Climate Finance in the Paris Agreement: The role of developed and developing countries in the “Transparency Framework”

http://www.climateregimemap.net

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Relevant Publications


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• Climate regime map: Current Finance, Capacity, Reporting (transparency) arrangements
• Relationship between transparency, integrity and governance
• Paris Agreement – all aspects relating to the transparency framework
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Summary

• Integrity refers to the extent to which institutional actions accord with stated intentions (public institutional justification)
  – subject to issues of consistency, coherence, context and contingency
  – The more these accord one with another, the fuller or more comprehensive the level of integrity

• Governance refers to the structures and processes (organisational arrangements) for steering and co-ordinating relations between actors within institutions
  – Quality (strength) of governance is determined by values
  – Can be ‘thick’, ‘thickish’ or ‘thin’ depending on the values adopted

• Quality of governance, institutional integrity and regulatory frameworks will be critical to ensuring the legitimacy of the Paris Agreement, in multiple contexts,
  – Article 13 – transparency framework for action and support but also emissions reduction payments (A5) sustainable development mechanism (A6), finance (A9) capacity building (A11), etc.

• A 13 refers to “The need to promote transparency, accuracy, completeness, consistency and comparability”
  – This MUST apply to all action (adaptation, mitigation) and support (capacity building) under the agreement
  – The Paris ‘Rulebook’ MUST be better than existing MRV arrangements (which it replaces) – or we are ‘back to square one’...
Institutional integrity

- Integrity refers to the extent to which institutional actions accord with stated intentions (‘public institutional justification’ – PIJ)
  - Consistency-integrity: actions accord with public institutional justification (PIJ);
  - coherence-integrity: organisational arrangements accord with PIJ (especially relevant to nested institutional arrangements, e.g. Paris Agreement);
  - context-integrity: environment facilitates living up to PIJ
  - Contingency: random events impact on meeting PIJ
- The more these accord one with another, the fuller or more comprehensive the level of integrity
The UNFCC PIJ is given by the Framework Convention’s principles and objectives. Centrally, the FCCC PIJ is to stabilize atmospheric greenhouse gas concentrations at a level that prevents dangerous anthropogenic interference. (See Art. 2)

**Member’s Values** of the UNFCCC and its sub-institutions.

**Internal organizational arrangements:** Includes all sub-institutions (COP, permanent subsidiary bodies, mechanisms, and negotiating streams etc.) and their inter-relationships.

**Legal context:** Framework of international law, courts and legal regulators.

**Organizational context:** Relations to United Nations.

**External Relations** with other institutions and actors: E.g. WTO; sovereign states; NGOs.

**Other dynamic events:** E.g. extreme weather events Global Financial Crisis; State security flare-ups in Middle East and Ukraine.

**Activities:** Creating policy outputs, standards regimes, legal agreements and so on.

**Consistency-Integrity:**
How well does the UNFCCC activities, and their results, accord with the institution’s PIJ?

**Coherence-Integrity:**
Extent to which UNFCCC is constituted so as to live up to its PIJ.

**Context-integrity:**
Extent to which surrounding environment promotes the UNFCCC living up to its PIJ.

**Contingency:**
Impact of sudden events on UNFCCC’s pursuit of its PIJ.

Together coherence-integrity and context make up the UNFCCC’s ‘integrity system’.

**Comprehensive integrity:**
Sum total of the UNFCCC’s Coherence-Integrity, Context-Integrity and Consistency-Integrity.

**Figure 1 conceptual map of institutional integrity**
Governance

• Governance refers to the structures and processes (organisational arrangements) for steering and co-ordinating relations between actors within institutions

  – Quality (effectiveness, legitimacy) of governance is determined by the extent to which *values* (and what kind) steer and co-ordinate stakeholder interactions, and the products they create.
Conceptualising climate governance

Figure 2: Model of Governance Quality (Cadman 2011 - adapted)
<table>
<thead>
<tr>
<th>Principle</th>
<th>Criterion</th>
<th>Indicator (value)</th>
<th>Thickness</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Meaningful participation”</td>
<td>Interest representation</td>
<td>Inclusiveness</td>
<td>THICKISH</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Equality</td>
<td>THICK</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Resources [support]</td>
<td>THICKISH</td>
</tr>
<tr>
<td>“Organisational responsibility”</td>
<td></td>
<td>Accountability</td>
<td>THIN</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transparency</td>
<td>THIN</td>
</tr>
<tr>
<td>“Productive deliberation”</td>
<td>Decision making</td>
<td>Democracy</td>
<td>THICK</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agreement</td>
<td>THICKISH</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dispute settlement</td>
<td>THICK</td>
</tr>
<tr>
<td>“Implementation [action]”</td>
<td></td>
<td>Behaviour change</td>
<td>THICK</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Problem solving</td>
<td>THICK</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Durability</td>
<td>THICK</td>
</tr>
</tbody>
</table>

Table 1: Framework of principles, criteria and indicators (PC&I) for evaluating governance quality

