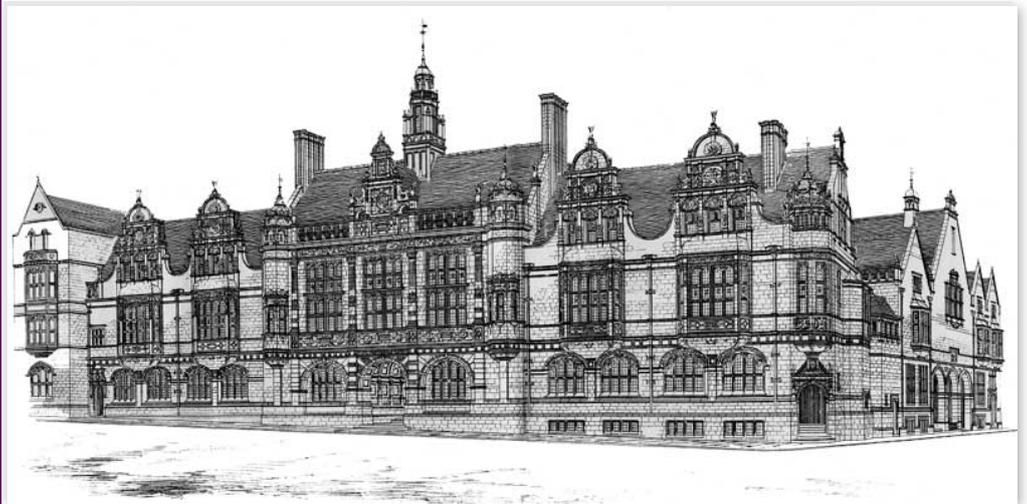


# Oxford Seminar 2017



30 August - 1 September 2017  
Oxford Town Hall

**ecbi**

European Capacity Building Initiative  
[www.eurocapacity.org](http://www.eurocapacity.org)

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## INTRODUCTION

The European Capacity Building Initiative's 2017 Oxford Seminar took place from 30 August to 1 September, in Oxford Town Hall. It was attended by 24 participants from developing countries (who also participated in the ecbi Fellowship Colloquium that was held from 28 to 30 August 2017, in Merton College), and 24 participants from Europe (see Annex).

The Seminar was attended by, among others: representatives of the current (Morocco), preceding (France), incoming (Fiji), and future (Poland) Presidencies of the Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC); the Chairs of the Least Developed Countries (LDCs), G77, and Western European and Others Groups; the Chair of the Subsidiary Body for Scientific and Technological Advice (SBSTA); the Co-Chair of the Standing Committee on Finance (SCF); members of the Green Climate Fund (GCF) Board; representatives of the current trio of EU Presidencies (Estonia, Bulgaria and Austria), and representatives from the European Commission.

Discussions focused on key concerns relating to the ongoing global negotiations on the rules for implementing the Paris Agreement, including: gender; equity; common timeframes and the ambition cycles; the 2018 Facilitative Dialogue; global stocktakes; adaptation communications; transparency; finance; and the Article 6 mechanisms.

The seminar was facilitated by Sara Swords. At its opening session on the afternoon of 30 August, Benito Müller, ecbi Director, introduced ecbi and described the key purpose of the Seminar as trust building between climate negotiators from developing countries and Europe. Achala Abeysinghe, head of ecbi's Training and Support Programme (TSP), introduced the TSP programme, saying it trains new climate negotiators from developing countries, and provides support during the negotiations, in particular, to LDCs. Anju Sharma, head of ecbi's Publications and Policy Analysis Unit (PPAU), said PPAU produces policy briefs on issues of immediate concern in the negotiations for senior climate negotiators from developing countries; and background papers and Pocket Guides for negotiators who are new to the UNFCCC process.

## GENDER

The first session on gender was kicked off by presentations by Stella Gama from Malawi, and Geert Fremout from Belgium.

Gama described the evolution of the gender issue under the UNFCCC. She noted that the climate negotiations were relatively late in recognising the importance of gender considerations – the first stand-alone decision on gender was taken only in 2001 (Decision 36/CP.7), and focused mainly on the participation and representation of women in the UNFCCC process. A gender reference was also included in the decision on the National Adaptation Plans of Action (NAPAs) during this Conference of Parties (COP). This was followed, nine years later, by a reference to gender in the Cancun Agreements; the inclusion of gender in the Green Climate Fund's (GCF) operational guidelines in 2011; two decisions in 2012 and 2014; the inclusion of references to gender in the Paris Agreement in 2015; and another decision in 2016.

