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Second biennial high-level ministerial dialogue on climate finance under the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

Note by the President

Summary

This note contains a summary of the second biennial high-level ministerial dialogue on climate finance under the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, held during its fifth session. It has been prepared by the President of that session with the support of the secretariat. As mandated, the dialogue was informed by the second biennial communications submitted in accordance with Article 9, paragraph 5, of the Paris Agreement and the summary report on the biennial in-session workshop thereon.

Abbreviations and acronyms

AUD	Australian dollar(s)
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
CMP	Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol
COP	Conference of the Parties
GCF	Green Climate Fund
LDC	least developed country
NOK	Norwegian krone(r)
NZD	New Zealand dollar(s)
SIDS	small island developing State(s)

I. Introduction

A. Mandate

1. Recognizing the importance of predictability of and clarity of information on financial support for the implementation of the Paris Agreement, the CMA decided to convene a biennial high-level ministerial dialogue on climate finance, beginning in 2021, to be informed, inter alia, by the summary reports on the biennial in-session workshops on the biennial communications submitted in accordance with Article 9, paragraph 5, of the Paris Agreement and those biennial communications. The CMA requested the President of the session of the CMA at which a dialogue is held to summarize the deliberations for consideration by the CMA at its succeeding session.[1]

2. CMA 5 noted the note by the President of CMA 3 on the first biennial high-level ministerial dialogue on climate finance, in particular the key messages therein.[2] It welcomed the deliberations at the second high-level ministerial dialogue on climate finance and looked forward to the summary thereof to be prepared by the President of CMA 5 for consideration at CMA 7.[3]

B. Scope of the note

3. Chapter II below presents the key messages from the second biennial high-level ministerial dialogue on climate finance; chapter III below provides information on the proceedings of the dialogue; and chapter IV below summarizes the discussions at the dialogue.

C. Possible action by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

4. CMA 7 may wish to consider this note as input to its deliberations on arrangements related to Article 9, paragraph 5, of the Paris Agreement.

II. Key messages

5. Predictability of and clarity of information on the provision of climate finance to developing countries is essential for building trust among Parties, enhancing cooperation and supporting developing countries in implementing the actions outlined in their national climate plans, such as nationally determined contributions and national adaptation plans.

6. The communication of more granular and standardized qualitative and quantitative information on projected climate finance, alongside efforts to enhance comparability across reporting, is necessary to enhance predictability of finance and clarity of information thereon for developing countries. Establishing a common reporting framework for ex ante and ex post information may help to enhance the consistency, comparability and aggregation of climate finance data across reports, thus contributing to enhanced transparency of and accountability for climate finance.

7. Further, encouraging other Parties that provide financial support voluntarily to submit biennial communications could contribute to providing a clearer and more comprehensive picture of overall climate finance flows.

8. Enhancing the predictability of and clarity on climate finance requires a long-term perspective to the provision and mobilization thereof, which may be difficult for some Parties to realize owing to their annual national budgetary processes and the need to strike a balance

[1] Decision 12/CMA.1, paras. 1, 10 and 11.

[2] FCCC/PA/CMA/2023/13.

[3] Decision 13/CMA.5, paras. 14–15.

between predictability and flexibility of finance to respond to developing countries' changing circumstances.

9. Despite efforts to scale up climate finance, there remains a significant climate finance gap and lack of fulfilment of commitments. Greater efforts are needed to scale up climate finance in order to align with the needs and priorities of developing countries and achieve the goals of the Paris Agreement. Scaled-up financial support from developed to developing country Parties by means of new and additional finance, through grant-based support and concessional loans provided in grant-equivalent values, is crucial to preventing developing countries from accruing unsustainable debt.

10. Recognizing the existing adaptation finance gap, scaled-up funds for adaptation are necessary to assist developing countries, particularly the LDCs and SIDS, in building resilience to climate change and to enable developed country Parties to respond to the urging to at least double their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025.[4]

11. Providing and mobilizing climate finance at scale, in line with the relevant provisions of the Paris Agreement, including through scaled-up private sector investment and strengthening the role of multilateral development banks and climate funds in leveraging climate finance, is critical for bridging the significant funding gap and enhancing the efficiency of climate finance delivery.

12. While acknowledging the ongoing efforts of bilateral and multilateral climate finance providers to enhance access to climate finance, more needs to be done to accelerate access, including by simplifying and harmonizing access requirements across institutions.

13. Aligning the provision of climate finance with the needs and priorities of developing countries and ensuring equitable distribution of climate finance, including across geographical regions and local and Indigenous communities, as well as following a gender-sensitive approach, can lead to more effective delivery of climate finance.

