid effectiveness as set out in the Paris Declaration on Aid Effectiveness], and in accordance with internationally agreed environmental and social standards and safeguard policies;
- (o) Responsiveness to evolving needs and respective roles of public [and private] finance.

4. [Generation][Provision] of financial resources⁸

6. [All Parties, in accordance with their respective capabilities, shall implement and periodically report on policies and instruments to mobilize public and private financial resources, improve enabling environments for investment in support of measures to mitigate and adapt to climate change outlined in Article 4.1 of the Convention.]

7. *Alternative 1:* The main source of funding will be through the implementation of the commitments under Article 4.1, 4.3, 4.4, 4.5, 4.8 and 4.9.

The developed country Parties and other Parties included in Annex II to the Convention shall provide [scaled up], new and additional, over and above ODA, adequate, predictable, timely and stable financial resources.

Alternative 2: Developed country Parties [and other Parties] according to their capability should provide [scaled-up], new and additional, feasible, sustainable, adequate and predictable financial resources for climate-related support to developing countries.

8. *Alternative 1:* The public sector shall be the main source of funds.

Alternative 2: The public sector shall be the main source of funds, while market mechanisms and other private-sector sources would play a supplementary role in addressing climate change.

Public funds should leverage private investment and provide incentives for additional efforts.

Alternative 3: Both public and private finance should play a major role in the implementation of this Agreement. Public finance should support enhanced action on adaptation and capacity-building. Private funding, channelled via appropriate policy frameworks, should be the main source of necessary investment for mitigation.

Parties should encourage the establishment of a robust carbon price signal, including through a progressive integration into the global carbon market, as a key means to deliver cost-effective emissions reductions globally.

9. The generation of financial resources shall be guided by the principles of the Convention, in particular the principles of equity and common but differentiated responsibilities [and respective capabilities, taking into account the ability to pay and greenhouse gas emissions.]

10. New and additional financial resources [, including to the extent of USD 75 to 100 billion per year for adaptation,] [shall][should] be generated through a combination of various sources, including, inter alia:

Option 1

Alternative 1: An assessed contribution from developed country Parties [, based on historical climate debt, including historical emission debt and adaptation debt,] amounting to at least [[0.5–1] [0.8] [1.5] [2] per cent of gross national product] [0.5–1 per cent of GDP].

Alternative 3: An assessed contribution from developed country Parties over and above current ODA amounting to (expressed as a percentage of the GDP of all Annex I Parties): 1.5 per cent per annum for

⁸ In Bangkok it was agreed that proposals relating to the generation of financial resources should be discussed by the contact group on enhanced action on provision of financial resources and investment. Pursuant to this agreement, the finance contact group should discuss paragraphs 22 and 23 of non-paper no. 8 from the contact group on enhanced action on adaptation and its means of implementation. These paragraphs have been included in annex XIII.

adaptation, 2 per cent per annum for supporting the NAMAs of developing country Parties; 1 per cent per annum for technology transfer and deployment; and 1 per cent per annum for capacity development in developing countries, especially those listed in paragraph 1 (c) (i) of the Bali Action Plan.

Alternative 3: Contributions by all Parties except LDCs, [based on a contribution formula developed by the COP] reflecting capacity to pay and responsibility for emissions.

Option 2⁹

A mechanism for financing climate change actions by monetizing emission allowances through auctioning at international level.¹⁰

Option 3

A uniform global levy on CO₂ emissions above a threshold of [1.5] [2.0] tonnes of CO₂ per capita; the LDCs shall be exempt.

Option 4

[Levies for developed countries on] [Funding from instruments addressing emissions from] international aviation and maritime transport.

Option 5

An international adaptation levy on airfares, except on journeys originating from or destined for LDCs.

Option 6

A share of the proceeds of [2] [3–5] per cent on CDM and [2] [4] [8] [10] [12] per cent on [joint implementation and emissions trading] [market-based mechanisms under the Kyoto Protocol].

Option 7

A levy of 2 per cent on capital transfers between entities in Annex I Parties collected by Annex I Party governments and remitted in full to the Convention Adaptation Fund.

Option 8

Agreed penalties or fines on non-compliance of developed country Parties with their commitments to reduce emissions and provide support in the form of financial resources, technology transfer and capacity-building.¹¹

Option 9

Additional contributions by developed country Parties over and above the assessed contributions, contributions from philanthropic organizations and innovative sources of finance – including implementation of the principle, external debt swap/relief for sustainable development of developing countries, special drawing rights for sustainable development and carbon market finance driven by more ambitious reduction commitments of developed countries.

⁹ Details of the proposal are included in annex XII.

¹⁰ Some proposals suggest that a percentage of these resources be used to provide funding for adaptation.

¹¹ Some proposals suggest that this option be used to provide funding for adaptation.

Option 10

Carbon market finance and private investment leveraged as appropriate by domestic policy frameworks and targeted public funds.

Option 11

A mechanism for financing mitigation actions whereby a certain proportion of the total number of emission allowances under the Copenhagen Agreement is held back in a set-aside reserve.

5. Funding activities (Proposal for additional subheading)¹²

11. The funding shall be used to enhance actions on adaptation, mitigation, and technology development and transfer, as well as related capacity-building.

