# Oxford Seminar 2022

2022 Oxford Seminar participants

5-7 September 2022

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ecbi

European Capacity Building Initiative

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# INTRODUCTION

The 2022 Oxford Seminar took place from 5-7 September. The Oxford Seminar is ecbi's flagship annual event, providing the opportunity for delegates from developing countries to meet and discuss pressing issues in the UN climate negotiations with their European partners. The seminars are conducted under Chatham House rules, which encourages an open and frank exchange since no one except introductory speakers are identified in the meeting report.

The Seminar was preceded by the Fellowship Colloquium from 2-5 September. The Colloquium provided the opportunity for developing country experts to discuss amongst themselves issues of importance, form proposals, and consolidate positions on these issues in advance of the Seminar. The Seminar then brought together European partners and the Fellows, who presented their ideas and proposals.

During the opening session, ecbi Director Benito Müller emphasised that the Seminar is not meant to be a negotiation and while it may not always be possible to reconcile participants' positions, it should lead to a greater understanding of each other's perspectives and concerns. The Seminar presents an opportunity to do a "deep dive" on the issues and have a frank exchange of views.

The topics addressed were timely as many of them are being addressed at COP27 in Sharm el-Sheikh, Egypt, in November. These included:

- Arrangements for intergovernmental meetings;
- Gender;
- Glasgow–Sharm el-Sheikh work programme on the Global Goal on Adaptation (GlaSS);
- Pre-2030 mitigation ambition work programme;
- Technical Dialogue of the Global Stocktake (GST) under the Paris Agreement;
- Santiago Network on Loss and Damage: institutional arrangements;
- Funding arrangements for addressing loss and damage;
- Aligning financial flows with the Paris Agreement goals;
- New Collective Quantified Goal (NCQG) on Climate Finance; and
- Adaptation finance.

The Seminar was attended by representatives of the COP 26 UK and COP27 Egyptian Presidencies of the Conference of the Parties (COP) to the UN Framework Convention on Climate Change (UNFCCC). It was also attended by the Chairs of the Subsidiary Body for Implementation (SBI) and the Subsidiary Body for Scientific and Technological Advice (SBSTA), several heads of delegations and lead negotiators, and issue leads from key negotiating groups. Developing country participants, including those who attended virtually, hailed from, among others, Belize, India, Gabon, Colombia, Antigua and Barbuda, Pakistan, Brazil, Trinidad and Tobago, Malawi, Egypt, Cuba, Grenada, Bhutan, and Democratic Republic of Congo. European partners included representatives from the European Commission, Norway, Denmark, Sweden, Switzerland, the Netherlands, Finland, the UK, and Estonia.

The European Capacity Building Initiative's 2022 Oxford Seminar and Fellowship Colloquium took place at New College, University of Oxford. The Fellowship Colloquium convened at Magdalen College.

## ARRANGEMENTS FOR INTERGOVERNMENTAL MEETINGS

With the increasing number of people attending COPs, including non-state actors, and the expanding number of agenda items negotiators face, this seminar session focused on possible ways to make intergovernmental meetings more manageable. Participants were asked to consider the following question: How can we make the intergovernmental process fit for the Paris Agreement implementation phase?

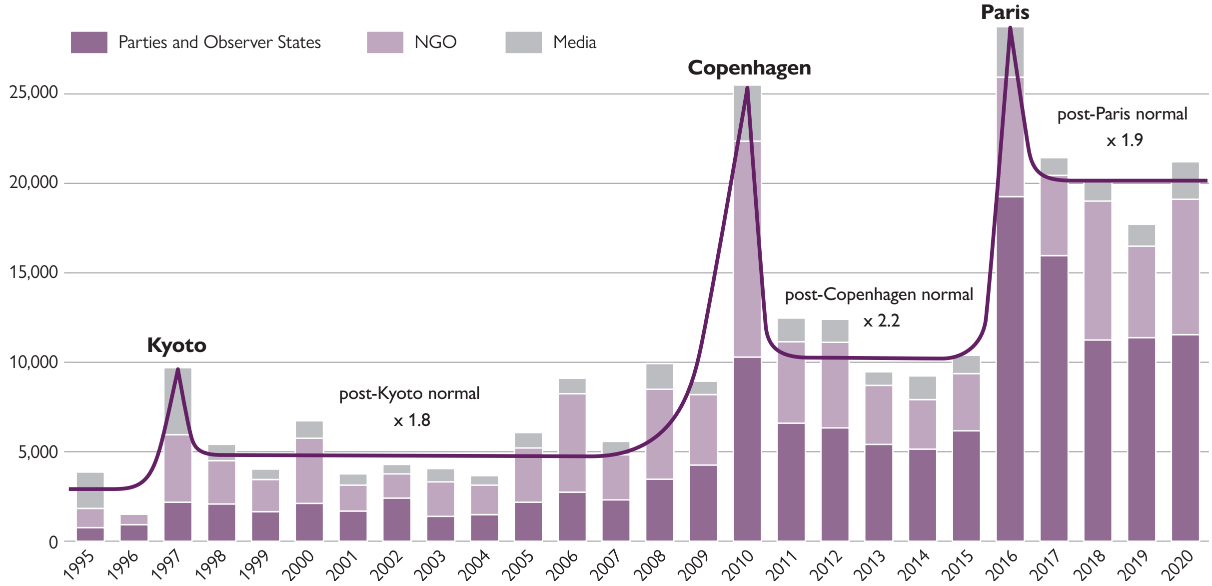
Participants expressed a range of views on how to better organize and convene meetings and possibly streamline the agenda. Most agreed that the proliferation of agenda items and number of participants attending COPs must be addressed. Participants noted the extraordinary opportunity this seminar presented to have a healthy exchange of views on the issue and possibly influence future arrangements.

Marianne Karlsen, SBI Chair and Senior Advisor, Ministry of Climate and Environment, Norway, moderated the session. She said the addition of more and more agenda items leads to negotiators struggling with scheduling and always "running from meeting to meeting" with little time to make true progress. She said this presents a lost opportunity for a more holistic approach. She noted the astronomical endeavour facing any country, particularly smaller ones, who might wish to host a COP.

Professor Benito Müller observed that Glasgow had 38,000 participants and highlighted the difficulties of meeting people at such big events. He suggested annual larger, more politically-oriented sessions and smaller implementation-focused sessions. He suggested holding more COPs in Bonn while encouraging a broader range of countries to preside over COPs as smaller countries face daunting organizational challenges of hosting COPs in their countries. He also stressed that the number of agenda items is not related/correlated to meeting size.

Müller said smaller COPs may not, for example, require subsidiary body meetings or ministerial segments. He suggested a global Climate Action Week with a high-level segment and trade show annually and prior to the COP (possibly in Geneva). He said the "flying mega circus has to stop". He also floated the idea that Global Stocktake COPs could move to Geneva and suggested separating the COPs and high-level summits.

### Figure 1: UNFCCC registered COP Participant Numbers



Other issues raised during the discussions included the need to ensure we are negotiating issues that can be implemented on the ground, and the frequent disconnect between the negotiation and action tracks.

A developed country participant asked what countries require to accelerate their implementation of the 1.5°C, adaptation, and finance goals. He said while big meetings bring pressure, it is how results are delivered, not conference size, that is the issue. He noted increased interest from business leaders asking how business can support governments and how we can support each other in implementing these goals. Others queried whether having a COP every year is worth it but wondered how biennial meetings would reconcile with the five-year GST cycle. A developing country suggested major COPs could take place during important years, such as 2030 or when IPCC reports come out.

A developing country said the biggest challenge is the overwhelming agenda. On streamlining the agenda, participants acknowledged the need to consider dropping some agenda items but said this could present difficulties for those falling under more than one instrument. There were also suggestions to: look at the agenda more closely and farm out issues, such as agriculture and oceans to other institutions, instead of having the COPs address them; organise agendas around issues that need to be urgently agreed, noting every issue does not need to be on the agenda at every meeting; and consider some agenda items biennially or triennially, rather than every year; possibly streamline the agendas of the five bodies and questioned the need for so many constituted bodies (currently over 15).

Reiterating what others said regarding the importance of negotiations, one developed country stressed that the news headlines *are* the outcomes of negotiations. He said a leaders' event should not have to take place every year as it adds to the burden of negotiators who then have less time to negotiate. He asked whether we need three legally binding instruments taking place in parallel and questioned whether the Kyoto Protocol negotiations are still necessary.

Others said COPs have gone from more technical to more political, with three or four ministers from countries sometimes attending. Several noted that bigger COPs and the mainstreaming of climate into government indicate the success of the process. Some said that if we are holding a COP and spending significant money then we would want leaders there. Another suggested that processes which lack the involvement of leaders are not as successful, mentioning the process on marine biodiversity in areas beyond national jurisdiction (BBNJ) as an example.

Several participants noted that although it is easier for smaller countries to preside over COPs held in Bonn, bringing people to different countries is also important. Speakers also emphasized the importance of the leaders' segment for maintaining momentum, said the exhibitions are a great opportunity to highlight technological innovations, and noted that high-profile events increase pressure and expectations on the Presidency.

Agreeing with comments that the COPs have become a "circus", one developing country questioned the financial resources needed and global emissions associated with holding such big COPs. He asked whether such a frequency of informal ministerial meetings is necessary and said he did not think they influence or add value to the negotiations. He suggested biennial COPs. One developed country said negotiators only make up about one quarter of people at the conference, high hotel prices are a real issue, fewer and fewer countries are willing to take on the presidency role, and bigger COPs raise the expectations of delivery.

Other suggestions included: holding more meetings in New York and leaders' summits at the General Assembly; if holding more COPs in Bonn, charging the general budget as Germany cannot always pay; and determining core areas where progress must be made and focusing on them.

One participant suggested examining at what success looks like beyond the negotiations, mentioning the Global Climate Action Agenda, which brings people to COPs for other reasons. He said the biggest increase in COP attendance was from civil society, something we should celebrate, although some could not get into the negotiating rooms.

## GENDER

Despite some progress in increasing the role of women both on national delegations and in leadership roles in the UNFCCC process, it is generally acknowledged that more must be done to increase the number of women in these senior positions. This seminar on gender addressed the state of implementation of mandates to achieve gender balance and women's empowerment, with a focus on COP and Subsidiary Body attendance and composition of constituted bodies. The seminar also considered what must be done to address challenges that hinder women's active participation in leadership positions.

Leading off the discussion on gender, Stella Funsani, ecbi Gender Advisor, LDC Group Negotiator, and Technical Advisor, Ministry of Natural Resources and Climate Change, Malawi, asked who is responsible for ensuring the goal of gender balance in the UNFCCC and its constituted bodies is met? She discussed women in leadership positions in the UNFCCC and asked what is preventing us from reaching the goal of gender balance.

She then reviewed COP decisions on gender, including:

- Decision 36/CP.7 on promoting gender balance and improving the participation of women in bodies established under the Convention and Kyoto Protocol;
- Decision 23/CP.18 on improving the participation of women in national delegations and in leadership positions, informing more effective climate policy that addresses the needs of women and men equally, and requesting the Secretariat to report on progress;
- Decision 18/CP.20, which adopted the two-year Lima Work Programme on Gender (LWPG) to further enhance gender balance but also to provide knowledge and capacity building on gender-responsive climate policy; and
- decisions at COP22 (extending the LWPG for three years), COP 23 (adopting a two-year Gender Action Plan (GAP)), and COP 25 (adopting a five-year enhanced LWPG and its GAP).

