15 March 2013

English only

UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE

Conference of the Parties
Nineteenth session
Warsaw, 11–22 November 2013

Item X of the provisional agenda

Views and recommendations on elements to be taken into account in the fifth review of the financial mechanism

Submissions from Parties

1. At the eighteenth session of the Conference of the Parties, Parties were invited to submit to the secretariat by 1 March 2013, for consideration by the Standing Committee, their views and recommendations on elements in the development of the further guidelines for the fifth review of the financial mechanism.[1]

2. The secretariat has received five such submissions from Parties. These submissions are attached and reproduced* in the language in which they were received and without formal editing.[2]

[1] Decision 8/CP.18, paragraph 4.

* These 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.

[2] Also available at http://unfccc.int/documentation/submissions_from_parties/items/5916.php.

Contents

Page

1. Algeria
(Submission received 28 February 2013) 3

2. Ireland and the European Commission on behalf of the European Union
and its member States*
(Submission received 1 March 2013) 4

3. Pakistan
(Submission received 1 March 2013) 5

4. Indonesia
(Submission received 8 March 2013) 6

5. Philippines
(Submission received 9 March 2013) 7

* This submission is supported by Albania, Bosnia and Herzegovina, Croatia, Serbia and the former Yugoslav Republic of Macedonia.

Paper no. 1: Algeria

Elements of Development of guidelines for the fifth review of the Financial Mechanism

Algeria thanks the UNFCCC secretariat for giving the opportunity to express view about the important issue of finance.

Algeria believes that governments cannot deal alone with the adverse impact of climate change. It underlines the importance of involving all stakeholders and the necessity to set-up at the national level regulations and legislations to play an enabling role in driving further investments.

Scaling-up of climate finance and sources must be the priority. It is crucial to identify the potential of climate finance in the short, medium and long terms, by using several approaches and possible strategies for their mobilization.

Public sources must be the main source. They should have the adequate priority taking into account constrains like sustainable development and low-carbon growth.

There is a need for coordination with the private sector in order to unlock these sources bearing in mind that institutional investor and banking entities have entered as new stakeholders in the discussions on climate finance.

We believe that governments could use some policy instruments to mobilize climate finance consequentially with engaging stakeholders, providing price signals to incentivize the deployment of low-carbon investments and creating markets to realize the benefits of green growth.

For the near future, we have to be able to design elements of international climate finance architecture that exhibit scalability and replicable features for current and future climate actions/funds and to give the UNFCCC and bodies under its mandate a major role in creating a more conducive enabling environment.

Algeria calls for pursuing with a third workshop on long term finance, to be held before COP19 and to focus on the definition of what can be counted as climate finance, the potential sources of finance, the main obstacles that have hampered progress their mobilization, the increasing private sector involvement and the support for adaptation in developing countries.

Paper no. 2: Ireland and the European Commission on behalf of the European Union and its member States

SUBMISSION BY IRELAND AND THE EUROPEAN COMMISSION ON BEHALF OF THE EUROPEAN UNION AND ITS MEMBER STATES

This submission is supported by Albania, Bosnia and Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia and Serbia.

Dublin, 1 March 2013

Subject: Elements in the development of the further guidelines for the fifth review of the financial mechanism

Reference: (FCCC/SBI/2012/L.45, paragraph 4; Parties invited to submit their views and recommendations regarding the guidelines for the consideration of the Standing Committee; deadline 1.3.2013).

When initiating the fifth review of the financial mechanism, COP 18 outlined a two-step process for the review (paragraph 2 in above mentioned decision):

- the Standing Committee on Finance was asked to further amend the guidelines for the review for consideration and adoption at COP 19;
- the review would be finalised for consideration by COP 20.

It is the view of the EU that:

1. The guidelines for the review of the financial mechanism (Annex to 3/CP.4) and the additional guidelines for the 4th review of the financial mechanism (Annex to 6/CP.13) are still highly relevant as a basis for the 5th review of the financial mechanism.
2. The conclusions and recommendations based on the 4th review (2/CP.16) contain useful background information also for the 5th review.
3. The Standing Committee on Finance, when proposing further amendments or updates to the guidelines, should, in particular, consider the following recommendations:
    - the review should make extensive use of the GEF publication "UNFCCC COP Guidance and GEF Responses 1995" as well as the forthcoming 5th Overall Performance Study being prepared by the GEF Evaluation Unit; on the basis of this documentation the SCF should engage in direct dialogue with representatives of the GEF;
    - the review should have a critical look at the present system for providing guidance to the operating entities of the financial mechanism and prepare recommendations for improving the procedures and methodologies to ensure the provision of useful guidance in order to promote an effective operation of the financial mechanism.
4. The references made in paragraph 2 of the COP 18 decision to recent developments within the financial mechanism (drawing upon information from fast-start finance, the work of the GCF taking into account its early stage of operationalization, the initial review of the Adaptation Fund, and the work programme on long-term finance) are to be taken into account, as appropriate, in the practical implementation of the review, but do not necessarily require any specific amendments to the existing guidelines.