Gama noted that the initial focus of the UNFCCC gender decisions was to ensure adequate representation of women in the global process. Since then, gender has been mentioned in the context of capacity building, technology development and transfer, mitigation – in particular for REDD+, and adaptation which has the

most number of gender references. She said a Gender Action Plan (GAP) was expected to be adopted at COP23 in 2017, bringing together all the elements that exist under the UNFCCC process.

In the Paris Agreement, Gama highlighted, gender references were included in the context of adaptation and in the preamble of the Agreement, but it was missing other thematic areas. She said negotiators would have to consider how to increase gender responsiveness in the thematic areas in future, moving beyond considerations of numbers and how women can participate effectively in the negotiations. She presented the number of women participating in each of the bodies created under the UNFCCC (see **Table 1**), noting the least participation in the Board of the Climate Technology Centre and Network. With regard to national delegations, she noted participation has ranged from 29% to 36% between 2013 and 2015.

Body	June 2013	October 2014	September 2015
Clean Development Mechanism Board	20	20	10
Joint Implementation	40	40	40
Compliance Committee	11	40	40
LDC Expert Group	15	15	15
Consultative Group of Experts on National Communications	52	43	33
Adaptation Fund Board	31	31	28
Technology Executive Committee	11	15	25
Standing Committee on Finance	25	35	35
Climate Technology Centre and Network Board	13	13	6
Executive Committee of the Warsaw Mechanism on Loss and Damage		30	35
Conference of the Parties (COP)/ Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol	36	27	27
Subsidiary Bodies	33	33	33
Delegations	29% (at COP18)	36% (at COP19)	36% (at COP19)

Gama noted that the objective of the GAP is to translate the existing mandates and decisions and efforts into concrete actions to ensure that gender balance and gender balanced policies are achieved. Informal consultations on the GAP started in March 2017 in The Hague. This was followed by a workshop in May 2017 in Bonn at which Parties agreed to include the following five clusters:

1. Capacity building, knowledge sharing and communication: Systematic integration of gender perspectives; enhanced knowledge, understanding and expertise.
2. Gender balance, participation and women's leadership: Equal, meaningful participation of women is achieved and sustained; climate decision-making benefits all stakeholders.
3. Coherence within UNFCCC and other UN agencies
4. Gender responsive implementation and means of implementation: Improved social and gender assessments on adverse risks and barriers; improved integration of national gender-mechanisms; identify, finance, transfer, scale-up appropriate climate technologies; increase provision of sustained gender-responsive climate finance.
5. Monitoring and reporting

Finally, Gama listed the following key priorities for COP23 and beyond:

- Finalising the GAP, and comprehensively addressing questions related to its governance, implementation, financing arrangements and time frame.
- Addressing gender as part of the Paris Agreement Work Programme.
- Understanding challenges for women participation.
- Ensuring access to climate finance.

- Designing gender responsive projects with appropriate indicators.

In his presentation, Fremout highlighted a news story in a Belgian newspaper, describing climate change efforts that focused on the education of girls, therefore combining efforts to curb emissions, address gender concerns, and promote education. He said the preamble of the Paris Agreement refers to several issues addressed in the Sustainable Development Goals (SDGs), and called for synergies between the two. He presented analysis showing that some countries had made a real effort to integrate the SDG approach into their Nationally Determined Contributions (NDCs).

Fremout said there are a significant number of gender-related mandates in UNFCCC decisions, the UNFCCC Secretariat's compilation being 44 pages long. A stand-alone agenda item since 2012 keeps the issue in focus, and the UNFCCC also has a gender focal point. However, there is a sense that implementation remains a challenge. Therefore, the decision to develop a GAP was taken at COP22 in Marrakech, *“to support the implementation of gender-related decisions and mandates under the UNFCCC process, which may include priority areas, key activities and indicators, timelines for implementation, the responsible and key actors and indicative resource requirements for each activity, and further elaborate its process of review and monitoring”*. He noted that in addition to the two meetings described by Gama to develop the GAP, an informal consultation will take place in Ottawa in September 2017.

Fremout said 59 countries have references to gender in their NDCs. Mexico, for instance, explicitly recognises the role of women as agents of change in the transformation towards a low-carbon and resilient society. Peru includes gender as a crosscutting issue in national development models, recognising that climate change will disproportionately impact particularly vulnerable groups. Nigeria recognises the need to develop gender-neutral policies and measures that bring social inclusion, improve livelihood security, increase resilience, and reduce emissions. He noted the need to have specific references to gender in the context of the NDCs, adaptation communications, transparency framework, and global stocktake in the Paris “rulebook”.

