



Summary Briefing 24th Standing Committee on Finance Meeting 19-20 May 2021

Dear friends of the Climate Finance Advisory Service (CFAS),

This is the CFAS Summary Briefing. Produced at key meetings and negotiations by the CFAS expert team, the Summary Briefing tries to provide a concise, informative update on key discussions that have taken place at each meeting and give an overview of substantive points of action or progress. Please note that this is an independent summary by CFAS and not officially mandated by the SCF or the UNFCCC Secretariat.

During the meetings, CFAS experts are available to provide advice to and answer specific questions for Board Members, Alternates and their advisers from developing countries. The CFAS team can be reached via cfas@germanwatch.org.

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The CFAS Team

Summary from 19-20 May 2021

From 19-20 May 2021, the Standing Committee on Finance (SCF) convened for its 24th meeting, conducted in a virtual setting amidst the global COVID-19 pandemic. Chaired by Mr. Ismo Ulvila (European Union) and Mr. Ayman Shasly (Saudi Arabia), the meeting discussed several agenda items to define next steps in the Committee's work going forward. This included, among others, work around the Fourth Biennial Assessment and Overview of Climate Finance Flows; the first report on the determination of the needs of developing countries related to the implementation of the UNFCCC and the Paris Agreement; the Draft guidance to the operating entities of the Financial Mechanism; planning for the next Forum of the SCF; as well as discussing linkages with the Subsidiary Body for Implementation and the constituted bodies of the Convention. One day prior to the meeting, a Technical Stakeholder Dialogue was conducted to present progress and discuss the Fourth Biennial Assessment and the Needs Determination Report with interested stakeholders.

Opening of the meeting, election of officers and organizational matters

The Co-Chairs opened the meeting with a tribute to Mr. Paul Oquist Kelley, who passed away in April 2021. He was Private Secretary for National Policies of the President of the Republic of Nicaragua and served as a member of the SCF since its inception in 2012 representing the Latin American and Caribbean Group. In 2014, he was named by the SCF as the representative of developing countries at the UNFCCC Interim Executive Committee of the Warsaw International Mechanism on Loss and Damage, and ever since, has been

the focal point for the SCF on Loss and Damage. Apart from the SCF membership, he has held several positions in the UNFCCC context and was, for example, instrumental in the formation and establishment of the Green Climate Fund (GCF). The tribute was paid by holding a minute of silence while showing a video with impressions of him being active in the UNFCCC context alternating with written condolences by his fellow SCF colleagues (see also press release by UNFCCC Secretariat, including access to a digital condolence book).

Following the tribute, Mr. Ismo Ulvila (European Union) and Mr. Ayman Shasly (Saudi Arabia) were confirmed as Co-Chairs by the SCF members. The Co-Chairs continued by welcoming Mr. Javier Antonio Gutierrez (Nicaragua) as a new member to the SCF, filling in for Mr. Oquist Kelley. The Co-Chairs invited the developing country representatives to informally consult among themselves to appoint a new developing country focal point for the SCF on Loss and Damage.

Next on the agenda was a statement by Mr. Daniele Violetti (Director at UNFCCC), who briefly outlined some impacts that COVID-19 had on the UNFCCC Secretariat and its staff. He concluded that despite the hardship of the pandemic some achievements have been made and that the Secretariat is eager to support the SCF in its next endeavours. After Mr. Violetti's input, the SCF members adopted the annotated agenda without any changes.

Fourth Biennial Assessment and Overview of Climate Finance Flows

The discussion on the status quo of the 2020 Biennial Assessment and Overview of Climate Finance Flows (BA) was facilitated by Ms. Vicky Noens (Belgium), supported by the Co-facilitator for this item Mr. Hussein Alfa Nafo (Mali). The item was opened with an introduction on the status of the third order draft of the BA, which had been circulated in advance of the meeting. Progress was achieved on all elements of the report, now also including a more elaborate version of chapter 4 (Mapping information relevant to Article 2, paragraph 1(c) of the Paris). A more detailed presentation and discussion of each chapter took place the day before in a [Technical Stakeholder Dialogue](#), which was also open to the public. The SCF members were invited to provide additional inputs, especially with a view to the recommendations section. The Co-facilitators said that it is the goal to have a zero order draft before the next SCF meeting.

The discussion among the SCF members mainly focused on chapter 4, revealing that there are still diverging views on how to methodologically address the topic of "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development" (Art. 2.1c). A comment critically addressed the approach taken to deconstruct the phrase of Art. 2.1c and said it was not the most suitable way of coming up with a working definition. In addition, further aspects could be analysed, for example, the evolution from voluntary actions to regulations with potential relevance to Art. 2.1c since the adoption of the Paris Agreement. Another comment said that the consultants should also reflect more on studies or evaluations on the alignment with Art. 2.1c, meaning that they should provide an overview of reports already available on the matter. Regarding the subchapter "4.3 Actor-specific approaches to Article 2.1c", it was remarked that the mapping of relevant actors would still come across as too broad and too detailed. This part should be more focused on the most important actors and their actions.