Paper no. 3: Pakistan

Item No. 6:

Elements in the development of the further guidelines for the fifth review of the financial mechanism (COP)

Response:

Pakistan is of the view that in the light of the ever-increasing intensity and frequency of extreme weather events, and the new responsibilities placed on developing countries by recent COP decisions, it is essential to get clarity on how the developing countries can meet their obligations under the Convention, in accordance with Article 4.7 as well as clarity on the shape of the financial architecture of the Convention under these circumstances? We need to draw upon the lessons learned from Fast-Start Finance (the final reports from developed countries are due at the end of May 2013), and integrate this in the long-term finance work programme of the Convention.

Pakistan also considers that there is a need to look closely into financing adaptation, and future of the Adaptation Fund of the Kyoto Protocol in this financial mechanism. Given the crisis on adaptation financing, with focus mainly on mitigation actions, and the uncertain future of the Kyoto Protocol after the recent amendments adopted mainly by the EU countries in Doha, we need to determine how to get financing for adaptation, knowing that most developing countries are least able to cope with the adverse effects of climate change, and have little emissions and therefore limited mitigation capabilities. Adaptation and mitigation are mutually-supportive activities and are equally necessary.

Adaptation Fund (AF)

The AF is a fund unique under the Protocol because of its direct access modality (a true direct access made possible through national implementing entities, although access through multilateral entities is also made possible), because it is the only fund that finances concrete adaptation activities, because the main source of funding are developing countries themselves, and most especially because developing countries outnumber developed countries in the AF Board.

All these were negotiated and won with difficulty by developing countries after two years of contentious negotiations, since the first meeting of the CMP in 2005. It was operationalized only in 2007, in Bali, and underwent another six months of trying to fend off efforts by the GEF to manage the Fund instead of only providing services to the Board as was agreed.

It is therefore a fund that must be continued beyond the limited life left to the KP. This serious situation of the AF is aggravated not only by the plunging prices of CERs, but also by a directive of the EU to limit the use of the CDM only to LDCs. Since LDCs are not required to give a share of their proceeds to the AF, then this directive is tantamount to scrapping the AF altogether, something the EU has consistently pursued. The EU also blocked all attempts to finance activities of the AF Board to enhance the direct access modality, by limiting the number of regional workshops to be conducted by the Board in developing countries.

At the same time, the developed countries are strongly pursuing the use of new market mechanisms under the Convention, in particular to feed into the negotiations that will take place under the ad hoc working group on the Durban Platform, the AWG-DP or ADP. These new market mechanisms will be the enhanced CDM, in which emissions reductions are conducted by developing countries to be used by developed countries in meeting their own emission reduction commitments.

There is therefore the need to consider the future of the AF in the light of recent developments in the UNFCCC. And in order to ensure this, developing countries have taken their positions in the next decision, on the report of the Adaptation Fund Board.

Mitigation must also be seen in term not only of limitation of emissions, but in particular, for most of the developing countries, **in terms of prevention, reduction and control of emissions**. This is provided for in Article 4.1 (c) of the Convention, in terms of the “development, application and diffusion, including transfer of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of GHGs in all relevant sectors, in the energy, transport, industry, agriculture, forestry and waste management sectors”.

Paper no. 4: Indonesia

SUBMISSION BY THE REPUBLIC OF INDONESIA

Elements in the Development of the Further Guidelines for the Fifth Review of the Financial Mechanism

Indonesia highly appreciates the opportunity to share its views and recommendations for consideration by the Standing Committee on Finance (SC) with regard to elements in the development of the further guidelines for the fifth review of the financial mechanism.

Taking into account recent developments of climate finance discussion and COP decisions in relation to financial mechanism under the UNFCCC after COP13, including the operationalization of the SC, Indonesia proposes the following additional elements to the current guidelines.

