SOUTHEAST ASIA NETWORK OF CLIMATE CHANGE OFFICES

SEAN-CC NEGOTIATION BRIEFING PAPER

THE CURRENT FINANCIAL LANDSCAPE AND THE OUTLOOK FOR LIMA

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I. Introduction

Under the auspices of the United Nations Framework Convention on Climate Change (UNFCCC) there are a number of different funds and work programmes currently underway aimed at financing both adaptation and mitigation measures in developing countries. The climate financing architecture under the UNFCCC is subject to ongoing elaboration and evolution.

Developed countries report that they mobilised US$ 35 billion for climate change in developing countries from 2010 through 2012 (the Fast-Start Finance period), exceeding their target of $30 billion[1]. The 2009 Copenhagen Accord and the 2010 Cancun Agreements also resulted in developed countries agreeing to mobilise $100 billion for both adaptation and mitigation by 2020. Crucially however, no mention was made of financing the interim period during 2012-2020[2].

A number of developing country Parties - in particular the G77 & China – came to the 19th session of the Conference of Parties (COP 19) with high hopes of establishing key milestones on matters of finance[3]. Indeed, it was anticipated that COP 19 would be a 'Finance COP' with a defined roadmap on long-term finance for the period 2013-2020. Ultimately they were left disappointed, but there were however a number of notable developments. COP 19 delivered seven decisions on matters relating to finance and two decisions relating to the Adaptation Fund (AF) under the 9th session of Conference of Parties meeting as the Parties to the Kyoto Protocol (CMP9). The following paper will examine the various strands of the financial landscape within the UNFCCC[4].

As representatives from governments gather in Lima in Peru at the 20th COP in December 2014, an ambitious goal looms on the horizon; substantial pledges on long-term finance for climate change activities – on both mitigation and adaption - from developed countries is demanded by developing countries. Indeed, significant progress will need to be made in Lima, and the success of the negotiations will rest on the political will of world leaders. A big part of this will be the operationalization of climate finance in order for poorer nations to adapt and cope with the worsening climate impacts[5].

II. Long-term finance (LTF):

The work programme on long-term finance (LTF) was launched by the COP at its seventeenth session to run throughout 2012[6]. At COP 18 in Doha in 2012 it was decided that the work programme on LTF

[1] Nakhooda, S. et al., Mobilising International Climate Finance: Lessons from the Fast-Start Finance Period, ODI/WRI/IGES/OCN (2013)

[2] Para. 8, 2/CP. 15, Copenhagen Accord, Report of the Conference of the Parties on its fifteenth session, held in Copenhagen from 7 to 19 December 2009

[3] Zhu, Z., COP advances work on finance matters, decision-making in the UNFCCC etc., Warsaw News Update 11, 16 November 2013, Third World Network (2013)

[4] Excluding the Green Climate Fund (GCF) – to be discussed in another paper.

[5] Abano, I.V., The Road to Lima – Crunch Time for Climate Finance, UN Climate Deal, November 18, 2014, Interaksyon.com – available at http://www.interaksyon.com/article/99470/the-road-to-lima--crunch-time-for-climate-finance-un-climate-deal

[6] Para. 127, Decision 2/CP.17, Report of the Conference of the Parties on its seventeenth session, held in Durban from 28 November to 11 December 2011, FCCC/CP/2011/9/Add.1

should be extended for another year up until the end of 2013[7]. This was so that efforts on mobilising scaled-up climate finance could be continued[8]. The report submitted on the work programme of the LTF focused on technical issues[9], and a number of key issues were highlighted and presented last year COP 19 in order to aid ongoing elaboration and discussions within the COP and help inform the subsequent decision including;

