Biennial in-session workshop on information to be provided in accordance with Article 9, paragraph 5, of the Paris Agreement

11 June 2021, 15:00 – 17:00 CEST

BIENNIAL IN-SESSION WORKSHOP ON INFORMATION TO BE PROVIDED IN ACCORDANCE WITH ARTICLE 9, PARAGRAPH 5, OF THE PARIS AGREEMENT

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Part I

Presentation on the main information elements of the synthesis paper

- UNFCCC Secretariat

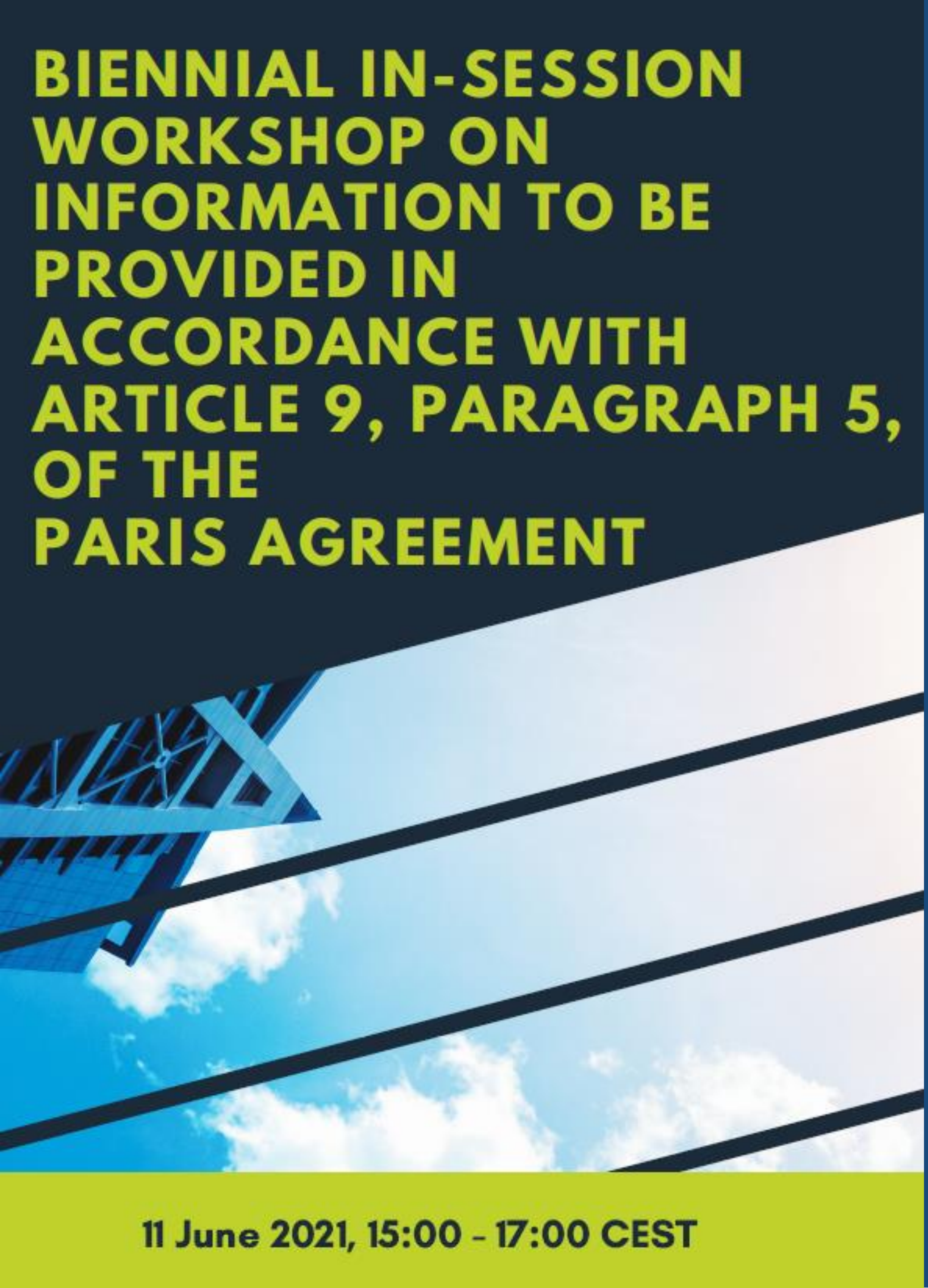
Developed country representative presentation - experience with the preparation of the first biennial communications

