

COP 27 Highlights:

Wednesday, 9 November 2022

The fourth day of the Sharm El-Sheikh Climate Change Conference was finance-heavy. Ministers discussed expectations for the new collective quantified goal on climate finance and negotiators advanced work on the provision of guidance to climate funds. Fear is growing about lack of safeguards built into the Article 6.4 mechanism for cooperative implementation of the Paris Agreement.

CMA

Guidance to the Green Climate Fund; Guidance to the Global Environment Facility: This joint contact group was co-chaired by Richard Muyungi (Tanzania) and Toru Sugio (Japan) who invited parties' views on expectations on these two items.

On guidance to the Green Climate Fund (GCF), South Africa, for the AFRICAN GROUP, supported by other developing country groups, called for developed countries that have made pledges to fulfill them, describing this as a major source of trust deficit. With PAKISTAN, he also expressed concern about the GCF deviating from its original character, toward becoming a "capacity- or knowledge-building entity."

Many developing and developed countries and groups supported emphasizing the need to simplify and accelerate the Fund's accreditation and re-accreditation processes. The EU, supported by Switzerland, for the ENVIRONMENTAL INTEGRITY GROUP (EIG), cautioned against micromanaging the GCF Board. AUSTRALIA and the EIG supported welcoming a programmatic approach. BOLIVIA called for a funding window dedicated to joint mitigation and adaptation, and for expedited direct accreditation for "experienced" national entities, such as development banks. Saudi Arabia, for the ARAB GROUP, lamented that some project funding due this year has yet to be disbursed.

Paraguay, for the INDEPENDENT ALLIANCE OF LATIN AMERICA AND THE CARIBBEAN (AILAC), and Brazil, for ARGENTINA, BRAZIL and URUGUAY (ABU), called for attention to REDD+ (reducing emissions from deforestation and forest degradation) results-based payments, with ABU noting that the first funding envelope was exhausted two years ahead of the original schedule and calling for a second window of resources.

On guidance to the Global Environment Facility (GEF), developing and developed countries diverged on whether the eighth replenishment (GEF-8) had successfully increased funding to the climate change focal area. Developing countries expressed different views on the System for Transparent Allocation of Resources (STAR) formula of GEF-8, with some considering it excludes countries for "political reasons." Maldives, for the ALLIANCE OF SMALL ISLAND STATES (AOSIS), drew attention to the multidimensional vulnerability index.

The AFRICAN GROUP and ARAB GROUP called for requesting the GEF to support reporting under the Paris Agreement to build the institutional capacities of national

governments. The EU proposed requesting the GEF to ensure it supports the alignment of financial flows with the goals of the Paris Agreement. AILAC called for enhancing effectiveness to ensure timely disbursement of resources. The EU and CANADA called for attention to gender responsiveness.

Parties agreed to an invitation to make submissions until Thursday morning, 10 November, and discussions will continue on the basis of a compilation by the Co-Chairs.

Report of the Adaptation Fund Board: In a contact group, co-chaired by Diann Black-Layne (Antigua and Barbuda) and Eva Schreuder (Netherlands), South Africa, for the AFRICAN GROUP, supported by Belize, for AOSIS, and Nepal, for the Least Developed Countries (LDCs), proposed requesting the Fund's Board to report how the Fund's support is advancing the global goal on adaptation (GGA) and Paris Agreement Article 2.1(b) (on adaptation and resilience). The US supported referencing the GGA. The AFRICAN GROUP, LDCs and BENIN suggested also requesting the fund to support the implementation of national adaptation plans (NAPs), adaptation communications and related nationally determined contribution (NDC) elements.

The Co-Chairs will prepare draft text for the next contact group meeting.

CMP

Matters Relating to the Clean Development Mechanism: Co-Chairs Alick Bulala Muvundika (Zambia) and Kazuhisa Koakutsu (Japan) briefly opened the contact group outlining their plans for the session and referring to the Clean Development Mechanism Executive Board (CDM EB) report (FCCC/KP/CMP/2022/7), including a list of issues on which the CDM EB was seeking guidance or had prepared recommendations for parties' consideration. The Co-Chairs then declared the contact group adjourned and opened informal consultations to hear parties' views.

Parties reflected on whether guidance is needed for issuance of certified emission reductions (CERs) for monitoring periods ending before 2021. One country called for relaxed deadlines for project proponents and Designated National Authorities in the case of significant delays in operationalizing the Article 6.4 mechanism.