- **Transparency & Reporting of Climate Finance Flows-** Whilst there had been improvements in this respect; there is not a universally accepted methodology for reporting. Improved transparency on climate finance will require timely, detailed and consistent information on support committed, support deployed, and the results of this support[10]. The Fast Start Finance (FSF) period is now finished, but it was suggested that there is a need for lessons from FSF to be identified and incorporated as first biennial reports on climate finance are due early 2014 and will be provided in similar format[11].
- **Definition of Climate Finance[12]** –it was acknowledged that defining parameters of the term 'climate finance' will be critical for not only for flow tracking, but also in terms of defining what can and can't be counted as climate finance in the context of the Convention, and the $100 billion goal. Without a unanimously accepted definition of climate finance and a number of the associated terms, it will be inherently difficult to developed countries to foster pathways for mobilising the money from the various sources.
- **Need for Public Climate Finance for Adaptation –** of the $35 billion mobilised for climate change between 2010 -12, it was reported that only a $5.7 of this was directed toward adaptation[13].The report suggested that increasing the allocation and shifting public finance to adaptation may be a way of balancing mitigation and adaptation finance[14].

There were calls from developing countries for a target of $70 billion to be mobilised by 2016. This however was not agreed to by developed countries. Overall, developing countries were seeking pathways on finance with clear timelines and mid-term targets, but were left somewhat disappointed on this front[15]. Indeed, Decision 3/CP.19 on long-term finance can be construed as being overall rather weak[16].

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[7] Para. 2, Decision 4/CP.18, Work programme on long-term finance, Report of the Conference of the Parties on its eighteenth session, held in Doha from 26 November to 8 December 2012
[8] Ibid, Para. 4
[9] See Report on the outcomes of the extended work programme on long-term finance. Note by the co-chairs., November 2013
[10] Ibid, Paras 20 -22
[11] This is an issue identified elsewhere in the discourse on climate finance, and whilst climate finance reporting and transparency has indeed improved during the FSF period, there is still the imperative to enhance the availability, accessibility and comprehensibility of climate finance reporting – see Nakhooda, S., et al, Mobilising International Climate Finance: Lessons from the Fast-Start Finance Period, ODI / WRI / IGES (2013), page i
[12] Supra Note 6, Paras. 23-26
[13] Supra Note 8
[14] Supra Note 6, Para. 30
[15] Ramen, M., COP19: Disappointment over long-term finance but gains on other finance decisions, Warsaw News Update 27, 29 November 2013, Third World Network (2013)
[16] See IIED reactions to COP19 climate change conference – available at http://www.iied.org/iied-reactions-cop19-climate-change-conference

An issue of particular contention surrounded the request to Parties to enhance their enabling environments and policy frameworks to facilitate the mobilisation and effective deployment of climate finance[17]. This highlights the perceived importance of public finance, and the controversy surrounding the role that private finance will play in ongoing discussions on mobilisation of climate finance. This is likely to indicate a 'fault line' between developed and developing countries in ongoing discussions around the role of private sector capitalisation. This is issue is likely to gain prominence in the run up to Paris 2015, and will be central to the business model of the Green Climate Fund (GCF).

Paragraph 7 can be considered a key provision of Decision 3/CP.19, however it merely *urges* developed countries to increase levels of public money from the FSF period to meet the annual $100 billion goal by 2020. The language of this particular provision is rather flimsy, and it is unclear the degree to which developed nations will actually be compelled to act. There has been disappointment expressed by a number of developing country parties that there is not a mid-term LTF goal or a clear pathway up to 2020[18].

The importance of adaptation is underscored, and developed country Parties are called to channel a substantial share of public climate funds to adaptation activities[19]. COP 19 however offered little concrete clarity or a formula on how the subdivision of money is to take place between adaptation and mitigation respectively. Indeed, there is no definition of what climate finance actually is, and the SCF were tasked with devising an operational definition so that an accurate assessment of how adaptation and mitigation needs can most effectively be met[20].