Also on the topic of actors, one SCF member suggested seeking further input by financial sector representatives, for example, by letting them review the chapter, and to include additional information relevant from the financial sector perspective (e.g. overview of sustainable finance taxonomies, analysis of assets under management). Within the debate on 2.1c, it was noted that the absence of a clear definition of the phrase among the UNFCCC parties is imposing a challenge on the consultants for the BA, who undertake their best efforts to showcase all information, which could be of relevance to the topic. The SCF member suggested that this has already been experienced in relation to the absence of a common definition of climate finance, a topic on which (according to the SCF member) agreement is also needed.

On the recommendations section, it was underlined that there should be a reflection, if former recommendations have been addressed and if not, what the reasons behind might be or how they can be taken up in future. Concerning the results of the report, SCF members highlighted that a strong increase in adaptation finance could be seen and that lessons learned from this development could be outlined. However, other SCF members commented that adaptation finance started from a low level and still plays a significant role for developing countries and therefore needs to increase even further. The balance of mitigation and adaptation finance should also be displayed separately for public and private sector actors, if possible. On domestic finance figures, it was commented that they should be put in relation to national budgets and should also be compared to investments in fossil fuels or it should be shown how much of the investment has been sourced from carbon pricing initiatives. On access to climate finance, one SCF member highlighted that it is still of high priority for least developed countries, which should be mentioned in the report. Finally, it was raised that some parts of the report might be too interpretative (e.g. relation of Art. 9 to Art. 2.1c, implications on trade). Some party and non-party observers were also invited to share their feedback and highlighted that the absence of a definition of 2.1c was problematic. On the results, it was added that there is a need for more adaptation finance and that attention should also be drawn to the actions by local actors (e.g. cities, communities), which could also be tracked.

The SCF concluded this agenda item stating that SCF members could provide written comments by 10 June 2021. As next steps for the development of the BA were outlined that a draft summary and recommendations shall be presented at SCF25, while a finalization of the report is foreseen to take place at SCF26.

First report on the determination of the needs of developing country Parties

The discussion on the updated draft of the report on the determination of the needs of developing country Parties (NDR) was led by the co-facilitators Mr. Zaheer Fakir (South Africa) and Mr. Mattias Frumerie (Sweden). First of all, inter-sessional activities were briefly recaptured, including a SCF working group call on data collection and analysis or the Technical Stakeholder Dialogue taking place on the day before. The goal of the discussion was to receive more inputs on the further development of the 2.5 order draft.

Compared to the BA, the discussion on the NDR was quite brief, but some members underlined the fact that the updated draft had been only made available the day before, limiting possibilities to give informed input in this meeting. One focus of the comments were the initial design of some infographics in the report, which should be improved in terms of clarity (e.g. colour changes, adding a legend). In addition, it was raised that on geographical groupings, information should be broken down as much as possible. For example, information on Asia and Pacific countries should be displayed separately, if possible, as well as for Latin America and the Caribbean. It was positively remarked that the consultants already provided different options for certain draft report elements to choose from. Some SCF members underlined their support for showcasing adaptation needs, for example, by reflecting any communication on the matter. In addition, it was mentioned that loss and damage should also be reflected and that consultants should take updated Nationally Determined Contributions (NDCs) into consideration. The feedback also included some more critical comments, including that the presentation of the actual needs and the description of the methodology lack balance (i.e. part on methodology too elaborate). Concerning needs communicated in NDCs, it was said that it is not always evident what methodologies have been applied to derive those estimations, which should be mentioned. Another SCF member seconded the impression that there is a wide variety of methodologies applied and suggested that countries could also provide information on their methodologies directly to the consultants for the NDR, if requested. The Co-chairs concluded the discussion by stating that it would be the aim of the report to showcase as much information on needs as possible, but surely in the most objective way, and that a variety of methodologies would also show a need for more support and guidance to developing countries on this matter.

The SCF members were invited to provide written comments by 10 June 2021. Similar to the BA, the next steps for the NDR also include that a draft summary and recommendations shall be presented at SCF25, while a finalization of the report is foreseen to take place at SCF26.