- Gertraud Wollansky (Austria and EU)

Developing country representative presentation - use of information from the first biennial communications

- Abhishek Acharya (India)

Part I



Part II

Open discussions

Compilation and Synthesis of the first biennial communications in accordance with Article 9.5 of the Paris Agreement

11 June 2021

Mandate – Article 9, paragraph 5 of the Paris Agreement

Developed country Parties shall biennially communicate indicative quantitative and qualitative information related to paragraphs 1 and 3 of this Article, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties. Other Parties providing resources are encouraged to communicate biennially such information on a voluntary basis.

Mandate – Decision 12/CMA.1 (2018) on identification of information to be provided

- Requested developed country Parties to submit biennial communications **starting in 2020**
- Requested the secretariat to prepare a compilation and synthesis of information in the biennial communications **starting 2021 and to inform the global stocktake**
- Decided that the CMA, in 2023, will consider **updating the types of information to be provided on the basis of the experiences and lessons learned by Parties** in the preparation of their biennial communications.

Biennial communications received

- Australia
- Canada
- Germany and the European Commission on behalf of the EU and its member states
- Japan
- Monaco
- New Zealand
- Norway
- Switzerland
- United Kingdom of Great Britain and Northern Ireland

Projected levels of climate finance

Information from 26 Parties in the annex of the compilation and synthesis

- Projected annual expenditures
- Multi-annual budgeted expenditures
- Annual increases
- Multi-annual contributions to funds and institutions
- Proportional targets e.g., 50% of new financing

- Many Parties highlighted the **increasing trend** in their annual climate finance flows over the past years and their **commitment to scale up, or at least maintain at a specific annual level**, their provision of climate finance in the future.

- Parties also highlighted **initiatives to mobilize private climate finance**

Methods, assumptions and limitations

- Many Parties stated **budgetary and parliamentary requirements** to obtain annual approval for disbursement make it challenging to project levels of public finance over the long term.

- Disbursement may depend on **changing needs and priorities and socio-economic challenges of recipient countries** during the relevant period

- Ways Parties determine climate finance to be **new and additional** include: new annual commitment, allocation or disbursement, using a baseline year such as 2009 or; finance that is in addition to the ODA budget or greater than the 0.7 per cent of GNI commitment for ODA

Lessons for informing future efforts in mobilizing and delivering climate finance

- Opportunity in COVID-19 recovery packages to scale up efforts in delivering and mobilizing climate finance
- Coordination of stakeholders, at both provider and recipient ends, is important for avoiding overlaps and gaps
- Enabling environments are crucial for strengthening the absorptive capacity of developing countries
- Balancing mitigation and adaptation
- Programmatic approach to capacity building for continuous learning and training
- Supporting developing countries in meeting the Paris Agreement goals through capacity building and technical assistance for fiscal and macroeconomic policymaking

Thank You

Biennial In-session Workshop on Information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement

Presentation by the EU and its Member States

2021 PORTUGAL.EU

Introductory remarks

- The EU and its Member States stress their continued commitment to providing climate finance
- The process under Art. 9.5 further develops the mechanism that has been in place under the LTF process, in order to continue this important discussion in the “new Paris world”.
- As the 9.5 process is a new one, there will be an element of 'learning by doing' as we go along
- The 9.5 process is something that we are building together, and this in-session workshop and the exchange of information with the Parties will reinforce the lessons learned

Approach and Scope

- The EU and its Member States see the submission as a means to increase mutual understanding and share information on the opportunities, barriers and challenges regarding cooperation between Parties to increase the predictability and efficiency of climate finance

- Intention to provide information as comprehensive as possible. Almost all Member States of the EU and the European Commission report information in line with the Annex to decision 12/CMA.1 to the best of their ability.

