



CLIMATE FINANCE ADVISORY SERVICE

SUMMARY BRIEFING

26th Standing Committee on Finance Meeting

12-14 October 2021

Dear Friend of the Climate Finance Advisory Service (CFAS),

This is the CFAS Summary Briefing. Produced at key meetings and negotiations by the CFAS expert team, the Summary Briefing tries to provide a concise, informative update on key discussions that have taken place at each meeting and give an overview of substantive points of action or progress. Please note that this is an independent summary by CFAS and not officially mandated by the SCF or UNFCCC Secretariat.

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The CFAS Team

Summary from 12-14 October 2021

From 12 - 14 October 2021, the Standing Committee on Finance (SCF) convened for its 26th meeting. The meeting was conducted in a hybrid format, which means that some SCF members and observers were present in Bonn, while others participated virtually. Chaired by Mr. Ismo Ulvila (European Union) and Mr. Ayman Shasly (Saudi Arabia), the meeting focused on concluding several agenda items ahead of COP26, especially the finalization of the Fourth Biennial Assessment and Overview of Climate Finance Flows (BA) and of the first report on the determination of the needs of developing countries related to the implementation of the UNFCCC and the Paris Agreement (NDR). While the members were able to find compromise on the full version of the NDR, the BA was finally approved without a recommendations' section in the first chapter. In addition, the SCF members discussed the Draft guidance to the operating entities of the Financial Mechanism, but were not able to agree on a final text. Further items discussed were the Forum on Finance for Nature-based Solutions, with Part I to take place right after this SCF meeting, as well as initial preparations for the the Fifth Biennial Assessment and Overview of Climate Finance Flows (i.e. election of Co-Facilitators, Outline). One day ahead of the 26th meeting, the SCF members already convened for a closed, informal session to prepare the meeting.

Opening of the meeting and organizational matters

The two Co-Chairs, Mr. Ayman Shasly (Saudi Arabia) and Mr. Ismo Ulvila (European Union), opened SCF26 with short statements about the importance of the meeting in light of COP26. This was followed by welcoming the new SCF member Ms. Bianca Moldovean

(Romania), who replaces Ms. Delphine Eyraud (France) in the Committee.

The opening of the meeting continued with an input by Mr. Yolando Velasco, representing the Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC), who outlined the strong presence of climate finance on the COP26 agenda. This underlined the role of climate finance as a linking issue across items. He stated that many of the finance-related agenda items at COP26 need to be informed by the outcomes of SCF26, calling upon the SCF members to reach an agreement on several products.

Concerning organizational matters, the Co-Chairs explained that all items would be discussed in the plenary. In addition, there will be breakout sessions on the two reports (BA, NDR), which should also be accessible for virtual participants. However, due to the importance of SCF26 and the finalization of several agenda items, the Co-Chairs explained to the observers of the meeting that some sessions may take place in a closed format.

Fourth Biennial Assessment and Overview of Climate Finance Flows

The discussion on the status quo of the 2020 Biennial Assessment and Overview of Climate Finance Flows (BA) was led by the Co-Facilitators Ms. Vicky Noens (Belgium) and Mr. Hussein Alfa Nafo (Mali). The item was discussed over several days, including a breakout session on the first day of the meeting as well as several informal sessions alongside other meeting items and after the second meeting day. While the technical part had been finalized ahead of SCF26, the discussions concentrated on the first chapter of the report, including a summary of the findings as well as a section on recommendations.

Concerning the summary, the main issues related to its length (i.e. in the draft version about 20 pages long), its readability as well as the usage of language from the UNFCCC context (e.g. on Art. 2.1c). In a combined effort, SCF members worked on shortening this part, finding agreement on the language, while making it easier to comprehend. The Co-Facilitators outlined that the length of the summary was due to the increased length of the technical part (e.g. increase in availability of data, additional chapter on 2.1c) and said on comprehension, that this will be considered in the outreach strategy for the report (e.g. developing shorter communication products for dissemination).

The main obstacles in the debate among SCF members related to the recommendations that had been drafted: One recommendation related to the operational definition of climate finance and whether the SCF shall continue its deliberations on it and whether it would have the mandate to encourage other institutions, especially financial actors, to consider this definition and if so, in what processes (i.e. just reporting or also funding activities). In the end, a general debate opened up about the struggle of not having an internationally agreed definition on climate finance, which is also imposing challenges on data collection and analysis for the report. Several SCF members outlined that the COP would need to give the mandate to the SCF, in case they should take a stronger role in providing guidance to climate finance definition for other actors. Other SCF members also questioned if it would be even possible to have such a common definition. Another debate arose around several recommendations related to the role of developing countries taking a stronger role in tracking and communicating (e.g. under the Enhanced Transparency Framework) climate finance provided (i.e. South-South cooperation). Although this has been recognized as a data gap, it was outlined that there are not yet the means or structures available for providing such information. Another issue of disagreement related to a recommendation on Article 2.1c and calling upon several actors to proactively communicate information for the upcoming mapping (i.e. both on methodologies as well as activities). Some members criticized that this very open formulation and a lack of more details, of what constitutes Article 2.1c, would not lead to substantial inputs or would result in every actor applying its own, beneficial interpretation. There would have to be more concrete guidance on this matter. Finally, another point of discussion focused on a recommendation for the energy sector and whether to include a reference to inefficient fossil fuel subsidies or not.

