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UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Subsidiary Body for Implementation

Thirty-seventh session

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Item 6(c) of the provisional agenda

Matters relating to finance

Initial review of the Adaptation Fund under the Kyoto Protocol

Further views from Parties on the review of the Adaptation Fund in accordance with the annex to decision 6/CMP.6 and decision 1/CMP.3, paragraph 33

Submissions from Parties

1. The Subsidiary Body for Implementation (SBI) at its thirty-sixth session, invited Parties and relevant organizations to submit to the secretariat, by 17 September 2012, further views on the review of the Adaptation Fund, and requested the secretariat to compile those views into a miscellaneous document, including the written submissions from Parties on the review of the Adaptation Fund provided during its thirty-sixth session.¹

2. The secretariat received two such submissions:² one from the African States (received during SBI 36) and the other from Uzbekistan. In accordance with the procedure for miscellaneous documents, these submissions are attached and reproduced* in the language in which they were received and without formal editing.

¹ FCCC/SBI/2012/15, paragraph 91.

² Also available at <<http://unfccc.int/5902.php>>.

* The submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The secretariat has made every effort to ensure the correct reproduction of the texts as submitted.

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Paper no. 1: African States

Submission from the African Group on the Initial Review of the Adaptation Fund

Agenda Item 6(a) of the SBI agenda

The African Group takes this opportunity to submit its views on the elements that need to be covered under the initial review, particularly issues that are not directly specified in the Terms of Reference contained in Decision 6/CMP.6.

The African Group, along with other Parties, recognizes that while the ToR for the initial review were limited in scope to institutional arrangements and performance issues, the context in which the Adaptation Fund is currently operating requires urgent attention by the CMP. In particular, as was expressed in the opening statement by the Chair of the AGN, African Parties are particularly concerned regarding the future and financial situation of the Adaptation Fund.

The African group points to the direct relation and effect of our discussions under the KP and the outcomes of the AWG KP on the adaptation fund, in particular with regards to the future of the fund and its resources, in this regard the group would like to highlight the fact that Annex b of the KP have either declared a very low level of ambition or clearly stated that they will not be part of the second commitment period of the KP, also the group would like to highlight the fact that some Annex b countries and regional groups have taken unilateral measures against CERs from developing countries while trying to include some developing countries activities as source of funding their own domestic actions.

The African group highlights the responsibility of Annex B countries on the current and future status of the fund, in particular regarding the diminishing resources and the fall of carbon price, that has direct negative effect on the capacity of the Adaptation Fund to respond to urgent adaptation needs in developing/Non-Annex I countries.

The African Group notes that according to the Report of the Adaptation Board at its seventeenth meeting (AFB/B.17/6), the price of CERs has drastically decreased over the last 12 months. The Board report notes the following:

“The average price achieved before trading had stopped in October 2011 amounted to €12.43, or €0.36 over the average prevailing market price since inception of the monetization program. The trustee reported that since resumption of CER sales on 1st February 2012, pursuant to the Board's instructions, the trustee has achieved an average price of €4.52, or €0.05 over the average market price during that period.”

The African Group notes also the report of the adaptation fund board (AFB/EFC.8/7) issued on the 14th of Feb. 2012 that highlights that the expectation for the prices of CERs for the second half of 2012 is between 3.12 euros and 4.68 euros.

Among the issues that need to be addressed under the initial Review, in addition to already agreed elements of the ToR and recommendations emanating from the independent evaluation, include the following should be included:

1. The predictability, adequacy of financing for the Adaptation Fund based on the application of the 2% levy. Given the uncertainty of the Kyoto Protocol and its market mechanisms as well as the low price of carbon and related market uncertainties, how will the Fund be finance in the future;
2. The procedures of monetizing certified emission reduction units by the Trustee;
3. Future measures under the CMP and the Convention that can be used to provide higher levels of financial sustainability for the Adaptation Fund.

Among the recommendations that the African Group would like to see addressed under the Initial Review are ways to ensure predictability and adequacy of the Adaptation fund resources that could include, inter Alia:

1. The application of the 2% levy across Joint Implementation and International Emissions Trading schemes in Annex B of the KP;
2. Allocation of 10 % of all the eligible carry over units to be used in the second commitment period of the Kyoto Protocol by each Annex B Party;
3. Consideration of a set of measures to stabilize the price of CERs including through dealing with the level of ambition;
4. Application of 2% levy on emission trading schemes in Annex B countries ;
5. Considering a replenishment process with a clear burden sharing process through assessed scale of contribution from Annex B countries of the KP;
6. Stressing the importance of voluntary levies being applied to national and regional emission trading schemes, such as the EU ETS.

Paper no. 2: Uzbekistan

The view of Republic of Uzbekistan on the review of the Adaptation Fund in accordance with the annex to the decision to 6/CMP.6 and decision 1/CMP.3, paragraph 33

Republic of Uzbekistan with satisfaction notes significant progress of Adaptation Fund Council including inter alia the launching of the process of accreditation of executing agencies, including the national executing agencies which are eligible to have the direct access to the Adaptation Fund resources; on monetization of certified emission reductions; and initiatives of the Council in search for the opportunities for attraction of additional resources.

According to decision 6 KC/CC-6 Uzbekistan supports the conduction of initial review of Adaptation Fund functioning and further conduction of review once in three years on base of the circle of implementation for the initial review of Adaptation Fund functioning attached to this decision regarding the results of consideration of the effectiveness of activities of the interim secretariat and interim trustee for Adaptation Fund, as well as materials submitted by Parties and other relevant intergovernmental organizations and stakeholders to enable the efficiency and adequacy of the Fund functioning and of its temporary institutional agreements with GEF acting as interim secretariat of Adaptation Fund Council, and with World Bank acting as interim trustee of Adaptation Fund.

It is required that Adaptation Fund Council should submit the reviews of the effectiveness of activities of interim secretariat and interim trustee servicing for Adaptation Fund in its regular report to COP acting as meeting of Parties of Kyoto Protocol.

In the course of reviewing of Adaptation Fund functioning it is necessary to consider, inter alia, the issues related to access to funding and availability of funding regarding the reduction of the scope of resources caused by the drop in the market costs for certified emission reductions, determination of indices for assessment of vulnerability degree and adaptation capacity of countries in the context of competition of countries and limited funds, provision for the sustainability, predictability and adequacy of resources for Adaptation Fund, review of economic efficiency of adaptation projects and programs of the countries.
