

COP 27 Highlights:

Thursday, 10 November 2022

On the fifth day of the Sharm El-Sheikh Climate Change Conference, the negotiations schedule was filled to the brim. Negotiators met throughout the day and into the night to discuss various finance-related issues, cooperative implementation under the Paris Agreement (Article 6), and scaling up mitigation ambition and implementation, among others.

COP

Long-term Climate Finance: In informal consultations, co-facilitated by Gertraud Wollansky (Austria), parties expressed regret that the Standing Committee on Finance (SCF) could not agree on an executive summary for its report on the USD 100 billion goal (FCCC/CP/2022/8/Add.2).

Developing countries called for a substantive decision on this item, including references to: achieving a balance between mitigation and adaptation finance; and raising the share of resources channeled through the operating entities of the Financial Mechanism. Several developing countries called for clarifying the methodologies used for tracking progress, while several developed countries highlighted the biennial assessment and overview of climate finance flows as the key source.

One developing country called for an accountability process to identify which developed countries are failing to fulfill their commitments, and underscored that the lack of predictability and inadequate levels of support, and not the lack of projects, is the issue. Other points raised related to: trends in bilateral adaptation finance; ensuring progression; and considering finance received. Several groups and parties cautioned against duplication of work, noting that discussions on Paris Agreement Article 2.1(c) (on consistency of finance flows) and definitions of climate finance should be conducted under the SCF agenda item.

Co-Facilitator Wollansky invited parties' submissions by noon on Friday, 11 November, to inform the preparation of draft text.

Seventh Review of the Financial Mechanism: In preliminary statements during informal consultations, Co-Facilitators Ricardo Marshall (Barbados) and Kelly Sharp (Canada) noted the Presidency will hold consultations on the role of the CMA with respect to the review. A developing country group, supported by others, underscored that those consultations are only procedural—limited to considering the US proposal to add the seventh review of the Financial Mechanism to the CMA agenda—and that the Presidency has no mandate to consult on substantive issues relating to this. Debates ensued on the scope of the Presidency's mandate.

Parties strongly diverged on the substantive question of whether the CMA should take part in the review. Two developing country groups underscored that the Financial Mechanism serves the needs of developing countries, and that the review takes place under the Convention, not the Paris Agreement. Several other countries underscored the CMA should be part of the review.

The co-facilitators will consult the Presidency on the way forward.

COP/CMA

Standing Committee on Finance: Informal consultations were co-facilitated by Janine Felson (Belize) and Dominic Molloy (UK).

Several developing countries underscored the need for a common definition of climate finance, while several developed countries considered the overview of operational definitions provided by the SCF to be sufficient and favored concluding consideration of the matter.

Many countries supported continuous engagement of the SCF on Paris Agreement Article 2.1(c), including with regard to tracking and metrics. One developing country underscored 2.1(c) has not been properly contextualized, pointing to the principle of common but differentiated responsibilities and respective capabilities. Another developing country group highlighted 2.1(c) relates to low greenhouse gas emissions and climate-resilient development pathways, but not directly to the 1.5°C target.

The co-facilitators will prepare draft text.

Matters Relating to Funding Arrangements Responding to Loss and Damage Associated with the Adverse Effects of Climate Change, Including a Focus on Addressing Loss and Damage: In informal consultations, co-facilitated by Ursula Fuentes (Germany) and Julio Cordano (Chile), parties continued sharing their views on elements to include in a decision.

There was broad acknowledgement of the gap between needs and availability of loss and damage finance and the urgency to address this, especially with regard to funding for addressing loss and damage, which refers to *ex-post* action. Many pointed to existing processes and initiatives outside the UNFCCC targeting loss and damage, which was met with some developing countries cautioning against diverting attention and emphasizing that any adopted solution should conform to UNFCCC principles.

Views differed as to the desired nature of the funding arrangements. Several developing country groups called for a stand-alone facility. Several developed countries pointed to a range of options, including a dedicated loss and damage window under the Green Climate Fund (GCF), Global Environment Facility, or Adaptation Fund, and other mechanisms such as risk insurance facilities and bilateral support.

Several developing countries urged establishing a facility at COP 27/CMA 4. Developed countries expressed they envision a process concluding in 2024, which provides a space to map the current landscape, assess gaps, dive into issues such as non-economic losses and slow-onset events. They suggested the Glasgow Dialogue contributes to this process.

CMA

Rules, Modalities and Procedures for the Mechanism

Established by Article 6.4: In the contact group, Co-Chairs Kate Hancock (Australia) and Sonam Tashi (Bhutan) invited parties to share views on elements to be reflected in a CMA decision, including regarding the report by the Article 6.4 Supervisory Body on its first months of operation and recommendations on its rules of procedure, share of proceeds, and activities involving removals (FCCC/PA/CMA/2022/6 and Add.1). Hancock noted that a draft decision text was still being considered under the SBSTA.

