

Warsaw COP19 Outcomes and Implications of Climate Finance

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Background

The 19th Conference of Parties and 9th Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP19/CMP9) of the United Nations Framework Convention on Climate Change (UNFCCC) took place from 11th to 23th November, 2013 in Warsaw, Poland. Key agenda items related to climate finance discussed at the COP19 includes the Work Programme on Long-term Finance (hereinafter the LTF), guidance to the Green Climate Fund (GCF) and the 5th review of the financial mechanism.

UNFCCC COP19 Outcomes on Climate Finance

Conclusion of Work Programme on Long-term Finance¹

The COP18, in 2012, decided to extend the LTF for one year until the end of 2013 with the aim of identifying pathways for mobilizing scaled-up long-term climate finance

¹ The COP16 in 2010 decided to provide USD 100 billion per year by 2020 as long-term climate finance for developing countries in the context of meaningful mitigation actions and transparency on implementation, and the COP17 in 2011 agreed to the launch of the LTF to make progress on relevant issues starting from 2012.

from public, private and alternative sources and enhancing enabling environments and policy frameworks in developing country Parties to facilitate climate finance mobilization. The report submitted by the Co-chairs of the LTF to the COP19 comprehensively consists of the conceptual issue of climate finance and transparency of climate finance, enabling environment to mobilize financial resources and policy barriers to mobilization, and climate finance effectiveness and tracking comprehensive issues discussed through various meetings² held in 2013.

Despite the original plan of the COP19 to evaluate the achievements of the LTF and discuss whether to further extend its operation, there was a great inconsistency of opinion between developed and developing country Parties with regard to the establishment of the new process to assess progress of long-term finance mobilization. Korea and developing countries claimed that a new dedicated body that could practically realize a long-term finance goal beyond technical discussions should be launched in order to accelerate climate finance mobilization and create enabling environments. In particular, Korea's suggestion to establish a new working group inviting high-level government officials in charge of climate finance from all Parties with the aim of encouraging political dialogue for long-term finance and developing roadmap for climate financing drew great attention from the Parties. Following Korea's suggestion, G77 and China also proposed to set up a working group³ to address critical issues that haven't been concluded by the LTF.

² Two expert meetings on the LTF were held in July (Manila, the Philippines) and August (Bonn, Germany) 2013, respectively, and the wrap-up meeting took place in September (Seoul, Korea) the same year.

³ The original title of the working group that G77 and China suggested was the 'Open-ended Ad Hoc Working Group on Long-term Finance.'

On the other hand, developed country Parties took on a passive posture toward the issue since they were in favor of utilizing the existing body already working under the UNFCCC. For example, the U.S. and Japan argued that the Parties could utilize the regular forums hosted by the Standing Committee on Finance (hereinafter the SCF), the UNFCCC's permanent body supporting the financial mechanism of the UNFCCC, to promote communication among stakeholders for addressing barriers to climate finance. Meanwhile, agreeing to the more passive perspective of developed countries rather than to launching a new working group, the EU made a suggestion to formalize the biennial high-level dialogue on climate finance that took place for the first time during the COP19 in 2013. Consequently, the Parties came to a conclusion to adopt the EU's suggestion⁴, compromising different interests between developed and developing countries to hold a biennial high-level dialogue on climate finance starting from 2014.

Little Progress on Pathways for Scaled-up Long-term Finance Mobilization

At the COP19, developing countries consistently stressed 'new, additional, predictable and adequate' climate funding for developing countries based on the previous COP agreements while developed countries were more passive about setting up a concrete long-term finance mobilization plan. With emphasis on the needs to establish a mid-term target in order to achieve the long-term climate finance goal, developing country Parties called for the specific target of USD 70 billion to be provided by 2016. However, developed country Parties argued that to promote enabling environments in developing

⁴ Initially, the EU proposed to include the term 'political' to the title of the high-level dialogue, but finally, the EU suggested excluding the term and thus, the Parties agreed to officially use the title 'biennial high-level ministerial dialogue on climate finance'.

countries for climate finance mobilization and deployment is more crucial, and that developed countries are in a difficult position to clarify specific mid-term goals for climate finance.