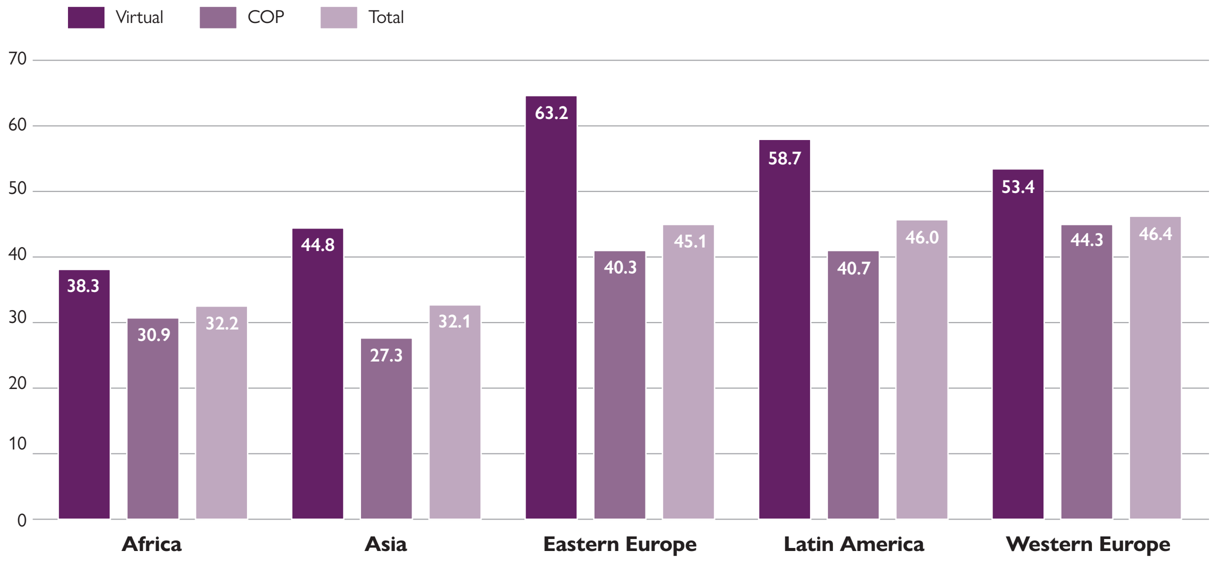
Funsani then identified five priority areas under the GAP with interventions that aim to enhance gender balance:

A. Capacity building, knowledge management, and communication;
B. Gender balance, participation, and women's leadership;
C. Coherence;
D. Gender responsive mitigation, adaptation, and means of implementation; and
E. Monitoring and reporting.

With respect to Priority Area B on achieving and sustaining the full, equal, and meaningful participation of women in the UNFCCC process, she cited the need for access to travel funds, awareness of the issue by Parties during elections and nominating processes, and leadership and gender training. She wondered whether this would be enough to increase women's participation, as well as how gender is integrated into various workstreams under the Convention.

Presenting some statistics, she explained that between 2009 and 2021, the percentage of women across national delegations only increased by 8% (from 30% to 38%), despite policy commitments to increase participation of women in delegations. She highlighted that the percentage of women who were heads of delegation had barely changed, from 10% in 2009, up to 27% in 2017, and falling back to 13% in 2021. She added that the percentage of women in national delegations is higher in Latin America and Eastern and Western Europe (often between 45 and 60%) and lowest in Africa and Asia (between 30 and 35%).

## Figure 2: Percentage of women on national delegations by region




Funsani said the Adaptation Committee and the Adaptation Fund Board had 63% and 52% female make up, respectively, while the Executive Board of the Clean Development Mechanism and the Technology Executive Committee only had 20% and 15% female composition, respectively. She asked what can be done to address the challenges that hinder women's participation in leadership positions.

During the subsequent discussion, participants said countries must commit to having more women in decision-making processes, which often requires a generational change. Several suggested supporting a trust fund for the participation of women negotiators and said both gender and climate national focal points are key. Other suggestions included: allowing for alternates on delegations when unable to travel (due to maternity leave, for example); adopting a hybrid model so people do not always have to attend in person; and more coaching and encouragement for women to step into leadership roles. One developed country participant noted her environment ministry was trying to recruit more men and said gender balance goes both ways.

In terms of gathering data, one speaker suggested looking at gender balance over time, over issue areas, and among different regions, as well as whether women are more interested in certain subject area, and whether that pattern is reflected in the UNFCCC's constituted bodies. He suggested looking at how we are doing compared to other regimes to better understand the nature of the barriers. Technical bodies, for example, have tended to have fewer women representatives.

One intervention highlighted that with respect to generational statistics, delegates under 26 are more likely to be female and those over 35 are more likely to be male, while there is almost gender parity for those between the ages of 26 and 35. One developed country participant pointed to the low number of women chairing SBSTA and SBI sessions. She said SBSTA has only had one SBSTA Chair and SBI has only had two (out of 56 sessions for each body), meaning that four SBSTA and six SBI sessions have been led by women. She said the chairs are not chosen by the country but rather by heads of delegation, which are usually men given the fact that women often drop off after 35, while becoming a head of delegation requires being around for longer.

One developed country representative said women must make up at least 40% of committee members in her country. She said gender barriers go both ways, with some bodies and issues requiring increased participation from men. She added that looking at what countries are doing might be helpful, although she clarified that she was not arguing that this should necessarily be transposed onto the UNFCCC. Professor Müller said the process should set up rules and chair positions should be balanced with respect to gender as they are with respect to region.

Other suggestions included:

- looking at organizations that fund participants and asking them to ensure gender parity;
- looking at what various countries are doing to ensure gender parity;
- creating space, rather than adding another fund, to ensure increased gender balance
- more discussions on and better understanding of formal and informal barriers to increased participation by women;
- COP decisions that work towards more balanced representation;
- mentoring, capacity building, and finding ways to keep female delegates on board for longer; and
- adopting a hybrid model for meetings, with the assumption that more women could attend virtually, although this could exclude women from informal discussions.

## GLASGOW–SHARM EL-SHEIKH WORK PROGRAMME ON THE GLOBAL GOAL ON ADAPTATION (GLASS)

In Glasgow, Parties established a comprehensive two-year work programme on the global goal on adaptation (GGA) (Decision 7/CMA.3). The timeline leading up to the work programme's establishment began with a proposal by the African Group to establish a global goal on adaptation, associating levels of climate impacts and costs to the temperature goal. The Paris Agreement then established the GGA (Article 7.1), on *enhancing adaptive capacity, strengthening resilience, and reducing vulnerability to climate change,* and the GST, which will review, among other things, progress towards the GGA (Article 7.14). In 2019, CMA2 requested that the Adaptation Committee consider approaches to reviewing overall progress made in achieving the GGA and to reflect the outcome of this consideration in its 2021 annual report (1/CMA.2, para. 14). In response, the Adaptation Committee prepared a technical paper on the topic. In 2021, CMA3 established the two-year Glasgow–Sharm el-Sheikh Work Programme on the GGA (or GlaSS) and decided SBSTA and SBI would jointly implement the work programme, with support from the Secretariat. Implementation of the work programme began immediately following CMA3. Four workshops are taking place each year, with a final report on the workshops to be prepared by the Secretariat and a draft decision to be forwarded for consideration and adoption by CMA5 in 2023.

This seminar delved deeper into the GlaSS and the GGA more generally, using the following questions as a guide:

- How can we focus the discussion on the GGA under the work programme?
- What process and milestones are necessary for effective delivery of the work programme?

Xolisa Ngwadla, South Africa, and Advisor to the African Group of Negotiators, introduced this issue, reiterating that work is premised on a 2013 proposal by the African Group for a global goal on adaptation. Opening the discussion, he asked participants what their vision is for the GGA, noting the GlaSS is supposed to deliver meaningful results. However, he acknowledged we are sometimes assessing something that has not been very well defined.

Starting off the conversation, one developed country speaker said the EU's vision for the GGA is evolving. He reiterated that the GGA is contained in the Paris Agreement, and builds on experience over the last 10-15 years, particularly for least developed countries (LDCs) and developing countries more broadly. He highlighted the focus of Article 7 on building resilience, reducing vulnerability, and increasing capacity for adaptation; felt a sufficiently clear idea of the GGA for the GST was lacking; said adaptation expresses itself locally and depends on each government recognizing its core responsibilities to communities; and stressed the international community must help not just with what countries can do individually but collectively as well.

Detailing the EU's overarching vision on the issue and what the international community can do to help, he mentioned:

- getting science to focus more on global, regional, and local impacts;
- help the community of practitioners prepare for impacts;
- developing tools, especially those around the NAP process, indicators, and programmatic activities; and
- enhancing the ability to share lessons and best practices, which were primarily focused on developing countries but are now focused on developed countries as well.

He said better adaptation planning and programming is the "gateway" to good investment and emphasized that the EU is spending more than half of its climate finance on adaptation.

Ngwadla then took the floor to make his presentation on behalf of the Fellows. He stressed the importance of being able to assess progress, define key elements, identify metrics to track progress on elements, and provide further guidance to communications and reports to enable assessment. He reiterated that the more we mitigate the less we will need for adaptation. He highlighted that: investment in adaptation reduces risk, just as greater mitigation reduces risk; change in the risk profile is driven by temperature scenarios; and adaptation needs are directly linked to climate change risk profiles.

Ngwadla discussed four outcome elements for the GGA that would help focus the discussions:

- Element outcome I on risk and vulnerability, and changes in risk profiles in light of the temperature goal and mitigation ambition;
- Element outcome II on adaptation planning and how well the global community is planning for adaptation;
- Element outcome III on implementation of actions and whether we are we making progress in implementation; and
- Element outcome IV on adaptation finance and whether such finance is adequate relative to needs.

Outlining a proposed process for the GlaSS, he drew attention to:

- sufficient convergence at COP27 on the proposed Element Outcomes and key concepts;
- submissions by Parties on indicators and metrics for the Element Outcomes for further discussion at SB58 in June 2023;
- submissions on technical work post-GlaSS;
- two in-session workshops and two virtual intersessional workshops; and
- adoption of a decision and further guidance on the GGA at COP28.

Ngwadla stressed that CMA agenda items and draft conclusions should reflect areas of convergence, and consideration of these areas by the Secretariat should provide input to the GST. He reiterated that the GST is the monitoring and evaluation component of the GGA, which is about what we do as a global community to address adaptation. He also noted that the global nature of adaptation is clearly recognized in the Paris Agreement, not just in terms of what countries should do at the national level. Finally, he observed the role of NAPs in helping countries with their adaptation planning.

Professor Benito Müller called attention to an ecbi discussion note on the GGA, co-authored with Ngwadla. Participants then engaged in discussions on the GGA and GlaSS following on Ngwadla's presentation.

Interventions emphasized that: temperature is a determining factor with respect to how much adaptation will be required; mitigation must be the first lever; acceptable risk levels differ based on differing circumstances; and exposure and vulnerability as the two components of risk.

With respect to the proposed Elements, one developed country speaker asked about the difference between Elements 3 and 4, noting they both relate to finance and, with respect to adaptation finance, the bilateral donors would be implementing. He suggested an additional element could be how well adaptation is being integrated into national budget and planning processes. Ngwadla responded that Elements 3 and 4 are not intended to be the same, noting Element 3 on implementation may not be finance related, but rather provide space to track the implementing agency. He agreed that finance is a cross-cutting issue but does deserve its own outcome. Ngwadla said countries will propose metrics in the first part of next year and narrowing it down to a few trackable metrics would give a sense of whether we are moving forward. He added that the GST will prepare a synthesis report to show progress.

A developed country representative said that adaptation finance is a key enabler throughout the cycle, monitoring and evaluation could be better articulated, links to national processes are important, and the EU is moving away from a strictly quantitative and towards a more holistic approach. One speaker said finance negotiators are not skilled to deal with adaptation, and so adaptation finance should be addressed under the GlaSS and GGA.

A developing country participant said acceptable risk at the local level may not be what investors perceive. She pointed to: lagging support and the slow pace of disbursement; the tendency to prioritize short-term risk and not look at transformation; the need for a just transition; the need for stronger indicators around transformation; and budget and planning, so support matches the action we want to see.

Distinguishing between aggregation versus specificity, a developed country participant noted that while we need to aggregate, doing so can hinder targeting support to those who need it most. He said determining the right place to discuss finance is tricky. He questioned whether we are on the right track to get sufficient convergence to ensure a successful outcome in 2023, and if not, asked how we get to that point.

One participant emphasized moving from project-based short-term planning to a more programmatic approach through the GGA, pointing out that bilateral funding is often based on priorities of providers and the landscape and NAP process is "very scattered".

