



CLIMATE FINANCE ADVISORY SERVICE

SUMMARY BRIEFING

29th Standing Committee on Finance Meeting

29 September - 1 October 2022

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 29 September-1 October 2022

From 29 September – 1 October 2022, the Standing Committee on Finance (SCF) convened for its 29th meeting in Cairns, Australia. Following a three-day meeting for the second part of the Forum on Finance for Nature-based Solutions, the meeting focused on the mandates received from COP26 and CMA3, including ongoing work on the Fifth Biennial Assessment and Overview of Climate Finance Flows, definitions of climate finance, work relating to Article 2.1c of the Paris Agreement, and a report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year. Further items discussed included draft guidance to the operating entities of the Financial Mechanism, as well as an overview of part two of the SCF Forum on Finance for Nature-based Solutions. The meeting was held in a hybrid format, allowing both physical and virtual attendance, and combined plenary and break-out group discussions.

Fifth Biennial Assessment and Overview of Climate Finance Flows

The SCF Co-chairs invited members to finalize the technical report of the fifth Biennial Assessment and Overview of Climate Finance Flows (fifth BA) and the summary and recommendations by the SCF. The co-facilitators Ms. Diann Black-Layne (Antigua and Barbuda) and Vicky Noens (Belgium) presented on the work undertaken inter-sessionally and the approach to finalize the work.

Since SCF28 the Committee worked with a view to consider a draft of the pre-final report at SCF29, i.e. address remaining amendments to the technical report, including the

comments received during SCF28 and written feedback. Moreover, the SCF reached out to secure preliminary data for climate finance flows in 2019 and 2020 from Parties, and integrated the data into the technical report. A webinar was held on capturing latest updates on climate finance flows in relation to data, effectiveness and definitions. Lastly, draft summary and recommendations on the fifth BA to be annexed to the annual report of the SCF to the COP were elaborated for consideration and finalization at SCF29. Further work to be done comprises the finalization of minor data points, editing and layout, referencing and finalizing the annexes.

Discussions in the breakout groups on day 1 and 2 of the meeting focussed on finalizing the summary and recommendations. Those breakout groups were not broadcasted in their entirety, though. Remaining open issues that were considered in the plenary on day 3 related to the alignment of the summary with the technical report, and the avoidance of too prescriptive text elements in the recommendations. Eventually, the SCF29 adopted the summary and recommendations on the fifth BA to be annexed to the annual report of the SCF to the COP.

Work on definitions of climate finance

The Co-chair, Mr. Zaheer Fakir (South Africa) opened the discussion by stating that Ms. Bianca Moldovean (Romania), one of the co-facilitators, had been replaced as member of the SCF. He called for her constituency to nominate a new co-facilitator. Ms. Apollonia Miola (European Union) was chosen as the new co-facilitator.

The co-facilitators for this item, Ms. Diann Black-Layne (Antigua and Barbuda) and Ms. Apollonia Miola (European Union), recalled that at SCF 28, the committee agreed to undertake work inter-sessionally to consider a pre-final draft of the input on definitions of climate finance at SCF29. New inputs were received from Parties and non-Party stakeholders. The co-facilitators worked inter-sessionally to update the synthesis of the information from submissions, including operational definitions outside the Convention and those targeted at private sector actors. The SCF was expected to consider and finalise the work on definitions of climate finance at SCF29.

Several members raised the point of the attribution of views to specific Parties or groupings in the text, preferring not to include the names of countries in the report, and to use a consistent approach across other reports to indicate the level of agreement. It was finally decided to remove all attributions to specific countries or groups.

Several members considered that the inclusion of operational definitions used by actors outside the Convention, like the OECD-DAC Rio Markers and the definitions used by MDBs, were not relevant and were not in line with the mandate received. They contended that the report should focus on submissions by Parties only. Other members mentioned that the SCF agreed on a scope and an approach for this work at SCF27 and SCF28, which included an appeal for additional submissions by non-Party organisations, including MDBs, which were received. This meant their inclusion was in line with the mandate and therefore these definitions were added to the report, in section V. Others interpreted the mandate as providing a broad understanding of all the definitions in use, without indicating whether there are wrong or right definitions. While others added that the mandate was not to base the report on submissions only but to focus on the reality of the definitions in use. Other Parties raised the issue of balance in the presentation of definitions. This explained their concerns with the inclusion of definitions used outside the UNFCCC, including definitions of green and sustainable finance. They argued that these views are not equally shared by developed and developing countries. These definitions' inclusion amplifies the views of developed countries. Members that shared this view suggested these definitions were to be included in an annex. However, the co-facilitators clarified that the idea of the document was to map all the definitions currently in use and to be technically accurate. Other members highlighted the importance of adding definitions like those of the OECD and MDBs, for different reasons. Some pointed at the fact that these definitions are used by Parties in their reporting, as is the case with the OECD-DAC Rio Markers, and not including them would make the report less transparent. Others added that it is consistent with the work done in the Biennial Assessment and Overview of Climate Finance Flows, where an annex with definitions is included, which this work is trying to expand on.