Decision 3/CP.19 set out that the work on long-term finance is to include three types of complementary activities to be organized in the period 2014-2020:

- **Biennial submissions** by developed country Parties on their updated strategies and approaches for scaling up climate finance from 2014 to 2020, including any available information on quantitative and qualitative elements of a pathway. In essence, this is merely a request to the developed countries to think about how finance may be scaled-up;
- **In-session workshops** on, inter alia, strategies and approaches for scaling up climate finance, cooperation on enhanced enabling environments and support for readiness activities, and on needs for support to developing countries; and
- **Biennial high-level ministerial dialogue** on climate finance starting in 2014 and ending in 2020 and informed, inter alia, by the workshops and the submissions referred to above. A summary of the deliberations of the dialogue will be issued by the Presidency of the Conference of the Parties.

[17] Para 6, Decision 3/CP.19 Long-term Finance, Report of the Conference of the Parties on its nineteenth session, held in Warsaw from 11 to 23 November 2013
[18] See Closing Plenary of the Nineteenth Session of the Conference of Parties of the UN Framework Convention on Climate Change (COP 19), Statement by Nepal on behalf of the Least Developed Countries Group 23 November 2013, Warsaw, Poland – available at http://ldcclimate.wordpress.com/2013/12/03/ldc-group-statement-at-closing-plenary-of-cop-19/
[19] Supra Note 14, Para. 8
[20] Supra Note 14, Para. 11

Ahead of COP 20 in Lima, the UNFCCC Secretariat has recently released a summary report on the discussions held during an in-session workshop on long-term finance, which took place from 11-12 June 2014, in Bonn, Germany[21]. At the meeting Christiana Figueres, Executive Secretary to the UNFCCC, stated that $1 trillion worth of investments per annum is needed in new infrastructure to address climate change in developing countries.

During the session on developed countries' strategies and approaches for scaling up climate finance from 2014 to 2020, examples of strategies to scale up public finance were discussed; as were approaches to mobilizing private finance through public interventions; efforts to ensure a balance between adaptation and mitigation funding; and programmes and initiatives for enhancing enabling environments. Discussions during the session on cooperation on enhanced enabling environments, support for readiness activities and the needs for support of developing countries were guided by three subtopics: i) lessons learned from developed-developing country cooperation on enhancing enabling environments and the effectiveness of climate finance; ii) climate finance readiness activities, including capacity building; and iii) actions needed for better addressing the needs for support of developing countries[22].

The summary will inform the biennial high-level ministerial dialogue on climate finance, as mandated by COP 19, which will be held for the first time during COP 20, on 9 December 2014.
Developed parties have now begun to make submission on strategies and approaches for mobilizing scaled-up climate finance to $100 billion per year by 2020 figure that will be discussed in Lima. It is hoped that the three subtopics discussed in Bonn will help offer further clarity on the role of finance in the 2015 agreement[23].

III. The Report of the Standing Committee on Finance (SCF)

In parallel with the high level ministerial dialogue on climate finance noted above, the SCF is also to complete its work on the current financial flows and continue on the definition of dedicated climate flows and mobilisation of private financing.

The COP also invited the SCF to consider focusing its second forum on mobilising finance for adaptation from both public and private sectors[24]. Again, the importance of private sector finance is a topic that is of great interest to developed countries and is viewed as pivotal in the mobilisation of

[21] See Summary report on the in-session workshop on long-term climate finance in 2014, Conference of the Parties, Twentieth session, Lima, 1–12 December 2014, Item 12(a) of the provisional agenda, Matters relating to finance, Long-term climate finance, FCCC/CP/2014/3 – available at http://unfccc.int/resource/docs/2014/cop20/eng/03.pdf

[22] For a full summary of the meeting see 'Climate Finance in the Trillion Needed' – the Third World Network Update 19th June 2014 – available at http://www.twnside.org.sg/title2/climate/news/Bonn13/TWN_update21.pdf

[23] Waskow, D., After Bonn, what needs to happen at Lima climate negotiations? 27 October 2014, WRI – available at http://www.trust.org/item/20141027104031-x9eof/?source=leadCarousel

[24] Para. 5 Decision 7/CP.19, Report of the Standing Committee on Finance to the Conference of the Parties, Decision 3/CP.19 Long-term Finance, Report of the Conference of the Parties on its nineteenth session, held in Warsaw from 11 to 23 November 2013

resources. It is encouraging to see a focus on exploring options for mobilising finance for adaptation measures, but the commercial opportunities are not as immediately clear as those yielded by mitigation activities[25], so this will be an area for further elucidation.