Objective/scope

In addition to the points of objective/scope in 3/CP.4 and 4/CP.14, Indonesia suggests three additional points:

1. Examining effectiveness of financial mechanism in mobilizing upscaled financial resources to ensure adequacy, predictability and sustainability of the funds.
2. Assessing the effectiveness of the financial mechanism in terms of providing direct access of developing countries to the funds and enhancing developing countries' ownership in every step of the program/project cycle, including decision making process.
3. Examining coherence and coordination between funds and between funds and thematic bodies, e.g. whether the current linkages between the funds and bodies support effectiveness of funds and facilitate access by developing countries.

Methodology

The existing guidelines lay out sources of information and criteria for the review. On the criteria, Indonesia proposes three additional points to be considered in assessing the effectiveness of financial mechanism, as follows:

1. The level of mobilization and scaling up of financial resources;
2. The level of direct access and ownership of developing countries; and,
3. Coherence and coordination between funds and between funds and thematic bodies.

Indonesia believes that the methodology section of the further guidelines should also spell out the process in which the review will be conducted, including the role of the SC. In Indonesia's view, the review process should comprise:

1. Initiation by COP at its eighteenth session;
2. Drafting updated guidelines by the SC to be endorsed by COP at its nineteenth meeting;
3. Evidence gathering, inter alia through study of existing publications and consultation with Parties and other key stakeholders, including climate financial institutions, competent and relevant international governmental organizations and non-governmental organizations, coordinated by the SC;
4. Findings, conclusion and recommendations drafted by the SC; and,
5. Deliberation and decisions by COP at its twentieth meeting.

Paper no. 5: Philippines

Elements in the development of the further guidelines for the fifth review of the financial mechanism (COP)

Submission from the Republic of the Philippines

1 March 2013

Views and recommendations for consideration by the Standing Committee on elements in the development of the further guidelines for the fifth review of the financial mechanism

The Subsidiary Body on Implementation (SBI), through its decisions in Doha (FCCC/SBI/2012/L.45, paragraph 4), invites Parties to submit for consideration by the Standing Committee their views and recommendations on elements in the development of the further guidelines for the fifth review of the financial mechanism.

The Philippines welcomes this invitation from the SBI to submit its views and recommendations with regard to the elements in the development of further guidelines for the fifth review of the financial mechanism.

The Fifth Review of the financial mechanism will be very important and crucial for the future work of the UNFCCC, and any other related legal instruments that the Conference of the Parties might adopt, in particular on the work on the Durban Platform). In the light of the ever-increasing intensity of frequency of extreme weather events, and the new responsibilities placed on developing countries by recent COP decisions, it is essential to get clarity on how developing countries can meet their obligations under the Convention, in accordance with Article 4.7.

With respect to the prospective shape of the financial architecture of the Convention under the above circumstances, guidelines should be developed to shape the future financial architecture of the Convention under these circumstances. We need to draw upon and assess the lessons learned from fast-start finance as the reports from developed countries are due at the end of May 2013, and integrate this in the long-term finance work programme of the Convention, to which the Standing Committee shall provide expert inputs.

The Philippines underscores the need to look closely into financing adaptation, and reflect on the future of the Adaptation Fund of the Kyoto Protocol with respect to this financial mechanism. Considering the degenerating crisis on adaptation finance, with a continuing bias and focus on mitigation actions, as well as the uncertainty on the future of the Kyoto Protocol with the very low ambition for its second commitment period that even has yet to enter into force and has not even started provisional application for any developed country party to the Kyoto Protocol , it is crucial to determine how to mobilize and secure financing for adaptation, given the fact that most developing countries are least able to cope with the adverse affects of climate change, and have little contribution to global emissions and therefore very limited mitigation capabilities. This must be seen in the context of the historical responsibility, and that the developing countries have contributed little, if any to the accumulation of greenhouse gases in the atmosphere, but are the least able to cope with the adverse effects of climate change. These adverse effects are here and now, and the need for adaptation becomes increasingly urgent, given the little that was done and is being done by developed countries for limiting or reducing their emissions. It must be stressed that adaptation and mitigation are mutually-supportive and are equal imperatives, and financing in the future financial architecture of the Convention to be considered by the 5th review should address the historical imbalance in the provision of financial resources to adaptation.

Mitigation must also be seen in terms not only of limitation of emissions, but in terms of prevention or control of emissions in the pursuit of economic growth by developing countries. The financing should encompass the "development, application and diffusion including transfer of technologies and processes that control, reduce or prevent anthropogenic emissions of GHGs…in all relevant sectors,in the energy, transport, industry, agriculture, forestry and waste management sectors", as provided for the Article 4.1 (c) of the Convention.