Finally, he presented the following three questions for consideration in the discussions:

- How to ensure that climate action is not promoted in isolation, but integrated with other aspects of sustainable development (including gender)?
- How to enhance effective implementation of the gender mandates under the UNFCCC?
- What can/should be done under the Paris work programme to make this happen?

In the discussion that followed, Müller noted the need to move the narrative from women solely as “victims” to women also as “agents of change”, in order to address the gender and climate problem simultaneously.

A developing country participant, also a GCF Board member, said gender equality is a core consideration for the GCF Board in the assessment of projects. Accredited entities that apply for projects must include clear gender and social assessments, and develop gender and social inclusion action plans. He described two GCF projects focused on training women in solar energy deployment, providing them employment and developing their entrepreneurial skills while addressing climate change.

Another developed country participant highlighted that climate-related gender concerns need to be addressed at the local, national, and international levels. She said she was one of only two women on the 13-member LDC Expert Group in 2013 – the number is now only up to three women. Noting that gender issues are entwined with broader aspects of society, and an underlying cause for vulnerability, she said that while the UNFCCC may not have the expertise to deal with these issues, organisations that have been working on these issues should be involved.

A participant from Europe said the thematic bodies of the UNFCCC appear to have taken different approaches to gender. A regional breakdown might show that developing countries have a better record on women's representation on these bodies than developed countries, she said – for instance in the SCF. She agreed that consumer decisions are made by women and they can make effective agents of change.

A developing country participant highlighted the need to consider women's preferences, and develop approaches and synergies across different conventions, including for instance, those on biodiversity and desertification.

A participant from Europe highlighted the need to also consider how many women hold key positions in addition to overall numbers, for instance as Chairs of UNFCCC bodies. She expressed interest in understanding the best approach to integrate gender at the national level, asking whether it is better to have a specialised agency, or to aim to mainstream gender into the work of all agencies, and in all policies and measures.

Another participant from Europe noted that in many parts of the Agreement, there is no reference to people, leave alone women. She supported the mainstreaming of gender in all agencies and sectors, instead of creating a specialised parallel track.

A developing country participant said it is important to avoid competition for resources between groups that have “double or triple vulnerability” – including, for instance, indigenous communities, migrant workers, and refugees.

A participant from Europe said gender issues need both targeted interventions, and mainstreaming. She described the experience of Bangladesh, where 90% of the victims of a cyclone in 1991 were women because they could not swim, chose to stay at home to take care of cattle and kids, or did not choose to go to shelters that don't have rooms for women. She highlighted the need to make gender part of the equity debate.

A developing country participant responded that while more than 100,000 lives were lost in the 1991 Bangladesh cyclone described by the previous speaker, mostly women, lessons have since been learned. Recently, more than two million people were evacuated during a cyclone, but only 20 lives were lost because provisions for early warning and shelter now consider the specific needs of women. There are segregated areas for women, who can take cattle in. Moreover, improved education in schools has helped, as children force their parent and grandparents to take shelter. He described efforts in Bangladesh to invest in young girls as agents of change in coastal areas, saying investing in educating girls brings far greater benefits for society than investing in the education of boys.

Summing up the discussion, Gama highlighted, *inter alia*, the need to disaggregate data to consider regional differences, and keep track of how many women are in key positions; compare participation of women in different international environmental agreements; and the enhancement of existing frameworks and tools. Fremout said the issue of integration *vs.* stand-alone it is a dilemma in the negotiations – while the real objective is to integrate gender into each thematic area, in practice it seems very helpful to have a separate agenda item and plan.

## EQUITY

This discussion started with presentations by Xolisa Ngwadla and Stefan Ruchti.

In his presentation, Ngwadla described on the state of play of equity in the negotiations and equity parameters and considerations post-2020, before proposing a way forward.

He presented the equity provisions in the Paris Agreement, including in the Preamble (calling for equitable access to sustainable development and eradication of poverty); Article 2.2 (calling for the Agreement to be implemented to reflect equity); Article 4.1 (for Parties to aim to reach global peaking on the basis of equity); and Article 14.1 (for the global stocktake to be carried out in the light of equity and best available science).

In run up to Paris, he said, Parties were asked to justify why they consider their indicative nationally determined contributions (INDCs) fair, as a basis to operationalise equity. A synthesis report of INDCs prepared by the UNFCCC Secretariat shows that only a handful of metrics were used by countries as a measure of fairness.