The COP also invited the SCF to consider ways to increase its work on the measurement, reporting and verification (MRV) of climate finance[26] as per the Report on the outcomes of the extended work programme on long-term finance. It was felt at COP 19 by a number of developing country Parties that without effective MRV of support, a successful outcome in 2015 cannot be assured. The Committee is additionally to consider, in its work on coherence and coordination, inter alia, the issue of financing for forests, taking into account different policy approaches[27]. This can be considered a success for a number of developing countries where forestry is a priority issue.

On 3-4 October 2014, the eighth meeting of the SCF was held in Bonn. The following issues were under discussion. Ahead of Lima, the SCF has released a report detailing a summary and recommendations on the 2014 biennial assessment and overview of climate finance flows[28]. This report is essentially a snapshot of the current state of climate finance, and signposts areas for additional work to improve understanding of climate finance, and to help improve flows and effectiveness:

- **Operational definitions and reporting systems used by institutions that collect climate finance data** – it was acknowledged that there is no common definition of climate finance used, but there are common elements across the different definitions. The review of the climate finance definitions adopted by data collectors and aggregators identified in the SCF's report points to a convergence that can be framed as: "*Climate finance aims at reducing emissions, and enhancing sinks, of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.*" Similarly, its was stated that there is no single and commonly used method of reporting, and despite efforts to improve comparability, a common approach for measuring and reporting (as far as is feasible) could improve the quality of data of climate finance reporting. Initial analysis of the Biennial Reports on climate finance has been reported indicates inconsistencies in how UNFCCC guidelines have been used. This suggests a need to better understand the reasons behind this. To form a comprehensive picture of climate finance, information on both finance provided by developed countries and finance received by developing countries is needed.
- **The available estimates of global climate finance and of flows of climate finance from developed to developing countries -** Global total climate finance in all countries ranges from $340 to $650 billion per year. Flows from developed to developing countries range from $40 to $175 billion per year. This includes annual flows of $35 to 50 billion through public institutions

[25] Stimulating private sector engagement and investment in building disaster resilience and climate change adaptation: Recommendations for public finance support, Pricewaterhouse Coopers (PwC)report for Dept. for International Development (DFID) (2013), pages 6 & 7
[26] Supra Note 19, Para. 9
[27] Ibid, Para. 11
[28] See Summary and Recommendations by the Standing Committee on Finance (SCF) on the 2014 Biennial assessment and overview of climate finance flows,– available at http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/20716_unfccc_ftc_summary_v5.pdf

and $5 to $125 billion of private finance. Public institutions that help channel climate finance from developed to developing countries include developed country governments, bilateral finance institutions, multilateral development banks, and multilateral climate funds.

- **Identify areas where further work is needed** - The SCF has highlighted the following for consideration at COP 20:

➢ Invite a relevant body under the Convention to consider the key findings of the report to improve the guidelines for reporting climate finance under the Convention,

➢ Invite a relevant body of the Convention to develop common reporting methods for needs and climate finance received in time for the next biennial update reports (BURs) cycle, with consideration of developing countries experiences;

➢ Invite relevant data producers, collectors, aggregators, and experts from both developed and developing countries to offer suggestions for the enhancement of approaches for measuring and reporting climate finance through, inter alia, introduction of formal data assessment processes; improvements in the use of common definitions, and; further efforts to develop common methodologies, particularly for the provision of information on adaptation finance and private climate finance, to the extent possible, disaggregated data to improve comparability of data;

➢ Invite multilateral climate funds, bilateral agencies, financial institutions as well as relevant international organisations to continue working to advance common approaches to assess the impact of their finance on GHG emissions, low carbon development, and climate resilience;

➢ Request the SCF to cooperate with relevant institutions and experts, including from the private sector, to devise practical options for estimating and collecting data on private climate finance, taking into consideration the findings of the OECD Research Collaborative on Tracking Private Climate Finance; and,

➢ Invite relevant international institutions, organisations, and experts from both developed and developing countries to explore options to strengthen tracking and reporting of domestic climate finance from public and private sources in developed and developing countries building on international experience and emerging practices.

