

APA Agenda Item 8a: Informal Consultations on Issues Related to the Adaptation Fund

November 10, 2017 – 16:00-17:00, Room Rakiraki

Note taker: Kevin Adams, SEI

Informal Session Summary:

This meeting continues earlier discussions on the Adaptation Fund potentially serving the Paris Agreement. In the previous meeting, submissions were made and discussed by Parties, whereas in this session, the co-facilitators have prepared an informal note based on these submissions for discussion. This informal note is available [here](#).

In this context, Parties were asked to comment on how the informal note captured the views in the submission, if there are omissions, and in particular to begin developing a work plan leading up to 2018. Parties, in general, thought that the informal note reflected their views and suggested that the co-facilitators prepare a second version of the informal note that includes previous omissions that were highlighted in this session, and streamlines the document based on areas of agreement, in part to identify areas where further work is necessary. Parties suggested that it is difficult to elaborate on the work plan in much detail without the revised informal note where areas of further work are identified.

In terms of key points of contention, three main topics were discussed:

1. On the topic of decision timing, Parties are in agreement that decisions should be taken by both the CMP and CMA, though there is some disagreement about the sequencing and timing of this issue. Most parties seem to suggest that a first decision is taken by the CMP, followed by a decision by the CMA. Switzerland suggested that the decisions could be taken simultaneously. On timing, the G77 and China would like to take a decision immediately, though it is unclear if this means at COP23, or next year in 2018. Many parties explicitly suggest that a decision should be taken by 2018, though it is unclear if it is possible to take another decision earlier, like one by the CMP in 2017 for example, or by both bodies that acknowledges the Adaptation Fund “shall” serve the Paris Agreement.
2. In terms of content, there is some question about what specifically needs to be decided before a decision is taken. Argentina made the point that the Adaptation Fund is fully operational, and there is no need to sort out all questions of institutional arrangements before a decision is made. Most Parties agreed, though questions remain about which issues must be decided on, which can wait, and how a transitional period will be involved. Two key issues suggested by Norway to be handled before a decision is taken are the eligibility to access the fund (related to whether or not the fund will serve ONLY the Paris Agreement), and the source of the funding. The European Union, similarly, suggests that we need to agree immediately on fund eligibility questions, as well as the source of guidance and line of accountability for the fund. Other relevant issues include the details of the transition period itself, the composition of the board, the arrangement with the trustee and secretariat, and other administrative matters. There have been many calls, including by Argentina, the G77 and the EU to not micro-manage the fund from above, and that while these items may need to be clarified, their inclusion does not necessarily suggest they need to be altered in a significant way.

3. Finally, as with the previous session, source of funding remains a key issue. With the relocation of the Adaptation Fund under the CMA, there is some question about the relationship of the fund to the clean development mechanism of the CMP, and the sustainable development mechanism established under Article 6.4 of the Paris Agreement. Saudi Arabia in particular is concerned about employing terms like “innovative finance” that do not have definitions, and much tension remains about how to appropriately reference this issue while assuring the longevity of the fund, and not prejudging the outcomes of other ongoing discussions regarding Articles 6.4 and 6.6 occurring elsewhere in the negotiations.

- *Kevin M. Adams, Stockholm Environment Institute*

Co-Facilitator

- Overview of informal note
 - Section 1 - Guidance for the note
 - Section 2 – Brief summary of issues raised in earlier informal consultations
 - Section 3 -
- Would like to get feedback on this note
- Would like to reflect on work program and timeline on issues that need to be solved
- Two issues for conversation:
 - Express if you feel comfortable with the informal note, if you think the written inputs are well captured
 - See if we can start a conversation on the timeline and work program to advance and progress
 - Guiding Questions:
 - What issues should be developed from now till 2018 and by whom
 - What issues should be developed after 2018 and by whom?
 - What is the appropriate sequencing for decisions for the AF to serve under the CMA and/or CMP

