



## About this guide

This guide provides negotiators and observers with an overview of the key issues related to climate finance that will be discussed at the 24th Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), to be held from 2 to 14 December 2018 in Katowice, Poland. It is structured along the main items of the agenda of the different bodies that will meet in Katowice, namely the COP itself, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP), the subsidiary bodies (SBI and SBSTA) and the Ad-hoc Working Group on the Paris Agreement (APA). A table at the end of the document provides a simple synopsis of all the items discussed in this guide.

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## CFAS Climate Finance Guide: COP24 Katowice

### 1 Introduction

Climate finance has a pivotal role for the entire international climate policy process, for several reasons. First, the provision of climate finance to developing countries is an obligation developed countries have both under the Convention and the Paris Agreement (PA). Fulfilling this obligation builds trust that the international system is working, and Parties are taking their commitments seriously. Second, climate finance is key to enabling the fulfilment of existing commitments, it is a "means of implementation" allowing poorer countries to report their emissions, adapt to the impacts of climate change and reduce their emissions in line with their Nationally Determined Contributions (NDCs). Third, climate finance can trigger higher ambition, leading to the highest possible efforts, which are needed to close remaining gaps. As far as the mitigation of climate change is concerned, the recent IPCC special report "Global Warming of 1.5 °C" has shown that current commitments are far from putting global emissions on a pathway that would allow achieving the objective of the PA to limit temperature rise to well below 2 C or even 1.5 C. Additional incentives are needed for more ambitious action – climate finance can be one such incentive. Still, also much more resources are needed to fill the adaptation gap, i.e. fulfil the objective of the PA to enable climate resilient development, particularly for the most vulnerable.

With the particular aim of adopting the implementation guidelines of the Paris Agreement (Paris Agreement Work Programme, PAWP), COP24 in Katowice will be crucial for the multilateral climate policy framework of the next decades. Concerning climate finance, the individual bodies of the Convention will treat several important agenda items. This includes guidance on the policies and programme priorities of the GCF and the GEF, under the COP. Also, the issue of long-term climate finance (with the discussion of how to reach the annual USD 100 billion by 2020) will be treated by the COP. The modalities for accounting of climate finance are important agenda items for finalizing the PAWG under SBI, SBSTA as well as APA (Art. 9 and 13 of the PA). The future role of the Adaptation Fund under the PA will be discussed by the APA. Subsequently, the key finance issues at COP24 are described in more detail.

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## 2 COP

The COP is the ultimate decision-making body of the Convention in which all Parties to the Convention are represented. During the COP, Parties review the implementation of the Convention and any other legal instrument that the COP adopts with the aim of taking decisions necessary to promote the effective implementation of the Convention.<sup>1</sup>

### Long-term climate finance

Long Term Finance (LTF) is one of the crucial agenda items to be considered under the COP.<sup>2</sup> The work programme on LTF was launched at COP17 and concluded through a dedicated decision at COP19.<sup>3</sup> Since then, the discussions around LTF have intensified and continue to deliberate around three core elements, including biennial submissions by developed country Parties on how they would be scaling up climate finance (Strategies & Approaches), annual in-session workshops and biennial high-level ministerial dialogues on climate finance.<sup>4</sup> The negotiations on LTF are centred towards scaling up climate finance from 2014 to 2020 in line with

<sup>1</sup> See UNFCCC Website, [www.unfccc.int/process/bodies/supreme-bodies/conference-of-the-parties-cop](http://www.unfccc.int/process/bodies/supreme-bodies/conference-of-the-parties-cop)

<sup>2</sup> [www.unfccc.int/event/cop-24#eq-27](http://www.unfccc.int/event/cop-24#eq-27)

<sup>3</sup> Decision 3/CP.19, [www.unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=9](http://www.unfccc.int/resource/docs/2013/cop19/eng/10a01.pdf#page=9)

<sup>4</sup> UNFCCC (2018): Long-Term Climate Finance (LTF), [www.unfccc.int/topics/climate-finance/workstreams/long-term-climate-finance-ltf](http://www.unfccc.int/topics/climate-finance/workstreams/long-term-climate-finance-ltf)

the USD 100 billion per year commitment made by the developed countries dating back to 2009 at COP15<sup>5</sup>.

From the perspective of developing countries, the LTF workstream remains an important vehicle to provide feedback on the strengths and shortcomings of current financial support under the Convention. In addition, it serves as a means to closely follow-up on progress made in relation to mobilizing USD 100 billion per year by 2020. Experiences shared under the LTF workshop and dialogue are expected to inform other agenda items on the operationalization of the Paris Agreement (e.g. Article 9.5). Besides, they also aim at the greater climate action community, including providers of technical assistance or donors not covered under the Convention to underline what improvements are necessary.<sup>6</sup> While the current LTF work stream is covering the period between 2014 and 2020,<sup>7</sup> it is yet to be decided whether LTF will continue to play a role once the Paris Agreement will come into action.

#### **Focus topics:**

- At COP24, the Parties will take note of the results presented in the LTF in-session workshop report prepared by the UNFCCC Secretariat coming from the May 2018 session.<sup>8</sup> (see Box 1 below).
- Informed by the in-session workshop reports and the 2018 biennial assessment and overview of climate finance flows, the 3<sup>rd</sup> High-Level Ministerial Dialogue on Climate Finance will be held at COP24 and discuss how to further optimize the mobilization of climate finance.

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<sup>5</sup> Copenhagen Accord, [www.unfccc.int/source/docs/2009/cop15/eng/11a01.pdf#page=5](http://www.unfccc.int/source/docs/2009/cop15/eng/11a01.pdf#page=5)

<sup>6</sup> For example, the LTF workshops are also open to Observers, who are invited to participate in the debates. Participa-

tion by some Observers, for example GIZ, has also been reflected in the latest summary report of the UNFCCC Secretariat.

<sup>7</sup> Decision 3/CP.19, [www.unfccc.int/source/docs/2013/cop19/eng/10a01.pdf#page=9](http://www.unfccc.int/source/docs/2013/cop19/eng/10a01.pdf#page=9)

<sup>8</sup> Decision 6/CP.23

### **2018 In-session Workshop on Long-term Climate Finance**

The most recent long-term climate finance in-session workshop was held on the sidelines of SB48 (May 2018). The objective of this workshop was to create a forum for technical discussions on the performance of existing finance-related activities as well as unaddressed needs, with a view to further optimizing the mobilization of financial resources in support of ambitious climate action.

The workshop focused on three major topics:

- (1) Articulating and translating needs identified in country-driven processes into projects and programmes,
- (2) Roles of policies and enabling environments for mitigation and adaptation finance, and
- (3) Facilitating enhanced access.

According to the summary report prepared by the UNFCCC Secretariat, the following key findings have been identified in relation to the major topics.

- On the first topic, Parties concluded that improvements in managing national climate finance flows (e.g. integrating into budgetary processes) as well as strategic planning for climate-relevant investments (e.g. translating NDCs into policies and programmes) need to be made. In addition, programmatic approaches should receive more attention, and cooperation between donors / funding institutions and recipients should be taking place on a long-term basis.
- On the second topic, the value of readiness support, including project preparation, was highlighted and the benefits of South-South cooperation and regional dialogues underlined. Room for improvement was seen in strengthening in-country climate finance coordination, integrating climate finance into development planning and showing political commitment to climate action.
- On the third topic, concerns were raised that the lack of a clear divide between climate finance and development finance still causes problems, especially in the case of adaptation finance. Furthermore, multilateral climate funds were called upon to simplify their access requirements in the light of empowering direct access entities, and to improve communication regarding those requirements towards potential recipients, who are currently underrepresented (e.g. subnational or local actors, small- and medium-sized enterprises).

The results of the workshop will be forwarded to COP24 for consideration in form of a summary report and they will inform the programme of the upcoming High-Level Ministerial Dialogue on Climate Finance.

Box 1: 2018 In-session Workshop on Long-term Climate Finance

### High-Level Ministerial Dialogue on Climate Finance

The first High-Level Ministerial Dialogue was held in 2014 at COP20 followed by the second dialogue organized by the Moroccan Presidency at COP22.<sup>1</sup> As invited by COP23 held in Bonn in 2017, the third dialogue will take place in Katowice, Poland, on 10 December 2018 and has been titled “Translating climate finance needs into action”<sup>1</sup>. As noted by the Secretariat, the purpose of the third dialogue is to focus on concrete efforts and initiatives on mobilizing finance and investment to translate climate finance needs into action and on enhancing developing countries’ access to climate finance. The dialogue will be informed by the in-session workshop report of the Secretariat and the presentation of the Standing Committee on Finance on its findings from the 2018 biennial assessment and overview of the climate finance flows. As per the Secretariat’s preliminary draft programme, there will be two thematic sessions<sup>1</sup>,

- (1) Mobilizing finance and investment to translate climate finance needs into action, and
- (2) Enhancing access to climate finance.