Other interventions by developed countries noted the challenge of measuring adaptation, the fact that not all countries have been able to produce NAPs, and the need to ensure the GGA does not impose more reports, with the GlaSS looking at the number of reports and streamlining. One participant stressed that GGA metrics must be aggregable and locally relevant, while acknowledging that if aggregated we lose sight of the proportion of projects funded in different parts of the world

One developing country lamented that the recent African Adaptation Summit held in September in Rotterdam, the Netherlands, drew very few western heads of state, and said it takes a lot of effort to get heads of state to own this issue. Noting the GGA is complex, with interlinkages to means of implementation, he echoed those calling for simplicity, relevance, and not creating new reports if we are to ensure a good outcome by COP28.

## PRE-2030 MITIGATION AMBITION WORK PROGRAMME

The Glasgow Climate Pact agreed to at COP26 acknowledges that limiting warming to 1.5˚C requires a 45% reduction in global CO2 emissions by 2030 relative to 2010 levels.

The Pact also establishes complementary measures to further assess progress and dialogue to close the 1.5˚C emissions gap, including: strengthening 2030 targets in NDCs; annual high-level ministerial roundtables on pre-2030 ambition; annual NDC synthesis reports; a synthesis report on long-term strategies by COP27; and an invitation for the UN Secretary General "to convene world leaders in 2023 to consider ambition to 2030". At COP27, Parties are expected to agree on the details of a "work programme to urgently scale up mitigation ambition and implementation in this critical decade". The work programme will be important for closing the emissions gap since it can influence policy decisions in the 2020s, as well as inform the GST. The first annual high-level ministerial roundtable targeting pre-2030 ambition will also take place at COP27.

This seminar further delved into these issues, with discussions guided by the following questions:

- In the informal consultations held in Bonn during the SBs in June 2022, Parties provided their views on the scope, institutional arrangements, modalities, inputs, and outcomes of the pre-2030 mitigation work programme. However, divergent views were evident, particularly on scope. How can we work towards closing such gaps and facilitate reaching consensus during COP27?
- How can we avoid duplication between the mitigation work programme and the GST and how should it target raising ambition by providing the needed support in line with the Paris Agreement?


Paula Ximena Sanmiguel Patiño, Ministry of Foreign Affairs, Colombia, and Amb. Carlos Fuller, Belize

Paula Ximena Sanmiguel Patiño, Coordinator for Environmental Affairs, Directorate of Economic, Social and Environmental Affairs, Ministry of Foreign Affairs, Colombia, presented a view from the Fellows on this issue, including on principles, scope, modalities, and institutional arrangements. She recalled the mandate from CMA3 to establish a work programme to urgently scale up mitigation ambition and implementation in this critical decade and request SBI and SBSTA to recommend a draft decision on this matter for consideration and adoption by CMA4, in a manner that complements the GST.

She said the Fellows emphasized the need for urgency towards 1.5°C pathways, taking into account: common but differentiated responsibilities and respective capabilities in light of national circumstances; complementing but not duplicating efforts made with respect to the GST; Article 4.4 of the Paris Agreement (on developed countries continuing to take the lead on emission reduction targets); and the agreed bottom-up approach of NDCs.

On scope, she highlighted:

- means of implementation, recognizing that enhanced ambition is enabled by the provision of support, particularly for developing countries;
- addressing the pre-2030 gap in a manner that does not shift the mitigation burden to developing countries;
- technology in enhancing ambition in various sectors, through sharing of experiences and best practices, and support, but not including sectoral benchmarks and targets;
- support for the development of low emissions development strategies, particularly with respect to the 1.5°C pathway; and
- the need to update NDCs.

With respect to modalities and institutional arrangements, she mentioned workshops, capacity building, and technical and ministerial roundtables both as in-session and intersessional activities. She said scientific inputs should include IPCC reports, UNEP Emissions Gap reports, the SCF report that can facilitate support for developing countries, and case studies on applicable good practices and sharing knowledge.

Outputs, she suggested, could be reports by the Secretariat and the establishment of knowledge-sharing platforms. She then asked participants for their views, including how they envisage participation by Parties and/or other stakeholders, and duration of the work programme, including milestones. Participants also discussed how the work programme relates to the GST.

Many participants said the mitigation work programme should complement the GST, rather than duplicate or overlap with it. Several acknowledged that scrutiny of individual NDCs is controversial and not something we will agree on. Some underscored the importance of preserving the bottom-up approach of the Paris Agreement and emphasized that the issue of sectoral approaches with respect to the work programme constituted a major point of contention at the 2022 SBs. Involving the high-level champions and participation by non-Party stakeholders was also mentioned.

A developing country speaker highlighted the “chicken and egg” conundrum with respect to means of implementation and mitigation commitments, wondering whether developing and developed countries are each waiting for the other to make commitments. He pointed to a lot of potential input, including the Glasgow Breakthrough, the NDC Partnership, the UNDP Climate Promise, and the Coalition of Finance Ministers and its six Helsinki Principles. He said the added value of the mitigation work programme would be an overview of the global climate landscape and what is being done by various actors. He underscored the importance of engaging all stakeholders in the process. He also expressed a belief that enthusiasm in the mitigation work programme could lead to a rollout of new jobs, growth, and new business models.

One developed country representative said we left Glasgow understanding that 1.5°*C* is still alive, in part because of the decision to establish this work programme. However, if it is not able to deliver and adopt a work programme, "Sharm el-Sheik might be the COP where we lose 1.5°*C*". He lamented that discussions in Bonn did not go well and we were not able to deliver, arguing that we must adopt something in Sharm el-Sheikh that helps each of us increase ambition. He said limiting conversations to non-controversial issues will not help us advance, suggested we look at what can be done at the sectoral level and identify benchmarks and standards, and stated that high emitters must be addressed in the work programme.

Another developed country participant echoed the sentiment that the mitigation work programme's goal is to keep 1.5°*C* alive; however, he lamented the G20 could not agree in August that 1.5°*C* is the goal we are striving for, even though it was language agreed earlier in Glasgow. He lamented that the G20, which represents the largest emitters and 80% of emissions, are not all on same page at all.

One developing country speaker expressed the obvious potential for controversary. Recalling the Bonn and G20 discussions, he said if we are we trying to agree on a draft decision for COP27, we should all strive to be a little more pragmatic in terms of how we approach it. He said language on keeping 1.5°C *alive is not helpful and "we should tone down the rhetoric", as it* will not help convince recalcitrant Parties to agree. He also reiterated that a mechanism for scrutiny of individual NDCs would be neither helpful nor agreed to. He also expressed concern over the potential for redundancy with the GST, which he said is the essential mechanism for enhancing ambition over time. He reiterated that the work programme is not supposed to supersede the GST. He said reference to a "robust" work programme would not be helpful to mobilise delegations that have been more defensive in the discussions so far, but that concrete process-related ideas, such as workshops, would be useful.

Another developed country participant emphasized several elements that must be addressed if we are to deliver a decision on the work programme in Sharm el-Sheikh. These elements include: purpose in the work programme, which the Glasgow provides for; duration of the work programme within this critical decade and how long will the work programme support that purpose; where the work programme will sit in the organizational structure; scope and modalities for the discussions; participation and who will be involved; and agreeing on inputs and outputs.

Participants diverged with respect to the duration of the work programme, with several saying the mitigation work programme should be limited to 2023 and feed into the 2023 GST until 2023. However, others supported a work programme that goes until at least 2030, given the "critical decade" language in the Glasgow Pact. One developed country said if we still have a gap in 2023, the work programme should continue, but if, on the other hand, we have reduced the gap, we can stop the programme.

Commenting on modalities, one developed country speaker said we should be thinking about roundtables, workshops, and submissions in advance of negotiations next year, and we should start from the Glasgow Climate Pact, which referred to sectors. She noted internal discussions on how to juggle the two elements of the work programme: accelerating implementation of the targets we have committed to; and not losing sight of the global aspect in terms of ambition and the 1.5°*C goal*. She said these complementary aspects were crucial for success.

A developed country representative emphasised that the overall framing for the work programme was that we are not on track to meet the 1.5°*C* goal and we need to be; a facilitative space is needed but we also need to challenge ourselves; we cannot spend a lot of time negotiating given the urgency of the issue; and whatever form the work programme takes, it must link to the political process as specified in the text.

A developing country speaker said the forthcoming submissions on the work programme provide a good opportunity to infuse ideas and elements, so things are more tangible. He said if we agree the Paris Agreement should be the reference and foundation for everything, then we can achieve a lot, but expressed caution about adopting a sectoral approach.

One developed country clarified that the mitigation work programme is about informing what we can do after we have made our decision about targets, while the GST is to take stock of progress. He said the work programme is not intended to be judgemental or punitive, and that we must make sure the concerns of Parties are addressed in designing it.

With respect to a sectoral approach, interventions noted: what was needed to peak emissions in the energy sector before 2025 and halve emissions in every sector by 2030; and sectoral benchmarks fit within the bottom-up nature of what we are doing. A developed country speaker cited some areas of convergence on a sectoral approach; said possible sectors could be identified, did not see tension between sectoral and bottom-up approaches. He suggested creating a space for the private sector, which could set their own benchmarks and targets. He also did not agree there was conflict between the work programme and the GST, which he said had different functions.

Concluding the discussion, Sanmiguel Patiño reiterated the key is to move quickly and to not to get lost in complex discussions or renegotiating what has already been agreed.

## GLOBAL STOCKTAKE TECHNICAL DIALOGUE

The first Global Stocktake (GST) began in 2021 and will end in November 2023, two years before the next round of NDC submissions in 2024-25. It will play a key role in setting the course for further action and support, providing an opportunity to focus on implementation and international cooperation. In this context, the Technical Dialogue (TD) of the first Global Stocktake is a conversation among Parties, experts, and non-Party stakeholders to develop a shared understanding of the latest information on implementation the Paris Agreement and progress with respect to its long-term goals. The TD will focus on how gaps in implementation of the Paris Agreement can be bridged to support a GST outcome that informs Parties in updating and enhancing actions and support as well as enhancing international cooperation and identifying opportunities for action across GST topics. Three TDs are taking place in June 2022 (which took place during the SBs), November 2022 (during CMA4/COP27), and June 2023. They are structured around the three themes of the GST: adaptation, mitigation, and means of implementation.

In a presentation on behalf of the Fellows, Zita Wilks, Advisor, National Climate Council, Gabon, addressed the following guiding question: which (finance) issues should the TD focus on strategically, including those that are not covered elsewhere? Noting large financial gaps that keep growing, Wilks' presentation was structured around the following points: what the TD should cover that is not covered elsewhere; areas that are covered elsewhere but require more focus; overlapping processes to integrate into the GST; and what the focus of the proposed GST outcome should be.

With respect to topics not covered elsewhere, Wilks said the Fellows had identified: adaptation finance; finance for the response to loss and damage (L&D); a just and affordable transition in the context of mitigation, adaptation, and L&D; and alignment of investments aligned to the Paris Agreement.

Regarding areas covered elsewhere but requiring more focus, she mentioned: the need to ensure mobilisation of climate finance and to match existing finance to needs associated with adaptation, mitigation, and L&D; access to available climate finance; quality of climate finance, with the preference being for grants rather than loans; and accounting and tracking of climate finance and the need for a single system through which to do this.

On the need to ensure that overlapping processes integrate into the GST and do not duplicate the work of other bodies, Wilks highlighted: mobilisation of climate finance, which should follow the SCF's biennial assessment of progress, and the GST should not duplicate the SCF's work; access to climate finance, review of the Financial Mechanism (FM) and guidance to the FM's operating entities; quality of finance, which should be carried out for the SCF's climate finance definition work; and, with respect to accounting and tracking, the SCF's annual report on progress towards achieving the mobilisation of USD100 billion per year.

With respect to the proposed GST outcome and where the Fellows think the focus should be, Wilks highlighted:

- an increase in climate finance to achieve scale commensurate to the needs and priorities of developing countries;
- facilitating and improving access to climate finance for developing countries;
- preference for grants rather than loans so as to avoid further indebtedness of developing countries;
- safeguarding against double counting and ensuring transparency especially with respect to adaptation finance; and
- improvements in the context of a just and affordable transition taking into account respective national circumstances and capabilities.

She said the GST has a unique opportunity to analyse progress in making finance flows consistent with a low emissions pathway and climate resilient development, as well as to facilitate and improve access to climate finance for developing countries.