Ngwadla classified Articles 2, 4.1, 7.1, 10.6 and 14 as the “top-down” elements of the Paris Agreement, and Articles 4, 7 and 9 as containing individual bottom-up provisions. He said the equity-related issues to be considered by the Ad-hoc Working Group on the Paris Agreement (APA) work programme include how to operationalise equity in the global stocktake; and how to maintain balance and effectiveness of the collective vs. individual provisions of the agreement.

He said consideration of equity parameters is necessary to encourage ambition to achieve the objectives of the Paris Agreement; and as a basis for engaging national constituencies in enhancing contributions, following a global stocktake. He proposed that Parties could choose from a suite of metrics and methodologies that are multilaterally defined, but self-applied, along with a consideration of national circumstances as defined by a Party for itself. He noted that a political conversation on equity is necessary during the global stocktake to take stock of collective efforts, including how it relates to the overall goal of the Agreement; and domestic conversations will be necessary after the stocktake, to consider the application of equity-related outputs.

Ngwadla said the scope of the considerations of equity in the global stocktake should be comprehensive, as defined in Article 14 of the Agreement, which calls on the stocktake to consider “*mitigation, adaptation and the means of implementation and support, and in the light of equity and the best available science*”.

While the metrics should be self-applied by Parties, providing an opportunity to outline national circumstances and political considerations, they should be identified objectively in a multilateral setting in relation to the collective global effort, he said. The multilateral effort to identify metrics can be informed by the INDC synthesis report prepared by the Secretariat, which identifies the metrics used by countries, including: responsibility for past-current-future share in global emissions; per capita emissions relative to the global average; and capability, based on GDP per capita, ability to invest, support received, and level of development. National considerations of what is equitable can be based on paragraph 14 of Decision 1/CP.20, as well as national circumstances in the INDC synthesis, which include size and geography, dependence on fossil fuels, vulnerability to climate impacts, and other social and economic characteristics, amongst others.

The process for consideration of equity under the Paris Agreement proposed by Ngwadla is summarised in **Figure 1**.

**Figure 1: Process for consideration of equity in the Paris Agreement**



In his presentation, Ruchti noted several attempts to operationalise equity in the climate negotiations, based on references in Article 3 of the UNFCCC, and negotiations at COP13 in Bali in 2007, COP16 in Cancun in 2010, and COP17 in Durban in 2011. In the Paris Agreement, he said, equity found its justified reference in a number of articles referring to its guiding role (preambular paragraphs 3 and 11 and Article 2), but also as a basis to achieve net zero greenhouse gas emissions in the second half of this century (Article 4); and to serve as measuring stick for the global stocktake (Article 14). With countries communicating their INDCs, he said, the focus of equity (including intergenerational equity) has turned from the national to the global level.

He listed the following key questions that need to be addressed going forward:

- How do we achieve and implement global equity considerations without reference to burden sharing across countries?
- Can there be a notion of global equity when comparing the global mitigation efforts to the goals set in the Paris Agreement? He said this would appear to be feasible, notably when bringing into play the notion of intergenerational equity.
- Can there be a notion of global equity when comparing the global adaptation efforts to the goals set in the Paris Agreement? This question appears considerably more challenging – although countries have no option but to adapt, how can this effort relate to equitable adaptation at the global level?
- Can there be a notion of global equity when comparing the global provision of the means of implementation and of capacity building to the goals set in the Paris Agreement? He said this would not be an easy task, also in light of the varying approaches to assessing means of implementation, although some general understanding may not be out of reach.

Ruchti said the outcomes of the 2023 global stocktake will find their way back to influence future, hopefully equitably determined, NDCs and the actions of other stakeholders. He informed participants of a side event on equity at COP23 in November 2017, organised by Switzerland, ACT Alliance (a coalition of 146 churches and faith-based organisations) and ETH Zurich.

In the discussion that followed, Müller noted that considerations of equity can make it easier for national governments to justify the levels of ambition in their NDCs to their national constituencies, to convince them that the actions proposed do not constitute an unfair burden. He noted the need to create space to make sure that equity can be at least discussed.

A developing country participant emphasised the importance of the social aspects of equity, saying the discussion on equity is closely related to discussions on gender, human rights, and vulnerable populations in general. He said equity should not be used as an excuse by countries to back out of commitments, saying the Agreement is unfair; and equity is linked to the principle of common but differentiated responsibilities (CBDR), which is the basis for implementing any aspect of the Convention.

