



Co-Chairs' Summary of the Presidencies' Consultations on Finance 24 May 2021

Introduction

We held the fifth of our monthly multilateral consultations on 24 May 2021, focusing on the topic of climate finance. We were encouraged by the active engagement and the fruitful substantive discussions among Parties. Parties emphasized the importance of a successful finance outcome in Glasgow due to its linkages with other issues and as an enabler of action. We also appreciated the active participation and collaboration of negotiating groups with whom we have consulted bilaterally prior to this multilateral consultation to discuss how to progress informal work on climate finance issues so that we can hit the ground running when we get to Glasgow. We look forward to concluding our round of bilateral consultations with those negotiating groups with whom we did not have the chance to speak before this multilateral consultation as soon as feasible.

Prior to the multilateral consultations, we issued three discussion questions to structure the conversation and solicit Parties' views on some of the areas we had identified through our discussions with Parties as being important to securing progress ahead of and during COP 26. These questions focused on what COP26 outcomes in relation to the USD 100 billion per year climate finance mobilisation goal could best lead to the enhanced mobilisation of climate finance; what an agreed forward approach on the new collective quantified finance goal (post-2025), such as a roadmap, for future deliberations coming out of Glasgow, could look like; and how the Heads of Delegation can best work together to support informal progress across the range of climate finance issues ahead of COP26 and what guidance they can give to technical experts in this regard.

COP 26 outcomes in relation to the USD 100 billion goal

With respect to the goal of jointly mobilizing USD 100 billion by 2020 and through to 2025, we heard clear recognition of the need and commitment to scale up climate finance towards that goal. Many Parties noted that the achievement of the goal would be a key outcome for COP26, while some noted that we won't have full clarity on achievement until 2022. We also heard from some Parties that fulfilment of the goal and increased leadership by developed countries is needed to build trust. Others noted the shared nature of climate finance mobilisation and highlighted the importance of enabling environments, and referenced the commitment being made in the context of meaningful climate action ambition and transparency on implementation. The importance of constructive dialogue on the USD 100 billion goal was noted, with suggestions that this could consider the action that has been taken and what lessons can be learned to help further ambition and strengthen partnership.

While some Parties recognized the increase in the climate finance flows since the USD 100 billion by 2020 goal was set, other Parties highlighted the need to address the gaps in the quantity, quality and composition of climate finance and underscored the importance of transparency in progress towards the goal. On the issue of composition of climate finance, some Parties called for scaled-up climate finance to achieve a greater balance between mitigation and adaptation finance and noted the increasing distribution of loans in the provision of climate finance. With respect to gaps in the quantity of climate finance, some Parties referred to reports that show provision and mobilization of climate finance falling short of USD 100 billion per year prior to 2020, whilst other Parties noted that 2020 climate finance data will only be available in 2022 so we will not know whether or not the goal was met prior to COP26. Some Parties noted the challenges posed for tracking progress towards and the achievement of the \$100 billion by the absence of an agreed definition. Other Parties noted the impact of the pandemic on practical efforts to channel climate finance in 2020. On the issue of quality of climate finance, several points were made, including the need to improve: accessibility, predictability of finance for enhanced action and ambition, the need for different financial instruments in meeting adaptation and mitigation needs, the speed in delivering climate finance, effectiveness, efficiency, partnerships, enabling environments, the mobilisation of private finance. Some

Parties also noted the relevance of efforts to green the financial system and ongoing discussions related to debt burdens in developing countries.

Parties expressed a range of views on the COP26 outcome on this matter. Some Parties suggested work could be undertaken to learn lessons learned from the USD 100 billion process up until this point, in order to enhance the scope, scale and speed of climate finance, both in terms of challenges and opportunities. Some Parties also suggested a report on the USD 100 billion goal and noted the importance of consideration of its achievements. Additionally, some Parties called for continuation of the long-term climate finance item under the COP beyond COP26, whilst others noted that many of the substantive issues currently discussed under this item would in future be discussed under the CMA.

Deliberations on the new collective quantified finance goal (post-2025)

We welcome the wide range of detailed and constructive views from Parties on the question of what an agreed forward approach coming out of Glasgow may look like for future deliberations on the new collective quantified finance goal. Many Parties expressed clear support for agreeing on a timeline and process for setting the goal, with some presenting initial ideas of what these could look like. Parties referred to technical, negotiated and political elements of the approach for setting the goal and that any different elements would benefit from being clearly outlined and linked with each other. Timelines may also reflect milestones and deliverables across these elements that will result in the conclusion of the deliberations by 2024.

