



Bonn Seminar 2017

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TABLE OF CONTENTS

Bonn Seminar Report 2017	2
Issues regarding the Financial Mechanism	2
2018 Facilitative Dialogue	6

BONN SEMINAR REPORT 2017

The 2017 ecbi Bonn Seminar took place on 14 May 2017, at La Redoute. It was attended by 55 negotiators from developed and developing countries, including heads of key national and regional delegations; the Chairs of the Least Developed Country (LDC) group, the Subsidiary Body for Scientific and Technological Advice (SBSTA), and the Subsidiary Body for Implementation (SBI); Board members of the Green Climate Fund (GCF) and Adaptation Fund; and Council Members of the Global Environment Facility (GEF).

Participants discussed the financial mechanism of the UN Framework Convention on Climate Change (UNFCCC) and the 2018 Facilitative Dialogue.

Jan Cedergren, Co-Chair of the ecbi Advisory Committee, welcomed participants and reminded them of the importance of good dialogue in dealing with the difficult circumstances faced by the world. A *tour de table* followed.

Issues regarding the Financial Mechanism

This session started with a presentation by Benito Müller, ecbi Director, who focused on resource mobilization for, and the role of, the Adaptation Fund in the Financial Mechanism. It was chaired by Cedergren.

Müller said that despite the small proportion of the climate finance that flows through the Financial Mechanism of the UN Framework Convention on Climate Change (UNFCCC), it was a “justice and trust weather vane”, with a high ‘trust-intensity’ (trust created/destroyed per dollar contributed/withheld), especially during a time when the US looked set to renege on its climate finance pledge. Even though the climate funds flowing through it were as low as 1%, Müller said if the Mechanism withers away, the climate regime is likely to die as well.

Müller described a [bill](#) in the US State of Massachusetts, calling for a system to give taxpayers the option of contributing their tax refunds to the LDC Fund. This was more of a symbolic gesture of solidarity, he said, than a way to make up for the shortage of climate finance.

Müller noted that in the past, philanthropic contributions had made a significant contribution – for instance, during the Clinton administration when Ted Turner contributed US\$ 35 million when the US Senate did not pass the full US contributions to the UN budget.



He described efforts by ecbi to solicit a “shares of proceeds” commitment from sub-national emissions trading schemes. Müller said innovative finance was underrated in negotiations, and should be seriously looked at. He [proposed](#) asking the Standing Committee on Finance to develop a workplan on alternative sources of finance, in response to the current global geopolitical situation. The idea, he said, would not be to let developed countries off the hook, but rather to get additional funding that is likely to stay on once geopolitical is more favourable.

Müller expressed surprise that the issues of the Adaptation Fund serving the Paris Agreement and getting accredited under the GCF were so controversial at the Marrakech conference in 2016. He noted that the Fund’s core source of share of proceeds from the Clean Development Mechanism (CDM) had dried out; the Sustainable Development Mechanism of the Paris Agreement is unlikely to deliver a substantial share of proceeds, according to analysis by ECOFYS; and contributing countries are likely to be under increasing pressure to contribute to the GCF instead of the Adaptation Fund, to compensate for the Trump gap.

He noted that while each of the UNFCCC funds take up time and resources to administer, rationalizing the system should be not by getting rid of funds, but by rationalizing the funding streams. He described the important role of the Adaptation Fund as a “retail outlet for micro funds” from the GCF. If it did not exist, he said, it would have to be created to avoid bottlenecks in the financial architecture. He cited previous experience with the CDM, where the Board became a bottleneck and had to start outsourcing. Similarly, he said, the GCF will have to outsource, and the Adaptation Fund is a ready and able mechanism through which to outsource micro projects. He recommended a link between the GCF and Adaptation Fund to divide the task, and help the GCF to function efficiently at scale.

Describing other ways in which the Adaptation Fund could raise resources, he described ecbi initiatives to [crowdfund from the corporate travel sector](#), which has the potential to raise US\$ 125 million annually; and raise “shares of proceeds” from national and sub-national trading schemes. He said the Adaptation Fund should become a “multi-sourced multilateral adaptation retail fund” in future.

In the discussion that followed, a developing country participant agreed the rolling back of the US pledge would erode trust. However, he felt alternate sources would not help to build back this trust.

A developed country participant said while the financial mechanism is an important trust building element, it is not the only element. He pointed out that other parties were fulfilling their pledges, and needed to continue to do so even if the US opts out. He proposed looking for ways in which the funds could be recycled to ensure sustainability, and making the flexibility mechanisms more significant sources of revenue. He said making the Adaptation Fund an operational fund of the GCF was a “brilliant idea”.

Another developed country participant said one country’s departure should not erode trust, if others stay committed. Moreover, he said, several states of the US were way ahead of the federal level in terms of contributions.

