



CLIMATE FINANCE ADVISORY SERVICE

SUMMARY BRIEFING

28th Standing Committee on Finance Meeting

17-18 June 2022

Dear Friend 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 UNFCCC Secretariat.

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The CFAS Team

Summary from 17-18 June 2022

From 17-18 June 2022, the Standing Committee on Finance (SCF) convened for its 28th meeting in Bonn, Germany. Following two weeks of climate negotiations during the meeting of the subsidiary bodies of the UNFCCC, the meeting focused on the mandates received from COP26 and CMA3, including work on definitions of climate finance, work relating to Article 2.1c of the Paris Agreement, and a report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year. Further items discussed included ongoing work on the Fifth Biennial Assessment and Overview of Climate Finance Flows, as well as preparations for part two of the SCF Forum on Finance for Nature-based Solutions.

Forum on Finance for Nature-based Solutions

Based on previous discussions and the agreed programme outlined at SCF27, the co-facilitators Ms. Fiona Gilbert (Australia) and Mr. Mohamed Nasr (Egypt), circulated a draft programme for the planned three-day event for the consideration of SCF members, as well as suggestions for a potential date and venue.

For the venue and dates, discussions were held in the intersessional period with the Australian Government on hosting the SCF Forum. Based on these, the co-facilitators suggested holding the SCF Forum from 26-28 September 2022 in Cairns, Australia, which was met with approval by the committee. As for the programme, the Forum is aimed to be as interactive as possible so that participants can return home with clear ideas and action points to enhance mobilization and delivery of nature-based solution financing. Numerous breakout sessions will be used to achieve this goal and to hear directly from the

experience of practitioners, while also exploring how to think collectively about finding ways to overcome the challenges and bottlenecks in scaling-up nature-based solution financing. Plenary panel discussions will precede each breakout session and will be structured to be facilitative, strategic and insightful in order to have discussions that can trigger participants' thinking and interaction. Besides the official programme a field visit is also being planned, potentially on Day 3 of the event. The co-facilitators will continue to reach out to observers and nature-based solution stakeholders on the Forum programme to explore possible collaboration and linkages, e.g. UNEP who is undertaking many activities in this space.

Fifth Biennial Assessment and Overview of Climate Finance Flows

The co-facilitators Ms. Diann Black-Layne (Antigua and Barbuda) and Vicky Noens (Belgium) presented the first-order draft of the Fifth Biennial Assessment and Overview of Climate Finance Flows. The structure of the first-order draft includes three chapters: 1) Methodological issues related to transparency of climate finance flows; 2) Overview of climate finance flows; and 3) Assessment of climate finance flows. The co-facilitators also alluded to several changes and additions made compared to the zero-order draft presented at SCF27, based on comments received by members. At that, Chapter 1 now includes updates to methodologies on country-level tracking including climate budget tagging and climate-related taxonomies; key changes to climate finance reporting based on the common tabular formats for the enhanced transparency framework agreed in Glasgow; and on methods and indicators for reporting climate finance outcomes by sectors. In Chapter 2 data on global climate finance by instrument and region have been included; as well as data on investments in climate mitigation technologies, including carbon capture and storage (CCS) and hydrogen have also been included. In Chapter 3 a section on access to climate finance including ownership has been elaborated upon, in addition subsections and boxes focussing on nature-based solutions and forest finance, insurance and debt, vulnerability and debt distress have been added. It was highlighted that the report was still in its early stages, with placeholders in many sections and that sections on climate finance flows are yet to integrate recently released data for 2019/2020.