Cadman (2011) – adapted (Cadman et al. 2016)
Summary of relevant articles of the Agreement

- Article 1: Definitions refer back to Convention (UNFCCC)
- Article 2: Strengthen response to climate change (CC) (‘well below 2°C)
- Article 3: Nationally determined contributions to reduce emissions
- **Article 4: Details how Parties will deliver NDCs**
- Article 5: Enhancing sinks and reservoirs of GHGs, ‘including forests’
- Article 6: Voluntary mitigation ‘mechanisms’ to meet NDCs
- Article 7: Enhancing adaptation activities
- Article 8: Measures for addressing loss and damage from CC
- **Article 9: Provision of Finance**
- Article 10: Technology development and transfer
- **Article 11: Capacity building**
- **Article 12: Public awareness and participation**
- **Article 13: Transparency of action and support**
- **Article 14: Global Stocktake**
- Article 15: Scope of mechanism for implementation and compliance
- Article 16: Administrative arrangements
- Article 17: Role of the Climate Change Secretariat under Agreement
- Article 18 – 19: Roles of subsidiary bodies
- Articles 20: Ratification arrangements
- Article 21: Entry into force
- Articles 22-29: other administrative arrangements
Paris Agreement: relevant decisions

Decisions giving effect to the agreement
• 117 decisions in all relating to
  – Mitigation (22-41 [35 deleted])
  – Adaptation (42-47)
  – Loss and damage (48-52)
  – **Finance (53-65)**
  – Technology development and transfer (66-71)
  – **Capacity Building (72-84)**
  – **Transparency of action and support (85-99)**
  – Global stocktake (100-102)
  – Facilitation implementation and compliance (103-104)
  – Timeliness (‘final clauses’) (105)
  – Enhanced action prior to 2020 (106-133)
  – Non-Party stakeholders (134-137)
  – Admin. (138-140)
Article 9: Finance

1. Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention.

2. Other Parties are encouraged to provide or continue to provide such support voluntarily.

3. As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts.

4. The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the least developed countries and small island developing States, considering the need for public and grant-based resources for adaptation.

5. Developed country Parties shall biennially communicate indicative quantitative and qualitative information related to paragraphs 1 and 3 of this Article, as applicable, including, as available, projected levels of public financial resources to be provided to developing country Parties. Other Parties providing resources are encouraged to communicate biennially such information on a voluntary basis.

6. The global stocktake referred to in Article 14 shall take into account the relevant information provided by developed country Parties and/or Agreement bodies on efforts related to climate finance.

7. Developed country Parties shall provide transparent and consistent information on support for developing country Parties provided and mobilized through public interventions biennially in accordance with the modalities, procedures and guidelines to be adopted by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, at its first session, as stipulated in Article 13, paragraph 13. Other Parties are encouraged to do so.

8. The Financial Mechanism of the Convention, including its operating entities, shall serve as the financial mechanism of this Agreement.

9. The institutions serving this Agreement, including the operating entities of the Financial Mechanism of the Convention, shall aim to ensure efficient access to financial resources through simplified approval procedures and enhanced readiness support for developing country Parties, in particular for the least developed countries and small island developing States, in the context of their national climate strategies and plans.
Summary of decisions - Finance

‘Decides’ Finance to developing country action of implementation of Agreement relates to both adaptation and mitigation under A2 (53)

– The Standing Committee on Finance (SCF) will continue to serve Agreement under responsibilities identified by COP, Green Climate Fund (GCF) and the Global Environment Facility (GEF) will continue to co-exist, with both acting as operational entities for climate finance under Agreement.

– The GCF will also be enabled to provide support for Least Developed Countries’ (LDCs) National Adaptation Plans (NAPs).

– Developed countries will continue funding for ‘meaningful mitigation actions and transparency on implementation’ with a ‘floor’ of $100 Billion, and to set a new goal in 2025 (54)

– Decides to develop reporting requirements on developed country funding via 1st CMA at COP 22 [A9.5] (56), and subject to (96) below (57) (see also 58)

– Adaptation Fund (AF) - Continue to serve Kyoto Protocol (KP) and Agreement, under CMP and CMA (60) subject to decisions of COP (61)

– ‘Institutions serving the Agreement’: ‘urges’ delivery of finance through ‘simplified and efficient application and approval procedures’ (65)
6. The purpose of the framework for transparency of support is to provide clarity on support provided and received by relevant individual Parties in the context of climate change actions under Articles 4, 7, 9, 10 and 11, and, to the extent possible, to provide a full overview of aggregate financial support provided, to inform the global stocktake under Article 14.

9. Developed country Parties shall, and other Parties that provide support should, provide information on financial, technology transfer and capacity-building support provided to developing country Parties under Article 9, 10 and 11.