While the first one will focus on the current state of policy and regulatory frameworks in support of climate finance, the latter is supposed to address progress made and barriers remaining in relation to accessing climate funds as well as international and domestic private finance.

Box 2: High-Level Ministerial Dialogue on Climate Finance

### 2.1 Matters relating to the Standing Committee on Finance

At COP16 in 2010, Parties decided to establish a Standing Committee (Decision 1/CP.16, para 112), which was later renamed the Standing Committee on Finance (SCF), to support the COP in relation to the Financial Mechanism of the UNFCCC. This includes “improving coherence and coordination in the delivery of climate change financing, rationalisation of the financial mechanism, mobilisation of financial resources and measurement, reporting and verification of support provided to developing country Parties.” As per decision 1/CP.21, para 63, the SCF will also serve the Paris Agreement with its functions and responsibilities, which have been specified by COP17 in Durban in 2011 (Decision 1/CP.17, para 121) as follows:

- The organisation of a Forum for communication and the continued exchange of information among bodies and entities dealing with climate change finance

- Maintaining linkages with the Subsidiary Body for Implementation (SBI) and the thematic bodies of the UNFCCC
- The provision of draft guidance to the operating entities of the Financial Mechanisms, i.e. the Global Environment Facility (GEF) and the Green Climate Fund (GCF)
- The provision of expert input into the preparation and conduct of the periodic review of the Financial Mechanism
- Preparation of a Biennial Assessment and Overview of Climate Finance Flows (BA)

In the process of establishing the SCF and adopting its work modalities, COP17 in Durban in 2011 also decided to conduct a review of SCF functions in 2015. Accordingly, COP21 in Paris decided to initiate a review at COP22, which was concluded at COP23. Inter alia, the SCF was requested to further refine its approach to maintaining linkages with the subsidiary and constituted bodies according to resources available and in the context of its existing working modalities; to further

strengthen its stakeholder engagement; and to continue its deliberations on ways to enhance the participation of members of the SCF, acknowledging the need to ensure the full participation and contribution of all constituencies.<sup>9</sup>

The SCF is meant to provide expert technical input on finance relevant matters that are being dealt with – from a more political angle – by the COP. As the SCF outcomes are only agreed by the members of the Committee (consisting of 10 members each from developed and developing countries), its recommendations and inputs forwarded to the COP need to be decided and endorsed by all Parties. Therefore, Parties at COP24 will be invited, for instance, to consider draft guidance to the operating entities of the financial mechanism (the Global Environment Facility and the Green Climate Fund) prepared by the SCF throughout the year; approve the report of the SCF Forum; take note of this year's Biennial Assessment and Overview of Climate Finance Flows; and approve the SCF's workplan for 2019. In this context, the COP might consider providing additional guidance to the SCF as deemed necessary.

In 2018, the SCF met three times – twice in Bonn, once in Bangkok – and deliberated on different issues as outlined in its workplan, as well as addressed specific requests by the last COP. The two key deliverables of the work of the SCF this year were the third BA, as well as the sixth SCF Forum.

### **Biennial Assessment and Overview of Climate Finance Flows**

One of the SCF's core functions is related to the measurement, reporting and verification (MRV) of the support provided from developed to developing country Parties, including the preparation of the BA. The BA process was established in Durban in 2011 (2/CP.17 para 121(f)), with the primary objective to biennially provide the COP with existing information on financial flows

against the background of the objectives of the Convention, starting in 2014. It also has a number of secondary purposes such as: contributing to the work on transparency of action and support, identifying methodological issues, data gaps, and potential for future research, and establishing a framework that can serve as a basis for future reports. Lastly, the outcomes of the BA are meant to include recommendations for improvements in the MRV system both inside and outside of the scope of the Convention. The BA's scope was gradually extended at subsequent COPs and by provisions in the Paris Agreement. With regards to the latter, the BA should aim to inform the work of the Ad Hoc Working Group on the Paris Agreement in relation to the development of modalities, procedures and guidelines for a broader transparency framework of support and action.<sup>10</sup>

Upon release of the 2<sup>nd</sup> BA in 2016, the SCF started preparations for the 3<sup>rd</sup> BA in early 2017, e.g. agreeing on the outline of the technical report which was also adopted by Parties at COP23. An approach similar to that employed for the first two BAs was taken, building on the guidance provided through the relevant decisions listed above. Two technical expert meetings were held in 2018 to discuss latest developments in methodological issues relating to the MRV of climate finance; identification of data availability and gaps for public international, private international, and domestic flows; latest developments on methodologies for tracking and reporting climate finance; issues relating to the assessment of climate finance flows, as well as the availability of information relevant for the tracking progress towards the goal outlined in Article 2.1(c) of the Paris Agreement.

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<sup>9</sup> See Decision 8/CP.23, [www.unfccc.int/resource/docs/2017/cop23/eng/11a01.pdf#page=27](http://www.unfccc.int/resource/docs/2017/cop23/eng/11a01.pdf#page=27)

<sup>10</sup> As outlined in Article 13, para 13 of the Paris Agreement

The 2018 BA presents estimates of global climate finance flows (public and private), including sub-flows from developed to developing countries (public and available data on mobilized private finance through public interventions), domestic climate finance, South-South cooperation, as well as the other climate related flows and sub-flows that constitute global total climate finance flows for the period 2015-2016, 2016, along with data on trends from 2011 to 2014 collated in previous BA reports. The 2018 BA also maps available datasets that integrate climate change considerations into insur-

ance, lending and investment decision-making processes and that include information relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement. In preparing the 2018 BA due diligence has been undertaken to utilize the best information available from the most credible sources. Challenges were nevertheless encountered in collecting, aggregating and analysing information from diverse sources, in particular uncertainties regarding data (e.g. resulting from the lack of geographic coverage, differences in the way methods are applied or

### **Global Climate Finance Flows**

- According to the 2018 BA, global total climate finance has increased by almost 17% in the period 2015-2016, compared with the period 2013-2014. High-bound climate finance estimates increased from USD 584 billion in 2014 to USD 680 billion in 2015 and to USD 681 billion in 2016 (largely driven by high levels of new private investment in renewable energy, the largest sector of the global total.)

### **Financial Flows to Developing Countries**

- As reported in developed country Biennial Reports (BR), USD 30 billion in 2015 and USD 34 billion in 2016 were reported as climate-specific finance channelled through bilateral, regional and other channels; the remainder flowed through multilateral channels. From 2014 to 2016, both mitigation and adaptation finance grew in more or less equal proportions, namely by 41 and 45 per cent, respectively. USD 1.4 billion in 2015 and USD 2.4 billion in 2016 was channelled through the UNFCCC funds and multilateral climate funds, representing a decrease of approximately 13 per cent compared with the 2013–2014 biennium.
- Climate finance provided by MDBs to developing countries from their own resources was reported as USD 23.4 billion in 2015 and USD 25.5 billion in 2016, a 3.4 per cent increase from the 2013–2014 period. The BA suggests that USD 17.4 billion in 2015 and USD 19.7 billion in 2016 can be attributed to developed countries.

### **Private Climate Finance**

- Following the BA, the major source of uncertainty relates to the geographic attribution of private finance data. OECD estimated USD 21.7 billion in climate-related private finance mobilized during the period 2012–2015 by bilateral and multilateral institutions, which included USD 14 billion from multilateral providers and USD 7.7 billion from bilateral finance institutions.

Box 3: Climate Finance Flows in 2015-2016 (as estimated in the 3<sup>rd</sup> BA)

from the lack of procedures and data to determine private climate finance) and data gaps (e.g. in the coverage of certain sectors and sources of climate finance).<sup>11</sup>

Through its activities, the SCF aims to contribute to the progressive improvement of the measurement, reporting and verification of climate finance information in future BAs to help address these challenges.

### **Forum of the SCF**

The SCF is in charge of organizing a Forum for the communication and continued exchange of information among bodies and entities dealing with climate change finance in order to promote linkages and coherence in the mobilization and delivery of climate finance (Decision 2/CP.17 para 121a).

The sixth Forum of the SCF took place on July 5<sup>th</sup> and 6<sup>th</sup> 2018 following the conclusion of the 20<sup>th</sup> Green Climate Fund Board meeting in Songdo, Republic of Korea. The Forum was titled “The Climate Finance Architecture: Enhancing collaboration, seizing opportunities” with a focus on enhancing collaboration among various stakeholders and identifying ways to make the best use of new opportunities and instruments. The 2018 Forum discussed both the global and national climate finance architecture, as well as the interaction between the two. It aimed to identify trends, developments and challenges under the climate finance architecture with a view to improving climate finance flows from the international to the national levels and enhancing collaboration between the UNFCCC climate funds and other actors through the exchange of information and experiences.