- The EU Submission is structured in three parts:
  - Executive Summary
  - Section 1: Key messages and common elements of the EU and its Member States
  - Section 2: Actions taken by the EU and its Member States

Predictability

- We recognize that predictability of finance is a key ask of our partner countries
- Commitments on climate finance have to be based on political decisions
- Short term budget cycles in many countries provide a barrier to longer term planning of bilateral climate finance; contributions to multilateral funds are more likely to cover a longer time period
- The European Union itself has a Multiannual Financial Framework providing for longer term predictability (2021 to 2027)
- Under this Multiannual Framework the EU`s new “Neighbourhood, Development and International Cooperation Instrument” (NDICI) will support climate actions with around 24 billion Euro

Aligning finance flows with the objectives of the Paris Agreement

- The mitigation and adaptation goals of the Paris Agreement (Articles 2.1a and 2.1b) can only be achieved if global financial flows, including private finance and investment, national budgets and ODA support climate objectives

- MoI and aligning finance flows reinforce each other and aim to provide a framework for investments in climate mitigation and adaptation actions

- Ambition on finance goes through enhanced effectiveness and efficiency of resource use and eliminating, reducing or redirecting resources being spent on activities with negative impacts on mitigation and adaptation

Mobilizing private finance

- We recognize the need of increased scope, scale and speed in the mobilization of climate finance
- In our submission, we described the initiatives and programmes of the EU and its Member States for mobilizing private finance
- We are nowhere near the scale of mobilized private finance necessary – it takes a collective effort to provide the right incentives for the private sector in developed as well as developing countries

Addressing needs

- Climate action is most effective where support is demand driven, fitted to absorption capacities and designed and implemented in partnership with national governments of partner countries
- We strongly encourage recipient countries to elaborate on their priorities for climate finance in their dialogue with finance providers
- We cooperate with partner countries on the basis of ownership of development priorities by developing countries, focus on results, partnerships for development, transparency and shared responsibility
- National plans and programmes provide a helpful basis for understanding where finance can best help satisfy needs and priorities

Balance between mitigation and adaptation support

- The 9.5 process has allowed us to pay particular attention to climate finance for adaptation
- EU climate finance envisaged for adaptation purposes has been increasing, with particular focus on the most vulnerable countries, putting adaptation finance much more in the spotlight
- EU will continue to strive for a balance between adaptation and mitigation from a provider's perspective
- For climate finance to more effectively address specific adaptation aspects, such as environmental infrastructure, developing countries will need to prioritise those aspects in their national budgets and development plans and highlight those aspects in their dialogue with development partners

(Some of the) lessons learned

- Providing ex ante information on longer-term planning for the provision of means of implementation to developing countries depends on the national budget systems.
- Improving national coordination processes in developed countries by internal capacity building will lead to the better provision of information
- Providing support to improve enabling environments to ensure alignment of all financial flows is important
- Improving the coordination of actors at national and international level will enhance effectiveness of action

Thank you

Biennial In-session Workshop on Information to be provided by Parties in accordance with Article 9.5 of the Paris Agreement, 11 June 2021

Presentation on the Biennial Submissions by developing country

Background

- The CMA, by decision 12/CMA.1, recognized the importance of predictability and clarity of information on financial support for the implementation of the Paris Agreement. The decision sets out arrangements for provisions of information to be provided by Parties in accordance with Article 9.5 of the Paris Agreement.
- **Objective**

The first biennial in-session workshop represents an opportunity to:

- Share views on information included in the first biennial communications and compilation and synthesis;
- Discuss potential improvements of the overall state of predictability and clarity of available information based on the lessons learnt from the first biennial communications.
- The provision of quantitative and qualitative *ex ante* information by developed countries on climate finance in Biennial Communications under Article 9.5 is essential for developing countries to implement their climate plans.
- **Australia, Canada, Germany and the European Commission on behalf of the EU and its member States, Japan, Monaco, New Zealand, Norway, Switzerland and the United Kingdom of Great Britain and Northern Ireland have submitted biennial communications**