Members welcomed the first-order draft, with some members pointing out the need to reflect on additional information and data apart from the OECD, e.g. from UN organizations such as UNCTAD or other official UN statistics. Some members specifically welcomed the addition of the issue of access to climate finance and the work of the Taskforce on Access to Climate Finance, as well as addressing the topic of financing for nature-based solutions. One member stressed that “access” should not focus only on multilateral climate funds, as there are many lessons learned and best practices to identify from the experience of accessing bilateral funds. Another member suggested the inclusion of a paragraph or subsection on climate finance flows from developing to developed countries, e.g. related to repayments of debt. One member cautioned that as some reports on 2019/2020 data of climate finance flows already exist, such as the “Global Landscape of Climate Finance” from the Climate Policy Initiative (CPI), there was a risk of creating conflicting reports in terms of the range of climate finance flows identified. In his view, the Biennial Assessment is supposed to be the benchmark report for mapping climate finance flows, but that there was a risk of duplication of work as similar references and sources are being used. Last but not least, members highlighted issues such as additionality, debt swaps, climate impacts and climate finance in the context of domestic finance as relevant topics where additional elaboration and in-depth analysis was needed.

The SCF agreed to undertake work intersessionally with a view to consider the pre-final draft of the technical report at SCF29. SCF members may provide written comments on the first-order draft by 4th of July 2022. The co-facilitators will produce a new iteration of the draft report, taking into account comments made during the session, written inputs by the SCF, updates to data and any additional input. In addition, the co-facilitators will organize intersessional working sessions to review progress on the development of the work.

Work on definitions of climate finance

COP26 requested the SCF to continue its work on definitions of climate finance, taking into account the submissions received from Parties on this matter, with a view to providing input for consideration at COP27. At its 27th meeting, the SCF agreed on the work plan and timeline, including a first call for inputs and to undertake work to prepare a zero-order draft taking into account discussions on the substantive scope and content of the input at SCF27. Overall, eight new submissions have been received in 2022 - four from Parties and four from non-Party stakeholders.

The co-facilitators for this item, Ms. Diann Black-Layne (Antigua and Barbuda) and Ms. Bianca Moldovean (Romania) presented the zero-order draft and structure that had been circulated prior to the meeting. The draft report includes five chapters: 1) Context and mandates; 2) Compilation and synthesis of views from Parties and non-Party stakeholders; 3) Operational definitions of climate finance in use under the Convention and the Paris Agreement; 4) Operational definitions of climate finance in use by other actors, such as international organizations or domestic climate finance reporting systems; and 5) Considerations related to operationalizing definitions of climate finance.

Members welcomed the draft structure as a good start, with some highlighting the need to expand the list of actors being taken into account in Chapter 4 of the report, namely adding multilateral development banks, transnational organizations (e.g. UNEP and others) and the private sector. Others also suggested reflecting on research from think tanks, such as Oxfam's "Climate Finance Shadow Report". One member also proposed the inclusion of views from external actors, such as the Task Force on Climate-related Financial Disclosures (TCFD). Other members stressed that currently several things are being discussed in the draft report, e.g. definitional elements, climate rationale, methodologies and accounting approaches which need to be disentangled as they all have different meanings and implications. In the same context, members cautioned to not only reflect on which definitions are being used, but also try to explore and analyze the rationale behind these decisions. Furthermore, several members highlighted the need to link the work on definitions of climate finance to the provisions in the UNFCCC and the Paris Agreement. Many agreed that the goal of the exercise mandated by COP26 was to enhance understanding and increase transparency.

The SCF agreed to undertake work intersessionally with a view to consider the pre-final draft of the input at SCF29. SCF members may provide written comments on the zero-order draft by 4th of July 2022. The co-facilitators will produce a new iteration of the draft report, taking into account comments made during the session, written inputs by the SCF and any additional views. In addition, the co-facilitators will organize intersessional working sessions to review progress on the development of the work.

Work relating to Article 2.1c of the Paris Agreement

The co-facilitators Mr. Ali Waqas Malik (Pakistan) and Mr. Kevin Adams (USA) introduced the item on work relating to Article 2.1c of the Paris Agreement with a brief presentation on the mandate and the objective of the discussion at SCF28. At COP26 in Glasgow, the CMA requested the SCF to submit a synthesis of submissions received on ways of achieving Article 2.1c, including options for approaches and guidelines for implementation, whereas the COP requested the SCF to map, every four years, as part of its biennial assessment and overview of climate finance flows, the available information relevant to Article 2.1c, including its reference to Article 9 thereof. At its previous meeting, the Committee agreed to update the available information relevant to Article 2.1c since the initial mapping undertaken in the context of the fourth BA; consider similarities and differences between guidelines, approaches, and frameworks in use for aligning with the goals of the Paris Agreement and; identify potential recommendations. Furthermore, the Committee agreed to consider at SCF28 the format of its input to the COP and the CMA. The main debate emerged around the zero-order draft of the further work on mapping information, which was generally welcomed. Several members stressed the need to capture additional updates on 2.1c since the 4th Biennial Assessment report has been

