

## **Annex D: Informal Reflections Note on Informal Work Undertaken on the Review of the Functions of the Standing Committee on Finance**

### **Introduction**

1. Based on the joint Presidencies' Plan for Informal Intersessional work on Climate Finance Matters<sup>1</sup>, the COP 25 Presidency and the Incoming COP 26 Presidency held an informal facilitated multilateral exchange of views on the Review of the Functions of the Standing Committee on Finance (SCF) on 5 - 6 August 2021.<sup>2</sup> These informal sessions were intended to provide an informal space for Parties, with the support of the Presidencies, to share views on general expectations for the Review of the Functions of the SCF, including possible Terms of Reference (ToR), timing, and any other matters Parties wished to raise.
2. Following the informal multilateral exchange of views, the Presidencies then invited Parties to provide informal written inputs on the Review of the Functions of the SCF. The purpose of these inputs was to allow Parties to provide detail in writing on the points they raised during the multilateral exchange of views sessions, as well as any reflections or additional detail following the sessions, according to Parties' preferences; to respond to points raised by other Parties; and to give Parties that were not able to participate in the informal exchange of views sessions an opportunity to provide inputs<sup>3</sup>. Written inputs from the ten Parties that provided them have been compiled by the UNFCCC secretariat and can be found on the UNFCCC website<sup>4</sup>.
3. This paper provides reflections, under the authority of the Presidencies, of views expressed by Parties in these engagements. The paper should be read as a non-exhaustive summary, created to highlight the key issues on which we feel Parties will need to continue to engage as we approach Glasgow. As with all work under the joint Presidencies informal work plan, this is an informal product with no formal status which we hope Parties will find useful as a reference point when they begin their formal discussions in Glasgow.

### **General views on the role of the SCF**

4. Parties broadly noted the important role the SCF plays in supporting the COP and CMA on matters related to climate finance, including *inter alia* its role in providing draft guidance to the Operating Entities of the Financial Mechanism and its Biennial Assessment and Overview of Climate Finance Flows.

### **Decisions on the initiation and conclusion of the Review**

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<sup>1</sup> Joint Presidencies Plan for Informal Intersessional work on Climate Finance: Matters: <https://unfccc.int/sites/default/files/resource/2021-06-29%20Presidencies%20Plan%20for%20Informal%20Intersessional%20Work%20on%20Climate%20Finance%20Matters.pdf>.

<sup>2</sup> The Information Note for the Informal Multilateral Exchange of Views is at this link: [https://unfccc.int/sites/default/files/resource/Information%20Note%20FM%20and%20SCF%20Review%20multilateral%20exchange\\_0.pdf](https://unfccc.int/sites/default/files/resource/Information%20Note%20FM%20and%20SCF%20Review%20multilateral%20exchange_0.pdf). The Background Note for the Informal Multilateral Exchange of Views on the Review of the Functions of the SCF, including the guiding questions for the session, is at this link: <https://unfccc.int/sites/default/files/resource/Background%20Note%20to%20Parties%20Review%20of%20the%20SCF.pdf>.

<sup>3</sup> The invitation from COP25 and COP26 Presidencies to Parties provide written inputs is at this link: <https://unfccc.int/sites/default/files/resource/2021-08-17%20SCF%20Review%20Invitation%20for%20Informal%20Written%20Inputs.pdf>.

<sup>4</sup> <https://unfccc.int/process-and-meetings/bodies/supreme-bodies/conference-of-the-parties-cop/presidency-consultations-and-other-presidency-meetings/informal-consultations-by-the-cop-25-presidency-and-the-cop-26-incoming-presidency>

5. Parties participating in the informal exchange of views and provision of written inputs widely and consistently noted that the SCF Review should start at COP 26 in 2021, including adoption of the ToR, and that the Review should conclude at COP 27 in 2022.

### **Terms of Reference of the Review**

6. Parties felt that the previous ToR, as in the Annex to Decision 9/ CP.22, are a good basis for the Review. There were, however, a range of views on possible updates that may be required.
7. Parties noted the need for technical updates to the ToR, such as the the timing of intersessional work, including submissions, the request for and timing of the technical paper to inform the Review; and the mandate of the Subsidiary Body for Implementation in the upcoming sessions.
8. Some Parties expressed that the ToR of the Review should reflect that the Paris Agreement has entered into force and that the SCF now serves the Convention and the Paris Agreement; and that the sources of information for the Review should include the relevant decisions of both the COP and the CMA. One Party noted that the ToR should be updated to define the role of the CMA in the Review and its interaction with the COP to consider how the functions of the SCF respond to the objectives of the Convention and also the long-term goals of the Paris Agreement, including Article 2.1c.
9. Additional suggested updates to the ToR related to the SCF's role in the Global Stocktake and its work to provide guidance and recommendations to the Operating Entities of the Financial Mechanism.

