

November 10, 2017

**APA Agenda item 8a: Role of the adaptation fund as the financial architecture of the convention.
3rd informal consultation**

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The discussion was based on the first iteration of the informal note prepared by the co-facilitators (available on the APA Agenda Item 8 webpage):

[http://unfccc.int/files/bodies/apa/application/pdf/draft_infomal_note_apa_item_8b_\(af\)-nov10_clean_.pdf](http://unfccc.int/files/bodies/apa/application/pdf/draft_infomal_note_apa_item_8b_(af)-nov10_clean_.pdf)

Key points

- all parties commented the co-facilitators for their efforts to put together the informal notes reflecting parties' inputs that serves well as a basis of discussion
 - o G77+China and Saudi Arabia raised concern about their input not being adequately reflected
 - o Several parties suggested to streamline the informal note
- there was a key discussion around the “innovative sources of funding”, what it means and when it should be discussed
 - o the contentious issue of market mechanisms from yesterday was not brought up again and the atmosphere seemed more constructive
- parties had different takes on the move of the AF from CMP to CMA and the sequencing of that decision

Co facilitators:

- First iteration of informal note has been published on website and circulated by the Secretariat
 - o It tries to capture the input in writing and from the discussion and is also based on previous discussion held in May 2017
 - o Reminder that they are not final in any way
 - o But from your comments we understood that informal note is helpful as basis for discussion
- Guidance on the informal note
 - o Section one: reference to the May informal note
 - o Section two: cross-cutting and overarching considerations
 - o Section three: different elements that we identified together, using the inputs from the parties in writing and from the floor
 - o Honest attempt to capture all inputs on your part, seeking your confirmation that all ideas and proposals are well captured; if not, improvements to be made in second iteration

- Reflect on possible work program and timeline on issues that we need to solve
- Proposal for this session: 2 issues
 - 1. Express if you feel comfortable with the informal note and that it appropriately reflects your input
 - 2. Starting conversation on timeline and work program to progress with our work here and that until 2018
 - 3 guiding questions prepared:
 - a. What issues should be developed from now till 2018 and by whom?
 - b. What issues should be developed after 2018 and by whom?
 - c. What is the appropriate sequencing for decisions for the AF to serve under CMA and/or CMP?

Bahamas

- Thank you for the notes; regarding the first iteration, Bahamas raised some concerns:
 - Input by G77+China was not reflected appropriately
 - On sequencing the suggestion in our proposal: 2 decisions to be taken; one now, one later -> was also not reflected
 - We strongly urge that the submission by G77+China is fully reflected
- Bahamas also raised some formal issues around the note
 - On language: in section 2 they felt uncomfortable with reference to “a party” rather than the group of G77+China
 - On placement: Options for transitional period should be moved to the part of the text where there is reference to the transitional period
 - Bahamas was uncertain about the header “role at the climate international architecture”
- Bahamas also raised concern that some issues are already addressed elsewhere, such as the overall format of the AF and that the session should focus on the issues that are relevant to the discussion here

Australia

- Thanks for informal note, very useful starting point and captures a lot of detail from the submissions and discussion here
- On the 3 questions
 - Where to go from here:
 - Streamlining the informal note, highlighting areas of agreement or convergence
- We don't see that all the elements in the informal note would need to be elaborated for a decision to be taken, as long as identified and appropriate way of addressing is outlined
 - Other issues can be addressed in an annex
 - Thus, suggestion to highlight elements that need to be addressed now and those that can be addressed later on

Saudi Arabia

- Thanks for the informal note, you tried your best to capture as many ideas as possible
- There are still ideas missing:

- Emphasize that the informal note doesn't have any status, just a way to capture ideas
- Too much emphasis on statements of some parties, so that the storyline of the note suggests a direction
- Saudi Arabia raised concern about the terminology "innovative sources of finance"
 - An idea Saudi Arabia doesn't believe in because they don't know what it means
 - We don't think it's a way to generate financing to the AF by shifting responsibility back to DC -> taking it from one pocket and giving it to the other
 - Suspiciously heard that it could be the form of: aviation tax, maritime tax, financial transaction tax, ...
 - Until we define what innovative finance is we want the memo [informal note] to say that there were those that spoke against it, which is currently not reflected
 - Until clarified, we should all speak the same language -> not introducing unfamiliar terms
- DCs do not want to see financial responsibility be pushed back to them
- On the 3 questions
 - Saudi Arabia suggests to agree here on a political decision that the AF serve the PA
 - This should be an integral part of 2018 package, work programme for PA
 - After that, we sit down and look at all the legal matters; all legal matters can be sorted out once the COP decides for itself that this fund shall serve the PA
 - Logistical matters, relationship between CMP/CMA, all that can be sorted out