III. Proceedings

14. The second biennial high-level ministerial dialogue on climate finance under the CMA was convened by the President of CMA 5 with the support of the secretariat on 8 December 2023. The event was open to all Parties and observers attending CMA 5.

15. As mandated, the dialogue was informed by the compilation and synthesis of the second biennial communications submitted by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement,[5] the summary report on the biennial in-session workshop thereon[6] and the note on the first biennial high-level ministerial dialogue on climate finance.

16. The dialogue was co-moderated by Yasmine Fouad, Minister of Environment of Egypt, and Steven Guilbeault, Minister from Environment and Climate Change Canada.

17. In his opening remarks, Simon Stiell, UNFCCC Executive Secretary, stressed the importance of the reliability and predictability of climate finance for building trust among Parties and highlighted the need for predictable provision of information thereon to enable developing countries to plan climate action. Hana AlHashimi, Chief Climate Negotiator for the United Arab Emirates at COP 28, CMP 18 and CMA 5, underscored the importance of the biennial communications for supporting climate action across systems and sectors and for addressing the needs and priorities of developing countries.

18. Keynote addresses were delivered by Nafkote Dabi, Climate Change Policy Lead at Oxfam International, and Mathilde Mesnard, Deputy Director of the Environment Directorate at the Organisation for Economic Co-operation and Development.

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4 Decision 1/CMA.3, para. 18.

5 FCCC/PA/CMA/2023/2/Rev.1.

6 FCCC/PA/CMA/2023/3.

19. Subsequently, the following five high-level participants were invited to deliver icebreaker interventions:

(a) Molywn Joseph, Minister of Health, Wellness, Social Transformation and the Environment of Antigua and Barbuda;

(b) Chris Bowen, Minister for Climate Change and Energy of Australia;

(c) André Corrêa do Lago, Secretary for Climate, Energy and Environment of Brazil;

(d) Norbert Gorissen, Deputy Special Envoy for Climate Action of Germany;

(e) Mahmoud Mohieldin, COP 27 high-level champion.

20. An open discussion was held among ministers, senior officials and heads of organizations, including representatives of government, multilateral organizations and observers, guided by the following questions provided by the CMA 5 Presidency:

(a) How can biennial communications be improved to deliver useful information on support for the implementation of national climate action plans?

(b) How can developed countries provide greater predictability and enhance the delivery of climate finance through multilateral channels, bilateral channels and mobilized private finance?

(c) What short-term actionable solutions can address the inadequate provision and mobilization of climate finance?

21. Omran Almazrouei, Senior Negotiator for the United Arab Emirates at COP 28, CMP 18 and CMA 5, delivered closing remarks in which he reiterated the importance of the predictability of climate finance for building trust, enhancing cooperation and catalysing transformative action towards low greenhouse gas emissions and climate-resilient development, and called for solutions and collaboration towards achieving collective objectives.

22. Parties and observers were invited to submit statements to be made available on the UNFCCC website,[7] where further information, including the dialogue programme and webcast, is also available.

IV. Summary of discussions

23. Participants shared views, guided by the questions, on improving the usefulness of biennial communications and enhancing the provision and mobilization of climate finance. The summary below provides a non-exhaustive overview without prejudice to the various views expressed.

A. Improving biennial communications to support implementation of national climate action plans

24. Most participants acknowledged the importance of predictable climate finance for building trust among Parties, enhancing cooperation and catalysing transformative action towards low greenhouse gas emissions and climate-resilient development in developing countries with a view to meeting the long-term goals of the Paris Agreement in a manner that reflects those countries' needs and priorities, including their evolving needs.

25. Some participants highlighted the need for developed country Parties to enhance the clarity of information on their climate finance projections in the third round of biennial communications, which were due in December 2024, and demonstrate ambition in their provision of support. This would incentivize developing country Parties to submit more

[7] https://unfccc.int/event/second-biennial-high-level-ministerial-dialogue-on-the-climate-finance-regarding-information-to-be.

ambitious nationally determined contributions in 2025 and support them in effectively implementing and achieving the targets set out in their climate action plans.