### **Aims of the Review**

10. Parties agreed on the importance of the Review as a means to consider how effectively the SCF is fulfilling its mandate; and to assess its performance over the last four years.
11. Parties also expressed that an aim of the Review is to support the formulation of recommendations to improve the SCF's work and performance. This could include opportunities for the SCF's increased efficiency and effectiveness through discussion of:
  - a. the SCF's mandates and its fulfillment of them;
  - b. whether the existing activities and working modalities of the SCF are sufficient to fulfil its mandates; and
  - c. whether its mandates need to be updated.
12. Some Parties also raised that the Review presents the opportunity to identify whether there are any gaps in the work of the SCF and to determine whether the SCF should focus on or prioritise certain areas of its work per its mandate. One Party noted that an update to the SCF's mandate could be considered with regards to resource mobilisation; while another noted that, with the adoption of the Paris Agreement, the SCF may need to take on a different approach to its functions, for instance taking Article 2.1c into consideration.
13. Some Parties also set out that the Review is an opportunity to consider the SCF's role relative to the roles and mandates of other bodies. One Party noted an expectation that the Review will enhance the SCF's role as the primary body for addressing climate finance and for supporting the COP in its function to mobilize resources for developing country Parties. Another Party expressed that the Review could be a forum to clarify the mandate of the SCF and other Constituted Bodies in the area of Finance, to

reduce duplication of work in light of an overall increase in work under the Finance agenda. Some Parties also highlighted the need to be clear about the SCF's mandates, as a technical body, and that the mandates of the SCF need to be considered in the context of its budgetary and resource constraints.

14. Parties expressed that certain substantive elements should be considered as part of the Review, including: the mobilisation of climate finance; the functions of the SCF relating to the current USD 100bn goal and the new collective quantified goal; clarity about the SCF's work on definitions of climate finance and the scope for furthering this work; and private finance mobilisation.

### **Sources of information**

15. In addition to the sources of information set out in the previous ToR for the Review, some Parties emphasised that the UNFCCC secretariat should be requested to prepare a technical paper to inform the Review in 2022, as was the case for the first Review. Parties also noted that submissions from Parties and observers should be requested in 2022, with some Parties emphasising the need for submissions from Parties and Constituted Bodies of the Convention, as well as those of the Paris Agreement.
16. In addition to the Biennial Assessment and Overview of Climate Finance Flows, Parties noted that other outputs of the SCF, such as the Needs Determination Report, should form part of the sources of information.
17. Some Parties also noted the interrelationship between the Review of the Functions of the SCF and the Seventh Review of the Financial Mechanism.

### **Role of the CMA**

18. The CMA, at its second session, decided to initiate the Review of the Functions of the SCF relating to the Paris Agreement, as part of the review undertaken by the COP, with a view to concluding the review at CMA 5 (November 2022).<sup>5</sup> At the informal multilateral exchanges of views, all Parties in attendance noted both the relevance of the Paris Agreement to the SCF's work and their interest in a clear, simple process for the Review.
19. There was, however, a spectrum of views regarding the role and involvement of the CMA in the Review. These included, *inter alia*, that:
  - a. There should be separate reviews by the CMA and the COP.
  - b. That, as the decisions were adopted separately, this agenda item should be discussed and adopted under the COP and CMA separately but it is important to avoid an overlap in deliberations.
  - c. The Review under the CMA should be conducted as part of the Review under the COP and the ToR should reflect the needs of the COP and the CMA. One Party proposed that a joint contact group could be established between the COP and the CMA to discuss the ToR for the 2nd Review of the SCF and to ensure that the draft decision text reflects the views of the Parties of the Paris Agreement and the Parties of the UNFCCC. In this scenario, the CMA could formulate its own recommendations based on the outcomes of the Review.
  - d. The CMA should be involved in the Review but there should be a single process under the COP to complete the Review.

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<sup>5</sup> Decision 5/CMA.2, paragraph 17.

- e. That, given the Paris Agreement is not yet fully operational, the CMA is not yet in a position to conduct a separate Review and it should therefore be conducted only by the COP.
- f. That there is no role for the CMA because the SCF is constituted under the Convention and the COP has sole discretion to assess its performance and review its functions and mandates. However, the COP may invite submissions from Parties to the Paris Agreement.
- g. In terms of outcomes of the Review, one Party suggested that the Review could culminate in a joint COP-CMA decision, both on the Review ToR and the Review itself, prepared by a joint agenda item under the SBI.

### **Next steps**

- 20. At the Informal Multilateral Exchange of Views sessions, Parties noted that they do not see the need for further informal work on this agenda item and that further consultations would ideally be political in nature. In light of this, the Presidencies do not plan to carry out further informal work on this item before the start of COP 26 but encourage Parties to engage directly to better understand each other's positions, and to work to find common ground Parties are encouraged to make use of this reflections note in doing so.