After intense negotiations on the recommendations sections for three days in a row, with remaining unresolvable issues, the SCF members finally adopted the report without any recommendations. A compromise proposal by some SCF members, to include the recommendations, where there would be agreement and indicating, where there is none, was rejected by several other SCF members. While the SCF formally fulfilled its mandate to complete the report, several SCF members shared their disappointment at the end of the debate, that they were not able to find a compromise on this part of the report.

First report on the determination of the needs of developing country Parties

The discussion on the first report on the determination of the needs of developing country Parties (NDR) was led by the Co-Facilitators Mr. Zaheer Fakir (South Africa) and Mr. Mattias Frumerie (Sweden), and continued throughout all three days of the meeting. Similar to the BA, it also started off with a breakout session on the first meeting day and included several informal negotiations alongside the discussions in plenary. As the work on the technical part has also been concluded, discussions at SCF26 concentrated on the summary as well as on the recommendations.

Concerning the summary, the discussions concentrated on including further information from the technical report into the summary (e.g. adding information on subsidies) or better highlighting certain sections. In addition, it had been proposed to include an introductory part explaining more strongly the context of the report, including the challenges. In addition, some adjustments were made in relation to language, e.g. some figures included other country groupings than the ones applied within the UNFCCC context, which will be highlighted in a footnote, with a reference to the respective source of the figure or data used in the figure. Another change in wording related to institutional arrangements, with the decision to go for rather neutral terms such as “highest level of government” instead of providing terms maybe only used in specific political systems.

An initial set of recommendations was collected during the breakout group on the first day of the meeting. Discussions on the recommendations concentrated on clarifications of some of them, on adding additional language (e.g. adding a target group for one recommendation or adding that needs should be seen in relation to the size, nature and scale of impacts) and on negotiating the phrasing of certain recommendations. For example, one recommendation included a reference to information on loss and damage as a category next to mitigation and adaptation, but the wording was changed in a way that loss and damage is seen in the context of adaptation, as some SCF members insisted on this change. In addition, recommendations were added that countries should include more information on needs in their reporting and that data gaps on certain topics (e.g. energy access / poverty) need to be filled in future.

The SCF members were able to adopt the NDR report on the final day of the meeting, including a summary and recommendations.

Forum on Finance for Nature-based Solutions

At its 21st meeting, the Committee agreed that the theme of its next SCF Forum will be “Finance for Nature-based Solutions (NBS)”. At SCF 24, the Committee agreed to organize a two-part Forum whereby the first part will be held either in hybrid or virtual format in 2021 and the second part will be held in-person in 2022. At SCF 25, the Committee further agreed that part 1 of the Forum would be held on 15–16 October 2021 in conjunction with the 26th SCF meeting. During the intersessional period, the co-facilitators finalized the programme and with the support of the Secretariat planned for the hybrid Forum inviting a small number of speakers to participate in-person in Bonn, Germany and all other interested stakeholders to participate virtually.

The co-facilitators Ms. Fiona Gilbert (Australia) and Mr. Mohamed Nasr (Egypt) provided

an update on the status of preparations and the programme for part I of the Forum. The hybrid format of the event will include in-person participation from twelve SCF members and 3-4 resource persons, with 170 participants registered to attend virtually. The programme of the Forum includes a high-level segment with remarks and opening statements from Mr. Mahmoud Mohieldin (Special Envoy on Financing the 2030 Agenda), Ms. Sussan Ley (Minister for the Environment of Australia) and Ms. Patricia Espinoza (Executive Secretary of the UNFCCC); keynote presentations from IUCN on the concept and science of nature-based solutions, UNEP on the findings from their latest report “State on Finance for Nature”, and a case study on Seychelles’ experience in implementing NBS using innovative finance instruments; followed by panel discussions. A synthesis paper that was prepared based on submissions from stakeholders will be shared and also serve, together with outcomes of the Forum, as input and reference for part II of the Forum. A high-level summary report of part I of the Forum will be produced and included in the annual report of the SCF to the COP.

Draft guidance to the Operating Entities of the Financial Mechanism

At the previous SCF meeting, the Committee agreed to extend the deadline for submissions on the draft guidance for the Green Climate Fund (GCF) owing to the delay in the availability of the 2021 annual report of the GCF and requested the co-facilitators to reflect the submissions received in the preliminary draft guidance for consideration at the 26th SCF meeting. During the intersessional period, the co-facilitators prepared a preliminary draft guidance in the format of a draft decision text, based on the compilation of submissions and informed by the annual reports of the GCF (2020) and the Global Environment Facility (2020 and 2021) and organized informal working session(s) with the Parties and the constituted bodies that have provided the submissions, as required, with the aim to clarify the rationale and the background of the elements.