10. Developing country Parties should provide information on financial, technology transfer and capacity-building support needed and received under Articles 9, 10 and 11.
11. Information submitted by each Party under paragraphs 7 and 9 of this Article shall undergo a technical expert review, in accordance with decision 1/CP.21. For those developing country Parties that need it in the light of their capacities, the review process shall include assistance in identifying capacity-building needs. In addition, each Party shall participate in a facilitative, multilateral consideration of progress with respect to efforts under Article 9, and its respective implementation and achievement of its nationally determined contribution.

12. The technical expert review under this paragraph shall consist of a consideration of the Party’s support provided, as relevant, and its implementation and achievement of its nationally determined contribution. The review shall also identify areas of improvement for the Party, and include a review of the consistency of the information with the modalities, procedures and guidelines referred to in paragraph 13 of this Article, taking into account the flexibility accorded to the Party under paragraph 2 of this Article. The review shall pay particular attention to the respective national capabilities and circumstances of developing country Parties.

13. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement shall, at its first session, building on experience from the arrangements related to transparency under the Convention, and elaborating on the provisions in this Article, adopt common modalities, procedures and guidelines, as appropriate, for the transparency of action and support.

14. Support shall be provided to developing countries for the implementation of this Article.

15. Support shall also be provided for the building of transparency-related capacity of developing country Parties on a continuous basis.
Summary of decisions – transparency of action and support

Transparency

• ‘create a ‘Capacity-building Initiative for Transparency’ (CIT) (85-89)
  – ‘build institutional and technical capacity, both pre- and post-2020’
  – Help improve transparency ‘over time’ (86)
  – Use 7th review of FM to assess CIT (88)
  – Developing countries have ‘flexibility in implementation of provisions’ [A13.2] (90)
  – Under A13.7-10 least developed countries (LDCs) ‘shall’ submit information no less frequently’ than bi-annually but ‘may’ submit at their discretion (?) (91)
Transparency

• AWP – ‘requests’
  – Develop ‘modalities, procedures and guidelines’ following A13.13, to be presented to 1st CMA, but ‘considered’ at COP 24 2018 (92), to take into account (93):
    a) ‘facilitating improved reporting and transparency over time’
    b) ‘Flexibility’ for developing countries given capacity
    c) ‘promote transparency, accuracy, completeness, consistency, and comparability’
    d) ‘avoid duplication’ and ‘undue burden’ on CCS and Parties
    e) Parties maintain ‘frequency and quality of reporting’
    f) Avoid ‘double accounting’
    g) ‘ensure environmental integrity’
  – As well as (95)
    a) ‘types of flexibility’
    b) Consistency between INDC reporting-, and progress-, methodologies
    c) Reporting includes actions, and plans, including NAP
    d) Support provided for adaptation and mitigation taking SBSTA methods into account
    e) Information on biennial assessments, SCF reports, and other bodies
    f) ‘Information on the social and economic impacts of response measures’
Transparency cont.

- AWP – ‘requests’ (cont.)
  - Draw on experiences of other processes (94)
  - Enhance transparency of support from developed countries [A9] (96)
  - Provide a progress report on modalities no later than 2018 (97)
  - modalities, procedures & guidelines enter into force with Paris Agreement (98)
  - Will ultimately replace measurement reporting and verification (MRV) under 1/CP.16 (99)
Article 11: Capacity building

1. Capacity-building under this Agreement *should* enhance the capacity and ability of developing country Parties.

2. Capacity-building *should* be an effective, iterative process that is *participatory*, cross-cutting and gender-responsive.

3. All Parties *should* cooperate to enhance the capacity of developing country Parties to implement this Agreement. Developed country Parties *should* enhance support for capacity-building actions in developing country Parties.

4. All Parties enhancing the capacity of developing country Parties to implement this Agreement, including through regional, bilateral and multilateral approaches, *shall* regularly communicate on these actions or measures on capacity-building. Developing country Parties *should* regularly communicate progress made on implementing capacity-building plans, policies, actions or measures to implement this Agreement.
Conclusions

• Developed countries have more obligations (‘shall’) than developing countries (‘should’) relating to:
  – Enhancing activities under Agreement and Convention
  – Amount of finance pledged and provided (including in the global stocktake)
  – Transparency of finance around technology transfer and capacity-building support including
  – Reporting on actions and measures
  – Assisting developing countries to implement transparency provisions
  – Communicating on capacity building actions/measures
  – No obligation to capacity building (‘should’)

➢ Good ‘troubleshooting’ – but does this give too much leeway to developing countries and too little to developed?
Conclusions cont.

• Many ‘may’, ‘should’ not just ‘shall’ clauses…
• Only one reference to ‘governance’ (A6.2, only to voluntary mitigation/adaptation activities), and none to standards
  ➢ Transparency is only ONE governance value
  ➢ The Paris ‘rulebook’ MUST have comprehensive ‘thick’ governance standards covering, but not confined to climate finance
    ➢ ‘safeguards’ not enough)
  ➢ How will ‘transparency, accuracy, completeness, consistency, and comparability’ (93c) be achieved without them?
Thank You

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