Bahamas

- Can confirm that all of G77 and China has the documents
- Uncomfortable with references to ‘a party’ in the text
- In options section, (III.A) there is no transitional period referenced in this section – do overarching considerations for transition belong here?
- Lots of issues in the “role at the climate international architecture” section
- A lot of the issues being presented in this format relating to the Adaptation Fund have already been dealt with in the review of the Adaptation Fund – these issues may not be relevant to this particular discussion
- Have you captured issues adequately around the table – I think they are well captured
- On decision sequencing, have provided two decisions, one which we think needs to be taken now, and one to come after (referring to CMP and CMA decisions respectively)
- This is not captured accurately under section V ‘decision sequencing’

Australia

- From here, would be useful to streamline informal note

- Could pull out areas we agree on or areas of convergence to identify areas where work is needed
- Do not see that all the elements in the informal note would need to be elaborated for a decision to be taken
 - These are things that could be worked through by the board
 - Sufficient for us that it is identified
- Suggest highlighting elements that need to be part of a decision at the appropriate time

Saudi Arabia

- Some missing ideas that need to be taken note of and reflected
- No, does not reflect or capture everything
- Storyline of the note suggests a direction which we spoke against yesterday in our intervention
 - The ideas of innovative sources of finance is something we do not believe in or accept or think is a way to generate financing to generation fund by shifting the burden of climate financing back to developing countries
 - Innovative sources of finance is an alien term
 - Suspiciously heard a few ideas for this, which could be the form of aviation tax, maritime tax, financial transaction tax
 - Until we define what innovative finance is, there are those who spoke against it – it is repeated three or four times in the informal note
 - We spoke against it and it is not captured
 - Developing countries do not wish to see financing burdens pushed back to them
 - Introducing new concepts is not conducive to the discussion, until we have a definition, we should speak a common language
- On the questions, we agree here that the AF serves the Paris Agreement – this is the first decision we need to take – this will be an integral part of the 2018 package – the work program for the PA
- After that, we need to look at all the legal matters

Switzerland

- Our views are reflected, but I withhold to come back when something is missing – haven't had the chance to fully look at it yet
- On overarching considerations for the transition period, we are flexible on placement, but this discussion should be included somewhere in the note
- What issues should be developed until 2018 and by whom – we still need to identify these issues. Cannot answer by whom until this
 - Our favorite option is to conclude by 2018 as much as possible
 - Many parties believe that some issues should be dealt with after, which makes the transitional period more important
- On sequencing, we would like to take the decisions at the same time
- Options under A, we propose to streamline these by including them under C

European Union

- Would like some more time to go through it, but seems to reflect most of our views
- Options under A will need to be decided now, including eligibility and who is the fund under the guidance of
- Board composition, operational policies, trustee arrangements can be decided later

- Going through those decisions later does not imply we cannot take a decision in 2018 or that we want a reform of the AF, only that we want to make sure it is fit for purpose under the PA
- On sequencing, next year, we don't have a strong view
- On placing the overarching considerations, we need to know what we have decided, and then we can discuss the transitional period

Norway

- Like Australia, we suggest streamlining
- On options (A.b and A.c) that can be streamlined
- On the transitional period, there are some questions that need to be addressed
- On sources of funding, this is something that needs to be addressed
 - Was set up to be funded by share of proceeds, which may be described as an innovative form of financing
 - Article 6.4 provides a potential pathway for this
 - This is something we should also look at before 2018