Moreover, the two groups disagreed over the main contributor for climate finance; unlike developing countries, who believed that developed country Parties have a full obligation to mobilize climate finance, developed countries aimed to include other Parties besides them to mobilize climate-related funds. Finally, the Parties agreed on a decision to recognize the joint commitments taken by developed countries to provide USD 100 billion by 2020 from public, private, multilateral, bilateral and alternative sources and urge developed country Parties to maintain continuity of mobilization of public resources at increasing levels from the fast-start finance⁵ period.

In addition, closely in line with previous agreements, the Parties adopted a decision to call on developed countries to channel a substantial share of public climate finance for adaptation activities according to developing countries' requests to balance mitigation and adaptation when allocating climate finance and to recall that a significant share of the new funds for adaptation should flow through the GCF. Meanwhile, the Parties requested that developed countries prepare biennial submissions on their updated strategies and approaches to meet the long-term finance objective starting from 2014 to 2020.

Guidance to the Green Climate Fund

The COP19 discussed guidance to the GCF, one of the key agendas on climate finance, based

⁵ According to the decision of the COP16 in 2010, developed country Parties collectively committed to provide USD 30 billion between 2010 and 2012 as 'fast-start finance' to support developing countries.

on draft guidance provided by the SCF⁶. After conducting the fifth meeting in August 2013, the SCF submitted the outcome report to the COP19 including draft guidance to the GEF⁷ and GCF, operating entities of the UNFCCC's financial mechanism. The decision adopted by the COP19 is comprised of an assessment of the progress made by the GCF Board to ensure the operationalization of the GCF, initial guidance to the GCF and additional guidance to the GCF.

The Parties did not encounter any critical issues in reaching a conclusion with regard to the evaluation of the progress made by the GCF Board and the contents of the initial guidance to the GCF. The COP19 welcomed the GCF board's decision to establish an independent secretariat, appoint the Executive Director of the independent secretariat (Ms. H ela Cheikhrouhou) and conclude the Headquarters Agreement between Korea and the GCF. Also, the COP19 noted the progress made by the Board to prepare for the operationalization of the GCF, including the adoption of the 2014 work plan and the resource mobilization process. As for the initial guidance to the GCF, the COP19 requested that the GCF balance the allocation of resources between adaptation and mitigation, pursue a country-driven approach and take into consideration the urgent and immediate needs of developing countries that are particularly vulnerable to climate change.

However, the different perspectives between developed and developing country Parties concerning the additional guidance to the GCF led to a delay in the finalization of the agreement. Developing countries demanded that developed countries clearly elaborate the concrete scale of their commitments and timeline to mobilize funds for the GCF, whereas developed country

⁶ The COP18 decided that the COP19 would provide initial guidance to the GCF.

⁷ GEF: Global Environment Facility.

Parties argued that they could provide climate finance ‘as soon as possible’ due to unfinished resource mobilization processes within the GCF and domestic boundaries. Following negotiations, the Parties finally agreed to adopt a decision that called for ambitious and timely contributions by developed countries to enable the effective operation of the GCF and support its capacity building, reflecting the needs and challenges of developing countries in responding to climate change in the context of preparing the initial resource mobilization process⁸, by the COP20 in 2014.

Although it was agreed by the Parties to underline developed countries' responsibility as contributors of resources for the GCF, there was a discordance between developed country Parties who invited other Parties in a position to do so to provide funding for the GCF and developing country Parties who emphasized the governing instrument⁹ of the GCF, which declared developed countries as providers of financial inputs for the GCF. Meanwhile, rather than clarifying the exact amount of resources, the Parties stressed that initial resource mobilization of the GCF should reach a 'very significant scale' that reflects the needs and challenges of developing countries in coping with the adverse effects of climate change.