One group supported allowing revisions to existing CDM methodologies as needed, and another called for effectiveness and minimizing the need to "re-revise" methodologies for use under the Article 6.4 mechanism.

Parties also suggested defining, among others: how long CER cancellations should continue and be hosted in the CDM registry; when accreditation of operational entities and maintenance of their support system will stop under the CDM; and the end date for the CDM EB's operations. One group stressed that the CDM registry should function at low cost until the Article 6.4 mechanism is operational.

Another group urged preventing an "exodus" of activities to voluntary standards and said the CDM should be placed on equal footing with voluntary carbon markets by allowing CERs issued

under the provisional rules to be used for voluntary cancellation and retirement.

Parties mandated the co-chairs to prepare draft decision text, and discussions will continue in informal consultations.

Report of the Adaptation Fund Board: In a contact group, co-chaired by Diann Black-Layne (Antigua and Barbuda) and Eva Schreuder (Netherlands), developing countries drew attention to the lack of sufficiency, sustainability, and predictability of resources available to the fund, despite growing demand and ambitious strategies. South Africa, for the AFRICAN GROUP, described a “systemic failure on behalf of developed countries who continue to make false pledges” and, with CHINA, said countries should not make pledges if they are unable to fulfil them. Belize, for AOSIS, expressed concern over the Board’s inability to set a quantitative mobilization target and called for improving coverage of small island developing states. Nepal, for the LDCs, called for increasing the number of direct access entities in LDCs.

The EU pointed out that voluntary contributions by developed countries have exceeded the Fund’s mobilization target. SWITZERLAND suggested guidance on coherence and complementarity, and reflecting the fund as a good example of efficiency in accreditation and project approvals.

The Co-Chairs will prepare draft text for the next contact group meeting.

Subsidiary Body for Implementation (SBI)

Fourth Review of the Adaptation Fund: In informal consultations, the Adaptation Fund Secretariat provided an overview of the Fund’s new resource mobilization strategy. Co-Facilitator Diann Black-Layne (Antigua and Barbuda) invited comments on a Co-Facilitators’ draft text. Parties expressed general satisfaction with the text.

Developing countries supported a paragraph on doubling developed countries’ adaptation finance provision, with some calling for referring to “at least doubling” in line with the Glasgow Climate Pact. One developed country requested deleting the paragraph, noting the pledge was not Adaptation Fund-specific.

On a paragraph referencing diversification of the donor base, developing countries generally opposed the language, proposing alternatives, including reflecting the current scope of donors or referring to a variety of sources, with one group noting support by developing country stakeholders is voluntary. Some developed countries pointed out this language is consistent with the Fund’s mobilization strategy.

National Adaptation Plans (NAPs): Informal consultations were co-facilitated by Pepetua Latasi (Tuvalu) and Jens Fugl (Denmark). Latasi noted that, based on the previous day’s discussions, the draft text on NAPs dated 9 June 2022 had been made available to use as a basis for discussion. A developed country group suggested focusing on unresolved issues, and not reopening previously agreed text. Some developing country groups opposed, preferring instead to consider the entire text open for negotiation. Confusion ensued about various versions of the draft text in circulation, after some parties noted that the version they had did not contain certain paragraph numbers read out by others. Parties agreed to confer on the correct version of text and share it with the Secretariat for uploading to the website before the next informal consultations.

Subsidiary Body for Scientific and Technological Advice (SBSTA)

Guidance on Cooperative Approaches Referred to in Article 6.2: In informal consultations, Co-Facilitators Kuki Soejachmoen (Indonesia) and Peer Stiansen (Norway) invited parties’ views on the issue of infrastructure, including the international registry, the Article 6 database and the centralized accounting and reporting platform (CARP).

Parties discussed the interoperability of registries, with most parties agreeing that the use of the international registry is not mandatory. One party questioned the need for reference to achieving consistency of data between registries, highlighting that

this goes beyond the Glasgow decision, as parties are not required to connect their national registries to the international registry. A developing country group said connecting national registries with the international registry should allow for the extraction of relevant information from national registries.

One party asked for clarification of the relationship between the use of registries and tracking, and another requested development of guidelines for identification of internationally transferred mitigation outcomes (ITMOs). A developing country party supported storing transferred CERs in the same account as ITMOs, in order to reduce complexity.