➢ Invite Parties to consider the definitional elements of climate finance (as detailed above) for future reporting under Convention; and,

➢ Request the SCF, in collaboration with relevant international financial institutions and organisations, to continue technical work on operational definitions;

➢ Invite climate finance providers to continue to deepen their engagement with recipient countries to strengthen alignment with national needs and priorities;

➢ Encourage climate finance providers to inform UNFCCC focal points of climate finance committed and reported to the Convention as directed to their country to the extent possible;

➢ More work on needs assessment processes to inform future biennial reports of the SCF.

IV. Global Environment Facility & the Adaptation Fund

Official finance to support to adaptation to climate change is available through funds created under the UNFCCC. These include The Least Developed Countries Fund (LDCF) and the Special Climate Change Fund (SCCF) which are funded through voluntary donations from national governments and managed by the Global Environment Facility (GEF). In addition, Adaptation Fund (AF) is funded through a levy on the Clean Development Mechanism and is managed by an independent Board.

While the GEF administered funds are mainly accessed through multilateral development banks, the AF has an access modality which does allow national and regional institutions to apply directly for support. Recipient countries can access financial resources directly from the Fund, or can assign a national implementing entity (NIE) of their choosing – an approach which is intended to ensure greater alignment with national needs and priorities.

An overview of the current status of each of these funds is detailed in Figure 1 below:

Figure 1 – Overview of Status UNFCCC Funds

	LDCF	**SCCF**	**AF**
Capitalisation	Official Development Assistance (ODA)	Official Development Assistance (ODA)	2% levy on certified emission reductions (CERs) from the Clean Development Mechanism (CDM) and donation
Amount Pledged (US$)	$915.16 million	$347.70 million	$414.70 million
Amount Deposited (US$)	$872.63 million	$333.75 million	$407.34 million
Amount Approved (US$)	$882.72 million	$296.45 million	$253.64 million
Amount Committed (US$)	$485.42 million	$203.69 million	$157.5 million
Governance Body	GEF Council (when acting as the LDCF Council)	GEF Council (when acting as the SCCF Council)	The Adaptation Fund Board
Access Modality	Non-direct: Via a GEF implementing Agency	Non-direct: Via a GEF implementing Agency	Direct: Directly from the Fund / Via a National Implementing Entity

Source: GEF/LDCF.SCCF.17/03; AFB/EFC.15/6

<u>The GEF</u>

Each year the GEF is required to present its Report to the COP. It was reported that in the period July 2012-June 2013 the GEF allocated at total of $408.7 million to 68 climate change mitigation projects, and the LDCF supported 41 adaptation projects amounting to $271.4 million, and the SCCF provided $39.1 million for nine projects and programs, which in turn leveraged $218.2 million in co-financing[29]. This again reveals an imbalance between mitigation and adaptation funding.

The GEF report to COP 19 also addresses the GEF sixth replenishment (GEF-6 - July 2014 to June 2018). It was decided that there are a to be a number of policy reforms undertaken[30]; due

[29] See GEF Report to UNFCCC Presented at COP 19 on the GEF website – available at http://www.thegef.org/gef/node/10090

[30] Decision 6/CP.19 Report of the Global Environment Facility to the Conference of the Parties and guidance to the Global Environment Facility, Report of the Conference of the Parties on its nineteenth

consideration is to be given to funding for small island developing States, and the least developed countries in order to enable them to address their urgent needs and to comply with their obligations under the Convention; the GEF is also to support implementation of country-driven projects identified in the technology needs assessments prepared by developing country Parties[31].