Professor Benito Müller, ecbi Director, reiterated the need to make use of the TDs without duplicating efforts, and to emphasize areas which are discussed elsewhere but in an insufficient manner. He clarified we are talking about the TD, not the outcome of the GST. He said, for example, a just transition must be looked at more broadly than solely as "a just energy transition". He said adaptation should be included in the discussion on response measures, which is as much a L&D issue as livelihoods are also lost due to adaptation and impacts. Concurring, a developing country participant recalled that just transition did come up a lot in Bonn.

A developed country speaker said finance will get covered in one way or another as we operationalise the Enhanced Transparency Framework under the Paris Agreement that was agreed in Glasgow. She said the SCF does a lot of work that would be relevant for the GST. In preparing for the technical phase, she stressed the need to maintain a neutral tone with respect to whether financing adaptation or mitigation is better or whether grants or loans are better to ensure the views and ideas of others are not diminished. She highlighted the need for an increased focus on adaptation finance irrespective of the GST, citing the agreement to double adaptation finance by 2025, as agreed to in Glasgow. She questioned how much the UNFCCC process can contribute to a just and affordable transition.

She said we need to focus on the alignment of long-term finance flows, and that developed countries have failed on the mobilisation of climate finance when looking at progress toward the USD100 billion goal, particularly with respect to mobilising climate finance from the private sector and the multilateral development banks.

On accounting and tracking of climate finance, she said we can get more information through regular reporting processes and the Enhanced Transparency Framework is important for building trust and ensuring transparency. She explained that the biggest challenge of the technical phase is ensuring real dialogue, pointing to a lack of dialogue on finance in Bonn during the TD roundtables.

She questioned why access to climate finance is still challenging given the plethora of high-level initiatives to address access issues and feared the technical phase of the GST will not solve the issue either. She explained that while we have specific processes related to LDCs and some other vulnerable countries, when it comes to middle-income and some island countries, lack of access is still an issue. She said we must ensure it does not lead to higher climate indebtedness.

Professor Müller detailed some of the barriers to access, including complicated application processes and documents that need to be filled out, which differ across funds. He said enhanced direct access must look beyond traditional procedures, for example bringing money to the client instead of having the client fill out forms or write something that is out of their comfort zone. He cited the example of Agence Française de Développement, which provides money to local branches that in turn help assess green projects to fund. Thus, decisions are taken at the local level, where more is known about the context and circumstances.

Mentioning the Climate and Development Ministerial (which addressed L&D, impacts, access to finance, and adaptation finance) and the Access to Finance Task Force initiated by the UK with Fiji, one speaker wondered whether they would link with the GST or not, whether they represent a distraction, or whether they feed into the GST in a sufficient manner. Developing countries stressed that the issues must all be looked at together and inform the GST TD on what issues it should focus on. One participant expressing scepticism that events taking place outside the GST would feed into the GST.

A developed country representative suggested we might get a result from the GST that does not reflect the totality of the importance of the issue if we only focus on issues that are not addressed elsewhere.

Several developed countries sought clarity on the focus of the discussions, expressing concern over the number of issues put forward by the Fellows and noting the inability to discuss in a comprehensive manner any one of the issues in such a short time. Developing countries said they were attempting to identify issues that require more focus and said we must pick issues strategically to ensure the GST delivers an assessment we can use. They clarified that the Fellows' suggestions are intended to be considered for discussion during the TD, and said developed countries are welcome to make suggestions as well.

In response, one developed country participant suggested other topics the TD could address that are not covered elsewhere, including: the application of carbon pricing and potential barriers; barriers to climate mainstreaming in national budget processes; and the investment climate more generally, including what type of investment environment is needed to accelerate the transition.

One developed country speaker said the EU has been able to deliver on the public component of the USD100 billion a year agreed to in Copenhagen but has not been able to successfully mobilize the rest. She emphasised the EU is not trying to shy away from its obligations. She thought we would be able to mobilize and deliver to the carbon markets and pondered why the carbon markets developed so poorly. She said the EU is reporting annually in great detail and in a transparent manner, including with respect to grants versus loans.

In response, a developing country representative cited a dearth of data and a lack of transparency around climate finance flows. He questioned the previous speaker's statement that the EU had met its public climate


Mattais Frumere, Sweden, intervening during the Seminar

finance commitment and that remaining gaps relate to the private sector. Mentioning an earlier statement made by the EU that finance is already balanced between adaptation and mitigation, he observed that while that might be true it is not happening at the Green Climate Fund (GCF) where mitigation still receives most of the financing and adaptation spending is much less.

One developed country speaker said the mobilisation of finance is a very political issue at least in some countries, and while a larger climate finance envelope would be great, parliamentarians limit how far climate finance can go. He asked how we can leverage the private sector with existing public finance. He mentioned the "Champions Group on Adaptation Finance", launched at the UN General Assembly in 2021, which tries to encourage others to ramp up adaptation finance. As a provider of development and climate finance, he said these efforts, how we progress, and accounting, tracking, and transparency would be happening irrespective of the GST. On access, he said we must improve how global funds are functioning. He also mentioned work in the OECD on eligibility criteria, including on the multidimensional vulnerability index, for vulnerable countries that have a higher per capita GDP above the present OECD ceiling. He also noted that some developed countries provide 100% grant finance so as not to place a debt burden on developing countries.

One developing country speaker said many developing countries would take issue with the statement that the EU has delivered on the public element of the finance commitment. He said the GST would enable a more fact-based discussion on this issue. He also said he did not think carbon markets should count as climate finance, and that Article 6 addresses the carbon market, which he said is not about financing the implementation of developing countries' NDCs. He said if a developing country sells carbon credits to developed countries, which then use it to emit more, it is in fact helping developed countries achieve their NDCs. Thus, he said if a corresponding adjustment is used by a developed country to subtract from their mitigation target, it should not be considered climate finance.

One developed country speaker suggested that in some cases loans can be better than grants. She reiterated that the share of public finance in the USD100 billion goal has been delivered, and that raising funds from the carbon markets goes back to Kyoto, reminding participants that the CDM levy is part of climate finance. She further argued that the loan versus grant discussion depends on one's point of view. She explained if the intent is to achieve maximum mitigation impact, often a loan might be more impactful, but she acknowledged the situation would be different for LDCs and other vulnerable countries.

On how the TD relates to the Glasgow Dialogue, a developing country clarified that the Glasgow Dialogue mandate is specific to arrangements for the financing of L&D activities, as current modalities take time for projects to go through the approval process and assistance is not immediate for Parties. She said the TD is more cross-cutting and looks at the bigger picture, including the 1.5°*C* target, adaptation, and the provision of finance. She lamented that we are underperforming in all three of these areas.

A developed country participant said the GST should cover all these issues. Regarding the need to find the right institutional arrangements for L&D finance, he said we need to understand how much is available and what the needs are. He added more areas that do not yet have tracks should be identified and focused on. He said we must ensure investments are aligned with the Paris Agreement and that they are not going to climate-vulnerable infrastructure. With respect to whether loans or grants are more effective, he said the issue is complex and expressed doubt that the GST was the right place to have this discussion. On carbon markets, he agreed that it depends on what is included and that clearly money that a developed country invests towards achieving its NDC should not be counted.

Another developed country speaker said we are getting into the details of suggestions without putting them into context with respect to the GST's mandate. He said the remit of the GST is undertaking an assessment based on science and what is needed, with a view to enhancing future commitments and action, as well as international cooperation on climate change. Rather than thinking about burdening the TD, he said the question should be whether these are key factors with respect to enhanced action post-GST.

Several participants commented as to what the specific outcomes of the TD and the GST might look like. One developed country urged participants to read decisions multiple times, as they include the agreed procedures. She said the TD will conduct dialogue and prepare a factual synthesis report. She reassured everyone that adaptation finance is part of GST, and we must make sure it is addressed and incorporated in an adequate manner. She noted that the GST was developed from 2013-2015 and we have progressed since then. She said, for example, the understanding of a just transition in Paris has expanded through a decision in Glasgow from a focus on jobs and workers to broader social distribution impacts within countries. She said how to deal with evolving concepts in the context of GST requires further consideration.

Adding to the conversation, a developed country said carbon markets represented an innovative way to mobilise climate finance, as carbon trading can mobilise proceeds. He suggested broadening what is taxed internationally, citing the example of CDM proceeds and Adaptation Fund. Further, he suggested there should not be an issue with raising funds through the carbon markets.

In response, one developing country speaker said it depends on what the carbon credits are used for. He agreed that support units (established under Article 6.4) could be used as a climate finance results-based mechanism. However, he stressed that corresponding adjustments and carbon credits used to achieve developed countries' NDCs should not be considered a form of climate finance.

Finally, several others acknowledged that L&D were not sufficiently addressed during the roundtables at the TD in June and that international cooperation also deserves more attention and effort in this regard.

In conclusion, Wilks hoped the informal discussions would bring something to the broader conversation. She said finance should be reframed to ensure balance and understanding of the obligation of support to be provided and mobilised.

## SANTIAGO NETWORK ON LOSS AND DAMAGE: INSTITUTIONAL ARRANGEMENTS

The Santiago Network for Loss and Damage was established in 2019 at COP25 in Madrid as part of the Warsaw International Mechanism for Loss and Damage (WIM). Its aim is to catalyse technical assistance for implementing relevant approaches for averting, minimising, and addressing L&D in developing countries that are particularly vulnerable to the adverse impacts of climate change. At COP26, Parties decided on the functions of the Santiago Network (Decision 19/CMA.3). However, they could not agree on the institutional arrangements, which are now expected to be agreed at COP27 in Sharm el-Sheikh.

The six functions of the Santiago Network agreed to in Glasgow are:

- contributing to the effective implementation of the functions of the WIM, by catalysing the technical assistance of organizations, bodies, networks, and experts (OBNEs);
- catalysing demand-driven technical assistance, including of relevant OBNEs;
- facilitating consideration of a range of topics relevant to averting, minimising, and addressing L&D approaches, and addressing L&D pursuant to decisions 3/CP.18 and 2/CP.19, the areas referred to in Article 8, paragraph 4, of the Paris Agreement, and the strategic workstreams of the five-year rolling workplan of the WIM Executive Committee;
- facilitating and catalysing collaboration, coordination, coherence, and synergies to accelerate action by OBNEs across communities of practice, and for them to deliver effective and efficient technical assistance to developing countries;
- facilitating the development, provision, and dissemination of, and access to, knowledge and information, including comprehensive risk management approaches, at the regional, national, and local levels; and
- facilitating, through catalysing technical assistance of OBNEs, access to action and support.

During this seminar session, participants discussed the still-to-be-agreed institutional arrangements using the following questions as a guide:

- With the functions of the Santiago Network decided at COP26, what are the key features of the institutional set up of the Network to be agreed at COP27?
- How do you envision steps to operationalise the Network once the institutional arrangements have been decided?

Moderating the session, Frode Neergaard, Denmark, reminded participants that in Glasgow the CMA agreed on the functions of the Network. He said that, despite lengthy negotiations in Bonn during the SBs, the institutional arrangements have yet to be resolved. Reminding participants that agreement is needed in order to carry out the Network's functions, he expressed disappointment that only a relatively brief draft decision text had been forwarded to COP 27. He also noted that the Danes had convened a workshop in May in Copenhagen to try to advance efforts on institutional arrangements. He highlighted some of sticking points, such as the need for an "advisory board". Neergaard then opened the floor for comments.

During the discussion, participants highlighted the need to finalize agreement on the Network, including the question of an advisory board and new institutional arrangements, and referred to the example of the Climate Technology Centre and Network (CTCN) as a potential model to follow. The Fellows urged better defining what the Network will be useful for, avoiding bottlenecks, and using it as a platform towards achieving climate resilient development. Many participants agreed that the Santiago Network should be operationalised as soon as possible.