Rules, Modalities and Procedures for the Article 6.4 Mechanism: In informal consultations, Co-Facilitators Sonam Tashi (Bhutan) and Kate Hancock (Australia) invited comments on the SBSTA Chair’s informal note regarding: section on national arrangement and on emissions avoidance and conservation enhancement activities; and the draft CMA decision.

Most parties preferred deferring discussion of national arrangements, and emissions avoidance and conservation enhancement activities, noting these are not necessary for operationalizing the mechanism. One party urged consideration of emissions avoidance and conservation enhancement activities, underlining the importance of such activities in preventing climate change. Another party called for additional technical work on this issue.

Regarding the draft decision, parties discussed where and when to consider the issue of further guidance to the Supervisory Body, with some noting this falls under the purview of the CMA, not the SBSTA. Another party requested clarifying that the standardized submission forms referenced in the text are not mandatory.

Having completed their first round of consideration of all eight sections and the draft decision, parties mandated the co-facilitators to prepare draft text based on the SBSTA Chair’s informal document and parties’ comments.

Work Programme under the Framework for Non-market Approaches Referred to in Article 6.8: Co-Chairs Maria Al-Jishi (Saudi Arabia) and Jacqueline Ruesga (New Zealand) invited comments on the sections in the text dealing with: a coordinating network and working groups; inputs to the review of the work programme activities in 2026; and cross-cutting matters.

On a coordination network and working groups, the EU, supported by the US and others, questioned the added value of working groups and a network to coordinate UNFCCC entities, suggesting that this work will be undertaken by the Glasgow Committee. The Gambia, for the AFRICAN GROUP, supported by Argentina, for ABU, Bolivia, for the LIKE-MINDED GROUP OF DEVELOPING COUNTRIES (LMDCs), and Kuwait, for the ARAB GROUP, said the Glasgow Committee only meets in conjunction with the Subsidiary Bodies, and therefore a coordination network and working groups would help speed up the operationalization of the framework for NMA. JAPAN and CANADA opposed working groups, with JAPAN supporting establishing a coordination network.

On the review, the EU said developing terms of reference on the review of the work programme in 2026 is premature, noting parties are still trying to understand what non-market approaches (NMAs) are. The AFRICAN GROUP, with the LMDCs, urged starting work on the terms of reference so these would be ready when the review is due.

On cross-cutting matters, the AFRICAN GROUP and the LMDCs underlined the need for capacity building to increase understanding of NMAs in countries, noting Articles 6.2 and 6.4 both have capacity-building programmes. The EU questioned how a capacity-building programme for NMAs would be different from existing capacity-building programmes, and CANADA supported capacity building generally, but said there is no added value of a new programme for NMAs. The UK suggested a capacity-building programme similar to those under Articles 6.2 and 6.4, with the modification that the programme would only be for identifying NMAs.

Subsidiary Bodies

Koronivia Joint Work on Agriculture: In informal consultations, Co-Facilitators Monika Figaj (Poland) and Milagros Sandoval (Peru) sought parties' comments on a Co-Facilitators' draft decision text on an enhanced Koronivia joint work on agriculture. She explained the text reflects parties' comments but underscored it is not a final proposal. Parties appreciated the work but requested time to consider it. They exchanged preliminary views on a paragraph relating to recommendations on the different workshop reports, with some developing countries suggesting revisions and some developed countries cautioning against reopening agreed topics. Observers shared views, including on: recognizing and supporting agroecological approaches as suitable for climate adaptation and for transforming food systems; ensuring that resources support producers, including smallholder farmers, fisherfolk, and Indigenous and local communities; training on agroecological approaches; incorporating gender; ensuring coherence with other policy recommendations on agriculture and land across UN bodies; and collaborating to ensure economic survival as extreme weather events increase.

Glasgow–Sharm El-Sheikh Work Programme on the Global Goal on Adaptation: In informal consultations, Co-Facilitators Mattias Frumerie (Sweden) and Kishan Kumarsingh (Trinidad and Tobago) outlined the aim of the discussions as capturing progress made throughout 2022 and providing guidance and concrete ways forward for 2023. On work conducted in 2022, several developing country groups expressed concern with the fact that the work programme's launch was delayed for over six months, leaving little time between the four workshops for sufficient reflection and preparation. They also expressed concerns about the workshops' format, with many emphasizing the need for hybrid participation opportunities, attention to time zone differences and balanced geographical representation. On ways forward, several developing country groups proposed establishing a framework that can enable the full implementation of the Paris Agreement towards achieving the GGA. Parties made concrete suggestions on the framework's structure. Proposals included: focus areas, like vulnerability and risk assessment, planning, implementation, and finance; sectors, like water, food, and health; principles, like equity and common but differentiated responsibilities; and indicators.