Overview of the Biennial Communications : What we found

- Acknowledgement of scaling up of finance.
- Reiterated commitment to the goal of mobilizing jointly USD 100 billion per year by 2020 and referred to progress in that regard.
- Projection of public climate finance developing countries beyond 2020, based on multi-year finance commitments and plans to allocate and disburse financial resources through bilateral and multilateral channels.
- Some communications have linked the finance flows with low greenhouse gas pathways and underscored the importance of finance ministries, central banks and financial regulators in this regard.
- Many of the communications include the Parties' actions and plans for mobilizing private climate finance.
- Different methodologies for projecting their future levels of climate finance

- Acknowledgement to the needs and priorities of developing countries was included in some communications.
- Information on programmes and initiatives for supporting developing countries in formulating and implementing climate action, identifying climate technology innovation, unlocking private climate finance, and capacity-building as key areas for support.
- Some communications highlighted- Grant-based adaptation finance for the LDCs and SIDS
- Some others presented plans to scale up private finance for adaptation.
- Many Parties underlined their commitment to provide adaptation finance through UNFCCC climate funds (AF, GCF, LDCF and SCCF)
- Information on efforts to ensure that the climate finance provided effectively addresses the needs and priorities of developing countries was included by many Parties in their communications

What we require/expect in the communications:

More predictability and clarity of information on financial support for the implementation of the Paris Agreement.

Clarity in Projections

- Increased clarity on projected levels of public financial resources to be provided to developing countries requires both the scale of finance and the timeframe over which it will be provided to be precisely set out. A handful of Biennial Communications provided lump sum for a period of multiple years climate finance to be provided to developing countries beyond 2020.
- Communications often restated GCF pledges made in first replenishment period through to 2023 and to financial mechanisms.
- It is valuable for figures on financial resources to be broken down into annual projections where this is possible. In cases where a proportion of climate finance is to be provided exclusively to a particular region or set of countries, it is also important that this is made clear.
- A number of countries stated a general commitment to contribute to collective efforts to provide100billion per year in the coming years without providing any indication of the scale of this contribution and how it is projected to compare to pre-2020 contributions.
- One of the submissions is using Export credit agency for accounting climate finance, but are by design meant to benefit the MNCs of the originating country and should not count as climate finance.
- Many of the submissions have been accounting ODA as climate finance but ODA qualifies as climate finance only if it has new and additional component and is climate specific.

New and additional resources

- Some Biennial Communications indicated what funding was considered new and additional to existing finance commitments or contributions to multilateral development banks.
- UK in its submissions tried to takes a robust programme-by-programme approach for assessing which components are eligible to be reported as climate finance. But information what funds and sources would be new and additional to existing support provided internationally is not there. Secondly, UK has mentioned that much of their (International climate finance)ICF will be spent through their own teams based in developing countries. But this is not a balanced approach to move forward.
- Few Submissions discussed an increased focus on climate within development assistance rather than explaining what funds would be new and additional to existing support provided internationally.

Ensuring a balance between adaptation and mitigation

- Information on how Parties are aiming to ensure a balance between adaptation and mitigation, and the needs and priorities of developing countries, is also important to highlight to enhance the usability of information provided in Biennial Communications.
- Many submissions recognised this and indicated that achieving a balance between adaptation and mitigation in their climate finance was an active priority. However, only a couple reflected this specifically in their projections to indicate what proportion of climate finance is anticipated to flow to each.
- Information on financial resources for loss and damage was not considered but would also be a valuable addition to enhance understanding of support to be provided.

Grant and non-grant financing

- Biennial Communications often distinguished between grant, and non-grant financing such as concessional loans, equity or guarantees. However, the break-down of grant and non-grant financing was usually not made clear in projections.
- Given the vast nature and type of financing available globally including full grants, concessional loans, secured loans, export credits etc., a common methodology for accounting of finance support that qualify as climate finance should be made in such a way that the 'full grant' financing made available by developed country Parties is NOT discounted in any manner.
- Developing country proposes to count only the grant equivalence of any claimed climate finance and not the gross face-value of all loans, guarantees, export credits and other elements.

Private Finance Mobilization

- Detailed analysis of private finance mobilization is completely absent in all the submissions.
- Every submission is highlighting private finance as one the main component of climate accountability. But it is important to state that the role of public sources of funding would continue to remain critical even for mobilizing and leveraging private capital as amount of public finance acts as a catalyst in attracting and leveraging private capital.
- Leveraging and mobilizing domestic private finance should entirely be in the hands of developing country parties as it is a sovereign mandate.