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<sup>11</sup> See <https://unfccc.int/sites/default/files/resource/51904%20-%20UNFCCC%20BA%202018%20-%20Summary%20Final.pdf>



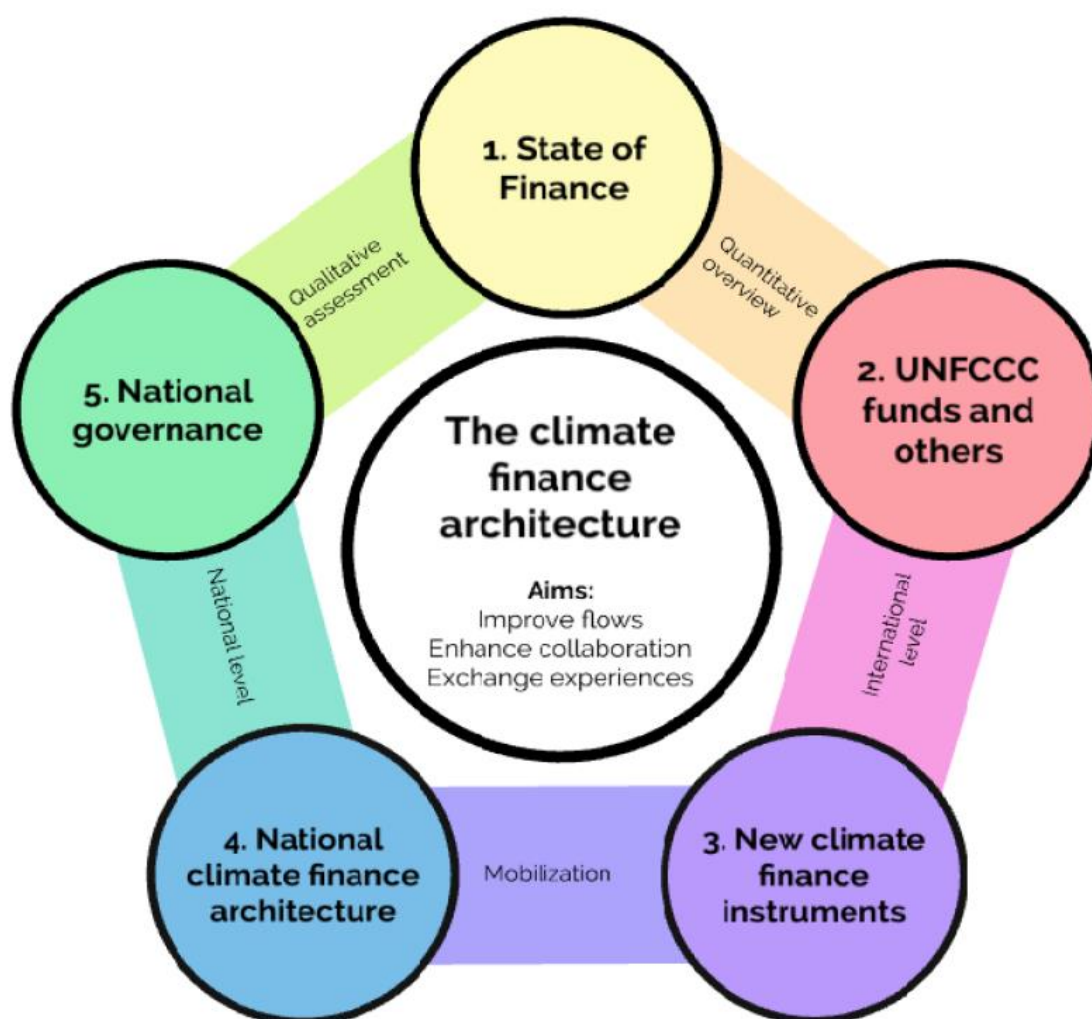


Figure 1: The five thematic clusters of the 2018 Forum of the SCF

**Focus topics:**

- Parties will be invited to consider the Report of the SCF, including the outputs produced while implementing the received mandates, for instance the SCF's 3<sup>rd</sup> Biennial Assessment and Overview of Climate Finance Flows (BA); and the conduction of the 6<sup>th</sup> SCF Forum, focusing on the national and international climate finance architecture.
- Parties may consider providing additional guidance to the SCF for the preparation of the 4<sup>th</sup> BA, presumably taking into account discussions under SBSTA regarding modalities for accounting climate finance.

- Parties will be invited to decide on the topic for the SCF's 7<sup>th</sup> Forum, building on the discussions of the SCF throughout the year.

**2.2 Report of and guidance to the Green Climate Fund**

The Green Climate Fund (GCF), established at COP16 in Cancun in 2010, is an operating entity of the Financial Mechanism of the Convention. It is established to support climate projects, programmes, policies and other activities in developing countries.

Throughout the year 2018, the GCF Board convened three times – twice in Songdo, Republic of Korea; once in Manama, Kingdom of Bahrain – to address matters

related to the implementation of the Paris Agreement and related COP decisions. COP 3 in Bonn provided guidance to the GCF Board and requested the Board to act on several issues, such as: to launch the first formal replenishment process of the GCF; to continue improving the process to review and approve readiness and preparatory support requests, including requests for support to prepare national adaptation plans and voluntary adaptation planning processes; and to ensure the continuation of trustee services and to conclude its deliberations on the selection of a trustee.<sup>12</sup>

In the course of 2018, the GCF Board has approved USD 2.13 billion to support the implementation of 42 climate change adaptation and mitigation projects and programmes in developing countries. With this, the GCF now has a portfolio of 93 projects amounting to over USD 4.6 billion of GCF resources. During 2018 the Fund has also made a rapid acceleration in implementation on the ground, with now 39 projects under implementation, worth USD 1.6 billion in GCF resources. These projects and programmes are expected to attract USD 16.4 billion in direct public and private sector co-financing. Of the 93 projects and programmes approved, 61 per cent (45 projects) involve least developed countries (LDCs), small island developing States (SIDS) and African States. On a thematic basis, the portfolio is split 39 per cent for mitigation, 25 per cent for adaptation, and 36 per cent for cross-cutting.

At the first meeting of the year, the Board approved an additional USD 60 million for the execution of the Readiness and Preparatory Support Programme, bringing the total amount allocated to the programme to USD 190 million. As at 31 July 2018, a cumulative amount of USD 90.9 million had been committed or spent. USD 109.4.1 million had been approved for 196 readiness requests from 110 countries. Of the 110 countries, 73 were SIDS, African States and LDCs. Legal arrangements had

been completed for 146 of the approved readiness proposals and USD 39.8 million had been disbursed for 109 readiness requests received from countries.

As stipulated in the Fund's Governing Instrument, access to resources is granted to national, regional and international implementing entities (para 45). To date, the Fund has accredited 75 such entities, 41 of which are direct access, providing national and regional channels for developing countries to access GCF funds.

The GCF continues to further strengthen its investment and operational frameworks. The Board approved both an Indigenous Peoples Policy and an Environmental and Social Policy to ensure the positive impact of its operations. Gender aspects also factor significantly in the work of GCF, with 92 per cent of projects considered by the Board containing gender assessments and 83 per cent of projects incorporating gender action plans. An updated Gender Policy and Action Plan has been considered by the Board in 2018, however no decision has been taken so far. As part of the ongoing process to simplify and clarify project and programme eligibility and selection criteria, the Board is addressing policy matters arising from consideration of the initial batches of funding proposals through an integrated approach. The related policies, including on co-financing, concessionality and methodologies for full and incremental cost calculation have been on the agenda of the Board throughout 2018. However, no decision has been taken by the Board so far.

At the last Board meeting in October 2018, the Board made a number of other significant decisions, including adopting a selection process for the recruitment of a new Executive Director, deciding to initiate a performance review of GCF to be carried out by the Independent Evaluation Unit, and selecting and appointing the World Bank as the GCF's trustee. The Board also held in-depth discussions on developing a process for decision-making in the absence of consensus.

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<sup>12</sup> See Decision 9/CP.23

At COP24, Parties are expected to take note of the Report by the GCF to the COP, as well as provide guidance for its operations in 2019. It can be expected, that the policy gaps outlined above (e.g. on the integrated approach; the Gender Equality and Social Inclusion Policy; and options for decision-making in the absence of consensus) will be addressed, as well as the process to conclude the Fund's first formal replenishment.

#### **Focus topic:**

- COP24 is expected to provide guidance to the GCF on policies, programme priorities and eligibility criteria, taking into consideration the report of the Board of the GCF. Matters that could be address could include the Fund's first formal replenishment process, as well as outstanding policy gaps.

### **2.3 Report of and guidance to the Global Environment Facility**

Since the decision by COP12, the Global Environment Facility has been serving as one of the operating entities of the financial mechanism of the UNFCCC. GEF reports on its progress annually to the COP and receives regular guidance especially in relations to the Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) as they are administered by the GEF. GEF will also serve the Paris Agreement as a part of the financial mechanism. At COP24, the annual report of the GEF will be presented to the Parties, containing information on the GEF achievements of the past year, and on how guidance from COP23 has been addressed.<sup>13</sup>

Regarding the allocation of financial resources, the GEF report mentions that since its establishment it has funded 944 mitigation projects with more than USD 5.6 billion in over 165 countries. In this reporting period, the

GEF allocated USD 248 million to 54 projects, which are expected to avoid or sequester over 70.2 Mt CO<sub>2</sub> eq. in total over their lifetime. The sectors addressed include energy efficiency, renewable energy, sustainable transport and urban systems, and agriculture, forestry and other land use (AFOLU), as well as technology transfer/innovative low-carbon technologies (LCTs).

