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Twenty-third session

Montreal, 28 November to 6 December 2005

Agenda item 5 (a)

Financial mechanism (Convention)

Special Climate Change Fund

Special Climate Change Fund

Draft conclusions proposed by the Chair

Recommendation of the Subsidiary Body for Implementation

The Subsidiary Body for Implementation, at its twenty-third session, decided to recommend the following draft decision for adoption by the Conference of the Parties at its eleventh session.

Draft decision -/CP.11

**Further guidance to an entity entrusted with the operation of the
financial mechanism of the Convention, for the operation of
the Special Climate Change Fund**

The Conference of the Parties,

Recalling the relevant provisions of, in particular, Article 4, paragraphs 1, 3, 4, 5, 7, 8, 9 and 10, and Article 11, of the Convention,

Recalling also its decisions 4/CP.7, 5/CP.7, 7/CP.7, 7/CP.8 and 5/CP.9,

Noting the views of Parties on activities, programmes and measures in the areas listed in decision 7/CP.7, paragraph 2 (c) and (d),

Welcoming the outcome of the first pledging meeting of potential donors to the Special Climate Change Fund and noting that USD 34.6 million has been pledged for that fund,

Recognizing the need for the Global Environment Facility to continue its efforts to mobilize additional resources to support the implementation of eligible project activities under the Special Climate Change Fund,

Acknowledging the work of the Global Environment Facility to operationalize the Special Climate Change Fund,¹

Noting the concerns expressed by most Parties not included in Annex I to the Convention with regard to the operational criteria and policies to be followed in financing activities under the Special Climate Change Fund during an initial five-year period, which were endorsed by the Global Environment Facility Council in November 2004,

Noting also the separation between the administration and activities of the Global Environment Facility and the Special Climate Change Fund,

Noting further that activities supported through the Special Climate Change Fund should take into account, [inter alia,] national communications or national adaptation programmes of action, where available, and other relevant information provided by the applicant Party,

Reiterating that the Special Climate Change Fund should serve as a catalyst to leverage additional resources from bilateral and other multilateral sources,

Reiterating also that activities to be funded should be country-driven, cost-effective and integrated into national sustainable development and poverty-reduction strategies,

Reiterating further that the provision of support for the implementation of eligible activities under the Special Climate Change Fund shall be consistent with the guidance provided by the Conference of the Parties,

1. *Decides* that the Special Climate Change Fund shall be used to finance activities, programmes and measures relating to climate change in the areas set out in decision 7/CP.7, paragraph 2 (c), that are complementary to those funded by the resources allocated to the climate change focal area of the Global Environment Facility and by bilateral and multilateral funding, particularly in the following priority areas:

- (a) Energy efficiency, energy savings, renewable energy and less-greenhouse-gas-emitting advanced fossil-fuel technologies
- (b) Innovation relating to energy efficiency and savings in the transport and industry sectors
- (c) Climate-friendly agricultural technologies and practices, including traditional agricultural methods
- (d) Afforestation, reforestation and use of marginal land
- (e) Solid and liquid waste management for the recovery of methane;

2. [*Decides* that the Special Climate Change Fund shall be used to finance activities, programmes and measures relating to climate change in the areas set out in decision 7/CP.7, paragraph 2 (d), that are complementary to those funded by the resources allocated to the climate change focal area of the Global Environment Facility and by other bilateral and multilateral funding initially in the following areas:]

¹ As reported in document GEF/C.24/12 “*Programming to Implement the Guidance for the Special Climate Change Fund Adopted by the Conference of the Parties to the United Nations Framework Convention on Climate Change at its Ninth Session*”.

- (a) Capacity-building at the national level in the areas of:
 - (i) Economic diversification;
 - (ii) Energy efficiency in countries whose economies are highly dependent on consumption of fossil fuels and associated energy-intensive products;
 - (b) [Support for the creation of favourable conditions for investment in sectors where such investment could contribute to economic diversification;]
 - (c) [Support for diffusion and transfer of less-greenhouse-gas-emitting advanced fossil-fuel technologies;]
 - (d) [Support for and promotion of investments in less-greenhouse-gas-emitting, environmentally sound energy sources, including natural gas, according to the national circumstances of Parties;]
3. [Decides to assess, at its fourteenth session (December 2008), the status of implementation of paragraph 2 above, with a view to making recommendations on options for the following:
- (a) Development of non-energy uses of fossil fuels
 - (b) Implementation of technological options to minimize the impact of response measures
 - (c) Improvement of efficiency in upstream and downstream activities relating to fossil fuels
 - (d) Support to innovative national advanced fuel technologies;]
4. *Decides* that the operational principles and criteria of the Special Climate Change Fund and the manner in which they are carried out in the operation of the Special Climate Change Fund will apply only to Global Environment Facility activities financed under the Special Climate Change Fund;
5. *Requests* the entity entrusted with the operation of the Special Climate Change Fund to continue to adhere strictly to the decisions of the Conference of the Parties in the operationalization of the Special Climate Change Fund;
6. *Requests* the entity entrusted with the operation of the Special Climate Change Fund to continue its efforts to mobilize resources, in addition to those already pledged, to support the funding of eligible project activities under the Special Climate Change Fund;
7. *Requests* the entity referred to in paragraph 5 above to include in its report to the Conference of the Parties, at its eleventh session, the specific steps it has undertaken to implement this decision.