If one big country reneges on a big pledge, another developed country participant said, it makes it more difficult to convince hardliners back home to continue to provide support, and extra efforts are needed. However, he said, one should not make an immediate and hardwired link between replenishment and trust, as the world of climate finance is much larger than the five funds.

A developing country participant said the climate finance problem is bigger than the Trump gap, and pre-dates it. While all sources should be considered, he said, the political commitment from developed countries should

not weaken. Moreover, the GCF is not a normal bank based on returns and investments, and revolving funds were not suitable to deal with adaptation. He noted that the scarcity of funds was currently not so obvious because the GCF was disbursing money so slowly.

A developed country participant called for a more nuanced discussion, saying the US contributions to multilateral development banks (MDBs) were stable so far. He said it would be counterproductive to focus only on finance, but drew attention also to the positive things that were taking place in this regard, for instance the development of national sovereign funds in France, Poland, Nigeria and other countries.

A developing country participant said the one percent of climate finance processed through the Financial Mechanism is very important. While innovative sources may help to reduce the gap, they will not address the issue of trust. She noted with concern the possibility of a knock-on effect to other countries if one country defaults, given that nationalism was threatening multilateralism around the world. She asked what kind of link was possible between the Adaptation Fund and GCF.

Müller responded that there were two options being discussed: the Adaptation Fund could either sign a Memorandum of Understanding (MOU) with the GCF; or get accredited. He said an MOU is unlikely to work to access GCF funds, as the Governing Instrument of the GCF clearly states that access to funds will be through accredited entities. However, an MOU could be signed to indicate the division of activities.

A developing country participant noted that the GCF had only disbursed five million, while it was expected to reach US\$ 100 billion by 2020. Countries will not be able to achieve their Nationally Determined Contributions (NDCs) if funds are disbursed so slowly, he said, and the GCF could work with the Adaptation Fund and LDC Fund to speed up the disbursement process. He also thought that the GCF should be able to decide on small scale projects without waiting for a Board meeting, as was the case with the GEF.

A developed country participant agreed that public finance is important, but noted the changing landscape. On the positive side, he noted the improved performance of MDBs, the role of private finance, and the importance of addressing risks in developing countries through building institutional capacity.

A developing country participant noted that mitigation action by developing countries is part of a deal that includes the provision of adequate finance. He noted possible problems with some innovative sources of finance, such as sub-national entities wanting to participate in global trading mechanisms. He warned



participants that the amount of finance from Article 6 mechanisms should not be overestimated, as it did not make sense for countries to sell their NDCs. He thought the ongoing formal discussions on the Adaptation Fund's future included "a lot of nonsense", possibly so the issue could be used as a bargaining chip in future. Finally, he underlined the important role of the insurance industry in climate finance.

A developed country participant underlined the importance of making better use of available funds. On the Adaptation Fund and GCF linkages, she said it is important to tackle the fear some countries have about delegating to the Adaptation Fund Board, where they have limited influence. On the other side, the Adaptation Fund Board has fears of being subordinated to the GCF, and this issue should also be discussed.

A developing country participant called on participants to go beyond a negative or positive narrative, and consider whether they were having the conversation with the right people, and engaging with the processes that they should engage with. She noted a disconnect between the climate discussions and what was going on at the national and international level – for instance, regarding fossil fuel subsidy reform.

A developing country participant said that while there was a lot of discussion on institutional and legal arrangements, there was no thinking on how to enhance support for the Adaptation Fund.

Another developing country participant said language on innovative sources has been included many times in climate agreements, including in Bali, Durban and Paris. He said many countries were starting to see the Article 6 mechanisms as financial rather than mitigation mechanisms, indicating how bad the situation regarding climate finance was. He warned that being innovative could turn out to be counter to being multilateral.

A developed country participant supported the accreditation of the Adaptation Fund with the GCF, saying it could even be a short-term solution which could later be revoked when the situation improves.

A developing country participant queried whether the political will to accredit the Adaptation Fund existed, and how the gap will be filled for the three to four years that it will take to accredit the Fund. He said an arrangement between the Funds may be quicker. He invited parties who were supportive to come forward and help find a solution, reminding them that the Adaptation Fund has been delivering more value for money than the other climate funds.

A developing country participant said the decision of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP) will need to be changed, to change the mandate of Adaptation Fund.

Müller clarified the difference between an "operational" and "institutional" linkage between the GCF and Adaptation Fund. He said the two funds would keep their institutional character, and the linkage would be purely operational, whereby the Adaptation Fund will design a programme in confirmation with GCF norms. This will not affect the rest of the Adaptation Fund's portfolio. It will be up to countries if they wish to avail themselves of GCF funds via the Adaptation Fund. What was being proposed, he said, was not a hostile takeover but outsourcing, which could be effective and efficient if done in the right way. This would be just one source of income for the Adaptation Fund, which could function as a "multi-sourced, multilateral, retail fund", and continue to receive from other sources, such as a share of proceeds from the Article 6 mechanisms.