After discussions in breakout groups, in the plenary and in a closed session, new iterations were produced, adjusting the language to clarify the purpose of the report and emphasise the challenges concerning the limited number of submissions from developing countries. Concerning the definitions used by organisations outside the UNFCCC, the text was streamlined and the definitions shortened, while the removed text was added to the annex or as footnotes, after which the report was finally adopted by the committee.

Work relating to Article 2, paragraph 1(c), of the Paris Agreement

Concerning the work on Article 2.1c of the Paris Agreement, the SCF had received two mandates. One by COP, to conduct further work on mapping the available information relevant to Article 2.1c, including its reference to Article 9; and one from the CMA on providing a synthesis of submissions regarding ways to achieve Article 2.1c. The co-facilitators, Mr. Ali Waqas Malik (Pakistan) and Mr. Kevin Adams (USA) introduced the topic by explaining the work that had been undertaken inter-sessionally and invited the members to finalize both reports and decide on their format.

Concerning the mapping of available information, some members felt the report included not only a mapping but also an analysis, by including sections on progress, challenges and opportunities, despite the fact that there is no common understanding on Article 2.1c. Thus, the report prejudices future discussions on Article 2.1c. Others argued that including challenges and opportunities was important. It was also noted that the scope and content agreed by the SCF called for consideration of similarities and differences in approaches, as well as for the identification of potential recommendations. This section was eventually reframed.

Additionally, some members felt that the section on the links to Article 9 was very short and included very little information. The co-facilitators added that this could be due to an unavailability of data on the topic. Some members suggested moving this section to the top to highlight it more. This discussion led to a broader discussion on the relation between Articles 9 and 2.1c. Some members viewed Article 9 as a sub-element of 2.1c; others viewed them as interdependent and others saw Article 9 as the means of implementation to achieve the goals included in Article 2 of the Paris Agreement. Some members added that they did not see the links, as some aspects of Article 2.1c related to the private sector, which has no link to Article 9. Finally, others suggested that a way to understand the links between Articles 2.1c and 9 is for Article 9 to help developing countries with the transition required under Article 2.1c. Members agreed that the views are different and it should be highlighted in the text. After several rounds of discussions and revisions to the text, a paragraph was added, clarifying that the mapping does not take a view on the relationship between Article 2.1c, Article 9 and any other Article of the PA, including Articles 3, 4 and 7.

A different point was made, arguing that the report included a long list of alliances and declarations by financial institutions, but that other initiatives could be more relevant. Suggestions for addition to the initiatives included the Paris Agreement Capital Transition Assessment (PACTA) methodology; the Clean Energy Ministerial; and the work done by organizations like DBSA concerning just transition. All of these were added to the report. After these changes, the report was adopted.

For the synthesis, there was a discussion on attribution of views to countries. Additional thinking was done to find better ways to reference countries and submissions in the text and have a unified approach across documents. The attributions to countries were eventually removed.

A member highlighted the need to include issues of transition risks within the discussions on Article 2.1c, including political risks, as well as gender and social risks. Others added that the document did not talk to the concerns of developing countries in terms of their specific contexts and pathways; they added that the document was unbalanced and that more needed to be added concerning stranded assets and support for a just transition. A reference to just transition and considerations of socio-economic contexts in the implementation of Article 2.1c, including avoiding unintended consequences and taking

into account risks, including of stranded assets, was added to the text. After this, the report was adopted.

Report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year

The co-facilitators of this item, Ms. Gabriela Blatter (Switzerland) and Mr. Richard Muyungi (Tanzania) recapped the mandate received by COP26 in Glasgow. At that, the SCF was requested to prepare a report in 2022 on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency of implementation, taking into account the Climate Finance Delivery Plan and other relevant reports.

At SCF28, members agreed to 1) integrate comments received from SCF members and observers on the first draft of the report as well as 2) update the report to the pre-final stage incorporating those comments. This workstep has been conducted intersessionally. Thus, the co-facilitators invited the SCF to finalise the technical report and its executive summary at this meeting to provide it to COP27 as requested.

Members welcomed the progress on the Technical Report but flagged some elements that might need further consideration, for instance the lack of a common definition of climate finance or the imbalance of needs determined and the international support. A member suggested establishing a permanent mechanism to track the progress towards climate finance goals.