Additionally, the GEF is to promote synergies between its focal areas, including through multifocal programmes and projects[32]. This is would appear to suggest a more holistic approach that will allow for better designed interventions to help address key climate change and development concerns. Lessons learned from past replenishment periods are to be incorporated into the strategy for GEF-6 to increase the effectiveness of its operations[33].

Replenishment discussions were held four times from March 2013 to April 2014. A record replenishment of US$4.43 billion was pledged by 30 donor countries to support developing countries' efforts over the next four years. Pledges from recipient countries were also welcomed.

The 46th Meeting of the GEF Council and the 5th Meeting of the GEF Assembly took place in May of this year in Cancun in Mexico. At this meeting the GEF Programming Strategy on Adaptation to Climate Change for the LDCF and SCCF was presented and discussed. Three key objectives were highlighted; i) reducing vulnerability of people, livelihoods and physical assets; ii) strengthening institutional and technical capacities for effective climate change adaptation; and iii) integrating climate change adaptation into relevant policies, plans and associated processes. The strategy was welcomed and endorsed by the LDCF/SCCF Council.

<u>The Adaptation Fund</u>

Under CMP9, decisions were adopted in relation to the report of the Adaptation Fund Board and the second review of the AF. The terms and conditions of services to be provided by the World Bank as trustee for the AF were adopted[34]. It was also decided that an account held in the clean development mechanism registry for the AF will be the recipient of the 2% of proceeds levied in accordance with decision 1/CMP.8 taken at Doha in 2012. This means that money from a 2% share of the proceeds levied on the first international transfers of AAUs and the issuance of ERUs will be channelled into the AF[35].

The main outcome for the AF at COP 19 was that it met its goal of $100 million. Replenishment was largely through pledges from European governments. $72.5 million from seven European governments, and the governments of Sweden and the Brussels Capital Region contributed US$ 31.8

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session, held in Warsaw from 11 to 23 November 2013

[31] Ibid, Paras. 10-11

[32] Supra Note 28, Para. 7

[33] Supra Note 28, Para. 8

[34] Para 1, Decision 1/CMP.9, Report of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on its ninth session, held in Warsaw from 11 to 23 November 2013

[35] Para. 21, Decision 1/CMP.8, Report of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol on its eighth session, held in Doha from 26 November to 8 December 2012

million toward the goal[36]. However, the method of capitalisation bears further scrutiny, and it should be noted that the AF coffers have been entirely replenished via voluntary contributions, and not through the levy on emission reductions from the Clean Development Mechanism. This underscores the volatility of this particular method of resource mobilisation. Whilst the 2% levy was an innovative source of money[37], the fact that the AF has had to be topped up through voluntary pledges indicates that it may not be viable long-term.

The AF is overcommitted in approved projects, which means that funding is still required for three projects in the pipeline in Mali, Nepal and Ghana[38]. This may cast aspersions over the effectiveness of the AF as being unable to adequately meet the adaptations needs of developing countries. Even after the Warsaw pledges, it has not been possible to fund all of the projects by multilateral institutions, as their funding volume is limited to 50% of the AF's total resources to ensure adequate funding for direct access. In some cases, projects have been waiting for funding for more than a year. Indeed, the amount contained in the Fund is a small figure in comparison to the overall adaptation needs of developing countries; the estimated price tag between 2010 and 2050 for adapting to an approximately 2c warmer world by 2050 will be in the range of $70 billion to $100 billion a year. Perhaps higher once cross-sectoral impacts are taken into account[39].

The 24th meeting of the AF Board took place in Bonn in Germany in October 2014. 12 of the 13 project applications for this meeting were submitted by developing countries that will use their own national institutions to implement projects and programs on the ground, and bear the responsibility for their proper implementation. The Board approved six of these new projects. Since Warsaw, things have been rather quiet around the AF, which must now secure new pledges for the coming years in the shadow of the Green Climate Fund (GCF) that is gradually becoming functional.