A developed country participant, reiterating the Network's goal of catalysing technical assistance to developing countries, said four EU countries have already committed 25 million Euros to the Network. This means the Network will not only be a platform for knowledge exchange, but it will have funding to carry out its functions. She underscored the need to ensure OBNEs engage with the Network in an effective manner, and the value of close collaboration between the OBNEs with the WIM's Executive Committee expert group. She stressed OBNEs are expected to report to the WIM Executive Committee on technical assistance they have provided. She hoped COP27 would result in agreement on a coordinating body to provide secretariat services and manage the Network. She noted lack of agreement on the need for an advisory board, its purpose, and whether, if established, it would sit outside the UNFCCC or be a constituted body under the UNFCCC. With respect to the Network's design, she underscored the need for a lean and agile structure, terms of reference for the secretariat, and a bidding process so potential hosts can express interest, observing that this was done for the CTCN. A developing country suggested it is a mirror image of the Technology Mechanism and said we can learn from its experience with the CTCN.

A developed country speaker asked whether the Santiago Network must automatically come with a constituted body, expressing caution about expanding the bureaucracy, and said lessons can be learned from the review of the Technology Mechanism and its two bodies, namely the TEC and CTCN. Other developed countries also cautioned against establishing new bodies; said the WIM Executive Committee could take on a formal advisory role and expert groups could also provide advice; and wondered whether the UNFCCC Secretariat could be tasked with undertaking this effort. They also recalled that establishing the CTCN took 18 months and said the Santiago Network must add value.

While acknowledging that the text of the Network's general functions was agreed in Glasgow, one developing country speaker pointed to significant divergence regarding their meaning and interpretation. Another developing country participant urged engaging in discussions before Sharm El-Sheikh to avoid the same obstacles faced in Bonn, where discussions stalled.

A developed country, recalling experiences from the CTCN, said having a review process is key, noting we already have the five-year WIM review and that the Santiago Network is a natural part of the WIM. She said we "should not let the perfect be the enemy of the good", reiterating that money is already on the table. Noting different donors have different intents, another developed country participant asked whether the money is for technical assistance, the secretariat, or operation of the Network.

## FUNDING ARRANGEMENTS FOR ADDRESSING LOSS AND DAMAGE

While developing countries, particularly the most vulnerable, have been asking for financial support to address the L&D associated with adverse climate change impacts, no agreement has been reached on funding in the multilateral negotiations. Developing countries, in particular, are calling for the establishment of a separate facility or a pilot fund and developed countries for the most part prefer to use and scale up existing entities, reforming or restructuring them as necessary.

This seminar session sought to contribute to this conversation by exploring possible options for funding L&D, with all agreeing that the issue of L&D is urgent and not enough is being done to address it, particularly with respect to financing. However, opinions diverged on how to get there and what a funding arrangement would look like. Discussions centred on a proposal from developing countries on a new fund or facility.

Offering the Fellows' perspective, Michai Robertson, Finance Lead Negotiator and Chair's Advisor, Alliance of Small Island States (AOSIS), provided an overview of the issue and of possible funding arrangements for addressing L&D, including a proposed facility. His presentation was based on the following guiding questions provided by ecbi:

- What would the structure and functionality of a facility for financing L&D look like?
- How can financing be ensured for countries prioritising L&D?

Robertson explained that, in 2022, the IPCC identified existing gaps in funding arrangements for L&D, which is not comprehensively addressed by current financial, governance, and institutional arrangements, particularly in vulnerable developing countries. With respect to current arrangements, he said:
based on the current Green Climate Fund (GCF) policy landscape and COP decisions, the GCF is not actively considering including L&D in its main strategic document, despite many attempts, most recently in 2019 and even in Glasgow, to try and restructure the GCF to fully address L&D;

- the strategic document does not explicitly consider clarifying how existing investment and results frameworks would integrate an L&D element to ensure and promote an adequate assessment of funding proposals; and
- the GCF's Independent Evaluation Unit, in its second performance review of the GCF, outlined significant shortcomings with the GCF's current business model when it comes to addressing L&D.

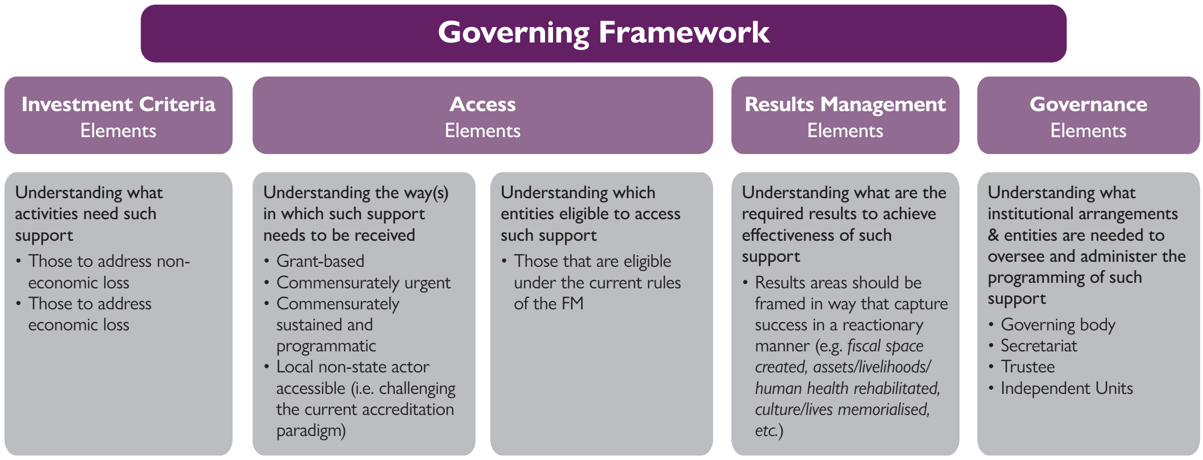
He underscored that any funding arrangement for L&D must provide support that minimises expected L&D to the greatest extent possible, and pursues efforts to contribute to the overall averting of future L&D. He explained that once an event occurs and the limits to adaptation have been reached, we must have a regime that responds to L&D. However, he noted that currently much of the focus is on anticipating both mitigation (that is, averting future L&D) and adaptation (minimising expected L&D). While lauding these efforts, he said the limits to adaptation must be addressed.

Robertson also emphasised that, given the limits to adaptation, funding for L&D must be comprehensively addressed. He said any arrangement must be fit for purpose and serve both the Convention and the Paris Agreement, which includes a recommendation to enhance support on a cooperative and facilitative basis to address L&D, as well address gaps regarding the ability of current operating entities to adequately fulfil this aspect of the Paris Agreement.

While underscoring that the Fellows are not presenting a panacea nor an all-encompassing solution, he said there is a recognition that we have reached the point at which we must ensure the FM and its operating entities are fit for purpose for the issues we are facing today.

He highlighted the need to understand four key elements: investment criteria, access, results management, and governance. Focusing on access, Robertson stressed the need to understand the way support must be received, as well as which entities are eligible to access such support, emphasizing grant-based support and commensurate urgency.

### Figure 3: Structure and Functionality of a Loss and Damage Fund




He detailed other potential guiding principles for the fund, such as: adopting a "high-risk appetite" in programming by the fund; providing support in a manner that is timely for a response that can supplement other existing finance types (e.g., humanitarian assistance), especially for addressing any type of L&D from extreme weather events; balanced and equitable enhanced direct access to funding; and active involvement of civil society in fund operations and governance. He said enhanced direct access must be embedded in the business model of the new operating entity, similar to the approach used by the GEF for involving local actors and civil society, not only in the operations but potentially in the overall governance as well.

He said none of the current funds have a sustained and programmatic approach that, for example, provides committed funding to ensure slow onset events and local non-state accessibility are addressed. He explained that even the GEF, when created in 1991, used small grants and incorporated non-state actors, which we must figure out how to integrate within climate funds, especially in the context of L&D, which is primarily local.

He said the GCF has failed to adopt a high-risk appetite in programming because of its business model. He said business model of the International Red Cross and Red Crescent Movement, which deals with disasters in an urgent manner. Thus, he said we should look at a range of business models, take their best parts, and apply them in this new operating entity. He stressed the provision of resources must be timely and supplement existing finance types, such as humanitarian assistance, for addressing L&D, noting the programmatic approach has not yet been perfected in the context of existing operating entities.

Following Robertson's presentation, Professor Benito Müller said he understood from the deliberations in the Fellows Colloquium that a key to progress is to consider a pilot fund for L&D. He recalled a similar experience with the creation of the Adaptation Fund, given that the GEF at the time, with its focus on global and environmental benefits, was not adequately covering adaptation.

Some developed country speakers took issue with the view that the only solution is to create a new fund, arguing that existing systems and entities provide the necessary functionality but need to be scaled up. They pointed out that scaling up and spending efficiently are challenges regardless of the type of institutional arrangement. One mentioned the pilot L&D funding facility involving the Vulnerable Twenty (V20) group of finance ministers. He asked how much resources would be needed at the outset to have any demonstration effect to determine whether such a fund could work, considering the scale of demand, eligibility criteria, and whether it should be line with existing mechanisms. He asked whether the proposed fund would cover all developing countries and whether it would look at the vulnerability of countries, as well as what implementing agencies would be involved?

Robertson responded that much of the onus is placed on developing countries to marshal a proposal and thanked partners for acknowledging the gap. He said the V20 is not under a multilateral process and not all AOSIS members are part of it. With respect to resources needed, he said further thinking and number crunching is required, and that we might not need to consider capitalization at this time. Regarding a request for clarity on what about the Red Cross's business model is better than that of the GEF's, Robertson said the Red Cross, its business model, and its application and disbursement process looks at social and environmental risk.

Another developed country said the key is to finance reconstruction regardless of what causes the destruction, which is not solely under the purview of the UNFCCC. He said by creating another fund we will end up in the same kind of discussions without solving the problem if the money is just not there. The main issue, he believed, is finding a solution to ensure those who are ineligible for ODA would have access to climate funds.

A developing country participant expressed surprise at the pushback from developed countries given the IPCC report's statement that L&D is happening at a faster rate, providing clear evidence it must be urgently addressed. She urged establishing a vehicle that begins to do that now, said discussions came close to achieving an outcome at COP 26, and stressed that developing countries are working very hard on this issue. She questioned why partners say that the rationale and urgency are not clear when this has been a decades-long process. She said this issue gets to the heart of the UNFCCC and we would not need to mitigate if we did not have L&D.

Another developing country cited lack of coherence and consistency around L&D among the various organizations and initiatives addressing this issue. He welcomed more discussion on:

- how this approach would fit into an already slightly fragmented architecture;
- whether the approach would be completely new or bring together existing elements recognizing they are not sufficient nor to scale;
- what a response on non-economic losses would look like through a model like this; and
- how innovative sources of financing fit in, while all in context of the financial mechanism.

Addressing non-economic losses, Robertson said recovery and reconstruction is not the only focus, stressing that social protection and loss of livelihoods must also be addressed. He said the GCF should not fund memorialising the loss of culture, for example, but this loss can be devastating. He also stressed damage to both physical and mental health following disasters, and the importance of addressing mental health problems stemming from L&D and recovery. He reiterated that: multiple attempts to restructure the GCF to address L&D have been rebuffed; the GCF's business model does not allow for going beyond adaptation; and reforming the GCF, even if agreed to, would be as burdensome as setting up a new fund.

Other interventions suggested possibly piloting a fund and then having the private sector or others take it forward rather than the UNFCCC. Several speakers also identified issues with the ODA structure and the inability of some to access it based on current eligibility criteria, while others discussed how to determine the degree to which mental health problems are due to climate change.

On the question of **what needs to be considered in the provision of support for L&D beyond finance**, Saleemul Huq, Director, International Centre for Climate Change and Development (ICCCAD), and Senior Associate, International Institute for Environment and Development, called attention to lack of funding to address slow onset events, such as sea level rise and the subsequent salinity intrusion in low lying islands and coastal zones. He informed participants that in Bangladesh salinity is increasing in drinking water to the point where one can taste the salt, which negatively impacts pregnant women in particular.

Noting that once the event occurs funding is always inadequate, he said no one, not the UNFCCC, the UN Office for the Coordination of Humanitarian Affairs (UNOCHA) nor other humanitarian organisations, is addressing the impacts of sea level rise, which is displacing thousands every day in Bangladesh from low lying areas and coastal zones and forcing them to move to cities. He said we must look at the impacts of slow onset events, which are the responsibility of the UNFCCC and the L&D regime under the Paris Agreement, and which require research and evidence gathering. He acknowledged we are doing a lot on adaptation, but said there are limits to it, and salinity is happening faster than we can address it. Huq said slow onset events will accelerate in time, and we are not prepared for it. He said L&D from climate change must be addressed under the UNFCCC, which cannot shirk its responsibility.