published. One member also requested to review literature in non-English languages. Some members asked for stronger focus on the aspect of resilience and adaptation within 2.1c, an enhanced discussion of the transformational potential as well as the need for broader geographical coverage of relevant initiatives, policies and frameworks on the domestic level.

Regarding the synthesis of submissions, the co-facilitators highlighted that only 9 submissions have been received so far. To increase awareness and attention to the matter, two additional webinars were suggested at the end of June and end of August 2022. This approach was welcomed by the SCF members. The content of the synthesis analysis was recommended to focus on both commonalities and differences.

SCF members also discussed how to respond to the different mandates related to work on Article 2.1c, in particular the format of providing inputs to COP27 and CMA4. Options on the table included a) to produce one output as an annex to the annual report of the SCF with two clear sections addressing each mandate; or b) to produce two separate outputs as an annex to the annual report of the SCF addressing each mandate.

The SCF agreed to undertake work intersessionally with a view to consider a pre-final draft of the technical report at SCF29. The format of the input will be decided at SCF29, in view of the proposed pre-final draft, as members felt more discussion was needed. SCF members may provide written comments on the zero-order draft by 4th of July 2022. The co-facilitator will produce a new iteration of the draft report, taking into account comments made during the session, written inputs by the SCF and any additional inputs including through the call for submissions. In addition, the co-facilitators will organize intersessional working sessions to review progress on the development of the work.

Report on progress towards achieving the goal of mobilizing jointly USD 100 billion per year

The co-facilitators of this item, Ms. Gabriela Blatter (Switzerland) and Mr. Richard Muyungi (Tanzania) recapped the mandate received by COP26 in Glasgow. At that, the SCF was requested to prepare a report in 2022 on progress towards achieving the goal of mobilizing jointly USD 100 billion per year to address the needs of developing countries in the context of meaningful mitigation actions and transparency of implementation, taking into account the Climate Finance Delivery Plan and other relevant reports. At SCF27, members agreed on the work plan, including a call for inputs and the general outline of the report, including its scope.

The co-facilitators introduced the structure of the draft report, consisting of 1) Introduction of the background, scope, challenges and approach, including a section on relevant decisions from the Convention and the Paris Agreement, as well as from COPs since the goal was recognized in 2010; 2) Overview of the approaches used in sources of information; 3) Quantitative and qualitative information derived from these reports, structured along three pillars i) Information on the mobilization of USD 100 billion per year, ii) Information on addressing the needs of developing countries; and iii) Information on the context of meaningful mitigation actions and transparency of implementation; and 4) Progress towards the goal, including trends, challenges, lessons learned and recommendations.

Members welcomed the draft report and structure proposed by co-facilitators, focussing primarily on Chapter 3 of the draft in their comments. Many expressed support regarding the three suggested pillars (i.e. mobilization, needs and meaningful mitigation actions and transparency of implementation), pointing out the various placeholders and lack of actual content in the current draft. Several members highlighted the lack of information available in regards to “meaningful mitigation actions and transparency of implementation”, compared to the first two pillars, where the SCF could rely on previous work conducted, namely the Biennial Assessment and Overview of Climate Finance Flows as well as the First Needs Determination Report. The importance of exploring both quantitative and qualitative elements of the three pillars was also pointed out. Other members stressed that the purpose of the report was to focus on the financial side and fulfillment of a clear commitment to a quantified goal, rather than looking at components that are not part of the SCF mandate. One member argued that this report was not to talk about the mitigation

action of developing countries and transparency of implementation. He cautioned against overloading the report with elements that shift the attention away from what the mandate from Glasgow aims to achieve, namely bringing in information on the level of achievement of the USD 100 billion goal. Regarding the mapping of the approaches used in available sources of information (Chapter 2) some members stressed the need to maintain a neutral approach, not judging one source or methodology used over the other. At that, the report should provide a factual representation of the information that is out there, recognizing that there are different approaches and different contexts.