The financial mechanism shall fund the following:

- (a) The agreed full costs for the preparation of national communications of developing country Parties;
- (b) The agreed full incremental costs incurred by developing country Parties of implementing measures covered by Article 4.1 of the Convention, including for the transfer of technology, for, inter alia, the following:
 - (i) Adaptation in accordance with Article 4.4 and 4.9 of the Convention;
 - (ii) Mitigation;
 - (iii) The deployment and diffusion of low-GHG emitting and environmentally sound technologies (ESTs);
 - (iv) The research and development of technologies;
 - (v) Capacity-building for mitigation and adaptation actions;
 - (vi) The preparation of national action plans and their implementation;
 - (vii) Patents;
 - (viii) For technical assistance to build the readiness of developing country Parties to access large pool of financing;
 - (ix) Any other funding decisions as may be determined by the COP.
- (c) Funding for the development and transfer of technology as a means of implementation shall be used for, inter alia, technology development, deployment and transfer, capacity-building and risk management, including insurance. It will also financially cover the implementation of action programmes developed under the Convention, such as NAPAs and TNAs, and other programmes that may be identified in the financial needs assessment project under the Convention.

¹² In Bangkok, it was agreed that proposals relating to the use of financial resources should be discussed by the respective thematic contact groups.

6. Institutional arrangements, including fundsInstitutional structure¹³

12. Institutional arrangements for the operation of the financial architecture shall have the following functions, inter alia:

- (a) Assessing the financial resources required for the fulfilment of [this Agreement][the commitments under the Convention];
- (b) Ensuring the effective use of resources, including those generated under paragraphs x;
- (c) Coordinating financial resources, including those generated under paragraphs x for the fulfilment of [this Agreement][the commitments under the Convention];
- (d) Measuring, reporting and verifying/monitoring and reviewing.

13. The institutional arrangements shall be periodically reviewed to assess its fulfilment of these functions.

14. The institutional arrangements for the operationalization of an effective financial mechanism under the COP in accordance with Article 11 of the Convention shall include:

Option 1¹⁴

15. The COP is the supreme decision-making body of the Convention, under whose authority and guidance the mechanism will operate through the establishment of [a fund with specialized funding windows] [specialized funds][a fund for mitigation and a fund for adaptation] with a mechanism to link various funds.

16. The COP shall appoint under its authority an [Executive Board] [Executive Body on Finance and Technology for Adaptation (EBFTA) and an Executive Body on Finance and Technology for Mitigation (EBFTM)] as [the] [an] operating entity of the financial mechanism with balanced and equitable representation of all Parties to manage the financial mechanism.

17. The COP and the Board shall establish [a fund with specialized funding windows] [specialized funds][a fund for mitigation and a fund for adaptation], funding windows under its governance, and a mechanism to link various funds, which include:

- (a) *Alternative 1:* Convention Adaptation Fund;
Alternative 2: Multilateral Adaptation Fund;
- (b) Mitigation fund under the Convention;
- (c) REDD Fund;
- (d) The Multilateral Climate Technology Fund to support implementation of the technology mechanism;

¹³ In Bangkok, it was agreed that proposals relating to the institutional arrangements for the provision of financial resources should be discussed by the contact group on enhanced action on provision of financial resources and investment. Pursuant to this agreement, the finance contact group should discuss paragraphs 37–40 of non-paper no. 4 from the contact group on enhanced action on development and transfer of technology (included in annex XIII) and paragraph 6 of non-paper no. 24 from the contact group on enhanced action on capacity-building (included in annex XIV).

¹⁴ Option 1 is a consolidation of the proposals presented in annexes I–VII.

- (e) The Insurance Fund;
- (f) The Special fund to address impacts of response measures;
- (g) The Global fund to support a feed-in tariff programme;
- (h) The Capacity-building Fund; the Technology Risk Facility; the Venture Capital Fund, the Technology Grant programme and other funds as required.

18. Funds are generated through:

Alternative 1: An assessed contribution from Annex I Parties amounting to at least [0.5–1][1.5] per cent of gross national product.

Alternative 2:

- (a) A levy on international maritime transport and international aviation;
- (b) A share of the proceeds from market-based mechanisms and other trading units;
- (c) Contributions from the Kyoto Protocol Adaptation Fund;
- (d) Additional contributions by Parties over and above assessed contributions;
- (e) Contributions from other sources, including voluntary contributions.

Alternative 3: A combination of alternatives 1 and 2

19. Funds [shall] [would] be administered by a Trustee or Trustees selected through a process of open bidding.

20. Each of the funds shall be advised by an expert group or committee, which [shall] [could] also be supported by a technical panel or panels to address specific issues [, including panels for capacity-building, technology, REDD-plus and market mechanisms].

21. Developing country Parties will establish and/or strengthen national funding and coordinating bodies to address all aspects of the means of implementation.

22. All developing country Parties shall be eligible to access funds, and the mechanism shall enable direct access.

23. Modalities for determining the role of existing funds and entity/ies in the operation of the financial mechanism should be determined by Parties.

Option 2

24. The World Climate Change Fund or Green Fund¹⁵ is hereby established and shall function under the guidance of and be accountable to the COP. The COP shall decide on its policies, programme priorities and eligibility criteria.

25. The COP shall appoint the Governing Body of the Fund, which shall have equal representation from Annex I and non-Annex I Parties.

26. Contributions to the Fund shall be based on a scale of assessment.

¹⁵ The complete proposal is included in annex VIII.

27. All Parties should contribute to the fund, except LDCs. The assessed contributions are mandatory for Annex I Parties and from those non-Annex I Parties that choose to participate.
28. The Fund shall be administered by an existing financial institution.
29. The Fund shall support mitigation activities, and a percentage of contributions to the fund will be provided to the Adaptation Fund of the Kyoto Protocol.
30. All LDCs, and non-Annex I Parties that choose to participate, shall be eligible to access funds. Annex I Parties may access up to 50 per cent of their contribution.
31. The Fund will complement existing funds and entities.