Switzerland

- Thanks for the notes, we encourage you to include those views not yet reflected
- Emphasised the transitional period flexible on placement in the note, but its important that it's included and part of the discussion
- On the 3 questions
 - We would encourage to get as much done as possible until 2018
 - Sequencing: we would favour that both decisions are taken at the same time, preferably in 2018 to have clear legal guidance from there onwards
- On the note: Under Options A, only the proposals b) and c) are left on the table -> suggest streamlining, unless objection by another party

EU

- Thanks for the note, in general reflective and helpful for structuring the discussion
- On the 3 questions
 - Important to make progress until 2018
Items to be decided after could include: Work composition, arrangement on trustees, transitional policies
 - Does not mean that we can't take a decision in 2018, EU does not imply seeking reform of AF, they think the AF is legally functional
 - Sequencing: question on order remains, at this point EU does not have a strong view on that

Norway

- Thanks for the informal note, suggestion to reflect missing views in next paper
- Sequencing: 2018 CMA decision
 - o Like Australia, we don't need to see all issues resolved to take a decision, but issues need to be addressed in a proper way
- Supports Switzerland that Options should be streamlined as only b and c only remaining
- Emphasis to work on:
 - o Transitional period
 - o Source of funding: fund set up as share of proceeds, this can be argued to be an innovative way of funding; sources of funding is something we should look at before 2018 to get clarity

Philippines

- Draft decision tabled by G77+China only said that the AF shall serve PA
 - o We are not talking about changing the nature of the funds
 - o CMP and CMA have both the same status under the Convention, both serve the COP, same way the GCF serves both mitigation and adaptation actions
- Are we assuming that the AF stops serving the CMP?
- On the transitional period: are we talking about changing the pipeline? Are we talking about transition of interim trustee and secretariat?; why do we need to talk about this at all?
 - o There is unclarity around these questions, that also remains when discussing with colleagues working on Art 6
 - o It's also unclear whether we are the competent body to do this
- AF shall serve CMA just as it shall serve the CMP

[we understood the last point to be the main argument, the intervention was a little confusing because it consisted of a lot of rhetorical questions]

Kuwait (on behalf of the Arab Group)

- Support for the statement by G77+China
- We agree that we should look at different sources of funding, but only after we agreed what that means, defining innovative sources of funding

Bahamas

In response to Philippines

- The point G77+China has made is that we are in a process: should in COP21, shall in COP22
- We understand concerns of sovereign parties on certain language used
- However, we think it's imperative to take a decision now
- We think we should start the process: AF funding is available, projects are in the pipeline, thus, we need to take a decision and start dealing with specific issues rather than continuing discussion of next steps

Argentina (on behalf of Brazil, Uruguay, and Argentina)

- Supporting intervention of Bahamas on behalf of G77+China entirely
- Thanks for the informal note

- On the 3 questions:
 - o Issue to be developed from now until 2018:
 - decision that AF shall serve the PA
 - sequencing: decision must be done by CMP followed by CMA
 - And who is going to give guidance to the AF and what will the accountability line of the fund be
 - o Other issues can be worked on later
- We agree that administrative issues need to be addressed at some point, but the fund is fully functional as it is; cf. fund was established in Bali and already functional when a year later in Poznan the institutional arrangements were entered, thus it can be done later
- We don't think anything needs to be changed, but if something needs to be changed, it's up to the AFB, not the APA, CMP or CMA -> not setting a bad precedent of micro-managing from above

New Zealand

- Thanks for the notes, does seem to capture input well while recommending to reflect views not yet reflected
- Agreeing with Saudi Arabia and Bahamans on behalf of G77+China that AF is essential for PA
But, in these sessions, better to focus on work program
- Agreeing with Australia on streamlining note on areas of convergence
- Agreeing with Argentina on technical language
- On funding sources: Should be addressed before 2018 but does not need to be addressed here

Japan

- Thank you for your efforts, good starting point
- Streamlining the informal note: echoing AUS and NZ, identifying convergence
- On 3 questions
 - o By 2018, we have to decide institutional arrangements, composition of the AFB, guidance the fund will receive, and reporting
 - o Complete agreement could be done after 2018
 - o Issues to be worked out later: modalities, sources of funding, safeguards -> general direction to be decided next year, details can be worked out later

Co-facilitators' conclusion:

- Sense that it would be useful to have a second iteration of the informal note to capture input from today's session
 - o To be circulated and uploaded to Agenda Item 8 website by tomorrow
- Next informal consultation tomorrow, time tbd