Forum on Finance for Nature-based Solutions

At the 21st SCF meeting, members agreed to organize the 2020 SCF Forum on the theme of “Finance for Nature-Based Solutions”. A draft programme was prepared and a call for inputs launched during the intersessional period. In view of the strong merits of holding a physical Forum, the SCF decided to postpone the event to 2021. The ongoing pandemic situation has made it challenging to confirm the venue for holding the Forum in its usual capacity. At the 23rd SCF meeting, members requested the co-facilitators Ms. Fiona Gilbert (Australia) and Mr. Mohamed Nasr (Egypt) to assess possible dates, venues and potential hosts for the Forum. Accordingly, the co-facilitators presented three options that have been explored and elaborated with the support of the Secretariat:

- Option 1 considers an in-person Forum in the third quarter of 2021. Potential events to link the SCF Forum to include the “IUCN World Conservation Congress” planned from 3 to 11 September 2021 in Marseille, France; and the “Energy, Water and Climate Change Conference” planned from 12 to 14 October 2021 in Manama, Bahrain. As a third scenario, a stand-alone event in Bonn was proposed.
- Option 2 proposes to hold the SCF Forum as a two-part event, with a virtual session in the third quarter of 2021 and an in-person session organized in 2022, which will be informed by the outcomes of part one.
- Option 3 suggests to organize the SCF Forum in 2021 as a fully-virtual event.

After a prolonged debate, SCF members agreed to merge Option 1 and 2 and organize a two-phase Forum. The first phase will be held either in hybrid or virtual format; the second phase will be held in 2022 and will be informed by the first phase from 2021. Members agreed that the aim is to organize an in-person, inclusive Forum in 2021. The Forum should be organized in a hybrid format, to provide opportunity to all participants to attend the Forum through virtual means and engage in the discussions. The venue and dates will be agreed inter-sessionally by mid-July 2021, based on the report that the co-facilitators will provide to the SCF members by the end of June 2021. Should the in-person Forum in 2021 not be feasible, e.g. due to the pandemic situation, the event will be held virtually.

Draft guidance to the Operating Entities of the Financial Mechanism

The discussions on this item were facilitated by one of the Co-facilitators, Mr. Toru Sugio (Japan), who started his presentation by recapitulating the outcomes of the last SCF meeting, where the committee requested the co-facilitators to prepare a workplan for advancing the preparation of the draft guidance for consideration by the committee. After this introduction, he presented the main points of the workplan that was prepared; these included points relating to format as well as process. Concerning the format, the co-facilitators proposed the use of draft decision text, based on a compilation of submissions received and the annual reports of the GEF and the GCF. Concerning the process, the use of the inter-sessional period prior to SCF 26 to make progress on the draft guidance was proposed; as well as the organization of virtual informal working sessions with stakeholder that send submission, to seek clarifications if needed. Finally, the co-facilitators will prepare a preliminary draft guidance, to be considered at SCF 26. This draft guidance would aim to present a text that would be as clean as possible, and highlight any pending issues and disagreements in brackets, to serve as the basis for negotiations. A tentative timeline for this process was also presented for consideration.

There was support from several members of the SCF to the proposal. However, there were questions concerning to what extent the SCF would and should try to reach agreement on

different issues, given its role. Most committee members agreed on the need to reach agreement in as many issues as possible, to provide a clean draft guidance. Some questions were also raised concerning how to include and highlight issues for which agreement could not be reached. A comment was made about the need to highlight the points of contention, beyond only presenting different options in a binary way. The co-facilitators proposed that the specific aspects of how to reach agreement and how to highlight disagreements could be worked out while following the proposed process and timeline.

It was decided that progress would be made during the inter-sessional period prior to SCF 26, in the preparation of the draft guidance. The co-facilitators will prepare the preliminary draft guidance in the format of draft decision text and conduct the informal working sessions with submitters to seek clarifications, as soon as possible, after September 15. The draft guidance would be up for consideration at SCF 26.

Linkages with the Subsidiary Body for Implementation and the constituted bodies of the Convention

There was a short space for SCF focal points to other Constituted Bodies to report on the discussions held by those bodies, after which the Co-chair, Mr. Ismo Ulvila (European Union), requested current focal points to reconfirm their intention of continuing as such, on a no-objection basis. Seeing no objections, the co-chair requested members from developing countries to come forward with proposals to be the focal points for the Executive Committee of the Warsaw International Mechanism for Loss and Damage (ExCom), as well as for the Katowice Committee of Experts on the Impacts of the Implementation of Response Measures (KCI).

For the ExCom focal point, Ms. Diann Black Layne (Antigua & Barbuda) requested more time to consult with the AOSIS team, before moving forward with her proposal to be focal point. As for the KCI, Mr. Ayman Shasly (Saudi Arabia) proposed himself to be the SCF focal point. It was decided to move forward with the agenda and come back to this point later.

Dates and venues of future meetings

Overall, the SCF has planned three meetings for 2021. The two outstanding meetings this year will need to consider the conclusion of the processes on the fourth Biennial Assessment and the Needs Determination Report, as well as finalizing draft guidance to the Green Climate Fund and Global Environment Facility. Tentative time for SCF 25 is between July and September 2021, while SCF 26 is intended to take place in October 2021.

As a way forward and given the uncertainties with the global COVID-19 pandemic, SCF members mandated the SCF Co-chairs to make a proposal on suitable dates inter-sessionally.

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