While the discussions and break-out groups were able to sort out minor remaining issues around the ~120 pages Technical Report itself, contentious views focused on the ~ 20 pages Executive Summary. It was highlighted that such Executive Summary would be beneficial for communication purposes and to structure the report to the COP. However, particularly two elements led to intense discussions among SCF members. First element of concern was an illustration showing different channels of climate finance, e.g. public bilateral, multilateral or private flows, and the estimated value according to existing sources such as the OECD report (for the year 2020), Biennial Assessments (2019 and 2020), the Oxfam Shadow Report (for 2017/2018) and the Indian Ministry of Finance (for 2015). It also included aggregated values with the total volumes provided by the respective sources. Several members objected to such a presentation of results as not methodologically and technically robust since it compares “apples with oranges”. They referred to varying reporting years, instruments and finance channels covered in the same figure. In contrast, other members claimed that this illustration is particularly helpful as it shows the range of interpretations regarding the achievement of the USD 100 billion goal. A second item of concern were the recommendations included in the Executive Summary. Members could not agree on those during the break-out groups thus the final plenary decided to reject any recommendations. After a lengthy discussion and despite compromises presented by the co-facilitator, the plenary was not able to agree on a comprehensive illustration. Thus, members decided that an Executive Summary without an acceptable illustration compiling varying results as well as a comprehensive set of recommendations is not sufficient. Thus, only the technical report without the Executive Summary was finally adopted.

Draft guidance to the operating entities of the Financial Mechanism

The co-facilitators Mr. Toru Sugio (Japan) and Mr. Ivan Zambrana (Bolivia) recapitulated the work undertaken inter-sessionally. They clarified that after receiving submissions and inputs; they cross-checked them to identify elements that were either repetitive, contradictory, not in line with the entities’ mandate, already part of ongoing work or had been included in previous guidance. These elements, as well as elements that were not operational, were highlighted as such and presented in a table.

Some mentioned it was unfortunate that so few submissions from developing countries were received. It was also mentioned that the guidance should be taken as far as possible

by the committee, to avoid past situations in which draft guidance was not provided by the SCF to the COP. Given the short time to agree on draft text, the SCF members agreed that the co-facilitators would proceed to prepare draft text for consideration by the members at this meeting, based on submissions received and new inputs.

Based on the draft text prepared by the co-facilitators on the GCF, some additions were suggested. These included text on the GCF using its Readiness programme to support work on transition risks and risk assessment; text on including adequate safeguards to crowd-in the informal private sector in specific contexts. Others added the need to flag specific policies in the text on policy gaps, particularly the accreditation strategy. Members also requested adding text on pipeline management, including on a structure to prioritize proposals.

The committee also discussed ways to deal with disagreement. The members settled on keeping elements that were part of the submissions and inputs, while adding brackets in the text to highlight where there was no consensus. They agreed that the text should not be negotiated at the SCF. Additional text was included, after receiving additional inputs from Parties. The members went through the text, to agree on the elements and on the placement of brackets. Finally, the draft guidance for the GCF was adopted.

On the GEF, some members raised concerns about elements that were not in line with the mandate, for example on adaptation elements, and Loss and Damage. Further clarification was sought from the GEF's representatives.

A similar approach to deal with convergent and divergent views was adopted for the preparation of the GEF guidance, by using brackets to signal a lack of consensus. After consultation with the GEF representatives, some inputs were reformulated to address the organization's mandate, as well as that of the LDCF and SCCF.

After a new iteration, the members reviewed the new draft and agreed on which parts needed to be in brackets and which parts could be left without brackets; after which, the draft guidance was adopted.

Forum of the Standing Committee on Finance

The co-facilitators, Ms. Fiona Gilbert (Australia) and Mr. Mohamed Nasr (Egypt) opened the discussions by introducing the two topics under consideration: the outcomes of Part II of the forum on nature-based solutions (NbS), held from September 26 to 28 in Cairns, Australia, and the next topic of the SCF Forum. They invited the members to take note of the High-level summary of the NbS Forum, and added that a longer summary would be produced before COP27. The members took note of the High-level summary.

As for the topic for the next forum, the co-facilitators presented a list of potential topics, based on suggestions provided by members. Members provided additional rationale for the topics they had proposed, usually pointing at existing initiatives, including links to initiatives launched in Glasgow, as well as to discussions under the New Collective Quantified Goal (NCQG). A member pointed at the importance of the topic of transition risks, especially political risks. Others highlighted the need to draw attention to certain topics, like circular carbon economy and related technologies.

Members recognized the potential for streamlining and combining certain topics, considering the overlap between them. Several members proposed focusing on the topic of transition, which can encompass many of the other proposed topics.

The co-facilitators came back with a proposal to have "Financing the transition" as an overarching theme for the next forum. They requested the members to focus on deciding the overarching topic first and to leave the discussion on potential sub-themes for 2023. Having reached agreement on that, a few members pressed for the overarching topic to be "Financing the just transition", since that is the language included in the Paris Agreement. Others expressed concern that just transition is too focused on socio-economic aspects, and might therefore leave other interesting questions out, for example, technologies. After some assurances that all sub-themes, and not only socio-economic aspects, would be explored in 2023, the members agreed on the topic of "Financing the just transition".

Dates and venues of future meetings

Following the suggestion from the Co-Chairs, SCF members agreed to hold three meetings in 2023, and to give the mandate to the Co-chairs to propose dates and formats for consideration inter-sessionally, with the proposal expected in January 2023.

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