Option 3

32. The Global Fund for Climate¹⁶ is hereby established as an operating entity of the financial mechanism. It shall function under the guidance of and be accountable to the COP, which shall decide on its policies, programme priorities and eligibility criteria.
33. The Fund and the COP shall enter into an agreement pursuant to Article 11.3 of the Convention.
34. The Fund shall be governed by a body with balanced representation of net contributors and net recipients. The process of constituting the body shall be agreed upon by the Parties.
35. All Parties, except LDCs, shall contribute to the Fund in accordance with their national circumstances and respective capabilities through multi-year pledges and multi-year replenishments.
36. An existing multilateral financial institution shall operate the Fund as its trustee.
37. The Fund shall support developing country mitigation and adaptation policies, programmes and projects in a country-driven manner.
38. The Parties reaffirm the role of the Global Environment Facility (GEF) as an operating entity of the financial mechanism under Article 11 of the Convention.

Option 4

39. Make efficient and effective use of current institutions, including the GEF, LDCF, SCCF, multilateral development banks, specialized United Nations institutions and other existing funds, with financial support provided by developed country Parties and availed of by developing country Parties through bilateral, regional and other multilateral channels, in accordance with Article 11.5 [with a robust system of measurement, reporting and verification of financial resources provided through these channels].
40. A Facilitative Platform¹⁷ is established under the authority and guidance of the COP. The COP shall establish policies and operational guidance to enable operation of the Platform. The Secretariat of this agreement shall act as the operating entity of the platform on an interim basis to be reviewed by the COP before the [xx] session. The platform shall establish (1) a register of actions on mitigation, adaptation, and capacity building strategies and activities; (2) finance, technical and capacity-building support; (3) monitor and analyze information in the register and report it to COP on a regular basis.

¹⁶ The complete proposal is included in annex IX.

¹⁷ The complete proposal is included in annex X.

41. The Parties hereby establish an entity for coordination and matching. The entity shall provide technical assistance to developing countries in identifying needs and financial resources, enhancing the quality of developing country finance proposals, and helping to facilitate the matching between needs and financial resources. The entity shall provide regular reports to the COP on its operations and activities.

7. [Compliance][Monitoring, reporting and verification]

42. All Annex I, [Annex II] [and Annex B Parties] shall report on an annual basis, all contributions made. Annual reports of contributions by Parties shall be maintained by the secretariat in a contribution ledger. This ledger shall be maintained on a publicly available link on the secretariat website;

43. A compliance mechanism shall be established to ensure the full implementation of the commitments of Annex I, [Annex II] [and Annex B Parties], for commitments on Articles 4.3, 4.4, 4.5, 4.8 and 4.9 of the Convention with reference to their agreed assessed contributions for the provision of financial resources, This body shall:

- (a) Review compliance of [developed country] [Annex I and Annex [B][II]Parties with their commitments on the provision of financial resources in a timely and predictable manner and in consonance with the needs identified by the developing country Party ;
- (b) [The Board of the Multilateral Fund shall undertake] Annually review compliance of [developed country]Annex I [and Annex B][Annex II] Parties with their commitments on the provision of financial resources in a timely and predictable manner[to the Multilateral Fund for Climate Change] and in consonance with the needs identified by the developing country Party and shall make a report to the COP (or the Conference of Parties serving as the assembly of Parties) at it annual meeting;
- (c) Define non-compliance parameters, penalties and fines, or a combination of the two or other as appropriate, and implement parameters and procedures defined by the COP to retrieve funds derived from fines and penalties;
- (d) Impose financial penalties, at a minimum of ten times the market price of carbon, for any emissions in excess of the level implied by the emissions reduction commitment.

Annex I

1. The COP, as the supreme body of the Convention, shall exercise its authority over and provide guidance to the financial mechanism, and shall decide on its operation and on the policies, programme priorities and eligibility criteria for financing purposes.
2. The COP shall appoint a board,¹⁸ which shall function under the authority and guidance of and be accountable to the COP, to manage the financial mechanism and the related facilitative mechanism, funds and bodies, which shall have an equitable and balanced representation of all Parties within a transparent system of governance, to address all aspects of the means of implementation for developing countries, for both adaptation and mitigation.
3. The level of the new funding can be set at 0.5 per cent to 1 per cent of the GNP of Annex I Parties. Quantified commitments by developed country Parties to adequate and predictable funding for mitigation and adaptation.
4. The role and remit of the COP in the modalities and procedures of such a mechanism must be clear, including the setting of operational guidelines, the election of executive board members, approval of final budgets, and audit process or verification.
5. The Board shall be assisted by a dedicated secretariat of professional staff contracted by the Board.
6. The COP and the Board shall establish, manage and supervise current funds, specialized funds and funding windows to fund projects, programmes and actions aimed at mitigation, adaptation and technology transfer that are under its governance, and a mechanism to link various funds. These funds shall include:
 - (a) An Adaptation Fund:
 - (b) A Mitigation Fund:
 - (c) A Multilateral Climate Technology Fund¹⁹:
7. A Multilateral climate technology fund shall be established to support the implementation of the technology mechanism for the provision of technology-related financial resources on a grant or concessional basis to enable the wide diffusion of environmentally sound technologies in developing countries.
8. The fund shall meet the full costs of activities such as technology R&D and demonstration of technology, capacity-building, technology needs assessments, know-how and information, and construction of policy instruments.

Alternative 1:

The fund shall be used to implement the development, deployment, diffusion and transfer of technologies by meeting the agreed full incremental costs of, inter alia, licensing IPRs, and the deployment and diffusion of technologies in developing countries.

¹⁸ Other formulations proposed are “Executive Body”, “International operating entity” and “governing council”.