Parties commended the Supervisory Body, noting the short time available for the Body to advance work in 2022. The EU and UK raised concerns about the absence of baselines and additionality guidance, and ARGENTINA, BRAZIL and URUGUAY (ABU) urged the Supervisory Body to start revising CDM methodologies to enable promotion of early action.

Many identified the need to prioritize, and provide timelines for, the issues the CMA mandates the Supervisory Body to work on in 2023, with the AFRICAN GROUP calling for ensuring a balance in operationalizing Articles 6.2 and 6.4.

Parties shared principles that should guide work under Article 6.4. The EU, Switzerland, for the ENVIRONMENTAL INTEGRITY GROUP (EIG), and the LEAST DEVELOPED COUNTRIES (LDCs) stressed, *inter alia*, ensuring a contribution to closing the ambition gap, alignment with the Paris Agreement, and environmental integrity.

Several parties welcomed the Supervisory Body's recommendations for its rules of procedure, and the levels for the share of proceeds for administrative expenses of the Article 6.4 mechanism.

On the recommendations on removals, ABU raised concerns about "vagueness" of the text and its "silence" on important issues, such as safeguards, including dealing with reversals, and noted extensive experience already acquired under the UNFCCC on removals. SAINT KITTS AND NEVIS expressed concern on the lack of differentiation between different removal types.

Several groups and parties requested continued work on removals at CMA 4, including time for group coordination, and dedicated submissions and discussions, with Saudi Arabia, for the LIKE-MINDED GROUP OF DEVELOPING COUNTRIES (LMDCs), and SAINT KITTS AND NEVIS suggesting mandating the Supervisory Body to continue work on the recommendations.

New Collective Quantified Goal on Climate Finance: In informal consultations, Co-Facilitators Zaheer Fakir (South Africa) and Georg Børsting (Norway) invited parties' views on what should be captured in a decision. There was broad agreement that the technical expert dialogues (TEDs) should focus on specific topics and be more outcome-focused, with logistical details such as timing and location set early on to enhance the participation of experts. Two countries suggested holding mini-TEDs at the regional level.

Several countries called for better capturing progress in the discussions and identifying areas of convergence, such as that the goal should feature quantitative and qualitative elements as well as sub-targets.

In terms of themes for TEDs in 2023, suggestions included: the number of sub-goals; links between quantitative and qualitative elements of the goal; tracking methodologies; the specific vulnerabilities of LDCs and small island developing states; Paris Agreement Article 2.1(c) (on consistency of finance flows); broadening the contributor base; and challenges experienced by contributors and recipients.

Developing countries called for discussing the balance between mitigation and adaptation finance. They said the goal should also address loss and damage, and noted the need to reflect on the growing percentage of funding labeled as cross-cutting in the context of discussions on balanced funding allocation. One developed country said the quantum of the goal should be discussed in 2024, while a developing country considered the quantum as the most important aspect of the goal.

The co-facilitators invited parties' submissions to inform the preparation of draft decision text, and indicated the CMA 4 Presidency is preparing a summary of the high-level discussions on the new goal held on Wednesday, 9 November, which will inform discussions at the next informal consultations.

Subsidiary Body for Implementation (SBI)

Fourth Review of the Adaptation Fund: In informal consultations, co-facilitated by Diann Black-Layne (Antigua and Barbuda) and Eva Schreuder (Netherlands), parties provided comments on a Co-Facilitators' second iteration of draft text. Views diverged on language on outstanding pledges: some developing countries and groups urged that both the amount of, and countries with, outstanding pledges be expressly stated,

describing this as an accountability issue. Developed countries opposed, saying naming and shaming is not useful. Parties also disagreed on whether to: note "with deep concern" the lack of sustainability, adequacy, and predictability of funding, with several developing countries and groups preferring including the phrase, and developed countries opposing; include references to doubling climate finance, with some noting this is a CMA matter; and refer to the Fund's resource mobilization strategy for 2017-2020 or 2022-2025. Other textual proposals focused on: language affirming that the share of proceeds with regard to transactions of emission reduction units (ERUs) and assigned amount units (AAUs) are provided to the Adaptation Fund; and clarifying funding should be predictable, grant-based, and multi-year.

Discussions will continue in informal informals.