Regarding adaptation actions, the GEF has provided USD 1.25 billion in grant funding since being operational. In this reporting period, the LDCF supported 13 projects with USD 78.4 million.<sup>14</sup>

Complementary to its funding activities and mandated by COP21, the GEF established the Capacity Building Initiative for Transparency (CBIT) in 2016. It serves the purpose of strengthening developing countries capacities in order to meet the enhanced transparency requirements under the Paris Agreement. To date, donors have contributed USD 61.1 million, of which USD 56 million have been paid to the CBIT Trust Fund. In this reporting period, the GEF Secretariat approved one global CBIT project and 29 national projects. A total of 39 national projects and two global projects are being supported through CBIT at the moment. As part of GEF-7, the CBIT will be mainstreamed in the Climate Change Mitigation Focal Area to support Parties meeting the requirements of the enhanced transparency framework.<sup>15</sup> Other highlights of GEF activities presented in the report include: support for pilots and innovative projects for technology transfer and financing (e.g. Climate Technology Centre and Network (CTCN)), funding of the development of National Communications (NCs) and Biennial Update Reports (BURs), and the introduction of new guidelines to advance gender equality in GEF projects and programmes.<sup>16</sup>

<sup>13</sup> Report of the Global Environment Facility (2018). [www.unfccc.int/documents/182455](http://www.unfccc.int/documents/182455).

<sup>14</sup> Ibid.

<sup>15</sup> See GEF-7 Replenishment (2018): Programming Directions, <https://www.thegef.org/sites/default/files/council-meeting->

[documents/GEF-7%20Programming%20Directions%20-%20GEF\\_R.7\\_19.pdf#page=48](https://www.thegef.org/sites/default/files/council-meeting-documents/GEF-7%20Programming%20Directions%20-%20GEF_R.7_19.pdf#page=48), p. 41

<sup>16</sup> Ibid.

Apart from taking note of the GEF funding activities, another important topic at COP24 will be the seventh replenishment (GEF-7) of the fund. As per the decision 11/CP.22, the COP had requested the GEF to ensure a robust replenishment in order to assist in providing adequate and predictable funding, taking into consideration the Paris Agreement. GEF replenishments are undertaken in a consultative process with developing country Parties and other stakeholders. In this reporting period, the third and fourth GEF-7 replenishment meetings were organized by the Secretariat; the GCF Secretariat was also invited as observer of these meetings.

COP24 is expected to provide guidance to the GEF on policies, programme priorities and eligibility criteria, taking into consideration the reports of the GEF and the SCF. It will also welcome on the progress made on the Capacity Building Initiative for Transparency to be included in the GEF-7 replenishment and establishment of a Private Sector Advisory Group. Similarly, COP24 is expected to support the process initiated to improve fiduciary standards, including anti-money laundering and counter terrorism finance policy by the GEF. The COP is also expected to ask the GEF to report on the outcomes of the collaboration between the Poznan strategic programme's climate technology and finance centres, and the Climate Technology Centre and Network.

#### Focus topics:

- The GEF presents its annual report to the COP. This includes achievements made by GEF over the past year, as well as the seventh GEF replenishment process (GEF-7).
- COP24 will provide guidance to the GEF on policies, programme priorities and eligibility criteria, taking into consideration the reports of the GEF and the SCF.

- COP24 will welcome the progress made on Capacity Building Initiative for Transparency and establishment of the Private Sector Advisory Group, and support the process initiated to improve fiduciary standards by the GEF.

#### 2.4 Review of the Financial Mechanism

In order to evaluate the provision of financial resources from developed country Parties (Annex II Parties) to assist developing country Parties in implementing the Convention<sup>17</sup> under the Financial Mechanism, Parties agreed at COP4 to review the Financial Mechanism of the Convention every four years. In response to Article 11.4 of the Convention, the review regards the operating entities (the GCF and the GEF described above), regarding:

- Governance
- Responsiveness of the operating entities of the Financial Mechanism to guidance from the COP
- Mobilization of financial resources
- Delivery and effectiveness of financial resources
- Results and impacts achieved with the resources provided
- Consistency of the Financial Mechanism with the objective of the Convention
- Consistency and complementarity of the Financial Mechanism

At COP24, the review of the Financial Mechanism is not an agenda item, as the sixth review cycle was concluded at COP23 in Bonn in November 2017<sup>18</sup> and the seventh review cycle will be initiated at COP26 (November 2020), in accordance with the criteria in the updated guidelines contained in the annex to decision 12/CP.22.<sup>19</sup> The Standing Committee on Finance shall provide its expert

<sup>17</sup> See UNFCCC website, [www.unfccc.int/topics/climate-finance/workstreams/review-of-the-financial-mechanism](http://www.unfccc.int/topics/climate-finance/workstreams/review-of-the-financial-mechanism)

<sup>18</sup> See a technical paper on the sixth review of the Financial Mechanism prepared by the SCF at: [www.unfccc.int/sites/default/files/tp\\_6th\\_review\\_31oct\\_1130.pdf](http://www.unfccc.int/sites/default/files/tp_6th_review_31oct_1130.pdf)

<sup>19</sup> See [www.unfccc.int/files/meetings/marakech\\_nov\\_2016/application/pdf/auv\\_cop22\\_i10e\\_sixth\\_review\\_of\\_fin\\_mechs.pdf#page=2](http://www.unfccc.int/files/meetings/marakech_nov_2016/application/pdf/auv_cop22_i10e_sixth_review_of_fin_mechs.pdf#page=2)

inputs to the seventh review in 2021, while COP27 is to complete the review in November 2021.

## 2.5 Identification of the information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement

The SBI will forward their recommendations for information to be considered under Article 9.5 to COP24, after concluding their work on the matter at SBI 49 in Katowice (see SBI section below).

## 3 CMP

All states that are Parties to the Kyoto Protocol are represented at the CMP, while states that are not Parties to the Kyoto Protocol may only participate as observers. The CMP oversees the implementation of the Kyoto Protocol and its members take decisions to promote the effective implementation of the Protocol.<sup>20</sup> In Katowice, the 14th CMP will be held (CMP 14).

### 3.1 Report of the Adaptation Fund Board

The CMP requested the Adaptation Fund Board to report on its activities at each session of the CMP. In Katowice, CMP14 may wish to take note of the information contained in the report of the Adaptation Fund Board.

The report includes information on progress made by the Adaptation Fund, in particular on the implementation of the tasks mandated by the CMP, and recommendations for actions to be taken by the CMP14, as appropriate.

According to the report, the Adaptation Fund, formally established under the Kyoto Protocol in 2001 and operationalized in 2007, has been promoting concrete localized small-scale adaptation projects and programmes in developing countries with particular focus on the most vulnerable to the adverse effects of climate

change. Since its inception, the Adaptation Fund has received considerable attention due to its unique features, such as:

- Its explicit focus on the most vulnerable people and communities.
- It has pioneered Direct Access and Enhanced Direct Access modalities strengthening the capacities of national institutions.
- A solid understanding of good adaptation practices and experience in monitoring and evaluation of those projects.
- Its institutional mandate and experience to administer innovative sources of finance.

Generally, the demand for funding from the Adaptation Fund is increasing. For the Fund's 32<sup>nd</sup> Board meeting in October 2018, a record amount of US\$264 million was requested through 35 fully developed proposals, concept notes, and pre-concept notes; the largest number of proposals received thus far. Besides the share of proceeds (2 percent) from the sales of certified emission reductions, the Adaptation Fund receives contributions mainly from governments, but also from the private sector and individuals. However, the Adaptation Fund has been facing serious financial constraints due to a decline in the carbon market in recent years. These financial constraints imply that the Adaptation Fund has been increasingly dependent on contributions from developed countries to maintain its work. Last year in Bonn during COP23, the Adaptation Fund received new pledges totalling USD 93 million from Germany, Sweden, Italy, the Walloon region of Belgium and Ireland. By the end of 2018 at COP24 in Katowice, the Adaptation Fund is aiming for minimum USD 90 million in new pledges.

The Adaptation Fund has also been conducting a process to clearly define its role in the future climate finance architecture, with a new 5-year Medium-Term

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<sup>20</sup> See UNFCCC website, [www.unfccc.int/process/bodies/supreme-bodies/conference-of-the-parties-serving-as-the-meeting-of-the-parties-to-the-kyoto-protocol-cmp](http://www.unfccc.int/process/bodies/supreme-bodies/conference-of-the-parties-serving-as-the-meeting-of-the-parties-to-the-kyoto-protocol-cmp)

Strategy 2018-2022 approved by its Board in October 2017. The strategy is founded on three pillars: Action; Innovation; and Learning and Sharing. Only a few months later during March 2018, the Adaptation Fund Board approved an implementation plan for the Medium-Term Strategy followed by the several substantial decisions in October 2018 which will contribute to implementing the Fund's Medium-Term Strategy. This includes three new small grant funding windows (totaling USD 5 million) outside its regular processes for submitting project proposals: "Innovation grants", "project scale-up grants", and "learning micro-grants".