Revenue from the proceeds of carbon credits remain negligible due to the inadequate climate protection targets of the Kyoto member states, and so financial pledges from governments remain necessary to guarantee the functioning of the Adaptation Fund. In view of the pending capitalization of the GCF and the attention that will thus be focused on the new multilateral fund, the AF may be left now get less attention in the climate finance discourse[40].

[36] See The Adaptation Fund Surpasses $100 Million Fundraising Target at COP19 on the Adaptation Fund website – available at https://adaptation-fund.org/media/adaptation-fund-surpasses-100-million-fundraising-target-cop19

[37] Trujillo, N.C. & Nakhooda, S., The effectiveness of climate finance: a review of the Adaptation Fund, ODI Working paper 373, ODI (2013), page iii

[38] Rowling, M., UN Adaptation Fund meets $100 mln fundraising goal at climate talks on Thomson Reuters Foundation website – available at http://www.trust.org/item/20131122192902-jut0h

[39] Economics of Adaptation to Climate Change: Synthesis Report, World Bank (2010), pages xv - xvi

[40] Eckstein, D. Imminent funding shortfall despite good work: don't forget the Adaptation Fund! On the German Climate Finance website – available at http://www.germanclimatefinance.de/2014/10/27/imminent-funding-shortfall-despite-good-work-dont-forget-adaptation-fund/

V. Reducing Emissions from Deforestation and Forest Degradation (REDD+)

In addition to the relative good news surrounding the AF replenishment was the adoption of a work programme for results based financing for REDD+[41]. It was agreed that adequate and predictable payments should go to the developing country parties to stop deforestation. The wording 'adequate and predictable' however raises a number of questions. The text of this particular decision cannot be examined in a vacuum; as indicated above, carbon trading has not proved sufficient to capitalise the AF. This is attributed to the collapse in the price of carbon[42], and as such this market trading mechanism is unlikely to yield 'adequate or predictable' funding for REDD+ activities. This casts up a number of questions around where the money will actually come from. It has been decided that money can come from a variety of sources, and may indeed come via the GCF[43], but the decision offered little concrete detail of how the money will be raised.

It was decided that activities should be implemented in result-based actions or phases that were set out in the Cancun Agreements, and that these actions should be fully measured, reported and verified[44]. These are to begin with the development of national strategies or action plans, policies and measures, and capacity-building, followed by the implementation of national policies and measures and national strategies or action plans that could involve further capacity-building, technology development and transfer and results-based demonstration activities, and evolving into results-based actions that should be fully measured, reported and verified[45]. It was also agreed that developing countries must be able to demonstrate how safeguards are being built into activities and promoted[46].

This decision does not constitute a commitment to finance REDD+ activities, but is rather a recognition that money is required, and an indication of how such finance may actually look when it is provided at a future date[47].

Decision 10/CP.19 also has provisions for the coordination of finance for REDD+. The text states that there is a need for greater coordination in the implementation of REDD+ activities, and provides that there is to be meeting of the relevant bodies at the end of 2014 (most likely at COP 20)[48]. However,

[41] Decision 9/CP.19, Work programme on results-based finance to progress the full implementation of the activities referred to in decision 1/CP.16, paragraph 70, Report of the Conference of the Parties on its nineteenth session, held in Warsaw from 11 to 23 November 2013

[42] See Rowling, M., Cash-strapped Adaptation Fund puts climate projects on hold, on Thomsons Reuters Foundation website – available at http://www.trust.org/item/20131009083550-k2cr5/

[43] Ibid.

[44] Supra Note 39, Para. 3

[45] Para.73, Decision 1/CP.16, The Cancun Agreements: Outcome of the work of the Ad Hoc Working Group on Long-term Cooperative Action under the Convention, Report of the Conference of the Parties on its sixteenth session, held in Cancun from 29 November to 10 December 2010

[46] Supra Note 39, Para. 4.