¹⁹ Another formulation proposed is “a multilateral technology acquisition fund”.

Alternative 2:

The fund shall be used as a catalyst to provide stakeholders with incentives to implement the development, deployment, diffusion and transfer of technologies by meeting the full incremental costs of, inter alia, the deployment and diffusion of technologies in developing countries.

- (d) A Capacity-building Fund;
 - (e) A Technology Risk Facility to assist technologies from demonstration to commercial maturity;
 - (f) A Venture Capital Fund for start-up finance;
 - (g) A Technology Grant programme for the research and development of new technologies;
 - (h) A Climate Insurance Fund;
 - (i) Other funds as required.
9. Modalities for determining the role of existing funds and entities for the operation of the mechanism shall be developed.
10. Funds will be administered by a Trustee or Trustees that have been selected through a process of open competitive bidding among reputable pre-qualified institutions.
11. Each of the funds and funding windows shall be:
- (a) Advised by an expert group or committee, which could also be supported by a technical, scientific advisory and monitoring and evaluation panel or panels addressing specific issues identified by the Board;
 - (b) Assisted by a independent specialized thematic assessment unit or panels, comprising experts and specialists, to carry out the relevant assessments for the disbursement of funds to the designated national entities under their respective specialized funding windows. These thematic assessment units shall be under the authority of the Executive Board and, together with the professional secretariat of the Executive Board, shall constitute the operating entity of the Financial Mechanism.
12. To ensure transparent and efficient governance, other possible components of the structure shall include representatives of all participant countries, contributors and beneficiaries, grouped in a balanced manner, a consultative/advisory group all relevant stakeholders and an independent assessment panel.
13. Developing country Parties [shall][should] establish and/or strengthen national coordinating bodies to address all aspects of the means of implementation, including strengthening the institutional capacity of national focal points and all stakeholders, including sub national and local governments.
14. The coordinating bodies shall be the national focal points for supporting the implementation of climate change projects and programmes that have received technology, finance and capacity-building assistance from developed country Parties in line with those Parties' commitments under Article 4 of the Convention.
15. In achieving its objectives, national coordinating body shall:
- (a) Ensure national ownership of and commitment to NAMAs that are to be registered internationally;

- (b) Ensure proper assessment of the financial, technological and capacity needs of NAMAs and national adaptation measures;
 - (c) Mobilize, coordinate with and involve existing in-country mechanisms;
 - (d) Facilitate the development of national expertise on adaptation and mitigation;
 - (e) Coordinate climate change funding, technology transfer and capacity-building requirements, including by identifying and prioritizing needs and guiding the preparation of proposals;
 - (f) Harness synergy across thematic activities and facilitate exchange of experience and good practice;
 - (g) Identify stakeholders for direct access to financial assistance.
16. The national coordinating bodies shall act as the direct channel of access between developing country Parties and the board, shall approve funding for projects, programmes and actions, subject to the guidelines and procedures established by the specialized thematic assessment units approved by the Executive Board and the COP.
17. The administrative costs of national coordinating bodies established for this purpose shall be covered by international financial resources made available specifically for this purpose. A separate pool of funding to finance national coordinating bodies through an item in the secretariat's budget shall be established.
18. The designated national funding entities could also accept contributions directly, as per guidelines agreed by the COP, from and facilitate linkages with other private or national, regional, sub-regional, international bodies and/or stakeholders that may seek to implement actions relating to mitigation, adaptation and technology transfer and related activities directly.
19. A transparent, efficient and competitive procurement regime with conditionalities limited to those warranted by prudent fiduciary norms and the MRV regime foreseen under decision 1/CP. 13 should characterize funding from the Financial Mechanism established under the Convention.
20. Manage a certification and registry system for receiving, delivery of and deploying financial resources to enable developing country Parties to count financial contributions and technology support from developed country Parties towards compliance of their commitments under Article 4.3, 4.4, 4.5, 4.8 and 4.9 of the Convention and under paragraph 1(b) (ii) of decision 1/CP. 13. Financial resources will be made available to support an effective system to measure, report and verify the support provided by developed countries.
21. The Executive Board shall report annually to the COP on matters related to a proposed fund.
22. The Executive Board of the Financial Mechanism, with the approval of the COP, shall institute suitable external independent oversight as well as internal monitoring and evaluation of the management and operation of the Financial Mechanism established under the Convention.
23. The resources of the Financial Mechanism established under the Convention shall be used to meet the costs associated with the functioning of the Executive Board, the secretariat and the thematic assessment units, subject to the approval of the COP.
24. The Executive Board, established to govern and manage the financial mechanism shall determine the allocations for mitigation and adaptation, to be periodically reviewed, taking into account the historical imbalances in and the urgency of funding for adaptation.