26. Many participants emphasized that detailed ex ante information on the provision and mobilization of climate finance is crucial for developing countries to plan their climate action effectively. In this regard, some participants stressed the importance of subsequent biennial communications containing more granular and disaggregated information on financial resources to be provided, including:

(a) By thematic area, particularly information on how the need for public and grant-based resources for adaptation is taken into account, and on financial resources for addressing loss and damage;

(b) By financial source and instrument, including, where applicable, information in grant-equivalent values and the terms and conditions applied for non-grant instruments;

(c) By channel, including allocations through bilateral and multilateral channels such as multilateral development banks and multilateral climate funds;

(d) By region, including projected levels of available climate finance for the LDCs and SIDS;

(e) Information related to enhancing access to climate finance;

(f) Information on how climate finance to be provided takes into account the needs and priorities of developing countries;

(g) Details of how projected levels of climate finance contribute to achieving a balance between finance for adaptation and mitigation;

(h) Details of how projected levels of climate finance contribute to the achievement of the goal of developed country Parties of mobilizing jointly USD 100 billion annually from 2020 through to 2025;

(i) Information on climate finance definitions applied.

27. In this context, some participants from developed country Parties expressed their commitment to communicating qualitative and quantitative information on projected levels of climate finance and to continuously improving the information provided in their biennial communications in terms of quality and granularity, including by addressing the areas for improvement identified during the first and second in-session workshops on biennial communications, held in 2021 and 2023 respectively, recognizing the national challenges and constraints that they are facing in providing such information.

28. Recognizing the need to enhance consistency and comparability of reporting across biennial communications, some participants suggested streamlining the information to be provided in biennial communications.[8] Others underscored the importance of streamlining information on climate finance across reports, including ex ante and ex post reports. Some participants called for a common reporting and monitoring mechanism, including for ex ante and ex post reporting on climate finance, to avoid divergences in the reporting of such information and to enable information on climate finance provided and mobilized by developed country Parties to be compared against information reported on climate finance needed and received by developing country Parties. In this context, some participants reiterated the need for standardized accounting methodologies and a common definition of climate finance to avoid double counting, enhance transparency and trust, and allow for comparability of information.

29. Participants from Parties that submit biennial communications reiterated their commitment to providing and mobilizing climate finance and highlighted some challenges in providing multi-year quantitative climate finance projections, including owing to the nature of their public budgetary cycles, which, in most cases, involve annual approval by their national parliaments. Acknowledging the challenges faced by developed country Parties, some participants urged them to transition to multi-year budgetary cycles and streamline their national approval processes to enable the support provided by developed to

[8] See decision 12/CMA.1, annex.

developing country Parties to be effectively scaled up. Some participants encouraged developed country Parties to continuously review and adjust their biennial communications to align the mobilization and provision of financial support with the evolving needs of developing country Parties. Another challenge identified relates to striking a balance between ensuring predictability of climate finance and maintaining flexibility in the national spending policy, thereby ensuring a country's ability to respond to crises and adapt to developing countries' evolving needs.

30. Stressing that increased participation in reporting will contribute to improving the predictability of climate finance, some participants encouraged Parties providing support to submit biennial communications on a voluntary basis.

B. Improving the predictability and enhancing the delivery of climate finance through multilateral and bilateral channels and private finance mobilized

31. Many participants highlighted the severe impacts of climate change globally, such as prolonged heatwaves, wildfires and devastating storm surges. To address the consequences of these impacts, developing countries have had to use resources from their national budgets, which underlines the urgent need for predictable and reliable climate finance to support adaptation and mitigation efforts and responses to loss and damage. Some participants from the LDCs and SIDS in particular reiterated the difficulties that they face in planning long-term climate action in the absence of predictable climate finance, highlighting that climate finance accessible to the LDCs and SIDS remains far below what is required to address their growing adaptation needs and needs related to responding to loss and damage.

32. In this context, many participants underscored the need to increase the provision of financial support through grants and highly concessional loans, particularly for adaptation and addressing loss and damage, as failing to do so could result in increasing developing countries' debt and further exacerbate the adverse effects of climate change on them.

33. Many participants welcomed the establishment of the Fund for responding to Loss and Damage and the financial pledges made by Parties to support its resource mobilization. At the same time, some underscored the importance of turning financial pledges into actual financial contributions to enable the Fund's operationalization.

34. In some of the interventions, concerns were raised about the delivery of climate finance, noting its unpredictability, inconsistency and unreliability. While some participants highlighted the importance of efficiency and affordability in the delivery of climate finance, others noted that delays in disbursement hinder timely action.

35. To improve the accessibility and predictability of climate finance, participants urged developed country Parties to adopt a long-term approach to providing it, ensuring that new and additional commitments are fulfilled. Some participants pointed out that relying solely on existing funding structures designed for development finance leads to inadequate funding cycles, which compromises the effectiveness of climate action.