Regarding the overall performance, since coming into operation in 2010, the Adaptation Fund has accredited 46 Implementing Entities (including 28 National Implementing Entities) that have been implementing 80 concrete localized adaptation projects in more than 50 developing countries. In total it has committed about USD 532 million for resilience projects and programmes directly benefitting about 5.8 million people of the most vulnerable communities in developing countries. The Adaptation Fund Board approved the first regional projects and programmes in early 2017 and decided to integrate a separate funding window for regional initiatives into its funding modalities. The second phase of the Overall Evaluation of the Adaptation Fund has been completed and its final report validates the relevance, efficiency, and effectiveness of the Fund's work.

#### **Focus topics:**

- The CMP will be invited to take note of the information provided in the report, provide guidance to the Adaptation Fund Board and take any action it deems appropriate.
- The important discussion on the future role of the Adaptation Fund will be held under APA.

## **4 SBI**

The SBI is one of two permanent subsidiary bodies to the Convention established by the COP. It supports the

work of the COP, the CMP and the CMA through the assessment and review of the effective implementation of the Convention, its Kyoto Protocol and also the Paris Agreement. On adaptation, finance and technology transfer, the challenge is finding the best way to manage relevant issues in the SBI agenda while making the best use of the specialized bodies and institutions that have been created (e.g. Adaptation Committee, SCF and the Technology Mechanism) to deal with the relevant issues. While the technical discussions are now being taken up under these constituted bodies, the SBI has the responsibility of maintaining the political momentum and ensuring transparency on these matters.

### **4.1 Provision of financial and technical support**

Under the financial and technical assistance and support of the Convention, developing countries can be provided with support in preparation of their national communications (NCs) and biennial update reports (BURs) for enhancing the transparency of action and support (in line with decision 1/CP.21, paragraph 86). Key actors for supporting the preparation of reports include the secretariat, the Global Environment Facility (GEF), Global Support Programme for National Communications and Biennial Update Reports (GSP), the Consultative Group of Experts on National Communications from Parties not included in Annex I to the Convention (CGE), and Annex I Parties. In addition, there are numerous other actors including IGOs, NGOs, institutions and other agencies that make significant contributions. In Katowice, SBI 49 will consider the status of the "provision of financial and technical support" under item 4(d) of the provisional agenda. The GEF has submitted information to SBI49 on the status of financial resources approved by the GEF for the preparation of NCs and BURs

by Non-Annex I Parties in the reporting period since SBI47.<sup>21</sup>

#### Focus topic:

- SBI49 will consider the status of the “provision of financial and technical support” under item 4(d) of the provisional agenda.

#### 4.2 Matters relating to climate finance: identification of information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement.

At COP21 in Paris, Parties decided to initiate a “process to identify the information to be provided by Parties, in accordance with Article 9, paragraph 5, of the Agreement with a view to providing a recommendation for consideration and adoption by the first CMA”<sup>22</sup>. According to Article 9.5 of the Paris Agreement, developed country Parties are required to biennially communicate indicative quantitative and qualitative information related to providing and mobilizing financial support, including, as available, projected levels of public financial resources to be provided to developing country Parties. At COP22, the secretariat to the UNFCCC was mandated “to organize a round-table discussion among Parties on this matter in conjunction with SB46”<sup>23</sup> and to prepare a summary report of the meeting thereafter. At COP23, SBI was asked “to consider, beginning at SBI48 and at any subsequent sessions on the PAWP, the identification of the information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement”<sup>24</sup>. Any progress made by SBI on the topic is then to be forwarded to COP24, which will hand over their recommendations as part of the overall PAWP to the CMA 1. The most recent draft version of recommendations to be forwarded is presented in a joint reflections

note by the presiding officers of APA, SBI and SBSTA.<sup>25</sup> The challenge within the negotiations is to balance the need for ex-ante climate finance information by developing country parties (e.g. to implement their NDCs or raise ambition) and the barriers that developed countries face in providing such information well in advance (e.g. complexity of budgetary planning).

#### Focus topics:

- The negotiations need to balance the needs and challenges regarding for ex-ante climate finance information.
- SBI49 is to identify the information provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement, and to forward it to COP24.

#### Further reading:

- An overview of the negotiations on Article 9.5, including key aspects of operationalizing the provisions made, is provided by the *CFAS Policy Brief on Predictability of International Climate Finance under the Paris Agreement*.<sup>26</sup>

## 5 SBSTA

The Subsidiary Body for Scientific and Technological Advice (SBSTA) is the other permanent subsidiary body established by the COP. It supports the work of the COP, the CMP and the CMA through the provision of timely information and advice on scientific and technological matters as they relate to the Convention, the Kyoto Protocol and the Paris Agreement. The main task of SBSTA is to carry out methodological work under the Conven-

<sup>21</sup> See the respective pre-session document to SBI 49 agenda item 4(d) at: [www.unfccc.int/sites/default/files/resource/inf09.pdf](http://www.unfccc.int/sites/default/files/resource/inf09.pdf)

<sup>22</sup> Decision 1/CP.21, paragraph 55

<sup>23</sup> Decision 13/CP.22, paragraph 2

<sup>24</sup> Decision 12/CP.23, paragraph 5

<sup>25</sup> APA-SBSTA-SBI.2018.Informal.2.Add.4, [www.unfccc.int/sites/default/files/resource/APA-SBSTA-SBI.2018.Informal.2.Add.4.pdf](http://www.unfccc.int/sites/default/files/resource/APA-SBSTA-SBI.2018.Informal.2.Add.4.pdf)

<sup>26</sup> CFAS (2018): [Predictability of international Climate Finance under the Paris Agreement](http://www.unfccc.int/sites/default/files/resource/CFAS_Policy_Brief_on_Predictability_of_International_Climate_Finance_under_the_Paris_Agreement.pdf).

tion, the Kyoto Protocol and the Agreement, and to promote collaboration in the field of research and systematic observation of the climate system.

### **5.1 Modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Paris Agreement.**

In the context of the adoption of the Paris Agreement, COP21 requested SBSTA to develop modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9.7 of the Paris Agreement for consideration by COP24 in 2018, with the view of making a recommendation for consideration and adoption by CMA 1.<sup>27</sup> SBSTA initiated its consideration of this matter at its 44<sup>th</sup> session in Bonn, in May 2016. Since then, Parties have made good progress on developing negotiation text for adoption by CMA. In Katowice, SBSTA49 shall forward the outcome to COP24, with a “view to the COP making a recommendation for consideration and adoption” at the first session of the CMA.

Content wise Article 9.7 is closely related to the issues covered by Article 13 of the Paris Agreement (transparency), which is negotiated under the APA agenda item 5. Therefore, one important aspect for clarification is, whether Article 9.7 will be included in a stand-alone decision or integrated as a section of a decision on transparency under APA. At the second part of SBSTA48 in Bangkok in September 2018, Parties continued to develop the modalities, and produced a draft decision

text, which addresses exactly these two options.<sup>28</sup> Nevertheless, SBSTA 48-2 generally agreed that the progress achieved in Bangkok provides a useful basis for further negotiations by Parties at SBSTA 49 in Katowice. Also, according to the joint reflections note by the presiding officers of the APA, SBSTA and SBI, the text included in the Bangkok outcome was already an advanced product. These joint reflections hold an updated, consolidated negotiation text for Article 9.7,<sup>29</sup> which holds “bracketed text” on the applicability of the modalities, and in particular i) the national circumstances, institutional arrangements and country-driven strategies, ii) cross-cutting underlying assumptions, definitions, and methodologies, iii) information on financial support provided and mobilized under Article 9, and iv) the reporting format.

As indicated by the brackets included in the draft text, there are still several unresolved issues that Parties have to decide upon in Katowice. These include, for example, to whom the modalities for the accounting of financial resources will be applicable (e.g. developed countries, all Parties providing support in general) and to what extent (e.g. mandatory, voluntary), whether finance for loss and damage shall be reported or for certain sub-sectors, how detailed reporting shall take place in terms of financial instruments used and whether transaction and overhead costs, loan repayments and return on investments shall be considered, or how to include that finance provided has been new and additional.<sup>30</sup>

Prior to the Katowice conference, consultations between APA and SBSTA Co-Chairs are continued in order

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<sup>27</sup> Article 9, paragraph 7, Paris Agreement: Developed country Parties shall provide transparent and consistent information on support for developing country Parties provided and mobilized through public interventions biennially in accordance with the modalities, procedures and guidelines to be adopted by the Conference of the Parties serving as the meeting of the Parties to this Agreement, at its first session, as stipulated in Article 13, paragraph 13. Other Parties are encouraged to do so.