Annex II

1. Institutional arrangements for enhancing the implementation of Article 11 of the Convention, through finance, technology and capacity-building, shall include:
2. The creation of a Financial and Technology Mechanism meant to ensure the full, effective, and sustained implementation of the Convention, in relation to implementation of commitments for the provision of financial resources. This is mandated under Articles 4.3, 4.4, 4.5, 4.8 and 4.9 of the Convention in accordance with Article 11, defining the financial mechanism under the Convention.
3. The Financial and Technology Mechanism shall address all aspects of cooperation on technology research, development, diffusion, and transfer in accordance with Articles 4.1(c), 4.3, 4.5 and other relevant articles of the Convention, in order to enable mitigation and adaptation under the relevant paragraphs of decision 1/CP.13.
4. The basic architecture of the Financial and Technology Mechanism under the Convention will comprise two pillars, one on adaptation and the other on mitigation.
5. An Executive Body on Finance and Technology for Adaptation (EBFTA), accountable to the COP, shall be established. The EBFTA shall have, inter alia, the following functions:
 - (a) To organize, coordinate, monitor and evaluate the implementation of the comprehensive framework for adaptation, including the enabling means of financing, technology and capacity building;
 - (b) To guide and supervise the disbursement of the Adaptation Fund to be created under the Convention²⁰;
 - (c) To coordinate disbursements from the Adaptation Fund according to the needs as indicated in national plans for adaptation submitted by developing countries to the EBFTA;
 - (d) To provide financial and technical support, upon request by developing countries, for the elaboration of national plans for adaptation;
 - (e) To manage a certification system for receiving financial resources in compliance with the financial commitments of developed country Parties under Article 4.3 of the Convention;
 - (f) To articulate technology transfer and financing mechanisms under the Convention with other United Nations organizations, multilateral financial institutions established under bilateral or multilateral development programmes and other relevant international forums not directly related to climate change, with the assistance of technical panels to be created.
6. The EBFTA will be supported by four technical panels on research and development; capacity- building; transfer of technologies for adaptation; and observation systems and information management. The technical panels shall comprise government representatives elected by the COP with balanced regional representation, who are experts on matters related to each of the technical panels, and be open to input from other experts in order to ensure transparent and efficient governance.

²⁰ Further provisions on the Adaptation Fund to be provided by the proponent of the proposal.

7. An Executive Body on Finance and Technology for Mitigation (EBFTM), accountable to the COP, shall be established. The EBFTM shall have, inter alia, the following functions:

- (a) To organize, coordinate, monitor and evaluate the implementation of the comprehensive framework for mitigation, including the enabling means of financing, technology and capacity-building;
- (b) To govern a Mitigation Fund to be created under the Convention.²¹
- (c) To coordinate disbursements from the Mitigation Fund according to the needs as indicated in NAMAs submitted by developing countries to the EBFTM;
- (d) To provide financial and technical support, upon request by developing countries, for the elaboration of NAMAs;
- (e) To coordinate disbursements from the Mitigation Fund according to the needs for REDD plus activities as requested by developing countries;
- (f) To provide financial and technical support, upon request by developing countries, for the preparation of REDD plus activities;
- (g) To coordinate with regional development banks concessional loan arrangements for the private sector in developing countries for the implementation of specific mitigation activities;
- (h) To manage a registry and certification system for receiving financial resources in compliance with the financial commitments of developed country Parties under Article 4.3 of the Convention;
- (i) To articulate technology transfer and financing mechanisms under the Convention with other United Nations organizations, multilateral financial institutions established under bilateral or multilateral development programmes and other relevant international forums not directly related to climate change, with the assistance of technical panels to be created.

8. The EBFTM will be supported by five technical panels: research and development; capacity-building; transfer of technologies for mitigation; REDD plus, and market mechanisms. The technical panels shall comprise government representatives, elected by the COP with balanced regional representation, who are experts on matters related to each of the technical panels, and be open to input from other experts.

9. Technical Panels:

- (a) Both technical panels on Research and Development (TPRDA and TPRDM) shall, inter alia, coordinate multilateral technology research, development and demonstration programs and provide appropriate support to developing country parties through North-South and South-South cooperation schemes, and promote joint ventures to accelerate deployment, diffusion and effective transfer of technologies.
- (b) Both technical panels on capacity-building (TPCBA and TPCBM) shall organize, coordinate, monitor, evaluate and retrofit the implementation of capacity building activities for adaptation and mitigation and the respective financing and technology development and transfer, in developing countries. TPCBs shall also provide information

²¹ Further provisions on the Mitigation Fund to be provided by the proponent of the Proposal.

and views on the fulfilment of support commitments for capacity building by developed countries. The TPCBs shall create mechanisms for sharing lessons learned and promote south-south cooperation, as well as for the dissemination of successful capacity-building activities in developing countries.

- (c) Both technical panels on transfer of technologies (TPTTA and TPTTM) shall, inter alia, provide advice and recommendations to the Executive Bodies on Finance and Technology on the overall implementation of technology; promote communication and information/knowledge sharing; monitor and assess the performance and progress of technological research, development, demonstration, diffusion, and deployment, using performance indicators, and report to the COP. In addition, these technical panels shall prepare reviews on existing technologies, including information on estimated costs, risks, benefits and limitations, taking into account the circumstances of the host Party.
- (d) The Technical Panel on Observation Systems and Information Management (TPOSIM) shall, inter alia, organize, coordinate, monitor, evaluate and retrofit the implementation of systematic observation and information management (including data collection and archiving, analysis, modeling, downscaling and dissemination) activities for adaptation in developing countries. The TPOSIM shall also create mechanisms for sharing lessons learned and promoting south-south cooperation, as well as for the dissemination of successful systematic observation and information management activities for adaptation in developing countries.
- (e) The Technical Panel on REDD plus (TPREDD plus) shall, inter alia, determine methodologies for reference levels, support enhancement of REDD plus project activities within countries and other general methodological issues.
- (f) The Technical Panel on Market Mechanisms (TPMM) shall, inter alia, organize, coordinate, monitor, evaluate, and retrofit the implementation of mitigation activities in developing countries, which are carried out under the market mechanisms. The TPMM will deal with issues such as country-specific sectoral baselines, additionally, monitoring and verification plans, registration of mitigation activities and actions, issuance of credits, etc.
- (g) In addition, an MRV Panel to be created under the COP shall be responsible for establishing methodologies for MRV, measuring, reporting and verifying mitigation actions and the support received, as required by paragraph 1.(b)(ii) of decision 1/CP.13, and keeping records of mitigation and adaptation activities implemented by developing countries with their own resources.