36. Some participants called for Parties that provide climate finance to provide more transparent information on their criteria for selecting projects, programmes and recipient countries with a view to ensuring equitable geographical distribution among developing countries. Citing examples of inequitable distribution of climate finance among developing countries, some developing country participants proposed setting minimum floors for country or regional allocation.

37. Some interventions emphasized the need for stronger international commitment to climate finance, including through improved access to grant-based finance and an enhanced role for multilateral climate funds under the UNFCCC to ensure effective delivery and address the needs of developing countries, including through increased efforts to ensure that access to climate finance is simplified and harmonized across institutions, particularly across climate funds. With ongoing efforts acknowledged, increased efforts were called for in this regard. It was noted that access to climate finance must be both predictable and flexible to

respond and adapt to the evolving needs of developing countries and ensure effective delivery of climate finance.

38. With respect to bilateral channels, many participants underscored the importance of ensuring that climate finance is responsive to and aligned with the needs and priorities of developing countries. Therefore, in determining the climate finance to be provided to developing countries, including for projects, programmes and instruments, climate finance providers, such as through national development agencies, undertake extensive dialogues and consultations with partner countries.

39. Some participants underscored that public sources of finance are limited and will not be sufficient to finance the global transformation needed to meet the goals of the Paris Agreement, which is estimated to require trillions of United States dollars. It was acknowledged that scaling up climate finance flows requires involving both the public and the private sector, promoting use of innovative financial instruments, using blended finance approaches that leverage public funding to attract private investment, diversifying sources of funding and reducing reliance on any single source of finance.

40. Some participants recognized the process of setting the new collective quantified goal on climate finance as an opportunity to enhance predictability of climate finance provision and mobilization by taking into account the lessons learned so far from the USD 100 billion goal and to ensure that climate finance is impactful. In this context, some participants underscored the need for the new collective quantified goal on climate finance to include finance flows that are new and additional, easily accessible and predominantly in the form of grants.

C. Short-term actionable solutions for addressing the inadequate provision and mobilization of climate finance

41. Some participants underscored the urgency of addressing the inadequate provision and mobilization of climate finance and proposed various approaches over the short term. Some underlined the need to enhance funding mechanisms to improve access to financial resources for developing countries, enabling them to meet their climate finance needs more effectively.

42. Some participants called for strengthening the capacity of developing countries to mobilize and access financial resources and ensuring that they are well equipped to manage climate finance effectively, for example by deploying climate finance experts into those countries to help them to unlock finance, mainstreaming climate action in economic and fiscal policies and integrating finance for climate action into budgetary processes. Some participants noted that increasing the transparency and efficiency of the delivery of climate finance is essential for guaranteeing prompt and effective allocation of funds to those in need.

43. Strengthening international cooperation was identified by some participants as critical to improving the provision of climate finance, with participants highlighting the critical role of multilateral development banks in supporting climate-related projects. There was discussion on enhancing the effectiveness of climate funds like the GCF and the Global Environment Facility to ensure that finance channelled through them achieves maximum impact.

44. Increasing finance for adaptation and resilience-building was acknowledged by many participants as a key priority, particularly for the LDCs and SIDS. Some developed country participants underscored the commitment of developed country Parties to at least doubling their collective provision of climate finance for adaptation to developing country Parties from 2019 levels by 2025. Some participants highlighted the need to invest in disaster risk reduction to minimize the adverse effects of climate-related disasters, reflecting a more proactive approach to managing climate risk.

45. Some participants underlined the need to make all finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development in accordance with Article 2, paragraph 1(c), of the Paris Agreement, including by scaling down inefficient subsidies.

46. Some participants recognized that the economic circumstances of some countries have changed since the adoption of the Convention and called for the contributor base of climate finance to be expanded without renegotiating the Convention and the Paris Agreement. In this context, some participants recognized and welcomed the voluntary financial pledges made by non-traditional climate finance providers during CMA 5.

47. Some participants emphasized the need for a robust monitoring and reporting system to ensure accountability for and transparency of climate finance flows. It was suggested that implementing systems for tracking and reporting finance flows, with regular assessments of the impacts of climate finance, would help in maintaining transparency and trust among Parties while promoting the sharing of data and information among stakeholders to improve decision-making and coordination.

48. Some participants stressed the importance of promoting inclusivity and equity in relation to climate finance to ensure that the needs of all developing countries and communities are addressed, including marginalized and Indigenous communities. Those participants noted that ensuring equitable distribution of climate finance is crucial to addressing disparities and ensuring that all communities benefit from climate finance. Some participants underscored the need to adopt an inclusive approach, following gender-sensitive approaches and engaging local communities in the planning and implementation of climate finance projects to ensure that their needs and priorities are addressed, which would lead to more sustainable and effective outcomes.