A developing country participant supported this option, saying the only thing that needs to be resolved is political will. He highlighted the problems the GCF was having in delivering its mandate by disbursing available funds, and the important role that the Adaptation Fund could play in helping it achieve it.

A developing country participant said the first question that needs to be resolved is whether the Adaptation Fund should serve the Paris Agreement. Its relationship with the Adaptation Fund can be determined afterwards. He said it was unfortunate that vulnerable countries were being held in a holding pattern while the issue was being held as a bargaining chip.

A developing country participant and GCF Board member said the GCF is a comparatively young Fund, and was working in the uncharted territory of being transformational, going where no Fund has been before. He noted that some expectations from the Fund were unrealistic, especially when 24 Board members from different backgrounds and perspectives were trying to do new things. He said the Fund borrowed its fiduciary standards from the International Finance Corporation, which could sometimes be problematic. Also, the biggest risk the Fund faces is reputational, and Board members must take extra care. Although the Fund has made great strides, he agreed that the link between the Adaptation Fund and GCF would be advantageous to both, as the GCF will gain from the Adaptation Fund's longer track record. He said this issue was low hanging fruit in Marrakech, which could have been resolved to give developing countries an incentive to engage in the Paris handbook.

A developed country participant supported the idea of a link between the two funds, saying the Adaptation Fund has a niche and done good work. However, he said, parties had until 2018 to resolve complications that are not really matter of course, as the Adaptation Fund was established when the climate landscape was different.

Müller said that just giving the Adaptation Fund the mandate to think about whether they would like to link to the GCF, and to explore the possibilities, would be helpful at this point.

2018 Facilitative Dialogue

This session was chaired by Tosi Mpanu Mpanu, Co-Chair of the ecbi Advisory Committee, and kicked off with a presentation by Kaveh Guilanpour.

Guilanpour said it is critical that the 2018 Facilitative Dialogue is effective in contributing to the achievement of the long-term temperature goal of the Paris Agreement. He reminded participants that at least nine months before the 26th Conference of Parties to the UNFCCC (COP26) in 2020:

- those countries that currently have a NDC running to 2030 must communicate or update their contributions;
- those Parties that currently have a 2025 NDC must present a new one;
- successive NDCs must represent a progression beyond the Party's current NDC and reflect its highest possible ambition; and
- the preparation of communicated, updated or new NDCs should be informed by the 2018 Facilitative Dialogue.

He recalled that the purpose of the Dialogue is to *“take stock of the collective efforts of Parties in relation to progress towards the long-term goal referred to in Article 4, paragraph 1, of the Agreement and to inform the preparation of nationally determined contributions pursuant to Article 4, paragraph 8, of the Agreement...”*. In addition, he said the Facilitative Dialogue must be effective, simple and kept strongly linked to the Paris outcome; generate political momentum to raise ambition; and ensure the effective participation of sub-national/non-state actors.

Describing the scope of the Facilitative Dialogue, Guilanpour noted that the technical element should be mitigation focused, while the parties' concerns on scope need to be addressed, including means of implementation for enhanced mitigation ambition.

Guilanpour listed three critical questions for the technical and political elements:

- Where are we now?
- Where do we need to be?
- How do we get there?

He said the technical aspects need to inform parties on these three questions, and should be concise, robust and aggregated. The political element could include a ministerial gathering at COP24, addressing these three questions in turn and sequentially. However, he said, ministerial time should be used effectively.

Guilanpour highlighted the importance of the 1.5°C report of the Intergovernmental Panel on Climate Change (IPCC), inviting participants to think of ways of ensuring that the report is well integrated in the dialogue – for instance, through a special event to receive the report and discuss it, or an intersessional, or inviting the IPCC to provide an update as the report is produced, so there are no surprises. Other inputs, such as the gap report from the UN Environment Agency, will also be important he said. If countries come forward with long-term strategies, he noted that those will also contribute to the dialogue.

He noted the importance of making sure that the engagement of ministers is constructive, and not just background noise and statements. He invited participants to think about how the technical elements should feed into the political to make them truly interactive. He proposed several roundtables around the three questions with breakout groups, who could then report back to the presidency. The dialogue should deliver clear responses from ministers to those questions, he said, and a clear indication of the domestic process they will set up to receive and act on the outcomes of the dialogue.

Guilanpour noted that the political signal could also include: making NDCs clearer; evidence of NDC implementation; mid-century strategies; further initiatives and partnerships that can scale up; capturing of over-achievement; an indication of what the domestic process to receive and act on the output of the dialogue will be; and a call for the UN Secretary General to convene leaders at least nine months before COP26.