10. The UNFCCC secretariat shall support and facilitate the activities of the EBFTA, EBFTM and the technical panels.

Annex III

1. A Multilateral Fund for Climate Change is hereby established.
2. Funding for the Multilateral Fund for Climate Change shall be provided by the following sources:
 - (a) Contributions from all Parties based on a contribution formula developed by the COP (or Conference of Parties serving as the assembly of Parties). Criteria for such contributions shall be based on respective capability and historical responsibility for emissions;
 - (b) A levy placed on international maritime transport and international aviation. Such a levy shall be developed in collaboration with the International Maritime Organization and the International Civil Aviation Organization;
 - (c) A share of proceeds from the trading of units established under this agreement. The COP (or Conference of Parties serving as the assembly of Parties) shall determine the appropriate level and modalities for the deriving a share of proceeds from unit trading;
 - (d) Contributions from the Kyoto Protocol Adaptation Fund. Such contributions shall be directed towards specific adaptation activities agreed upon by the Conference of Parties serving as the meeting of Parties upon advice from the Adaptation Fund Board;
 - (e) Additional contributions by Parties over and above assessed contributions identified in a) above;
 - (f) Contributions by philanthropic organizations and other donor sources; The purpose of the Multilateral Fund for Climate Change is to establish, administer and deploy substantial and predictable sources of funding to support actions prescribed within this agreement.
3. The Multilateral Fund for Climate Change shall be subject to the authority and guidance of the COP (or Conference of the Parties serving as the assembly of Parties) and be supervised by a Board.
4. The constituency of the Board shall be determined by the Conference of Parties serving as the assembly of Parties and be guided by the principle of equitable geographical representation.
5. The Board of the Multilateral Fund on Climate Change shall regularly report to the COP (or the Conference of Parties serving as the assembly of Parties).
6. The secretariat of the Convention shall service the Multilateral Fund for Climate Change Fund and its Board.
7. The Multilateral Fund for Climate Change shall have five discrete funding windows:
 - (a) A Mitigation Window;
 - (b) A REDD Window;
 - (c) An Adaptation Window;
 - (d) An Insurance Window;
 - (e) A Technology Window.
8. The COP (or the Conference of Parties serving as the assembly of Parties) shall determine the proportion of funding that shall be allocated to each funding window and shall give priority to funding for adaptation.

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9. The Board of the Multilateral Fund for Climate Change shall establish technical advisory panels for each of the funding windows.
10. The purpose of the technical advisory panels shall be to, inter alia:
 - (a) Identify sources of funding;
 - (b) Identify priorities for funding.
11. Provide assistance to recipient countries in developing project proposals and identify appropriate financial support.

Annex IV

1. The Convention Adaptation Fund shall be established to provide new, additional and predictable financial resources to developing countries that are particularly vulnerable to climate change, especially small island developing States and least developed countries, to assist them in meeting the full costs incurred in adapting to the adverse impacts of climate change.
2. The Convention Adaptation Fund shall be financed from:
 - (a) An assessed contribution from each country Parties listed in Annex II of 0.5 per cent of their gross domestic product (GDP). This assessed contribution should be additional to existing ODA commitments;
 - (b) An agreed share of the proceeds from new market-based mechanisms developed under the Convention;
 - (c) International levies, as appropriate;
 - (d) Voluntary contributions;
 - (e) Contributions from the Kyoto Protocol Adaptation Fund. Such contributions shall be directed towards specific adaptation activities jointly agreed upon by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and the Conference of the Parties serving as the assembly of the Parties to this Protocol.
3. The Convention Adaptation Fund shall:
 - (a) Fund the implementation of national and regional adaptation plans and strategies, and concrete adaptation projects and strategies, including those contained in national communications;
 - (b) Fund the implementation of the activities and actions identified by the Adaptation Committee (AC), and all other relevant processes under the Convention;
 - (c) Have a multi-window mechanism to address loss and damage, including solidarity funds, rehabilitation and compensatory components, and insurance mechanisms, including micro insurance [as well as negative impacts from response measures].
4. The Convention Adaptation Fund shall function under and be accountable to the Financial Mechanism under the Convention.
5. It shall be managed by a geographically balanced and representative Governing Board comprising three members from the five United Nations regional groups, two members from small island developing States and two members from the least developed countries.
6. In deciding on its policies and procedures, the Board shall ensure that the Convention Adaptation Fund adheres to the principles of sound financial management and transparency.
7. The Convention Adaptation Fund shall be operationalized no later than the sixteenth session of the Conference of the Parties.

Annex V

A Multilateral Adaptation Fund (MAF) exclusively for countries with low or average per capita incomes. The Multilateral Adaptation Fund consists of a Prevention pillar (national programmes aiming at reducing disaster risks and to make development more climate-resilient) and an Insurance pillar (in cooperation with the insurance industry, the fund insures large risks which cannot otherwise be covered). Funds for MAF shall be raised through a uniform global levy on CO₂ emissions above a threshold of 1.5 [2] tonnes per capita and collected in all participating countries. Each country is entitled to retain a part of the revenue from the levy to finance national climate measures (mitigation and adaptation) through a National Climate Change Fund (NCCF). The poorer the country, the bigger the part retained in the NCCF. The remainder of the proceeds go to the MAF.

Annex VI

A global fund shall be established to support a global feed-in tariff programme, providing guaranteed purchase prices, over and above the retail energy price in developing countries, of energy from renewable sources including wind, solar PV, concentrated solar power, geothermal power, hydropower and other sources, to the producers of such energy in developing countries for a period of 20 years. The Global Fund shall aim at both inducing a shift to renewable energy without compromising development momentum in developing countries, and achieving economies of scale and a sustained reduction in the costs of generating renewable energy.