D. Initiatives for leveraging and catalysing public and private finance

49. Developed country Parties reaffirmed their commitment to submitting biennial communications in accordance with Article 9, paragraph 5, of the Paris Agreement, emphasizing the need to significantly enhance climate finance for mitigation and adaptation. In this regard, some Parties announced or reconfirmed financial pledges and initiatives aimed at increasing climate finance, as well as measures to enhance capacity-building and provide technical support to developing countries for accessing and mobilizing climate finance.

50. A representative of Australia announced that the Party had increased its previously announced climate finance commitment from AUD 2 billion to AUD 3 billion for 2020–2025. The representative confirmed that 66 per cent of the Party’s climate finance is focused on adaptation, and referred to the announcement made by the Prime Minister of Australia at the Pacific Islands Forum of Australia’s commitment to deliver AUD 350 million in climate infrastructure for the Pacific region. Furthermore, Australia is contributing AUD 50 million to the second replenishment of the GCF (for 2024–2027) and has taken steps to rapidly scale up its capacity to provide blended finance, including scaling up investment under the Australia–Indonesia Climate and Infrastructure Partnership to AUD 200 million.

51. A representative of Belgium reaffirmed that the Party exceeded its minimum anticipated climate finance contribution of EUR 135 million per year from 2022 onward by providing almost EUR 154 million in 2022. Belgium’s continued provision of support to African countries and the LDCs with the aim of supporting the most vulnerable was highlighted, emphasizing that the support provided is almost exclusively in the form of grants.

52. A representative of the European Union stated that the Party’s contribution to climate finance has been steadily increasing, reaching USD 30 billion in 2022. With about half of the climate finance flowing to adaptation and with the increase in its climate finance contributions in 2022, the European Union doubled its provision of adaptation finance. The representative stated that the Party reported for the first time on private finance mobilized, contributing an additional USD 13 billion. As part of its commitment to scaling up climate finance, the European Union has developed multi-year programmes for until 2027, allocating over 35 per cent of its external budget to climate action.

53. A representative of Germany announced that the Party is fulfilling its pledge to provide EUR 6 billion in climate finance annually by 2025. In 2023, Germany committed EUR 2 billion to the GCF and EUR 60 million to the Adaptation Fund.

54. A representative of Japan confirmed the Party's commitment of USD 70 billion in climate finance for 2021–2025. In addition, Japan pledged 165 billion yen for the second replenishment of the GCF subject to parliamentary approval.

55. A representative of the Kingdom of the Netherlands announced that the Party is extending the duration of its climate finance programmes from 3 to 5 years, and in some cases up to 10 years to enhance predictability. For instance, the Party has committed EUR 100 million over 10 years to enhancing food security and climate resilience for smallholder farmers in the Sahel region of Africa. It was confirmed that its public finance is fully grant-based, with more than half spent on adaptation.

56. A representative of New Zealand reaffirmed the Party's commitment to delivering NZD 1.3 billion from 2022 to 2025 in climate finance, with at least 50 per cent going to Pacific SIDS and at least 50 per cent for adaptation. Furthermore, the representative affirmed New Zealand's NZD 24 million contribution to the GCF for its second replenishment and underlined its commitment to contributing to the capitalization of the Pacific Resilience Facility.

57. A representative of Norway reiterated the financial pledge made by the Party at COP 26, aiming to double its annual provision of climate finance to NOK 14 billion by 2026, including at least tripling its adaptation finance. Norway increased its provision of funding to Norway's International Climate and Forest Initiative by 20 per cent in 2024 and established a NOK 5 billion guarantee mechanism for renewable energy in developing countries.

58. A representative of Sweden emphasized the importance of making national budgetary processes more predictable. Sweden has transitioned to three-year budget cycles instead of an annual budget based on 1 per cent of gross national income. The Party announced plans to reform its development cooperation by the end of 2023.

59. A representative of the United Kingdom of Great Britain and Northern Ireland underscored the importance of addressing both predictability and flexibility of climate finance and reiterated her commitment to scaling up climate finance. The representative emphasized the intention as Co-Chair of the GCF Board in 2024 to recognize national needs and the need to improve access to GCF funding.

60. A representative of the United States of America confirmed that the Party is on track to fulfilling its pledge to work with Congress to scale up its provision of international public climate finance to over USD 11 billion per year, which represents a quadrupling from the previous highest-ever level of United States climate finance and includes a sixfold increase in adaptation finance to over USD 3 billion per year.