<sup>28</sup> See [www.unfccc.int/sites/default/files/resource/Draft%20Conclusions\\_SBSTA%2048.2\\_SBSTA%20item%2013.pdf](http://www.unfccc.int/sites/default/files/resource/Draft%20Conclusions_SBSTA%2048.2_SBSTA%20item%2013.pdf)

<sup>29</sup> Joint reflections note by the presiding officers of the Ad Hoc Working Group on the Paris Agreement, the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation, Addendum 4. Available from: [www.unfccc.int/sites/default/files/resource/APA-SBSTA-SBI.2018.Informal.2.Add\\_4.pdf](http://www.unfccc.int/sites/default/files/resource/APA-SBSTA-SBI.2018.Informal.2.Add_4.pdf)

<sup>30</sup> Ibid.



to ensure coherence and coordination, and to avoid the duplication of efforts.

**Focus topics:**

- One important aspect for clarification is, whether Article 9.7 will be included in a stand-alone decision, or integrated as a section of a decision on transparency (Article 13) under APA.
- There is still a significant amount of open negotiation items to be agreed upon by Parties (e.g. who will be the reporting Parties, level of detail on information to be provided).
- SBSTA 49 shall conclude the work and forward the text to COP24 (which can forward it to CMA 1 for adoption).

## 6 APA

The Ad Hoc Working Group on the Paris Agreement (APA) was established by decision 1/CP.21 to prepare for the entry into force of the Paris Agreement. The mandate of the APA is to elaborate draft decisions to be recommended to the CMA for consideration and adoption. In order to build mutual confidence and promote effective implementation of the Agreement, the APA *inter alia* discusses the modalities, procedures and guidelines for the establishment of an enhanced transparency framework. Preparing for the convening of the first session of the COP serving as the meeting of the Parties to the Paris Agreement (APA Agenda item 8a)

Under APA Agenda item 8a, “Matters relating to the Adaptation Fund” are treated. In the decisions accompanying the adoption of the Paris Agreement, COP21 recognized that the Adaptation Fund “may” serve the Paris Agreement. A year later, at COP22 in Marrakech, Parties went a step further by deciding the Fund “should” serve the Paris Agreement pending on a final CMA decision in 2018 at COP24 in Katowice. This decision will be based on preparatory work conducted by the APA on the Fund’s operating modalities, governance and institutional arrangements, and safeguards. At COP23 in Bonn, the Adaptation Fund made further progress towards its

longstanding goal to formally serve the Paris Agreement, when CMP13 decided that the Adaptation Fund “shall” serve the Paris Agreement. However, it also noted that this decision is pending on further decisions to be taken by CMA at COP24 in Katowice, which will be based on the APA preparatory work mentioned above. A CMA decision on the Adaptation Fund will probably make reference to the distinctive role of the Fund in providing support to developing countries through e.g. the principle of country ownership, small scale and innovative projects, as well as direct and enhanced direct access.

Regarding the Fund's governance and institutional arrangements, in Katowice the CMA will need to decide whether the Adaptation Fund should serve both the Paris Agreement and the Kyoto Protocol or the Paris Agreement only. In case it should exclusively serve the Paris Agreement, Parties need to decide whether there should be a transitional period, or not. This decision should go hand in hand with concrete dates and timing and will have direct implications on the question to which body the Fund will be accountable and under whose authority and guidance it will operate. Another pending issue that needs to be addressed by the CMA in Katowice is the eligibility of Board membership and representation in the Board. Parties need to decide whether the current composition in the Board with a slight developing country majority will be maintained, and whether there should be a reference to ensuring adequate gender balance.

Additionally, issues related to the Fund's operating modalities will need to be addressed by the CMA in Katowice. A decision on the Adaptation Fund's operating modalities needs to define whether there should be no changes to the Fund's operating modalities – such as its operational policies and guidelines –, only changes for legal matters that allow the Fund to serve the Paris Agreement, or additional changes as well. The discussions on the Adaptation Fund's operating modalities also include issues related to funding priorities as well as eligibility and sources of funding. The CMA decision

in Katowice needs to consider the need for diverse sources of finance to meet the Adaptation Fund's demand, including the link to Article 6 of the Paris Agreement – and beyond.<sup>31</sup> If Parties highlight the importance of ensuring predictable and sustainable resources for the Adaptation Fund, the CMA needs to decide whether to strongly emphasise the need for continued governmental contributions to the Adaptation Fund additionally to market-based mechanisms.

On the Adaptation Fund's safeguards, CMA needs to decide in Katowice whether existing policies and guidelines on the Fund's safeguards will continue to apply, or whether the Adaptation Fund Board (or alternatively an Ad Hoc Body) will be requested to review if amendments to those policies are needed. However, several analyses by different organisations have shown that the Adaptation Fund's Environmental and Social Policy, as well as its Gender Policy, are fit-for-purpose and aligned with international best practice.<sup>32</sup>

A strong CMA decision on how the future role of the Adaptation Fund under the Paris Agreement will look like is essential for the Fund to fulfil its role in the international climate finance architecture.

#### **Focus topics:**

- The APA is expected to finalize its preparatory work for a CMA decision on the Adaptation Fund's governance and institutional arrangements, operating modalities and safeguards.
- Based on this preparatory work, the CMA is expected to take a decision on the future role of the Adaptation Fund under the Paris Agreement.

#### **6.1 Taking stock of progress made by the subsidiary and constituted bodies in relation to their mandated work under the Paris Agreement and section III of decision 1/CP.21, in order to promote and facilitate coordination and coherence in the implementation of the work programme, and, if appropriate, take action, which may include recommendations (APA Agenda item 8b).**

At APA 1.2, Parties identified possible additional matters relating to the implementation of the Paris Agreement, which some Parties were of the view are not yet being addressed under the PAWP (“possible additional matters”). Since then, Parties debated on those – climate finance relevant – items under APA agenda item 8b, and could forward and clarify certain matters.

In Bangkok in September 2018, APA 1.6 considered further ways forward on the remaining possible additional matters.<sup>33</sup> As per the joint reflections prepared by the Co-Chair,<sup>34</sup> the discussions at that session helped to further clarify the positions of Parties with regard to these issues and reconfirm that all options are reflected correctly in the text; at APA 1.7<sup>35</sup> in Katowice, Parties need to progress among those options. For instance, with respect to Article 9.5, the APA is dealing with the modalities under which reporting on ex-ante climate finance negotiations might take place.<sup>36</sup> Considerations made in this regard are, for example, putting the UNFCCC Secretariat in charge of setting up a registry and providing

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<sup>31</sup> Germanwatch (2018). The future role of the Adaptation Fund in the international climate finance architecture. (page 21 onwards) [www.germanwatch.org/en/15936](http://www.germanwatch.org/en/15936)

<sup>32</sup> Ibid.

<sup>33</sup> The revised additional tool under item 8 is available at [www.unfccc.int/documents/182077](http://www.unfccc.int/documents/182077)

<sup>34</sup> See Addendum 9 of the joint reflections note by the APA, SBSTA and SBI co-chairs, available from

[www.unfccc.int/sites/default/files/resource/APA-SBSTA-SBI.2018.Informal.2.Add.9.pdf](http://www.unfccc.int/sites/default/files/resource/APA-SBSTA-SBI.2018.Informal.2.Add.9.pdf)

<sup>35</sup> See the APA 1-7 annotated agenda, [www.unfccc.int/sites/default/files/resource/APA\\_2018\\_5.pdf](http://www.unfccc.int/sites/default/files/resource/APA_2018_5.pdf)

<sup>36</sup> APA 1.6 (8 Sept 2018): Revised additional tool under item 8 of the agenda, [www.unfccc.int/sites/default/files/resource/final%20iteration\\_APA8exAF\\_cl.pdf](http://www.unfccc.int/sites/default/files/resource/final%20iteration_APA8exAF_cl.pdf)

a synthesis of information submitted.<sup>37</sup> To gain an overview of the full debate on modalities for Article 9.5, consult the *CFAS Policy Brief on Predictability of international Climate Finance under the Paris Agreement*<sup>38</sup>. Regarding the discussion on the provision of international finance from 2025 onwards, Parties need to decide

whether they want to initiate the process for setting a goal in 2023, and request a technical report to be developed by the Standing Committee on Finance by 2020 – or not. *Table 1: APA item 8 “additional matters” and key questions at APA 1.7* summarises the relevant “additional matters” and the key questions to be resolved.<sup>39</sup>

APA item 8 “additional matters”	Key questions identified by APA co-chair for APA 1.7
Modalities for biennially communicating finance information on the provision of public financial resources to developing countries in accordance with Article 9.5	Can we identify elements of relevant guidance that would be helpful to address Parties’ concerns without necessarily defining “modalities”?
Initial guidance by the CMA to the operating entities of the Financial Mechanism (the Green Climate Fund and the Global Environment Facility) under Article 9.8	What would be sufficient as guidance at this point in time to ensure the Paris Agreement is fully operational?
Initial guidance by the CMA to the Least Developed Countries Fund and the Special Climate Change Fund in accordance with decision 1/CP.21, paragraph 58	What would be sufficient as guidance at this point in time to ensure the Paris Agreement is fully operational?
Guidance by the CMA on the adjustment of existing NDCs	Does anything need to be done now, and what aspects of the matter could more usefully be considered by the CMA later?
Setting a new collective quantified goal on finance in accordance with decision 1/CP.21, paragraph 53.	We have an agreed end point in decision 1/CP.21, but what needs to be agreed on in terms of a starting point, keeping in mind the overarching need for CMA 1 to take those decisions essential to make the Paris Agreement fully operational?