Ensuring a balance between adaptation and mitigation

- Many submissions recognised the need to ensure a balance between adaptation and mitigation and indicated that achieving a balance was an active priority. However, only a couple reflected this in their projections to indicate what proportion of climate finance is anticipated to flow to each.
- Information on financial resources for loss and damage was not considered but would also be a valuable addition to enhance understanding of support to be provided.

Different Methodologies

Many submissions have using OECD analysis for climate finance. However there exists report from Oxfam as well which gives differing pictures. Therefore relying and highlighting only on one study gives incomplete scenario.

Ensuring Provisions as per Needs and Priorities of Developing Countries

- Submissions are indicative of initiatives taken by developed world in terms of energy, sustainable finance but how it going to impact the developing world is not there. Such impact analysis and its linking with their NDCs target is a pre-requisite. Many submissions are providing descriptive analysis over this part rather than supporting it with the financial data.
- Submissions are also highlighting green recovery. However it needs to be remembered that scaled up climate finance should be for developing countries to enhance the implementation of the Convention and Paris Agreement objectives including the NDCs, mitigation, adaptation and addressing loss and damage .

Recipient Country Information

As indicated in the important elements in 9.5 that "Information on policies and priorities, including regions and geography, recipient countries, beneficiaries, targeted groups, sectors and gender responsiveness". So, Information on support provided to the recipient countries is completely missing in various submissions.

Technology and Capacity Building

Submissions submitted by developed world are completely silent on the detailed depth data on support for technology transfer and capacity building for mitigation, adaptation, loss and damage and cross-cutting.

Concessionality

Many submissions are strongly highlighting support of the MDBs through bilateral channel but are completely silent on the concessionality element of their financing. The modalities for 'information on support for developing country parties provided' shall be accounted strictly based on the principle of 'Concessionality'.

Usage of Word Decarbonisation

Few submissions have used the word "decarbonisation", "Phasing out harmful subsidies". This implies that this is stressing on the need for complete elimination of carbon emissions. It is important to note that neither UNFCCC nor the Paris Agreement talk about the term.

Climate Finance Definition

Developing country clearly outlines the need for having clear definition of climate finance.

- In terms of effectiveness of climate finance-the clear definition of climate finance has to be brought in. The Article 9.5 and 9.7 of Paris Agreement have clearly made the developed country parties accountable for ex ante and ex post information of climate finance. But submissions from various countries failed to include such detailed information.
- While counting climate finance, only the climate relevant portion of the total expenditure needs to be counted. There has to be various steps in the methodologies to be followed while calculating the climate. So, none of the submissions have used detailed analysis for accounting climate finance.

Conclusions

- Increasing specificity in the information provided in Biennial Communications has the power to significantly enhance the implementation of the Paris Agreement by developing countries. This information will also be an important input into the global stocktake and other Paris Agreement processes.
- Clarity can be increased by precisely setting out financial resources projected annually in the coming years, identifying what resources provided will be new and additional to existing commitments and what is not, indicating what proportion of resources will be provided for adaptation and mitigation, and the nature of the finance in terms of grants, loans or other forms of financing.
- Looking forward to working together today to improve the predictability and clarity of information on financial support for the implementation of the Paris Agreement.
- Climate finance is accounted when the developed countries cover the overall development and net incremental cost of each of the sectors where flows of the fund is flowing rather than having an interest for potential return on project financing. Therefore, the funds crossing the borders must not interfere with the share/profit associated with the climate change benefit for investing in a particular sector.

Thank you

- **What insights can be drawn from the information included in the first biennial communications?**

- **How are these biennial communications an improvement over the previous submissions on strategies and approaches for scaling up climate finance? How can they improve further?**

- **What are some of the lessons learned from this first round of biennial communications that could be taken into consideration for subsequent rounds?**

- **How can the biennial communications improve the overall state of predictability and clarity of information on financial support for the implementation of the Paris Agreement?**

Open discussions

Thank You!