On the notion of a just transition, Huq said this mainly addresses those that will lose their livelihoods due to reduced use of fossil fuels, but those losing their livelihoods from the impacts of climate change require a just transition as well.

One developed country speaker agreed that the financial landscape is fragmented, and only a small percentage is going to the FM's operating entities. She said the UN system as a whole, not just the UNFCCC, must share this responsibility and comparative advantages must be exploited. Regarding slow onset events, she doubted she could get funding for a project proposal with a 100-year time frame, with too many uncertainties.

Several speakers argued that saltwater intrusion is being addressed, albeit not at the scale needed, while one suggested establishing an expert group on slow onset events under the WIM Executive Committee.

In response to some of the comments, Huq clarified that slow onset events are not going to happen in 20-30 years from now; they are happening now and are not being addressed. He reiterated that perhaps the new fund can address this.

Michai Robertson, Finance Lead Negotiator and Chair's Advisor, AOSIS

A developing country participant explained that while non-state actors are taking on more commitments, they are generally focused on mitigation. She stressed that they should also contribute more to address adaptation and L&D. She also said we should look at the efforts of the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO) to offset emissions and see how we can channel funding towards financing L&D.

One developed country cautioned that sometimes when we are under pressure to do something quickly, we risk getting it wrong. Professor Müller clarified that this vehicle is not meant to fund all L&D. It could fund slow onset events, for instance. However, the idea is to create a "comfort zone" whereby some funding is provided for L&D. He added that, as was done for the Adaptation Fund, new and innovative sources of funding should be tapped to fund L&D. He mentioned the proposal for a share of proceeds for adaptation (SOPA) in the VCM as an example of a type of innovative funding source.

Summing up, Robertson underscored the need for the proposed entity to have co-benefits. With respect to slow onset events, he welcomed knowing more about how this is addressed in continental Europe, following on the reference to the experience of the Netherlands, for example. With respect to the pilot fund, he underscored: the need for certainty and programmatic funding to address, for example, sea-level rise over a period of time; all the slow onset events that are occurring right now to be eligible for funding; an incremental increase in health issues that did not exist before climate change; and the need to link the two issues, rather than addressing them separately. He pointed to the misperception that the Santiago Network is the solution, as catalysing technical assistance is different from funding activities.

He reiterated that the proposed pilot should be viewed as a contribution and an experiment along the lines of what was done in 1991 with the GEF. On the question of reforming existing institutions versus establishing a new one, he said he has not heard a concrete proposal from developed countries on how they would reform existing institutions. He said developing countries have done an immense amount of work on their proposal and hoped developed countries could come to Sharm el-Sheikh with a counterproposal.

## ALIGNING FINANCIAL FLOWS WITH THE PARIS AGREEMENT GOALS

One of the key goals of the Paris Agreement is to make finance flows "consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" (Article 2.1(c)). This seminar addressed whether the current institutional arrangement allows for determining whether finance flows are consistent with the Paris Agreement and, if not, what new institutional arrangements might be necessary to track alignment. Much of the discussion revolved around definitions of climate finance and financial flows and differentiating between the two.

Guiding questions to steer the discussion included:

- What do "finance flows" refer to?
- How do we disaggregate "climate finance" from finance consistent with Article 2.1(c)?
- What information/data would help inform whether finance flows are aligned with a pathway towards low emissions and climate-resilient development?
- What inputs would be necessary from recipients and providers of climate finance?
- What institutional arrangements would be necessary to track alignment?

Lia Nicholson, Senior Advisor, AOSIS, Antigua and Barbuda, presented on this topic on behalf of the Fellows. She recalled that in April 2022, Parties, FM operating entities, and other finance stakeholders were invited to make submissions covering: ways to achieve Article 2.1(c); options for approaches; and guidelines for implementation. She cited a low response by the financial sector but indicated that based on the submissions received, the SCF was preparing a synthesis for CMA4.

Raising questions of definitions, she asked whether "finance flows" refer to, for example, any type of investment and/or export credits? She also asked if domestic investments are considered financial flows, and what articles of the Paris Agreement really operationalise this goal. She discussed disaggregating climate finance from finance consistent with Article 2.1(c), which she said should not be used to diminish climate finance responsibilities deriving from the Convention and the Paris Agreement, including the USD100 billion per year goal. She wondered what consistency with low emissions climate resilient development looks like and what information and data would help inform consistency.

With respect to "green" versus "brown" finance flows, she mentioned the example of natural gas being viewed in some contexts as a transition fuel towards a low emissions paradigm, while in others natural gas would not be considered part of the transition. She said what is green can be context specific or nationally determined to fit the local situation. For example, she explained that land reclamation on a very low-lying area could be viewed as maladaptation. However, in the local context if it is building up next to the local population, while it could be increasing assets at risk, there is also a clear rationale for it as a climate-resilient pathway.

On the issue of what institutional arrangements would be necessary to track consistency in the context of 2.1(c), Nicholson mentioned, at the national level, Article 9.5 *ex ante* reports, biennial transparency report (BTR) support tables under Article 9 on support provided and received, and expert reviews. At the international level, she referenced the GST and SCF reports. In conclusion, she said the view of the Fellows is that current institutional arrangements are not adequate to track consistency with the Paris Agreement, so the question is, what arrangements would enable us to determine consistency?

During the ensuing discussion, some countries highlighted what they are doing to ensure alignment with the Paris Agreement. One developed country speaker said financial flows from the national bank in his country must be Paris-aligned, as they view this as the way they will make money in the future. This means it is market driven and accountability programmes and ways to track progress are in place. He expressed concern about making the issue too complex, noting that Article 2.1(c) refers to all financial flows, and that mechanisms are already in place to track progress. He also noted that financial actors are concerned too many standards already exist to measure alignment with financial flows. He pointed out that the UNFCCC's role is to present an overview and provide guidance on how they could cooperate to establish a more coherent measurement system. He expressed lack of clarity regarding how Article 2.1(c) could be diminishing climate responsibility and said climate finance is part of financial flows and an element of 2.1(c).

Another developed country, while expressing disappointment at not reaching the USD100 billion goal, insisted developed countries have not shied away from their commitments. She said that to tackle the climate crisis all finance flows must be Paris-aligned. However, she cautioned that not all investment should be referred to as climate finance, and that multilateral development banks have a list of priorities and projects that would be categorised as climate finance.

Echoing a similar example mentioned in the presentation, she said natural gas might be considered a transitional fuel now but would not be considered so in the future; thus, the temporal dimension is very important. She said standards are being set outside the UNFCCC process, and we need our process to catch up with what is happening in the "real world" without duplicating it. On information and data, she explained we have reporting structures in place under Article 9 and would not want to engage in negotiating new tables at this juncture.

On land reclamation, she argued that it is increasing resilience and in line with the Paris Agreement. Another participant said we need to look at examples from different perspectives, and each country must decide for itself. A developed country agreed that on land reclamation everything is context specific. For example, if the Maldives needs it to protect against slow onset events, then it would be aligned with climate resilient development. However, if land reclamation is carried out to build a new oil terminal, then it would not be.

A developing country speaker said we often hear that the regime is not qualified to intervene, but this is precisely an area (alignment with the Paris Agreement) where it would be qualified. He mentioned an Environmental Integrity Group and EU proposal for a work programme on Article 2.1(c) to be discussed in Sharm el-Sheikh. However, if we are not discussing harmonization or giving general guidance on what is consistent with the Paris Agreement, he wondered what we would do under this work programme?

A developed country participant said further work was required on this proposal and that is why we are proposing an agenda item on it. On what information would inform whether climate flows are really aligned, he said several data sources and indicators are already available. He acknowledged, however, that most of the focus is still on temperature goals and mitigation. He also noted that he did not see the need for distinguishing between recipient and providers of climate finance when it comes to alignment. Finally, he said new institutional arrangements were not necessary, as existing mechanisms are robust and current reporting guidance can be adjusted.

Another developed country pointed to the considerable amount of work going on outside of the UNFCCC, which could serve an overview function to identify potential gaps, and cautioned against duplicating efforts. One speaker said it was dangerous to use measures taken in advanced financial markets as a starting point, as many countries lack such markets.

A developed country speaker said her country is moving towards aligning the whole national budget to 1.5°C, which will enable investment decisions to be aligned with 1.5°C, although she acknowledged this takes time. She said the toolbox idea was interesting and asked how we ensure public investment decisions are also aligned with 1.5°C. She said the public sector is responsible for a large amount of procurement, and asked how we ensure assessment criteria are aligned, which would be another element of the toolbox. On supporting the private sector in green investment, she asked how we can better stress test various sectors and various parts of the economy. She also wondered what we can do collectively, including sharing experiences and working together to better understand how we can make the shift to "big money". She emphasised that the intent is not to create global standards, as every country is different. Rather, it is to provide inspiration.

A developing country representative wondered how experiences would be shared across developed and developing countries, and what aspects of oversight can be delegated to an international process. She agreed that processes are underway to address Article 2.1(c) and said it was important to see how they could mature or evolve. She said one thing we addressed in the Glasgow Climate Pact, in relation to mitigation, was phasing out and down inefficient fossil fuel subsides and unabated coal power. She said Article 2.1(c) would be an appropriate framework to track progress on that decision, with a dedicated space that could support a fairer or more honest discussion and examination of commitments taken under the COP and CMA. With respect to fossil fuel subsidies, another developing country speaker said the order of magnitude is enormous, with explicit and implicit costs of USD6 trillion a year, and that USD100 billion a year is just a fraction of that. He lamented that some things we continue to do are so completely non-aligned.

One developing country said collective brainstorming can help manage complicated negotiations, but that engaging in an academic discussion on definitions was not warranted. However, he said there was a practical and methodological reason to work with definitions, especially regarding mandates on climate finance, for example. He said in the absence of a clear definition, understanding how we could track collective progress in a truly objective manner was difficult to comprehend.

He said the Fellows' presentation highlighted concerns regarding disaggregating climate finance from the broader discussion on finance flows. He also said that while climate finance could be considered a subset of finance flows, many finance flows should not be considered climate finance or used to argue the USD100 billion goal is being met. He cautioned against conflating the two.

On carbon markets, and referring to previous discussions, he acknowledged some transactions could be considered climate finance and others should not be considered as a contribution to achieving the USD100 billion goal, mentioning in particular corresponding adjustments, which are applied to help developed countries achieve their NDCs.

Other interventions emphasised a space for sharing experiences and not aiming for a normative approach from the start; and that all financial flows should complement, not compromise, public finance commitments.

A developed country pointed to the many initiatives coming out of COP26, including the USD130 trillion Glasgow Financial Alliance for Net Zero, which requires direction in terms of where the money will go, and the Coalition for Climate Resilient Investment, launched at the 2019 UN Climate Action Summit. However, he noted that determining what finance flows look like for resilience and adaptation is more difficult. He said such initiatives can drive behaviour with minimal UNFCCC involvement. He acknowledged challenges in determining what is "green" and what his country should be investing in and supporting.

On an optimistic note, interventions by developed countries noted we have come quite far since the Paris Agreement, particularly with respect to public finance flows. One speaker mentioned the Agence Française de Développement and the European Investment Bank, in particular, which are fully aligned with the Paris Agreement. Also mentioned was progress within the private sector, such as: the Task Force on Climate-Related Financial Disclosures (TCFD); One Planet Sovereign Wealth Funds, worth trillions of dollars, which are working to align flows; and the High-level Expert Group on Net Zero Emissions Commitment by non-State entities, established by the UN Secretary-General, which will constitute an important tool and contribution to the debate.

A developing country speaker reiterated that tracking in the context of the GST is about collective progress on all three Paris goals. He said he did not think we have a system yet in place to track progress on achieving Article 2.1(c) and said this represented a "huge hole" in the Enhanced Transparency Framework with respect to reporting. He welcomed hearing advanced economies engaging on consistency and tracking, but said specific support is needed to enhance developing countries' tracking systems. He mentioned, for example, budget coding and engaging with the central bank on stress testing. He said setting up a system, enforcing regulations, and establishing incentives, is an expensive endeavour. He also emphasized harmonisation across standards to ensure consistency, noting this could help avoid the issue faced with the TCFD and greenwashing. He emphasized that when looking at methods of tracking progress, we must ensure that extraterritorial effects are also being safeguarded, noting the need for more discussions on this issue.