The co-facilitators Ms. Diann Black-Layne (Antigua and Barbuda) and Mr. Toru Sugio (Japan) introduced the agenda item, outlining the proposed way forward for the Committee’s work during the meeting, on preparing draft guidance to the operating entities of the financial mechanism of the UNFCCC. Up until now, the SCF has received various submissions on elements for draft guidance to the GCF and GEF from UN negotiation groups (e.g. the AGN, AILAC, AOSIS, European Union); individual SCF members (e.g. from Mr. Randy Caruso (USA), Mr. Ivan Zambrana Flores (Bolivia)); as well as from other technical bodies of the UNFCCC, such as the Adaptation Committee, the Executive Committee of the Warsaw International Mechanism for Loss and Damage, and the Technology Executive Committee. To prepare the discussion for the meeting, the Secretariat has undertaken a technical assessment of the submissions and compiled input into an overview table to ensure submissions are not repetitive or contradictory to previous guidance, nor overlap with ongoing or scheduled activities of GCF and/or GEF. Based on this table the SCF was tasked to pull out the elements for the submissions that the Committee deems suitable as draft guidance and prepare a draft submission text.

SCF members welcomed the efforts undertaken by co-facilitators and Secretariat up until this point. On guidance to the GCF, some members highlighted that it was difficult to engage on the over 50 paragraphs resulting from the submissions received and suggested further streamlining of the text. Others stressed that certain elements in the submissions were too operational and potentially interfering with the work of the Board. In their view, this was an attempt of micro-managing the GCF, which was not appropriate. Rather, the draft guidance to the GCF should contain guidance that is strategic and forward-looking. Furthermore, it was stressed that an assessment was needed regarding the financial feasibility and programmatic consequences of some of the proposed inputs, taking into account potential adverse consequences. Based on the inputs received, the co-facilitators were mandated to further streamline the table, clustering elements of draft guidance with the same intention and/or message, and formulate generic paragraphs that would address these.

On guidance to the GEF, members cautioned against using terminology and terms not

common in the UNFCCC to avoid misinterpretation. A representative of the YOUNGO constituency requested the SCF to share the discussed documents with SCF observers in order to facilitate a meaningful contribution from non-SCF stakeholders.

Based on the inputs received the co-facilitators presented a new table including proposals for generic paragraphs addressing some of the inputs and elements contained in the submissions from Parties, SCF members and other stakeholders. The SCF engaged in a prolonged discussion on the co-facilitators text, but could ultimately not agree on the elements of draft guidance contained. Therefore, a procedural decision was taken, outlining the work undertaken by SCF and Secretariat. The co-facilitator's text was annexed to the decision, for consideration by the COP in Glasgow.

Fifth Biennial Assessment and Overview of Climate Finance Flows

With the Fourth BA being delayed by a year, the Fifth BA is meant to be completed by 2022. At the 26th SCF meeting, members agreed upon initiating work on the preparations of the Fifth BA, which included an agreement on the basic outline for the upcoming report as well as on the positions of co-facilitators for the report. Concerning the outline, it has been decided that it will be based on the outline of the Fourth BA, while removing the comprehensive Chapter 4 on Article 2.1c, as a dedicated chapter has to be included just every four years. Based on a comment by an SCF member, the follow-up on recommendations made by previous BA reports will also be more strongly reflected in the upcoming version. Regarding the position of co-facilitators, Ms. Vicky Noens (Belgium) and Mr. Hussein Alfa Nafo (Mali), who also acted as co-facilitators for the Fourth BA, were confirmed to continue their work on this matter.

Dates and venues of future meetings

The Co-Chairs proposed to hold three SCF meetings in 2022 as well as Part II of the Forum. If possible, these meetings shall take place again in person rather than in a hybrid or fully virtual format. This was confirmed by SCF members. The Co-Chairs will propose dates for these meetings as a follow-up to the 26th meeting. The decision on the exact timing will be taken intersessionally.

Other matters and closure

The Co-Chairs invited Mr. Yolando Velasco, representing the Secretariat of UNFCCC, for final remarks on the meeting. Mr. Velasco read out a statement by Mr. Daniele Violetti, Director at UNFCCC. In the statement, Mr. Violetti thanked the SCF members for their hard work on all the products in preparation for COP26 and underlined that he was looking forward to their recognition within the upcoming climate change negotiations. As this statement had been prepared ahead of the outcome of the 26th SCF meeting, the content of the note did not match with the atmosphere in the meeting, as many SCF members had just been vocalizing their disappointment about not being able to find an agreement on the recommendations section in the Fourth BA. In addition, after negotiations on the BA recommendations failed, one SCF member outlined to the Co-Chairs that, despite finishing negotiations on the NDR earlier on that day, he would like to request another decision on whether this document should be forwarded to the COP. The Co-Chairs announced to seek legal counsel on the matter, as it had been not clear at that point, whether forwarding the documents to the COP would require an additional decision. This question will be handled intersessionally.

Despite the intense meeting closure, some of the SCF members also took the chance to thank the to Co-Chairs, Mr. Ayman Shasly (Saudi Arabia) and Mr. Ismo Ulvila (European Union) for their work, as other persons will take up this role in the upcoming year.

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