[47] See The Warsaw Framework for REDD Plus: The decision on REDD finance on REDD monitor

[48] Paras. 4-6, Decision 10/CP.19, Coordination of support for the implementation of activities in relation to mitigation actions in the forest sector by developing countries, including institutional arrangements, Report of the Conference of the Parties on its nineteenth session, held in Warsaw from 11 to 23 November 2013

this decision does not establish a firm institutional set-up to ensure better coordination, and is merely a commitment to meet and further discuss these issues.

In Bonn 4-15 June, the *Ad Hoc* Working Group on the Durban Platform for Enhanced Action (and the Ministerial Dialogue on the Durban Platform discussed finance. The need to capitalize the GCF was underscored. There is much anticipation revolving around whether the GCF will be able to provide the necessary financing for REDD+. Some parties suggested COP 20 should open a REDD+ window in the GCF.

The SCF held its seventh meeting from 16-18 June, and addressed issues of 'coordination and coherence: the issue of financing for forests, taking into account different policy approaches.'

SCF members recognised the need to coordinate among the various bodies working on forest finance. Despite suggestions to channel the lion's share of REDD+ finance via the GCF, the majority of members were reluctant to agree, and the Committee did not make any recommendations.

In the absence of a decision by the SCF, the readiness and pilot programmes, have largely been implemented through bilateral agreements, assistance through multilateral banks/funds and other forms of aid. Furthermore, there is a focus outside the UNFCCC on engaging the private sector in REDD+. This has led to a fragmentation in the financing landscape surrounding REDD+, and is likely to test the capacity of developing countries to adhere to a multitude of different rule and processes.

VI. Concluding Remarks

The current pace of advancement within the UNFCCC negotiations does not appear to match the urgency of action that is needed. Whilst Typhoon Haiyan served as a tragic reminder of what is at stake, COP 19 was criticised for its lack of progress, and inertia by developed country Parties, particularly around finance [49].There was no mid-term target established for the intervening period up until 2020. There is still considerably uncertainty on where the income for the GCF will come from, and it is hoped that this be cleared up at the pledging meeting scheduled for the end of November 2014.

COP 19 did produce some advances on matters of climate finance, most notably the topping up of the AF. However, this can be regarded as a qualified success for developing countries as the $100million pales in comparison to the predicted cost of adaptation in the coming years, as well as the $100 billion that is to be mobilised for the GCF. It may also signal that carbon trading as a market mechanism for capitalising climate funds will not be sufficient going forward. This in turn may have grave implications for REDD+ financing, assuming carbon finance will be the chosen method of capitalisation. On reflection, COP 19 can be described as a 'mixed bag' with some progress being made on matters of finance, but ultimately developing country parties were left underwhelmed by the progress.

[49] See Watkins, K., We came to Warsaw but we did not conquer: These climate change talks are not fit for purpose, 18th November 2013 on the Independent website – available at http://www.independent.co.uk/voices/comment/we-came-to-warsaw-but-we-did-not-conquer-these-climate-change-talks-are-not-fit-for-purpose-8947539.html

Looking forward to COP 20 in Lima, much of discussions around climate finance will centre on the Green Climate Fund (GCF), which is expected to become the principal mechanism for gathering and distributing climate finance. A big part of this will be how much money is actually pledged by developed countries. Indeed, capitalization is critical in building trust ahead of the pivotal COP 21 next year in Paris.

However, there is still work to be done besides capitalization of the GCF. COP 20 will also need to provide clarity on the actual role of finance in the 2015 agreement[50]. The recommendations made by the SCF for consideration by the COP around reporting, cooperation and ownership and the definition of climate finance demonstrate that there is still a high degree of fragmentation of climate finance flows. However, even the SCF recommendations themselves lacked any substantive details around roles and responsibilities, or a fixed timeline. A challenge that should be tackled in Lima is to clear up confusion on where responsibilities lay within the UNFCCC around climate finance, and help provide a more coherent system and defintion of climate finance under the UNFCCC.

[50] Supra Note 5