Another developing country said while the views and ideas are interesting, he questioned the ultimate intent of the discussions. He said he did not understand the language on "Paris-aligned", noting it is already covered under Article 2.1(c) because if there is a climate rationale to a finance flow (increasing resilience or reducing emissions), then it is Paris aligned. He questioned the value of discussing what is Paris-aligned and what is not. He said interventions indicate that some finance flows will come from what some consider climate finance through Article 9, as well as through other vehicles, like capital markets, which are contributing to the climate rationale. He further explained that Article 2.1(c) refers to "consistency" with the objectives of the Paris Agreement but does not mention alignment. He said the discussion must be within the bounds of the Paris Agreement and seek to contribute to its overall objectives. He cautioned that the discussion is going beyond what is within the mandate of the Paris Agreement.

A developed country, highlighting the rich discussion on a complex topic, suggested a step-by-step approach in the way we are trying to figure out what is behind 2.1(c). He echoed what a developing country had said, namely that if we cannot define what are green flows, maybe it is better to start off by identifying what is brown. For example, he said the biggest institutional investors in his country are pension schemes, and increasingly members are demanding they divest from fossil fuels. Noting this trend is growing, he said export credit agencies are developing taxonomies to determine what they cannot invest in.

Wrapping up the discussions, Nicholson said we are going to have to look at whether finance received and provided is consistent with the Paris Agreement, so it is in our best interest to clarify what we are talking about. She said getting a more specific definition could help advance the Article 2.1(c) discussions, including with respect to where the funding goes, level of concessionality, and how grant based or grant equivalent it is.

On land reclamation, she noted differing opinions as to whether it is aligned with climate resilient development or not. She mentioned a multi-island project within one country, and an infrastructure proposal on one island that the GCF moved to another island because it was more cost effective. She observed that even within the GCF there is a lack of clarity on this issue.

In conclusion, she said looking at climate-resilient development in a nationally determined, bottom-up manner is critical because at the local level we are better able to have a just and affordable transition.

## NEW COLLECTIVE QUANTIFIED GOAL ON CLIMATE FINANCE

At COP21 in Paris, Parties decided that, prior to 2025, the CMA would set a new collective quantified goal on climate finance (NCQG) from a floor of USD100 billion per year taking into account the needs and priorities of developing countries. CMA1 decided to initiate deliberations on setting the goal, and CMA3 agreed that deliberations on the NCQG be established around an *ad hoc* work programme, submissions by Parties and non-Party stakeholders, high-level ministerial dialogues, and stocktakes and guidance by the CMA. Parties established the work programme with the following activities: four technical expert dialogues; annual reports; and regular consultations. In 2024, the CMA will take stock of progress made and set the NCQG.

To delve deeper into this issue, this seminar focused on what institutional mechanisms or arrangements would be optimal for operationalising and administering the NCQG once it is finalised, considering experiences and lessons learned from existing financing arrangements. Discussions revolved around the need for a definition of climate finance and the question of loans versus grants.

Presenting on behalf of the Fellows, Renato Leonardi, Head, Climate Change Division, Department for Sustainable Development, Ministry of Foreign Affairs, Brazil, provided some context by presenting a slide showing climate finance provided and mobilised in 2013-2020 based on OECD aggregate trends, and grants versus non-grants. He said the slide shows climate finance has been increasing and approximately 30% of finance provided and mobilized went towards adaptation.

He then presented a slide from Oxfam, which compares climate finance levels with those presented in the OECD study. He pointed out that Oxfam focuses more on the level of grants, which, he said, have been relatively stable. Since the OECD relies more on loans, he asked whether the OECD figures are inflated.

Showing a slide from the World Resources Institute on climate finance mobilization by country, he noted very low participation by the US based on its economy and contribution to climate finance. He said while Japan and France have contributed more than their fair share, it is mostly based on loans not on grants. Noting differing methodologies, he said Japan considers ODA as climate finance, which inflates Japan's numbers substantially.

He recalled two elements of the NCQG discussions: lessons learned from the delivery of the USD100 billion goal; and the process of setting the NCQG at COP26. With respect to lessons learned, he said the goals established 15 years ago lacked a tracking system, monetary corrections, and division of shared responsibilities. Thus, he underscored that, in coming up with the NCQG, we must make changes.

On what counts as climate finance towards achieving the NCQG, he said the Fellows stressed the need for a definition of concessionality in relation to climate finance, that is the minimum floor for grant equivalence ratio. He also urged clarification on the status or reflows of principal and interest payments by recipient countries in accounting for climate finance. Further, he supported establishing a public grant finance sub-goal for adaptation (primarily focused on bilateral contributions from developed countries).

He commented that a concessionality policy was discussed over and over for the GCF, but never established. He also asked whether a loan that must be paid back with interest should count as climate finance.

With respect to the Fellows' views on definition/scope of climate finance, he mentioned the need to focus on grants to avoid national indebtedness, and predictability and sustainability of climate finance flows and how to operationalise it.

With respect to transparency, he said a system must be in place to track the delivery and accounting of climate finance, including the need for a notification requirement of delivery to the UNFCCC National Focal Point of the recipient country. He acknowledged that tracking non-grant instruments from the private sector is difficult. He also emphasized the need for support for capacity building for developing country reporting of support received, and to verify what is received, that is the importance of adequate resource mobilisation. He mentioned the Capacity-building Initiative for Transparency (CBIT) under the GEF and the readiness programme under the GCF as examples.

On accountability, Leonardi said once the NCQG is finalised and in place, it must be subject to a periodic review, for example every five years, to ensure adequacy and progression beyond previous efforts. He also stressed progression must be assessed as part of each GST (from 2028 onwards) in relation to its contribution to the acceleration of the collective achievement of the purpose and long-term goals of the Paris Agreement.

Leonardi then presented a proposed topics roadmap and schedule for NCQG Technical Expert Dialogues (TEDs) in 2023 and 2024, and the need for ministerial roundtables to address highly political issues. He said the first few TEDs held to date were broad and generic without concrete outcomes and a "course correction" was required. He said future TEDs must present the CMA with concrete options for institutional arrangements to track the fulfilment of the new finance goal.

He suggested that in 2023 TEDs could focus on lessons learned from the USD100 billion goal, including: qualitative aspects of the new goal (i.e., concessionality and debt stress, composition of climate finance, and impact and effectiveness.); stakeholder engagement; and access and instruments.

In 2024, when the package will be finalised, he proposed that TEDs focus on a transparency arrangement to track progress, the duration of the goal, and the goal's scope. He said the final TED must take place before COP29 so the new NCQG can be set.

### Table Detailing Proposal by Fellows for NCQG TEDs

#### Proposed Calendar for TEDs 5-12

ecbi

| 2023 – Lessons learned from the USD 100 bn goal |
|---|
| TED 5: Quality of the NCQG (*i.e., concessionality and debt stress, composition of climate financial, impact and effectiveness, etc.)* |
| TED 6: Stakeholders engagement (*i.e., developed countries' public finance; development financial institutions, private sector, etc.)* |
| TED 7: Access features and channels |
| TED 8: Instruments and sources<br>*To occur before COP 28* |

| 2024 – Lessons learned from the USD 100 bn goal |
|---|
| TED 9: Acceleration of the implementation of Article 2 of the Paris Agreement |
| TED 10: Transparency arrangements to track progress, and temporality |
| TED 11: Stocktake of technical dialogues 2022-2023, and scope |
| TED 12: Setting the NCQG<br>*To occur before COP 29* |

Regarding the institutional arrangements, he said tracking delivery of the NCQG could be done under the auspices of the SCF or a specially designed *ad hoc* committee with a clear mandate to produce annual follow-up reports, produce reports on key aspects of climate finance, and provide accuracy and transparency of underlying data (e.g., specificity of climate finance, grant equivalence, non-grant instruments, and accountability of the mobilization of private finance through public interventions). He said any institutional arrangements must not replicate the same structures as the work programme on long-term finance or Article 9.5 with, for example, the establishment of workshops. He advocated for a more structured process to track progression on the NCQG.

Some discussion ensued over the presentation's use of the Oxfam slide. One developed country speaker questioned its relevance since it only covers grants, while the Cancun mandate (paragraph 99) clearly discusses multiple sources of financing.

Leonardi said this goes back to the methodology of defining climate finance. He said using only grants would provide just a fraction of what is needed to achieve the goals. If non-grant instruments, such as non-concessional loans and export credits, are included, then inflating the number to get to the target is easy. He clarified that he is not saying those studies are biased but emphasized the need to consider different methodologies.

A developed country representative said we cannot invent new definitions of the USD100 billion target, reiterating that in Cancun we agreed that financing can come from many sources. Thus, he said we should not use the Oxfam study to track progress or to question the OECD study, as this would imply the use of just grants. However, he agreed the USD100 billion has not been achieved, and that having a common understanding of a definition of climate finance would be helpful. He also cautioned that financing should not just apply to developed countries and would be relevant for all countries. He also said the term “mobilised” is vague with respect to mobilised resources and a better understanding of that would be beneficial as well.

Another developed country speaker stated that only a small part of his country’s climate finance is disbursed as grants, with the rest being loans. He said both grants and loans have a role to play in the provision of climate finance, with loans predominant for financially viable mitigation projects, in particular. He agreed with addressing the qualitative elements of the NCQG timeline, but preferred leaving the quantitative aspect for later as it is a political decision that will need to be taken in 2024. With respect to transparency and the need for notification on the delivery of climate finance, he sought clarity since he said it is already covered under Article 9.5 of the Paris Agreement.

With respect to the proposed elements of the roadmap, he said more time would be required to consider it. He expressed doubt a new institution was necessary since we already have a good, transparent system. He said the SCF should make use of existing reporting mechanisms in an efficient manner and supported empowering existing institutions to serve the NCQG.

He also supported having finance issues in one place rather than creating new processes and having multiple bodies. He said we need to make sure the SCF has the authority and expertise to look at the NCQG.

Professor Müller pointed to potential problems tracking funding if money is sent directly to projects (in which case it might not be reported) rather than through finance ministries. He suggested that donors notify finance ministries if sending money directly to projects. He also asked how to account for a loan that is paid back 10 years later with interest, and what to do if there is a grant element in the loan. A developed country explained that his country would count ODA as the difference between the market price and the concessional rate.

A developing country representative said the Oxfam study could provide a counterpoint to the OECD study, citing lack of a definition of climate finance. He said if we lack a definition or common understanding of climate finance then we will always have these methodological uncertainties. He said this would give rise to different assessments regarding how much we have been able to meet our commitments under the climate regime. He applauded having this sort of open discussion on quality.

Recalling the Cancun mandate, he said even “loan” is a general term, and some should not be considered a form of climate finance, for example if a developed country is making money off the loan. He explained we should not use the Cancun mandate as a “straitjacket” in these discussions, but that if we are going to discuss the next NCQG, we must consider lessons learned with the first global goal. He said, as a result, we might even conclude the Cancun mandate was a bad one and decide to limit the acceptance of loans as an adequate form of climate finance. He said as long as we lack a definition, then anyone can add anything.

A developed country speaker responded that Cancun stated what counted, that is: all sources, public and private; all flows in the context of meaningful mitigation action; and transparency of implementation. She said it makes sense to track the USD100 billion against that agreed language. However, she added this does not mean the new goal has to build on Cancun and could even do the opposite.

Other interventions observed that: if the donor base is broadened, more Parties could be involved in providing funding; if only public donor money is used, the goal would be low; burden sharing for the new goal would be unlikely to be agreed, although desirable in an ideal world; and some donors might not want to measure concessionality.

The GEF's Capacity Building Initiative for Transparency (CBIT) was also discussed. A developed country said adequate funding does exist in the CBIT, expressed hope that developing countries take advantage of the resources, and argued that more funding for the CBIT would be hard to justify when funding already exists. She reiterated that the first two years would involve a "deep dive" and "blue sky discussions" to better understand the issues, while the third year would be more political. She cautioned against "overengineering" the new goal and pointed to annual ministerial events that could provide guidance for the TEDs if they wish.