Matters Relating to the Least Developed Countries: In informal consultations, co-facilitated by Bob Natifu (Uganda) and Jens Fugl (Denmark), parties disagreed on how to reflect, in draft decision text, the challenges LDCs face in accessing finance for the implementation of national adaptation plans (NAPs). Developing countries preferred a specific request to the GCF to provide support for LDCs' NAP implementation. Many developed countries disagreed. They acknowledged the importance of the issue to LDCs, and the challenges LDCs face in accessing GCF funding to implement their NAPs and make progress on adaptation, but noted guidance to the GCF should be provided under the respective agenda item. A developed country group proposed bridging language to invite the LDC Expert Group (LEG) to engage with the GCF with a view to addressing challenges related to access to funding for NAPs.

Parties did not find agreement, and the co-facilitators will consult with the SBI Chair on the way forward.

Subsidiary Body for Scientific and Technological Advice (SBSTA)

Guidance on Cooperative Approaches Referred to in Article 6.2: Informal consultations in the morning, co-facilitated by Peer Stiansen (Norway) and Kuki Soejachmoen (Indonesia), focused on the following sections of the SBSTA Chair's informal document containing a draft decision on Article 6.2 (SBSTA57/A6.2/InfDoc): guidance to registries; guidance to the international registry; the centralized accounting and reporting platform (CARP); and the Article 6 database.

Two parties reported back from informal informals held the previous night, noting this format had been helpful to deepen understanding of parties' views, particularly on registries and for establishing the right level of guidance for tracking arrangements applicable and acceptable to all parties. They noted, however, that parties continue to diverge on how elaborate the guidance should be.

Parties discussed, among others: applicability of the guidance for different country circumstances, with one suggesting distinguishing between guidance applicable to all registries, applicable to parties linking their registries, and specific to the international registry; interoperability, including a communication protocol to ensure all registries "speak to one another" and appointing administrators for each registry to coordinate with one another; and access of non-party stakeholders to the international registry. They expressed diverging views on whether there should be guidance for certified emission reductions in the Article 6.2 decision.

On the CARP and Article 6 database, parties discussed, *inter alia*: their respective functions; unique identifiers, including whether these should be the same across the CARP and the database; and common nomenclatures in the CARP, with some suggesting these be addressed in technical discussions among the relevant registries.

Some called for simplifying the text. One party suggested prioritizing work on core operational guidance over voluntary guidelines at this session. A group suggested specifying what work needs to happen in 2023 to ensure priority issues are addressed.

On next steps, many supported mandating the co-facilitators to issue a second iteration of the draft text despite parties not having had the time to discuss sections on review and reporting tables.

In the afternoon, parties focused on a section dealing with guidelines for the Article 6 technical expert review and related paragraphs of the draft CMA decision. They identified their preferred options on issues relating to the guiding principles and scope of the review, information to be reviewed, composition of the expert review team, and procedures and format of the review.

Two developing country groups highlighted the importance of a comprehensive report and review of Internationally Transferred Mitigation Outcomes to ensure transparency, consistency, and environmental integrity of the Article 6.2 cooperative approaches. Some parties supported the inclusion of guiding principles, while several objected, noting the Glasgow decision contains no reference to guiding principles.

One developing country group called for integrated reporting across Article 6. One developed country said the text should specify that the review will focus on the initial report and Biennial Transparency Reports, and several parties noted the text does not specify the timing or sequencing of the review, number of expert review team members, or a procedure for nominating experts to the roster of experts.

Parties mandated the co-facilitators to produce draft text based on the SBSTA Chair's informal note and parties' inputs.

Rules, Modalities and Procedures for the Article 6.4

Mechanism: The Co-Facilitators Sonam Tashi (Bhutan) and Kate Hancock (Australia) introduced new draft negotiating text, containing a draft CMA decision and an annex elaborating the processes defined in the mechanism's rules, modalities, and procedures (Decision 3/CMA.3). Some parties noted they had not had time to consider the text. Other parties suggested amendments. Discussions will continue in "informal informals."

Work Programme under the Framework for Non-market Approaches Referred to in Article 6.8: In the contact group, Co-Chairs Maria Al-Jishi (Saudi Arabia) and Jacqueline Ruesga (New Zealand) invited comments on a section of the draft text dealing with the UNFCCC web-based platform for non-market approaches (NMAs). Colombia, for the INDEPENDENT ALLIANCE OF LATIN AMERICA AND THE CARIBBEAN (AILAC), outlined the group's proposal for the platform, saying it would: focus on accomplishment of nationally determined contributions; require centralized management by the Secretariat; and accept, as input, best practices, lessons learned and NMAs requiring financial or other support.

Bolivia, for the LMDCs, supported language in the text requesting the Secretariat to develop and operationalize the UNFCCC web-based platform "for registry of needs and provision of means of implementation."