Table 1: APA item 8 “additional matters” and key questions at APA 1.7

**Focus topics:**

- Additional matters not covered under the PAWP are negotiated under APA item 8b; these have climate finance relevance, for instance on procedural questions for a 2025 climate finance

goal, or on modalities for ex-ante reporting of climate finance (Art. 9.5).

- The APA will consider the remaining additional matters and conclude whether to recommend those for CMA.

<sup>37</sup> APA-SBSTA-SBI.2018.Informal.2.Add.4, [www.un-fccc.int/sites/default/files/resource/APA-SBSTA-SBI.2018.Informal.2.Add.4.pdf](http://www.un-fccc.int/sites/default/files/resource/APA-SBSTA-SBI.2018.Informal.2.Add.4.pdf)

<sup>38</sup> CFAS (2018): [Predictability of International Climate Finance under the Paris Agreement](#).

<sup>39</sup> A submission made at APA 1.5 called for space to consider modalities, procedures and guidelines for enhancing understanding, action and support for loss and damage in accordance with Article 8.3 and 8.4 of the Paris Agreement. While it was debated at APA 1.6, it is not included in the textual proposal for APA 1.7; it might re-surface.

## 6.2 Modalities, procedures and guidelines for the transparency framework for action and support referred to in Art. 13 of the Paris Agreement

In order to allow individual Parties and the COP to assess whether Parties are on track to meeting the overall objective of the Paris Agreement, a robust transparency mechanism is required. Such transparent tracking of progress is also a precondition for adjusting and increasing ambition. This concerns both the progress of Parties in meeting their nationally determined climate change mitigation and adaptation objectives, as well as the adequacy of support that is required to achieve the goals. Article 13 of the Agreement specifies such an “enhanced transparency framework for action and support” (ETF) that will provide and assess information on climate action, available climate finance, technology transfer and capacity-building support. Regarding the Article 13 negotiation process, APA is mandated to develop the recommendations for modalities, procedures and guidelines (MPGs) for the enhanced transparency framework, to be considered at COP24 in 2018 with a view to forwarding them to CMA 1.

Over the past years, Parties have embarked on complex negotiations regarding the design of the MPGs. In September 2018, the APA 1.6 meeting in Bangkok progressed in the development of the MPGs for the transparency framework,<sup>40</sup> according to the APA Co-Chair<sup>41</sup> all parts of the MPGs have become clearer, including the options that represent different views of Parties. Parties prepared advanced text for consideration and adoption by CMA 1, and started identifying follow-up work of a technical nature that needs to be undertaken after an adoption of the MPGs in Katowice. To arrive at that

stage, however, many remaining options and sub-options for the MPGs need to be narrowed down in Katowice. The most pressing open issues in this regard include:

- Finding an appropriate formula to reflect flexibility for developing country Parties in the MPGs (regarded imperative to unlock options in a number of areas);
- Considering what the establishment of the transparency framework under the Paris Agreement (decision 1/CP.21, paragraph 98) means in terms of practical implications (building upon and eventually superseding) regarding the existing MRV framework under the Convention;<sup>42</sup>
- Clarifying on the choice of IPCC guidelines for compiling national inventory reports;
- Ensuring the coherence of the MPGs with APA agenda items 3 (facilitate clarity, transparency and understanding of NDCs) and 5 (description of a Party’s NDC under Article 4);
- Defining the common set of information needed to track progress in implementing and achieving all types of NDCs;
- Considering how to revise the MPGs in light of APA item 4 on the guidance for adaptation communication;
- Agreeing on when and how to incorporate the outcome of SBSTA agenda item 13 (Article 9.7), into the MPGs;
- Clarifying on the format of a technical expert review;
- Considering frequency and timing of the facilitative, multilateral consideration of progress.

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40 The text on the “Modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Paris Agreement” is included as “Revised additional tool under item 5 of the agenda”, available at [www.unfccc.int/sites/default/files/resource/APA1.6\\_Revised%20Tool\\_Item%205\\_Revised%20final%20iteration\\_v2.pdf](http://www.unfccc.int/sites/default/files/resource/APA1.6_Revised%20Tool_Item%205_Revised%20final%20iteration_v2.pdf) (latest version as of 9th September 2018)

41 Joint reflections note by the presiding officers of the APA, the SBSTA and the SBI. Addendum 6. Matters relating to Article 13 of the Paris Agreement and paragraphs 84–98 of decision 1/CP.21, available from: [www.unfccc.int/documents/183394](http://www.unfccc.int/documents/183394)

42 As established by the Cancun Agreements (decision 1/CP.16, paragraphs 40–47 and 60–64), as well as decision 2/CP.17, paragraphs 12–62.

- Regarding financial support, the draft MPGs do distinguish between information on financial support provided and mobilized as well as support needed and received under Article 9 of the Paris Agreement. The heavily bracketed text has numerous options, for instance on the sources, purpose and designation, as well as the allocation channels of funding.

#### Focus topics:

- APA 1-7 is to finalize the text on the modalities, procedures and guidelines (MPGs) for the enhanced transparency framework.
- An important aspect is the linkage to Article 9.7

#### Further reading:

- Further background information on financial support under the ETF can be obtained from a *CFAS Policy Brief on MRV and Transparency of Support Received under the UNFCCC* that was published prior to COP23 in November 2017.<sup>43</sup>

### 6.3 Matters relating to the global stocktake referred to in Art. 14 of the Paris Agreement

The Paris Agreement in Article 14 requires the CMA to periodically evaluate the implementation of the Agreement and to assess progress of all Parties regarding the purpose of the Agreement and its long-term goals – including the provision of finance. This process is called the global stocktake (GST), and the CMA will undertake the first global stocktake in 2023 (and every five years thereafter). The APA is currently identifying additional sources of input for, and developing modalities of, the GST under its agenda item 6. A key result of APA 1.6 for this item was a move to a decision-type language, for both modalities and sources of input for the GST. As per the APA co-chair’s summary,<sup>44</sup> the text progressed on

modalities. However, it still contains many options and sub-options, especially for the modalities of the global stocktake and in particular for key issues such as: the governance of, and the guidance for, conducting the process; the timing and duration of the global stocktake; and the substantive coverage of its components. It also contains interlinkages that still need to be resolved across agenda items in a coherent manner. Regarding the means of implementation and support, the summary holds a non-exhaustive list of proposed specific thematic guiding questions for the GST; regarding climate finance relevant questions address issues such as:

- Progress made towards making financial flows consistent Articles 9, 10 and 11 of the Paris Agreement;
- Status of making finance flows consistent with a pathway as set out in Article 2.1(c);
- Progress of the USD 100 billion pledge for mitigation and adaptation;
- Progress regarding the significant increase of adaptation finance from current levels;
- Progress regarding provision of appropriate technology and capacity-building support;
- Progress made towards achieving the long-term technology goal;
- Opportunities, good practices and challenges to enhance financial flows, including means of implementation and support;
- Activities to enhance the financial flows to be consistent with the pathways towards low GHG emissions and climate resilience;
- Best practices and lessons learned relevant to mitigation, adaptation, means of implementation and support.

All these will require a significant amount of further work by Parties in Katowice. Here, one opportunity to

<sup>43</sup> See CFAS website, [www.cfas.info/en/publication/cfas-policy-brief-transparency-support-received](http://www.cfas.info/en/publication/cfas-policy-brief-transparency-support-received)

<sup>44</sup> See the joint reflections note by the APA, SBSTA and SBI chairs, Addendum 7: Matters relating to Article 14 of the

Paris Agreement and paragraphs 99–101 of decision 1/CP.21, available at: [www.unfccc.int/sites/default/files/resource/APA\\_SBSTA\\_SBI.2018.Informal.2.Add.7.pdf](http://www.unfccc.int/sites/default/files/resource/APA_SBSTA_SBI.2018.Informal.2.Add.7.pdf)

be considered is forwarding technical details to the governance body or structure that emerges for the global stocktake.

**Focus topic:**

- APA 1-7 is to advance and finalize the text for CMA, which still contains many options and sub-options, especially for the modalities of the global stocktake.