Annex VII

A special fund shall be established:

- (a) For the economic and social consequences of response measures (para. 1 (b) (vi) of the Bali Action Plan);
- (b) To assist countries whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption of fossil fuels and associated energy-intensive products (Article 4.8 (h) of the Convention).

Annex VIII

1. Pursuant to Article 4 and 11 of the Convention, a World Climate Change Fund or Green Fund is hereby established to scale up mitigation activities worldwide and to support adaptation.
2. The Fund will support projects, programmes and sectoral activities that generate concrete results.
3. All parties should contribute to the Fund, with the exception of the least developed Parties. Contribution from Annex I parties will be mandatory. The contributions will be determined according to a scale of assessment, consistent with the principle of common but differentiated responsibilities and respective capabilities.
4. The contributions could be based on the following principles:
 - (a) Total emissions - polluter pays;
 - (b) Per capita emissions - Equity;
 - (c) Emissions per unit of GDP - Efficiency;
 - (d) Size of economy - Capacity to pay;
5. All participating countries will benefit from the Fund.
 - (a) Annex I Parties may withdraw only up to 50 per cent of their contribution, in order to ensure a net flow of resources to developing countries;
 - (b) Non-Annex I Parties participating in the Fund will have access to resources considerably larger than their own contribution;
 - (c) Disbursements will be effected as non reimbursable grants.
6. The Fund will be governed in a transparent, effective and efficient manner, by a governing body with equal participation of Annex I and non-Annex I Parties, under the oversight of the COP. The Fund will be administered by an existing international financial institution.

Annex IX

1. Recalling Articles 4 and 11 of the Convention, the Parties agree that a Global Fund for Climate will be established which:
 - (c) Has as its purpose the funding of projects, programmes, policies and other activities related to the mitigation of and adaptation to climate change;
 - (d) Supports projects, programmes and activities administered, as appropriate, by the multilateral development banks, domestic institutions in host countries, or by other actors including the private sector and civil society;
 - (e) Takes into account that financing needs of developing countries vary according to their economic capacity;
 - (f) Gives due consideration to creating simplified administrative procedures, in particular to help meet the urgent needs of the least developed and most vulnerable countries;
 - (g) Utilizes a variety of financial products as appropriate to the circumstances;
 - (h) Finances actions informed by, inter alia, the low-carbon growth strategies referred to in Article [X];
 - (i) Integrates its funding, planning and activities with country-driven development strategies and programmes and coordinates with other delivery channels of climate finance;
 - (j) Is governed in a transparent, effective and efficient manner with balanced representation between net contributors and net recipients;
 - (k) Operates with an existing multilateral financial institution as its trustee.
2. The Global Fund for Climate shall be an operating entity of the financial mechanism pursuant to Article 11 of the Convention. In this regard, the Conference of the Parties shall enter into arrangements with the Fund pursuant to Article 11.3 of the Convention.
3. With respect to its capitalization arrangements, the Global Fund for Climate shall:
 - (l) Draw on contributions from all Parties except the least developed country Parties, in accordance with their national circumstances and respective capabilities;
 - (m) Be based on multi-year replenishments and multi-year pledges and accept, where appropriate, alternative forms of contribution as may be agreed between or among Parties;
 - (n) Allow contributions from Parties to be designated for thematic areas;
 - (o) Promote predictability through each Party's formal indication on the level and source of its expected contribution.
4. The Parties reaffirm the role of the Global Environment Facility (GEF) as an operating entity of the financial mechanism under Article 11 of the Convention. The Parties request the GEF to increase its efforts for readiness and capacity-building activities, and technology pilot programmes, as well as on providing financing for activities related to the measurement and reporting requirements specified in [Article X][Appendix X].

Annex X

1. A Facilitative Platform is hereby established under the authority and guidance of the COP. The Secretariat of this Agreement shall act as the operating entity of the platform on an interim basis to be reviewed by the COP before its [xx] session.
2. The COP shall establish policies and operational guidance to enable operation of the Platform.
3. Pursuant to the policies established by and under the guidance of the COP, the Facilitative Platform shall establish a register of:
 - (a) Capacity building strategies and activities to engage in mitigation and adaptation efforts and support required;
 - (b) Mitigation actions [consistent with low emission development strategies], including estimated emissions reduction potential, that could be undertaken with additional support;
 - (c) Adaptation actions [consistent with low emission development strategies] that could be undertaken with additional support;
 - (d) Finance, technical and capacity building support from all sources – public and private, domestic and international.
4. Invite Parties and other entities to submit information to the register in line with paragraph 3 (a) above.
5. Monitor the information in the register; analyse finance and investment flows and trends to identify finance and capacity gaps; and report to the COP on a regular basis.
6. Analyse information and share lessons learned in relation to the development and implementation of strategies and actions, including identifying best practice.
7. A Party shall record in its National Schedule supported mitigation actions that are measurable, reportable and verifiable in quantitative terms.

Annex XI

1. A mechanism for financing climate change actions by monetizing emission allowances through auctioning is hereby established.
2. This financial mechanism implies that a certain proportion of the total number of emission allowances under the Copenhagen Agreement is held back and auctioned at the international level.
3. The auctioning will generate revenue that shall be used to assist developing countries in implementing climate change actions.
4. Revenue generated by this mechanism will contribute to the fulfillment of financial obligations under the Convention of those countries taking on quantified emission reduction commitments.
5. The scope of this mechanism is to provide financial resources for
 - (a) Adaptation;
 - (b) REDD;
 - (c) Capacity building.
6. The Conference of the Parties shall determine the quantity of allowances to be auctioned at its [sixteenth] session for the period [.....] to support each financial need referred to in paragraph x.
7. In order to provide predictable funding, the method for determining the quantity to be auctioned may factor in price fluctuations in emission allowances. The quantity could be determined on the basis of a number of allowances, a fixed percentage of the total amount or a predefined revenue requirement or a combination of these methods.
8. The Conference of the Parties shall adopt further principles, modalities, rules and guidelines for the functioning of this financial mechanism at its [sixteenth] session, including adopting procedures for the determination of the quantity to be auctioned for subsequent periods.