Parties also presented views on the potential sources of inputs, stakeholders to be consulted and institutional arrangements during the deliberations. Several Parties pointed out that the deliberations should be guided by the relevant decisions from Katowice and Paris, as well as the Paris Agreement itself including Article 9 (in particular Article 9, Paragraph 3) and Article 2. This included elements related to decision 14/CMA.1, noting the importance of the goal being set in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with low GHG emission and climate-resilient development. Potential inputs into the deliberations that were referenced included lessons learned from the existing goal of USD 100 billion per year by 2020; consideration of the different methodologies for tracking climate finance flows; the products and outputs of the Standing Committee on Finance (SCF); replenishments of the Global Environment Facility and the Green Climate Fund; and the Global Stocktake, among others, as well as the views of relevant non-Party stakeholders and the private sector.

Many Parties presented ideas on the range of topics and elements to be discussed, with some Parties referring to open questions and others pointing out potential key principles for the discussion. In this regard, some Parties highlighted the value of considering multiple dimensions of the agreed goal in order to take account of various perspectives. Key topics and principles identified by Parties include the timeframe of the goal; adequacy and effectiveness of support to meet the actions of developing countries, taking into account their needs and priorities; balancing mitigation and adaptation; equity and fairness; the important role for private finance in meeting the goals of the Paris Agreement; consideration of whether the goal should have one or multiple elements; and climate finance operational definitions. The previous work by the SCF on this last point was also noted. Some Parties raised the issue of how to consider the changing circumstances with regard to Parties who may be contributors to and/or recipients of finance mobilised under the goal as well as the special circumstances of Parties, particularly vulnerable countries, who may benefit from the goal. Other Parties noted that they did not see a need for such a discussion.

Support for informal climate finance work ahead of COP26

We heard general consensus among Parties to engage with each other and build bridges in the lead up to Glasgow. We thanked Parties for the support and trust given to us to facilitate the intersessional informal work on climate finance so that we all come prepared for COP26. In particular, we appreciated the readiness of Parties to work both at the technical and political level. We noted the proposal by Parties to have a more flexible approach in the use of different modalities such as bilateral consultations, multilateral consultations and technical workshops depending on what would be most appropriate for a particular issue. Some Parties noted that for issues where greater work is required to find ground for consensus, bilateral consultations may be useful in exploring the differences and convergence. For other items that could be seen as more technical in nature such as the reviews of the financial mechanism and the functions of the SCF, written submissions may be requested to facilitate the exchange of views among Parties and/or organize workshops to advance the understanding of these issues.

We noted the preference of Parties for progress in the intersessional work to be captured in the form of written outputs, such as through synthesis of views, compilation of various inputs, and informal notes by the Presidencies to inform the work on climate finance in Glasgow. We also noted the desire of Parties that the intersessional work be conducted in an open, inclusive and transparent manner and that it could form the reference point for discussions at COP26.

We recognized the many linkages of climate finance with other topics and the parallel work being undertaken by different bodies. In this regard, we heard from Parties the importance of the work being undertaken by the subsidiary bodies on transparency of support and the review of the Adaptation Fund as well as the work of the SCF in preparing the biennial assessment of climate finance, the needs determination report and the draft guidance to the operating entities. We will ensure complementarity of the intersessional work that we will be facilitating with the work of other bodies through regular coordination so that we can all deliver a climate finance package ready for consideration by Parties at COP26. Where deliberations at COP26 are to be informed by the work of SCF, notably guidance to the operating entities of the financial mechanism, we will await the relevant inputs from the SCF prior to undertaking any necessary intersessional work.

Next steps

We encourage all Parties to reach out to each other for informal and formal exchanges on climate finance, such as during the in-session workshops on Long-term finance (part 2) and on Article 9.5 of the Paris Agreement taking place on 7 and 11 June respectively. These events will provide opportunity for substantive discussions on many of the issues Parties have raised at the consultations relating to the mobilisation of climate finance.

We plan to conclude our ongoing round of bilateral consultations with negotiating groups soon and will share with Parties a separate reflections note informed by these consultations.

We intend to promptly continue the intersessional work after the June session by presenting ahead of the next consultation of the Heads of Delegation, scheduled at the end of June, our proposed way forward on relevant climate finance issues. This will include a timeline moving forward to COP26 and modalities of work on specific issues, based on what we have heard. This will then be followed with specific informal work on climate finance topics into the second half of the year.