## 7 Conclusions

COP24 will focus on the finalization and adoption of the Paris Agreement Work Programme (PAWP). Concerning

the important topic of climate finance, the individual bodies of the Convention will treat several important agenda items. This includes guidance on the entities of the financial mechanism of the COP as well as the issue of long-term finance. Specific items to be further spelled-out under the PAWG concern the modalities for accounting of climate finance, and the future role of the Adaptation Fund under the Paris Agreement. While some of these issues will require multi-year discussion and negotiation processes, it is possible to make significant progress on these issues already in Katowice. This would send a strong signal that negotiators are taking the necessary steps to move into a successful implementation phase of the Paris Agreement.

## 9 Overview Table: Finance Agenda Items in Katowice

Agenda Item	Relevant Mandates and Decisions	Discussions in the course of 2018 and what to expect in Katowice
<b>COP</b>		
<b>Long-term climate finance</b>	<p>At COP23, Parties decided:</p> <p>In accordance with decision 7/CP.22, the next in-session workshop on long-term climate finance, to be held in 2018, with a view to scaling up climate finance for mitigation and adaptation, focus on experiences and lessons learned from articulating and translating needs identified in country-driven processes into projects and programmes, roles of policies and enabling environments for mitigation and adaptation finance, and facilitating enhanced access;</p> <p>In line with decision 7/CP.22, paragraph 17, the third high-level ministerial dialogue on climate finance, to be convened in accordance with decision 3/CP.19, will be informed by the reports on the in-session workshops on long-term climate finance and the 2018 biennial assessment and overview of climate finance flows.</p> <p>At the May session in 2018, the UNFCCC Secretariat organized an in-session workshop on long-term finance.</p>	<p>At COP24, the Parties will deliberate considering the summary report on the workshop prepared by the Secretariat. This may include guidance on the organisation of future workshops on LTF.</p> <p>The third biennial High-Level Ministerial Dialogue on Climate Finance will be informed by the 2018 Biennial Assessment and the May in-session workshop report. Given that most of the GCF resources have been utilized and the replenishment process have been agreed, this can be expected to be discussed here.</p>
<b>Report of the Standing Committee on Finance</b>	<p>At COP23, Parties requested</p> <ul style="list-style-type: none"> <li>the Standing Committee on Finance to enhance its work on the measurement, reporting and verification of support beyond the biennial assessment, acknowledging the progress made by the Standing Committee on Finance and noting the need to avoid duplication of ongoing work under the Subsidiary Body for Scientific and Technological Advice and the Ad Hoc Working Group on the Paris Agreement; <i>Decision 7/CP.23, para 7</i></li> </ul>	<p>COP24 will be invited to consider the Report of the SCF, including the outputs produced while implementing the received mandates, for instance the SCF's 3<sup>rd</sup> Biennial Assessment and Overview of Climate Finance Flows (BA); and the conduction of the 6<sup>th</sup> SCF Forum, focusing on the national and international climate finance architecture. It can be expected that the COP will provide additional guidance to the SCF for the preparation of the 4<sup>th</sup> BA, presumably taking into account discussions under the LTF agenda item and the deliberations under SBSTA regarding modalities for accounting climate finance. In addition, it seems likely that the</p>

	<ul style="list-style-type: none"> <li>the Standing Committee on Finance, in fulfilling its function with regard to the measurement, reporting and verification of support, and in the context of its extended workplan, to continue its cooperation with relevant stakeholders and experts; <i>Decision 7/CP.23, para 8</i></li> <li>the Standing Committee on Finance to report to the Conference of the Parties at its twenty-fourth session (December 2018) on the progress made in the implementation of its workplan; <i>Decision 7/CP.23, para 13</i></li> </ul>	COP decides on the topic for the SCF's 7 <sup>th</sup> Forum, building on the discussions of the SCF throughout the year.
<b>Report of the Green Climate Fund</b>	Standard agenda item under the COP	COP24 is expected to provide guidance to the GCF on policies, programme priorities and eligibility criteria, taking into consideration the reports of the Board of the GCF.
<b>Report of the Global Environment Facility</b>	Standard agenda item under the COP	The GEF presents its annual report to the COP. This includes achievements made by GEF over the past year, as well as the seventh GEF replenishment process (GEF-7). COP will provide guidance to the GEF on policies, programme priorities and eligibility criteria, taking into consideration the reports of the GEF and the SCF. COP will welcome the progress made on Capacity Building Initiative for Transparency and establishment of the Private Sector Advisory Group, and support the process initiated to improve fiduciary standards by the GEF.
<b>Initiation of a process to identify the information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement</b>	COP is to initiate a process to identify information to be provided under Article 9.5 in 2016 (COP22), to be adopted by CMA 1 (FCCC/CP/2015/10/Add.1, paragraph 55)	The SBI will forward their recommendations for information to be considered under Article 9.5 to the COP24, after concluding their work on the matter at SBI 49 in Katowice.



<b>CMP</b>		
<b>Report of the Adaptation Fund</b>	Standard agenda item under the CMP	The CMP will be invited to take note of the information provided in the report, provide guidance to the Adaptation Fund Board and take any action it deems appropriate.
<b>SBI</b>		
<b>Provision of financial and technical support</b>	Financial and technical assistance and support for developing countries can be provided for the preparation of their national communications (NCs) and biennial update reports (BURs) for enhancing the transparency of action and support (in line with decision 1/CP.21, paragraph 86).	In Katowice, SBI49 will consider the status of the “provision of financial and technical support” under item 4(d) of the provisional agenda. The GEF has submitted information to SBI49 on the status of financial resources approved by the GEF for the preparation of NCs and BURs by Non-Annex I Parties in the reporting period since SBI47.
<b>Matters relating to climate finance: identification of information to be provided by Parties in accordance with Article 9, paragraph 5, of the Paris Agreement.</b>	The status of work on this mandate is reflected in the overview of the work of the COP, SBs and CBs on the PAWP and includes a list of potential types of information to be considered as well as several submissions by Parties or groups of Parties.	The SBI will be invited to complete its work on the identification of the information to be provided and on how to structure this information (e.g. qualitative/quantitative information or by themes). The results will be forwarded to the COP.
<b>SBSTA</b>		
<b>Modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9, paragraph 7, of the Paris Agreement</b>	COP21 requested SBSTA to develop modalities for the accounting of financial resources provided and mobilized through public interventions in accordance with Article 9.7 of the Paris Agreement.	SBSTA49 shall conclude the work and forward the text to COP24 (which can forward it to CMA 1 for adoption). One important aspect for clarification is, whether Article 9.7 will be included in a stand-alone decision or integrated as a section of a decision on transparency under APA.
<b>APA</b>		
<b>Preparing for the convening of the first session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement</b>	At COP22 in Marrakech, CMA decided that the Adaptation Fund “should” serve the Paris Agreement pending on a final CMA decision to be taken at COP24 in Katowice. A year later, at COP23 in Bonn, CMP13 decided that the Adaptation Fund “shall” serve the Paris Agreement reiterating that pending decisions on the Fund's governance and institutional arrangements, operating modalities and safeguards are to be taken by the CMA at COP24 in Katowice. APA has	The APA is expected to finalize its preparatory work for a CMA decision on the Adaptation Fund's governance and institutional arrangements, operating modalities and safeguards. Based on this preparatory work the CMA is expected to take a decision on the future role of the Adaptation Fund under the Paris Agreement.

	been conducting the preparatory work on those pending decisions.	
<b>8 (b) Taking stock of progress made by the subsidiary and constituted bodies in relation to their mandated work under the Paris Agreement and section III of decision 1/CP.21, in order to promote and facilitate coordination and coherence in the implementation of the work programme, and, if appropriate, take action, which may include recommendations.</b>	At APA 1.2, Parties identified possible additional matters relating to the implementation of the Paris Agreement, which some Parties were of the view are not yet being addressed under the PAWP (“possible additional matters”). Since then, Parties debated on those – climate finance relevant - items under APA agenda item 8b.	The APA will consider the remaining additional matters and conclude whether to recommend those for CMA.
<b>Modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Paris Agreement</b>	Article 13 of the Agreement specifies an enhanced transparency framework for action and support (ETF). APA is mandated to develop the recommendations for modalities, procedures and guidelines (MPGs), including for financial support.	APA 1-7 is to finalize the text on the MPGs. An important aspect is the linkage to Article 9.7.
<b>Matters relating to the global stocktake referred to in Art. 14 of the Paris Agreement</b>	The Paris Agreement in Article 14 requires the CMA to periodically evaluate of the implementation of the Agreement and to assess progress of all Parties regarding the purpose of the Agreement and its long-term goals – including the provision of finance. This process is called the global stocktake	APA 1-7 is to advance and finalize the text for CMA, which still contains many options and sub-options, especially for the modalities of the global stocktake.

## About



The Climate Finance Advisory Service (CFAS) offers negotiators, policy makers and advisors in the poorest and most climate vulnerable countries bespoke information and guidance to help them effectively participate in complex global climate finance negotiations.

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