Annex XII²²

22. 22 The scale of financial flows to support adaptation in developing countries must be [at least USD 67 billion] [within a minimum range of USD 50–86 billion] [in the range of USD 70–140 billion] [at least [0.5] [0.7] [1.5] per cent of the GDP of [developed country Parties] [Annex I Parties] in line with their commitments in Article 4.3] per year [by 2020] [from 2012] and be regularly updated in the light of new emerging science, financial estimates and the degree of emission reductions achieved.
23. Sources of financial support for [adaptation] [the Convention Adaptation Fund] [shall] [may] include:
- (a) Assessed contributions from developed country Parties and other developed Parties included in Annex II to the Convention, taking into account [their adaptation debt and] the need for MRV;
 - (b) Auctioning of assigned amounts and/or emission allowances from developed country Parties;
 - (c) [Levies on carbon dioxide emissions from Annex I Parties in a position to do so;]
 - (d) [Taxes on carbon-intensive products and services from Annex I Parties;]
 - (e) [[Levies on] [Shares of proceeds from measures to limit or reduce emissions from] international aviation, in the order of USD 4–5 per international airline ticket, and maritime transport;
 - (f) [Shares of proceeds on [the clean development mechanism (CDM), and extension of shares of proceeds to joint implementation and emissions trading] [the flexibility mechanism];]
 - (g) Levies on international transactions among Annex I Parties;
 - (h) Fines for non-compliance by Annex I Parties and with commitments of Annex I Parties and Parties with commitments inscribed in Annex B to the Kyoto Protocol (Annex B Parties);
 - (i) [Additional ODA] [ODA additional to ODA targets] [provided through bilateral, regional and other multilateral channels (in accordance with Article 11.5 of the Convention)];
 - (j) Provision of resources in accordance with Article 11.5 of the Convention;
 - (k) A levy of 2 per cent on capital transfers between entities in Annex I Parties to be collected by the Annex I Party concerned and remitted in full to the Convention Adaptation Fund.

²² The text in this annex has been taken from paragraphs 22 and 23 of non-paper no. 8 with amendments from Parties as included in the appendix of non-paper No. 31 from the contact group on enhanced action on adaptation and its means of implementation.

Annex XIII²³

Option 1

37. Establish a Multilateral Climate Technology Fund (MCTF) to provide technology-related financial resources as determined by the Executive Body on Technology. The MCTF shall operate under the Conference of the Parties as part of the enhanced multilateral financial mechanism set up under the Convention. The MCTF shall be financed by assessed contributions from developed country Parties and other developed Parties included in Annex II to the Convention. Financing transfer to the MCTF and an agreed proportion of contributions by developed country Parties to bilateral and regional cooperation may be considered as contributions to the MCTF, provided that such cooperation is consistent with the policies and scope of the mechanism and the guidance provided by the EBT. Indicative activities eligible for support under the technology mechanism and the MCTF are specified in Annex VII.

Option 2

A technology window, established in the new financial mechanism under the control of the COP, shall support implementation of concrete and practical technology activities.

Option 3

An Adaptation Fund and a Mitigation Fund to be created under the Convention to implement the Financial and Technology Mechanism, which will be governed by the Executive Body on Finance and Technology for Adaptation and for Mitigation as described in paragraph 33 (of non-paper 4).

International renewable energy and energy efficiency bond mechanism

38. An international renewable energy and energy efficiency bond mechanism is hereby established. The purpose of the bond mechanism is to provide developing country Parties with interest loans to finance the development and deployment of renewable energy and energy efficiency technologies. Purchasers of renewable energy and energy efficiency bonds shall be provided with interest payments through funding from the Technology Window of the Multilateral Fund on Climate Change referred to in paragraph 1 above.

39. An international renewable energy and energy efficiency bond commission shall be established to facilitate the issuance of bonds, the issuance of renewable energy and energy efficiency loans and the issuance of interest payments. The international renewable energy and energy efficiency bond commission shall report to the institution described in paragraph 33 (of non-paper 4). The rules, modalities and guidelines for the operation of the international renewable energy and energy efficiency bond mechanism shall be agreed upon by the COP.

40. Each Party, to the extent feasible, shall also develop a system of national renewable energy and energy efficiency bonds to complement the international system.

²³ The text in this annex has been taken from paragraphs 37–40 of non-paper no. 4 from the contact group on enhanced action on development and transfer of technology.

Annex XIV²⁴

6. [Financial and technological support shall be provided in the context of Article 4.9 of the Convention in a transparent, expedited, direct access, sustainable and predictable manner under the overall guidance of the COP through:

Option 1

A dedicated multilateral fund for capacity-building as referred to in paragraph 175, option 6 (of FCCC/AWGLCA/2009/INF.1).

Option 2

A new financial mechanism to support mitigation, adaptation, technology transfer and capacity-building action as referred to in paragraphs 166 and 174, option 1 (of FCCC/AWGLCA/2009/INF.1).

²⁴ The text in this annex has been taken from paragraph 6 of non-paper no.24 from the contact group on enhanced action on capacity-building.