One developing country speaker stated that while we can set a collective goal, different accounting rules are not a formula for success. He echoed the critique of using OECD data to track progress on UNFCCC goals, noting the OECD's lack of transparency and charging fees to access its database. He asked whether OECD is fit for purpose for understanding progress on UNFCCC goals, noting many countries do not have a say in the OECD. He said consideration of export credits is another discussion and should be left for elsewhere.

Another questioned whether broadening the contributor base would be synonymous with expanding obligations, mentioning that developing countries have contributed through the GCF and GEF. He said many partners are burdened because other developed countries are not fulfilling their obligations. Pointing to the ministerial dialogue under the work programme on long-term finance, he said it was not really a dialogue nor was it useful.

Professor Müller said at some at some point we must determine who delivers and who receives. Suggesting that the Annexes of countries used under the Kyoto Protocol and UNFCCC can no longer be used, he said the only answer is self-selection. He said China is expected to graduate to middle-income status by 2030 and already has its own South-South fund.

Other interventions emphasized: making sure the process is inclusive; scale, transparency, and the ability to plan; the need for the goal to be deliverable and incentivize further action; the idea that public climate finance represents one dimension of the multidimensional goal; the need to go beyond loans and grants; the notion that this process presents a unique opportunity to do better given the shortcomings of the USD100 billion goal process; and Article 9 (developed country finance) of the Paris Agreement must be respected.

One developed country said, with respect to loans, there is inadequate financing in some developing countries that have high interest rates due to increased investment risk; thus, access to financial markets could be a huge driver.

Noting while we cannot continue with the Kyoto framework because it focused on a small number of countries, one developed country acknowledged its positive aspects, including legally binding targets. He said if we want to deliver what is needed, then all those that have the capacity must contribute.

Explaining that it is in everyone's interest to broaden the donor base, another said if we want the "big pot of money", then we need more contributors. She said South-South flows do exist, asking why we cannot be transparent about it and quantify the contributions? She added that this would help support the argument for her government to provide more public finance if middle-income countries are contributing South-South finance.

One developing country speaker said insisting on broadening the donor base to get middle-income developing countries to donate to other developing countries is a very controversial idea and not in the "spirit of the climate change regime" and the mandates we have. He said the Annexes are still in force, and nothing can be done beyond mere encouragement. He said China is still a developing country with a lot of poor people, and while it is a big emitter, many of the emissions have been exported to and outsourced by developed countries. He warned that we might end up at a stalemate when we finally have to agree on the new NCQG because this is such a divisive issue.

In response, a developed country speaker responded that we faced a stalemate in Kyoto as well, but we found a way. He said we cannot shy away from controversial topics for fear of disagreeing, and that we must try to address the challenge and come up with a solution or we will not be able to deliver a goal.

In conclusion, speakers from developing countries noted that the presented graphs had stimulated debate, a definition of climate finance must be finalized, and even if we reach the goal, FM has developed methodologies that divide countries and hinder access to funds.

## ADAPTATION FINANCE

The final seminar explored ways to ensure increased adaptation grant funding for the financial mechanism and a proposal for a share of proceeds for adaptation (SoPA) in the Voluntary Carbon Market (VCM). ecbi Director Benito Müller explored these two components in his presentation. With respect to the first component, he recalled proposals in 2009 for jointly mobilizing USD100 billion a year by 2020 coming from private and public, multilateral and bilateral, and innovative sources of finance. He reminded participants that then US Secretary of State Hilary Clinton had proposed this in Copenhagen. However, former UK Prime Minister Gordon Brown had actually suggested several months earlier that a new international partnership should set


L-R: ecbi Director Professor Benito Müller, Bastiaan Hassing, the Netherlands, and Paula Ximena Sanmiguel Patiño, Colombia this goal for ***public*** sector financing for climate change. He suggested a new collective quantified public sector goal on adaptation grant finance, as put forward in an ecbi/OCP submission to the CMA.

Professor Müller mentioned the doubling of adaptation finance as a target in the Glasgow Pact, although where we are starting from remains unclear. He advocated for "detoxifying" the conversation and having at least one sub-goal where we are reasonably comfortable and in agreement with respect to what we mean and how we count. He explained that public sector grant-based funding, including bilateral funding, is more easily traceable, noting we need not give up on the USD100 billion but at least we have something to start with. He characterized the USD20 billion fast-start finance as a "complete disaster" in terms of trust building as no agreement could be reached on how to count it.

The second part of his presentation focused on going beyond national budgetary contributions for the financial mechanism, noting difficulties in getting more than 2 or 3% annually out of that system. He discussed innovative sources for multilateral adaptation funding, citing the need to broaden the donor base to increase funding to supplement, not replace, national contributions.

He also discussed sub-national contributions as a form of multilateral support for climate finance, mentioning, inter alia, Quebec contributing six million Canadian dollars to the LDCF in Paris, following some lobbying to get them to contribute a share of their overall 25 million for bilateral climate finance. He said that while the paradigm has begun to shift, notably after the Paris COP, there has not been much movement since.

He then introduced a proposal for sub-national private sector contributions through a share of proceeds for adaptation (SoPA) from the Voluntary Carbon Market (VCM), as an innovative source of climate finance. Recalling the history of a SoPA from the Kyoto Protocol, he reminded participants that the CDM was initially a clean development fund proposed by the Brazilians. It was subsequently transformed into a market-based mechanism that only got through because of the share of proceeds provision, following pressure from India, AOSIS, and others. He said a SoPA for the VCM should be in alignment with the 5% agreed in Glasgow for Article 6.4 under the Paris Agreement. He recalled Brazil, China, and India accounted for 66% of CDM projects, while Africa only accounted for 2%, and Brazil, China, and India accounted for 85% of CERs. Thus, he said if we want social or economic co-benefits, that is where the projects are.

He underscored the importance of integrity for the VCM (given it is voluntary), including environmental integrity, whereby the market does not make the environment worse off. However, he said social benefits are also important and must be delinked from project choices, which, as mentioned above, do not often benefit Africa, LDCs, and SIDS. Thus, he said SoPA is ideal in this sense, as it would generate the market's social integrity without interfering with market choices.

Müller mentioned ecbi's Discussion Note on SoPA in the VCM and an informal WhatsApp group on the issue. He expressed support for the Adaptation Fund as the vehicle of delivery for SoPA, using the tried and tested model of the CDM and seeing no need to reinvent the wheel at this point. With respect to projections on how much the VCM would generate, he said a 5% SoPA would mean a USD2.5 billion annual contribution, which is significant compared to other sources. He noted a submission made during the public consultation period to include SoPA in the Core Carbon Principles (CCPs) being developed by the Integrity Council for the VCM (IC-VCM).

He said such an endeavour is in everyone's interest, explained that lack of social integrity is a huge reputational risk, and urged spending a little money upfront to safeguard the system. He clarified that this proposal for SoPA in the VCM is outside the remit of the UNFCCC, but that it would be for the Adaptation Fund's benefit and is written as such in the draft CCPs.  Müller said there was no major pushback on SoPA in the VCM from issuers and that it will only work with a standard for credits across the market contained in CCPs.

William McDonnell, COO, IC-VCM, said the current few hundred million tonnes per year of carbon credits is expected by some to be over a billion tonnes by 2025 and even greater by 2030, coupled with expected price increases. He said with 10 or 20 billion dollars as a market size, 2 or 5 % of that is a huge amount for SoPA. He explained the IC-VCM seeks to ensure the VCM accelerates a just transition to 1.5°C; encompasses environmental and social integrity; and engages with Indigenous Peoples and Local Communities (including some as board members), AOSIS, and LDCs. McDonnell highlighted the aim of developing CCPs to apply across the market and finalizing their development by the end of the 2022. He said a decision will need to be made as to whether SoPA should be one of the CCPs.

A number of participants expressed support for the idea of, and efforts made towards, new, additional, and predictable resources, and as many innovative sources of funding as possible.

One developing country representative highlighted SoPA and other broader integrity issues, including a 2% cancellation rate, avoiding double counting, and conservative baselines. She questioned the low price (USD 3 per tonne), noting it is undercutting the price of carbon. She said a higher price would mean a higher SoPA. One participant said the IC-VCM is a quasi-regulator and not directing price, and that the CCPs will help increase confidence in the market, which will lead to increased market prices and ultimately greater funding available to finance more climate action, including adaptation.

One developed country speaker expressed concern at putting a levy on climate action instead of on pollution, while acknowledging that if it benefits adaptation finance it is a good thing. He said a proper conversation is required with respect to what the private sector is doing on adaptation. He also highlighted the risks of maladaptation and argued that more private sector support for adaptation exists than is recognized.

Participants discussed how much of the amount paid for a credit on first issuance ends up with the underlying project and how much goes to other components of the value chain. One participant said the Integrity Council is not equipped to decide how to direct and allocate adaptation funds, but a decision will be made, if SoPA becomes a feature of the market, who can best address that. Speakers also noted that companies buying carbon credits have hired teams, at great cost, to analyse the credits to see if the CCPs will be met, a unique feature of this specific financial market.

One developing country representative noted: significant opportunity for private sector environmental finance at scale, emphasizing that paying more now will save an even greater amount in the future; and the private sector, including insurance companies and investment bankers, must be convinced of this, adding that this is a fascinating sector and has yet to be fully tapped.

Professor Müller asked when credits that are conforming with CCPs be certified and who will check? The Integrity Council, it was explained, will act as an umbrella body above the existing carbon crediting programmes, assessing programmes and individual methodologies, but not individual projects. Methodologies should be assessed for individual credit types, and those approved could be included in a registry to indicate they are CCP-approved.

A discussion ensued on corresponding adjustments and how they would work in this context. The corresponding adjustment question needs unpacking, according to one participant, including with respect to whether they should be required for high-quality carbon markets or not, which is already sparking a "rich debate". He said this also depends on whether the credits are reducing and removing emissions and whether they are socially sound. Some developing country participants said corresponding adjustments should not be used in the VCM as it would hamper their ability to meet their NDCs, while helping developed countries achieve theirs. One explained its relevance in the context of Article 6 of the Paris Agreement, but said it was not appropriate in the context of the VCM.

A project on methane capture from a landfill site that would not be economic without carbon credits was provided as a concrete example of how the process would work. The project meets the additionality and permanence test, given the methane is going to be captured, disposed of, and not released into the atmosphere. The project developer submits it for certification to, for example, Verra, which says it will certify the project. The verifier periodically checks and confirms the methane is not being released and that it has been quantified appropriately and prudently. The credits are issued and then IC-VCM will ensure the methodology used to certify and quantify this type of credit from landfill methane capture meets the Integrity Council's rules as well. If so, the credits would be tagged as CCP-approved and put in the registry, following which the buyer of credits can identify and buy the CCP-approved ones.

In his closing remarks, Professor Müller reiterated that SoPA in the VCM is one way in which the private sector could contribute to climate finance through multilateral channels, and said if the proposal is successful, it would constitute' a significant contribution. Müller thanked all participants for coming and participating in the Seminar, and for their valuable input and exchanges, which will contribute to the broader conversations at COP 27 and beyond.

## POST-SEMINAR FEEDBACK

A survey was circulated to participants following the Seminar. Feedback from them revealed that many felt the discussions were very beneficial, particularly with respect to:

- the proposed L&D facility, including the different visions for it;
- alignment of financial flows;
- the need to look at climate finance not under Article 2.1(c) of the Paris Agreement as a stand-alone substantive provision but rather as a larger purpose to achieve sustainable development and the eradication of poverty;
- gaining a better understanding of the loan versus grant dynamic;
- the proposed future process for the GlaSS;
- better understanding the European positions on the mitigation work programme and climate finance; and
- the NCQG process, including proposed TEDs.

Further reflecting on the seminar, some participants felt that even the contentious issues, where positions diverged, were discussed in a very constructive manner. They also found the bilateral discussions between the seminar sessions extremely useful, while newer delegates to the UNFCCC process welcomed the opportunity to meet and work together with those who have years of experience in the process. Other noteworthy observations by participants post-meeting included that developed countries were more reluctant to establish new institutional arrangements than developing countries, and that future seminars should allow more time for more in-depth discussions on each theme.