The LMDCs, Senegal, for the AFRICAN GROUP, and Bhutan, for the LDCs, opposed by the US, said the platform should include a matchmaking function. JAPAN, supported by the UK, proposed "identifying" as an alternative to "matchmaking," noting this is consistent with the Glasgow decision. The UK said the platform can be more than a repository of existing NMAs, for instance, by including contact information. CANADA supported the option of using the platform to record existing NMAs but said the option of "recording existing NMAs, intended NMAs and support available" is a possible bridging solution.

The LMDCs supported a combination of manual and automatic matchmaking, and the AFRICAN GROUP suggested the platform move progressively from manual to automatic matchmaking. The UK said some of the matchmaking options, particularly in relation to automation, would delay and complicate the work programme.

Switzerland, for the EIG, supported the platform having some manual matchmaking function, opposed the option to organize workshops to "understand the diversity of intended NMAs" and, with the EU, UK and Kuwait, for the ARAB GROUP, opposed linking the platform to the Article 6.2 CARP.

The EU opposed a separate review of the matching function, noting this can be done as part of the review of the work programme in 2026, and, with the ARAB GROUP, supported encouraging both parties and non-party stakeholders to submit NMAs.

Discussions will continue in informal informals, and the co-chairs will produce a second iteration of the text.

Subsidiary Bodies

Glasgow-Sharm El-Sheikh Work Programme on the Global Goal on Adaptation: In informal consultations, co-facilitated by Mattias Frumerie (Sweden) and Kishan Kumarsingh (Trinidad and Tobago), parties continued interventions on the work done in 2022 and guidance for the 2023 work programme of the Global Goal on Adaptation (GGA).

On the 2023 work programme, a developing country group provided details of its proposed framework and underlying contents, underscoring its priority to have a substantive decision establishing the framework at CMA 4, which was supported by several countries and groups. Two developed countries questioned the need for such a framework and said the proposal raises numerous substantive questions that cannot be resolved at CMA 4.

On the four 2023 workshops, parties shared proposed timings, and whether they preferred virtual, in person, or hybrid formats. Some called for interactive breakout groups, open dialogues, and a hands-on exercise to identify indicators for and a common understanding of the GGA.

Views diverged on whether to request the Intergovernmental Panel on Climate Change (IPCC) to prepare a special report on the GGA, with some underscoring its importance, and others highlighting the IPCC's already full workload. Several parties proposed including in the decision text a clear mandate for the GGA's work to feed into the first and succeeding Global Stocktakes (GST).

Matters Relating to the Work programme for Urgently Scaling up Mitigation Ambition and Implementation: Carlos Fuller (Belize) and Kay Harrison (New Zealand) co-facilitated informal consultations and introduced new draft text containing draft SB conclusions and a draft CMA decision including an annex containing the proposed thematic areas of the work programme. Most parties agreed that the list of proposed thematic areas was too long, with some preferring to delete the list entirely and simply have the work programme or SB Chairs select thematic areas.

Parties also considered the draft CMA decision, and called for including references to: the urgency of mitigation action; the mitigation elements of the Glasgow Climate Pact decision (1/CMA.3); a clear link to the GST and to the annual high-level ministerial roundtable on pre-2030 ambition, for instance requesting the work programme to submit an annual report to the roundtable; the role of non-party stakeholders; operational details of the work programme, such as on training and capacity building; and requiring the annual report of the work programme to include recommendations for mitigation actions to increase ambition. Several parties opposed reference to a review or suggested specifying that it would be a review of the technical modalities of the work programme and not of the work programme itself.

In the Corridors

Finding their way back to the negotiating rooms in the morning, Article 6 negotiators reflected on the work still ahead, with one delegate noting the text on cooperative approaches was "as complicated as the floorplan to this conference." A co-facilitator describing himself as a "map nerd" admitted to having been lost at the venue every day, noting he wouldn't want to be similarly "lost in registries." Despite the fast-approaching closing of the Subsidiary Bodies, Article 6 delegates still maintained their determined spirit, mandating the co-facilitators to produce new text to capture progress and expressing willingness to engage in further "informal informals" to expedite solutions.

Discussions in other rooms, however, reminded delegates that they were dealing with real-life impacts across societies, which call for urgent action and support: a delegate from Palau shared it is increasingly difficult for him to justify attending technical work on the new finance goal, seeing the lack of meaningful outcomes from the intergovernmental process. One seasoned observer philosophized on the parallels between Sharm El-Sheikh and Las Vegas, both in terms of the city's urban planning and the deliberations at the venue: "it really feels like countries are gambling with the world's future."