Matters Relating to the Forum on the Impact of the Implementation of Response Measures: In informal consultations, co-facilitated by Andrei Marcu (Papua New Guinea) and Daniel Waterschoot (EU), parties' discussions centered on the midterm review of the forum, particularly the additional activities listed for that review. Two developing country groups, opposed by some developed countries, stressed the need for these activities to be part of the review, citing mandates from the Glasgow Climate Pact. On an additional activity related to the phasedown of unabated coal, one developing country urged removing the reference, saying it is a "red line." A developed country suggested that phasing down unabated coal could be a cross-cutting issue in the workplan.

Mandated Events

Second meeting of the technical dialogue under the Global Stocktake: Several sessions took place as part of the second meeting of the dialogue. Among them, two roundtables: one on mitigation, including response measures; and the other on adaptation, including loss and damage. The technical dialogue aims to identify good practice and opportunities for enhanced action and support, and to address barriers and challenges to climate action. Each roundtable had four breakout groups allowing participants to discuss topics in depth with experts and facilitators. Mitigation breakouts covered global mitigation pathways, transforming energy and industrial systems, transforming land and other systems, and response measures. Adaptation breakouts covered developing countries' adaptation efforts, enhancing implementation of adaptation action, adequacy and effectiveness of ongoing adaptation and support, and loss and damage. Later

in the day, a session was devoted to focused exchanges on intersections across the thematic areas of the Global Stocktake.

2022 High-Level Ministerial Dialogue on the New Collective Quantified Goal on Climate Finance: In his opening remarks, UNFCCC Executive Secretary Simon Stiell admonished against repeating the mistakes related to the USD 100 billion goal, underscoring that transparency and accountability must be ensured—both to build trust and to inform investment decisions.

Wael Aboulmagd, Special Representative of the COP 27 President, recalled that the Presidency will prepare a note synthesizing the discussions to provide guidance for technical work in 2023, and invited parties to support the endeavor.

Kristalina Georgieva, Managing Director, International Monetary Fund, underscored the need to gain clarity on the scale of investment needs and on the definition of climate finance. She noted trust being eroded from both unmet funding promises and lack of clarity on how funding is used and with what impacts.

Federica Fricano and Kishan Kumarsingh, Co-Chairs of the *ad hoc* work programme on the new collective quantified goal, presented insights on technical work conducted in 2022 (FCCC/PA/CMA/2022/5) and highlighted areas in which further guidance is needed, including on whether the goal should include one or several quantitative elements and which elements could be quantified.

Ministers suggested, among others:

- the goal should be set at a quantitative level that reflects the scale of funding needed to achieve the objectives of the Paris Agreement;
- broadening the contributor base towards all that are able to contribute;
- special attention to support for least developed countries and small island developing states;
- mitigating investment risks to increase developing countries' access to private capital;
- reforming the Bretton Woods system to ensure climate risk is mainstreamed in finance institutions; and
- launching a global-level debt cancellation initiative to free up developing countries' fiscal space.

In the Corridors

"It is the small things that matter as well" described the general feeling at COP 27 on Wednesday. Bidding her farewell in the SB Chairs' dialogue with observers, SBI Chair Marianne Karlsen noted that, while the subsidiary bodies' work may seem tedious, it often provides a springboard for the big political issues. And there were big issues on the horizon. One observer suggested that Presidency consultations on cover decisions may begin on Friday, wondering which issues his constituency should push for since "this process is not delivering."

Even in the more mundane-seeming first week, major issues began emerging. In finance discussions, developing countries' frustration over unfulfilled pledges echoed strongly: "all we hear are excuses," said one group in discussions about the Adaptation Fund, suggesting that the lack of implementation of the pledge made in Glasgow to "at least double" adaptation financing was akin to "misleading and abusing public trust."

In Article 6 discussions, too, a storm was brewing, with observers lamenting that the Article 6.4 Supervisory Body's recommendations regarding removals activities under the mechanism "open the door to the wrong kind of removals." The recommendations concern removal activities in general and do not contain specific requirements for land- and engineering-based removals, such as forestry activities and carbon capture and storage. For many observers, the lack of specific requirements potentially allows inclusion of such activities without the necessary social and environmental safeguards. "It stinks" concluded a delegate, as they walked away into the night, navigating past a major sewage leakage on the conference premises.