While highlighting the needs for a clear political signal that invigorates the spirit of Paris of collectively finding ways in a cooperative manner, he proposed that it shouldn't be a negotiation, and hence not necessarily involve a COP decision, although a light touch COP decision could be considered. He noted that the presidency will have the difficult task of securing a political deliverable. Guilanpour concluded by reminding participants that the design of the 2018 Facilitative Dialogue must be completed by COP23; and COP23 must give a clear signal as to what will happen next.

In the discussion that followed, Mpanu Mpanu asked if the Paris rulebook would also be an input into the Facilitative Dialogue; emphasized the important role of non-state actors in the dialogue; and agreed with the need to make sure the dialogue is more than a talk shop, where ministers really engage.

A developed country participant said the Facilitative Dialogue could demonstrate how much is being done, without imposing political colours. He warned against expecting too much from ministerial-level engagement. He asked whether the output should be simply a collection of views, or a political declaration.

A developing country participant said the Facilitative Dialogue will not be a negotiation, but a place to compare numbers, and the final output could be a decision by COP24, along with a political declaration. A high-level political event to create buy-in could follow later, after countries have had time for reflection.

A developing country participant highlighted the links between the Facilitative Dialogue and Article 4.1 of the Paris Agreement, which refers to equity, sustainable development and efforts to eradicate poverty. She also called for the dialogue to include considerations on means of implementation, given that some NDCs are conditional to its provisions.

Another developing country participant said adaptation should also be part of the Facilitative Dialogue. He proposed a facilitative framework emerging out of COP23 that outlines a process for achieving the outcomes of the dialogue. He was supported by another developing country participant, who said a future pathway will be necessary to make the Facilitative Dialogue effective.

A developed country participant said that while the Paris rulebook should ensure long-term ambition and environmental integrity, the Facilitative Dialogue should set the example by increasing ambition in the short term. He said it is important to ensure that the IPCC 1.5°C report is a key input into the Facilitative Dialogue, and supported a strong signal from COP24 to urge parties to step up ambition.

A developing country participant said the dialogue should help ratchet ambition and provide political momentum, given that the world was not even close to achieving what was agreed in Paris. He argued for a simple design for the dialogue, including roles for non-state actors and global champions. In terms of outputs, he included a call for raising ambition in the NDCs and presentation of long-term strategies, while supporting a political declaration.

A developing country participant commended ecbi for starting the discussion on the Facilitative Dialogue, while calling for concrete outcomes that respond to technical and scientific findings.

A developing country participant said the Facilitative Dialogue is a process, not an event, and glorifying it might risk its outcomes. He asked why the second commitment period of the Kyoto Protocol, which was critical, was not being discussed as an element of the dialogue.



A developed country participant warned against putting too high an expectation on the Facilitative Dialogue with regard to the NDCs, given that many countries will just have finished debating legislation to implement the first NDC. Ministers will not be able to go back and reopen the discussion. Instead, the Facilitative Dialogue should identify gaps, show that action is intensifying, and call for more action, he said. Another developed country participant said the focus should be on what technical and political information should be fed into the dialogue, while keeping options open regarding outputs.

A developing country participant said political declarations have no significance, and called for an inclusive process. Another developing country participant supported the inclusion of means of implementation and adaptation in the Facilitative Dialogue, but noted that long-term strategies were voluntary.

A developed country participant said countries who would like to announce long-term strategies should be welcome to do so, without an obligation. He supported the inclusion of the 1.5°C IPCC report.

A developing country participant said the presence of ministers could divert from the desired outcomes, and proposed two days of technical discussions preceding a day of political-level discussions.

Another developing country participant supported consideration of the Kyoto Protocol's second commitment period, asking if there had been an analysis of why countries have lagged in its ratification, and what will happen if the second commitment period has not entered into force by 2020.

A developing country participant said keeping the option open for countries to revisit their NDCs after the Facilitative Dialogue was extremely important, as for many countries the determination of the first indicative NDC had been a rushed process. She called for technical guidance for countries to have a better process at the national level, and noted the importance of COP decisions in stimulating national action.

In his response to the discussion, Guilanpour welcomed the common ground that existed among participants. He noted the participants' feedback, including: to ensure that the process is not only a dialogue but also facilitative; to have a clear signal of intent on what happens next; to keep in mind the domestic processes for receiving the output of the Facilitative Dialogue; consideration of the challenges of interpreting a collective process for individual contributions; the need for more than a declaration, and a focus on solutions; the call for a high-level event after the dialogue; and the importance of ratifying the second commitment of the Kyoto Protocol. He said it was encouraging that no one had the expectation that 2018 will be the moment when parties increase ambition, but instead it will inform the subsequent process.