Philippines

- Draft decisions by G77 and China said that the fund shall serve the Paris Agreement
- We took similar decisions previously on the GCF the GEF, etc., and we are not talking about reforming those institutions
- We are not talking about changing the nature of them
- When I look at the options here, there are things that are unclear to me
- In particular on the transitional period, are we talking about transitioning the project pipelines? Are we talking about a transition of the interim trustee and secretariat? Are we talking about – why do we need to talk about this at all
- The Australian suggestion was to look at previous decisions we have taken on the AF and see from the previous decisions that look in to the principles and modalities, and the fund has proven itself to be successful based on that
- I do not understand if we are moving the fund from one place to another? The CMP and CMA have both the same status under the convention – they serve the COP. In the same way that the GCF serves both adaptation actions and mitigation actions.
- This will follow when we decide that the CMA that the AF will serve the Paris Agreement
- Those that will be in the AF board will only be those who are parties to the CMA
- Are we presuming that once it serves the CMA that it no longer serves the CMP?
- I have asked my colleagues dealing with Article 6, they have no idea what they want for the mechanisms – they have no agreement what transfers are, or what share of proceeds will be
- It will not be possible for this body to decide on those issues – we would be prejudging ongoing negotiations which are very difficult and which we are not able to do
- In the same manner that other funds shall serve the Paris Agreement, the AF shall also serve the PA
- Therefore, I'm a bit bothered by the options
- We should stick to our mandate without getting into the other mandates

Kuwait

- On behalf of the Arab group

- Support G77 and China
- As well as different sources of funding, but after we are clear on what this is
- We don't believe we are able to discuss this unless we know what we are talking about

Bahamas

- Would add to what the Philippines has said
- The point G77 and China has made is we are in a process of advancing the process
- Movement to a shall is symbolic, but also extremely important
- Issues colleagues have suggested must be dealt with, and in sufficient time
- We've heard a lot of things being said about things parties may have concerns about
- We understand that there are concerns for all parties, including contributors to the fund
- Have heard the concerns about when words are used and understanding the definitions of those terms
- Think it is important to take a decision now
- Think that decision should be that it shall serve
- We should start this process and move the discussion forward
- This fund is about concrete adaptation – has almost 700m € of funding, projects in the pipeline and activities on the ground – want to make sure that the service of this fund is assured into the future, which is to the benefit of the entire world
- We do not wish to continue this discussion of what needs to happen next, we need to take a decision and move forward
- Our submission is to suggest that these issues can be dealt with after a decision has been taken
 - Draft submission says CMP 16, which is in 2020, but this is bracketed – perhaps we are more efficient

Argentina

- On behalf of Brazil, Uruguay and Argentina
- Support Bahamas statement in its entirety
- On issues that should be developed from now to 2018, we believe that from this point what we need is to make a decision for the AF to serve the Paris Agreement. This decision must be done by the CMP followed by the CMA
- The other decision we need to make is who will give guidance to the fund and what the accountability line will be
- With that, we are good for now, and we can work on the other Issues at a later stage
- We are fine with addressing the other issues now, but the fund is fully functional, so it can keep working as it is for whatever the transitional period is
- When the fund was established, it was approved by the CMP, and the year after in Poznan when the fund was functional the institutional arrangements with the GEF and World Bank were drafted and approved
- Not necessary to do it now, but the sooner we start the better
- On operating modalities, we can apply mutatis mutandis all that already exists as the fund serves the PA
- In our view, nothing needs to be changed, but if there is, this is a matter for the board to discuss and agree – it is not a matter for the COP, the CMA, or the APA to discuss
- We would be setting a bad precedent for all the funds that have been established under this regime – it is not good to micromanage from the top

- Funds have boards and secretariats etc. and can discuss the operating modalities and approve them

New Zealand

- Agree that the future of the adaptation fund is crucially important
- Should spend the time drilling in to the work plan
- Agree with Australia to streamline and identify areas of convergence
- Some different elements here might form decisions to the CMP, others may be more technical and should be separated
- Funding sources should be addressed by 2018, but does not need to be resolved here and now – we should not look to preempt or prejudice the process

Japan

- Now we can do our job tasked by the decision in Marrakech, built on our discussion in Bonn in the spring
- In 2018, we have to decide several things, composition of the board, reporting for existing process, (few others)
- Last year the CMP decide to extend the agreement with GEF and WB to 2020
- Eligibility to access fund and source of funding may be areas we can decide next year
- On safeguards, we do not have decide in very detailed manner, but guided direction may also be important for next year

Co-Facilitator

- Ready to prepare a second informal note to capture ideas raised in this consultation
- Circulate by tomorrow when the next informal consultation occurs

*** *Close* ***