The SCF agreed to undertake work intersessionally with a view to consider the pre-final draft of the technical report. SCF members may send comments on the zero-order draft to the Secretariat by 4th of July 2022. The co-facilitators will produce a new iteration of the draft report, taking into account comments made during the session, written inputs by the SCF and any additional views. In addition, the co-facilitators will organize intersessional working sessions to review progress on the development of the draft report.

Draft guidance to the operating entities of the financial mechanism

The co-facilitators Mr. Toru Sugio (Japan) and Mr. Ivan Zambrana (Bolivia) presented a proposal on how to organize SCF's work on drafting guidance to the operating entities of the UNFCCC financial mechanism, i.e. the Green Climate Fund (GCF) and the Global Environment Facility (GEF). As per their proposal and taking into account the workload of the committee this year, the SCF will apply a similar approach as in recent years by carrying out work intersessionally. Accordingly SCF members, Parties, observers and UNFCCC constituted bodies will be invited to provide written inputs for elements of draft guidance based on the annual reports of GCF and GEF, expected to become available mid-August 2022. The co-facilitators will prepare a compilation of inputs and an initial assessment, categorizing received inputs as i) new guidance, ii) referring to ongoing guidance, iii) guidance that is repetitive, or iv) elements of guidance where further clarification is needed. The co-facilitators emphasized that they hope the SCF will be able to adopt and provide concrete agreed text of draft guidance to COP27, something the committee has not been able to achieve last year. Deadline for submissions from stakeholders will likely be the first week of September, in order to allow enough time for preparation before the last meeting of the SCF in September.

Linkages with constituted bodies of the Convention and the Paris Agreement

The Co-Chairs provided a brief update on intersessional engagement by SCF focal points across UNFCCC constituted bodies and thematic areas, starting with SCF events and engagements at SB56 in Bonn. At the SBs the SCF organized a side event to disseminate information on its workstreams and deliverables for COP27 and exchanged information with representatives of the Technology Executive Committee (TEC) and the Executive Committee of the Warsaw International Mechanism for Loss and Damage (Excom) on relevant areas of collaboration. During the side event, experts from think tanks shared the broader context of tracking financial flows and alignment with Paris Agreement goals and how the work of the SCF could deepen the understanding on these issues. SCF Co-chairs also met with the two high level champions of the Marrakech Partnership for Global Climate Action, Mr. Nigel Topping (UK) and Mr. Mahmoud Mohieldin (Egypt) to discuss the strategic finance related initiatives being carried out under the champion's leadership and areas of mutual interest. Last but not least, the SCF co-chairs attended meetings with representatives of constituted bodies, such as the Co-chairs of the Ad hoc Work Programme on the New Collective Quantified Goal (NCQG) and a dialogue organized by the Adaptation Committee on strengthening coherence and collaboration in addressing support for adaptation.

Besides the SBs SCF thematic focal points liaised with other constituted bodies of the UNFCCC during the intersessional period, e.g. the Climate Technology Centre and

Network (CTCN) and the Adaptation Committee (AC), in order to inform and update bodies on the workstreams of the SCF in 2022, as well as exploring areas for collaboration. These included activities such as a consultative exercise with the CTCN on how to facilitate more involvement between technology and finance committees and a joint working group between the AC and the SCF on the adequacy and effectiveness of support for adaptation.

Dates and venues of future meetings

Following the suggestion from the Co-Chairs, SCF members agreed to hold the next SCF meeting back-to-back with the SCF Forum on “Finance for Nature-based Solutions” in the city of Cairns, Australia from 29 September to 1 October 2022. The meeting will be conducted in a hybrid format, in order to allow virtual participation from stakeholders.

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