⁸ Developing countries claimed that in order to avoid ambiguity of the term 'process', 2014 should be clearly included in the decision as the timeline while developed countries pushed for leaving the expression to only state 'as soon as possible'. Finally, as suggested by the U.S., the Parties agreed to finalize the resource mobilization process by the COP20 in 2014.

⁹ According to the governing instrument of the GCF approved by the COP17 in 2011 covering the objectives, guiding principles and governance and institutional arrangements of the GCF, the GCF will receive financial inputs from developed country Parties.

Implications

Coordination between Developed and Developing Country Parties

Since the conflicting interests between developed and developing countries on the subject of climate finance mobilization and deployment made it difficult for the COP19 to reach meaningful agreements, political coordination between the two groups is a prerequisite to mobilize scaled-up climate finance. Contrary to developing countries that repeatedly underscored the predictability of climate finance and responsibility of developed countries, developed countries rather focused on the transparency of climate finance, enabling environment in developing countries and burden sharing among developed countries. Nevertheless, it is noteworthy that the COP19 agreed to a biennial high-level ministerial dialogue on climate finance between 2014 and 2020, taking into account suggestions proposed by Korea and other developing countries with the aim of addressing relevant agenda that have not been covered by the LTF. However, it is unlikely that developed and developing countries will achieve feasible outcomes from the high-level ministerial dialogue unless both groups make efforts to fulfill their commitments and negotiate different views.

Climate Finance Transparency

Biennial reports to be submitted by developed country Parties and the SCF, respectively, in 2014 will play a pivotal role in enhancing the transparency of climate finance flows. In contrast to the evaluation of developed countries that their contribution of fast-start finance between 2010 and 2012 far exceeded the target of USD 30 billion, developing countries pointed out that climate finance flows they received seemed much less than the target amount and doubted whether these resources were new and additional.

Thus, it will be essential for the Parties to build mutual trust by improving the level of transparency of climate finance flows and closely monitoring the implementation of developed countries' commitments. Basically, a commonly and clearly agreed consensus on definition, sources, types and targets of climate finance is fundamental to ensure transparent climate finance flows, but current climate finance-related discussions often lack common agreement on this conceptual issue. Nonetheless, the Parties are increasingly paying attention to the SCF in its preparation of the first biennial report to be submitted in 2014, as the report would assess the current status of climate finance flows on a global scale and thus, contribute to increasing climate finance transparency.

Meanwhile, the COP17 in 2011 agreed to require developed country Parties to submit the first biennial report addressing their commitments for mitigation, financial, technology and capacity-building support by January 1, 2014 and the COP18 in 2012 adopted the common tabular format that would be used in preparation of the report. Thus, it is also expected that the reports submitted by developed country Parties will allow the Parties to compare implementation of developed countries' commitments and ultimately, improve the transparency of climate finance.

Importance of Political Dialogue on Climate Finance

With respect to the operationalization of the GCF, both developed and developing country Parties are responsible for harmonizing different views and cooperating to create environments that accelerate discussion for long-term finance mobilization. At the high-level ministerial dialogue on climate finance during the COP19, some European countries pledged to make contributions to the GCF once the initial resource

mobilization process of the GCF is finalized. However, in order to build a more stable financial basis for the GCF, the range of the discussions and negotiations among the Parties should include not only the operation of the GCF but also the long-term finance issue as a whole.

In this context, the outcomes of the UN Climate Summit to be held in September 2014 will mark a crucial turning point in the global efforts for long-term finance mobilization. In fact, the COP19's decision to not extend the LTF but, rather pay more attention to the establishment of a new working group inviting high-level government officials - as proposed by developing countries - demonstrated the lack of political dialogue between the Parties regarding climate finance. Therefore, without visible achievements at the UN Climate Summit, it is not likely that the Parties can make meaningful progress at the biennial high-level ministerial dialogue on climate finance during the COP20. **KIEP**