Another developing country participant said equity can either be defined in the context of burdens, or in the context of contributions, including fair contributions of means of implementation. Noting that this is a crucial

stage for discussing equity, given that the elements of the Agreement are divided into numerous thematic issues, she said equity considerations should also apply to the adaptation gap, loss and damage, and means of implementation.

A participant from Europe said the concept of equity as burden sharing is familiar in the climate negotiations, but climate efforts should not only be considered a burden, but also an opportunity to benefit from the new green economy. She provided an example from India, saying solar energy could bring down the spending on energy from 20-30% of an average salary, to 1.5%. She highlighted the need to portray climate change as an opportunity, and get all countries on board in the race towards a low emission society, by addressing the high capital costs of renewable energy, addressing enabling environments and finance flows, and increasing absorption by local communities through education and skills development.

A developing country participant said that while a nuanced way of looking at equity may be helpful, it may be too soft. He said equity is one of the top-down elements of the hybrid Paris Agreement, and there should be a link between the equity aspects and the NDCs. In the process of moving from a collective assessment of equity to the individual, he proposed providing conceptional values of what might be considered credible for Parties to put forward from the equity perspective, to pass the “blush” (or credibility) test.

A developing country participant said while countries may be ambitious with their mitigation contributions, doing more than their share, that is not necessarily fair to the people of the country. He said fairness and equity will have to be considered in light of economic and social factors, although the sum of equity efforts by countries may not add up to adequate ambition to meet the overall goals of the Paris Agreement.

A participant from Europe said that a dialogue based on the INDC synthesis report prepared by the Secretariat may be possible, resulting in a basket on indicators and convergence over the years eventually resulting in consensus. However, he felt an open multilateral discussion on equity would be difficult.

Müller agreed that the narrative on climate efforts must be positive, but he said moving to a positive narrative will not deal with the equity and distributive justice aspects of climate change – a positive narrative would still have to deal with the matter of sharing costs and benefits, for a fair outcome. He further agreed with an earlier speaker on the need to provide guidance to Parties on what will be considered fair in their NDC, instead of leaving it entirely up to them for self-justification. He described the possibility of moral ambiguity in ethical discussions, where different Parties have different perspectives, each perfectly valid, but yielding different outcomes. This should not mean that anything goes, as each Party will have the tendency to use the metric that is most favourable to them – instead, as part of the top-down elements of the Paris Agreement, a toolkit of metrics should be provided to countries to assess the fairness of their contributions.

A developing country participant said equity is linked to CBDR and historic responsibilities in the international response to climate change. He agreed that shifting the narrative to a more positive one will provide more space for engagement, but even the positive aspect will have to take into account equity, and the challenges that are faced by developing countries, particularly the most vulnerable, where costs are a major hurdle. The opportunities exist much more in developed countries, which have the resources, including finance and technology. He said if developing countries are to make legally binding commitments, they will need assurances that the enabling environment will exist at the global level to provide them with the means of implementation that they need to meet those commitments.

Another developing country participant said that while equity is a top-down element of the Paris Agreement, the regime itself should not deliver any kind of opinion on what is equitable. Instead, the political discussions

of the global stocktake should give ministers an implicit idea of ballpark boundaries. He felt the Paris Agreement has been moved beyond a more explicit indication of what would be equitable. Instead, efforts should be made to understand the basket of indicators already used by countries and summarised in the NDC synthesis report mentioned by Ngwadla, to give ministers a better idea of how Parties have decided their NDC, and their overall direction of travel.

Müller agreed that the indicators should not be negotiated politically. However, he said, a reputable body like the Intergovernmental Panel on Climate Change (IPCC) could look at the indicators and provide guidance on best practice. Parties can then decide to keep or change their indicators.

Ngwadla noted that the work done by the Secretariat on the synthesis report was prior to the explicit references to equity in the Paris Agreement. He therefore felt the report itself is not an adequate basis for a political discussion during the stocktake, because analysis is needed to consider other elements that are now part of the Agreement, such as loss and damage, and the contributions made by countries through their national efforts on adaptation. While it is clear that any metric will be applied at the discretion of countries themselves, he said, this does exclude the opportunity to further define how to make the process more effective.

A developing country participant said the equity question persists despite the bottom-up nature of the Paris Agreement and the opportunities of the “fourth industrial revolution” because of the gaps relating to finance, capacity and technology. While Article 14.3 calls for the global stocktake to inform the individual enhancement of future NDCs, he said, it also makes provision for the enhancement of international cooperation. This provision will be critical in closing the gaps, and supporting enhanced ambition. He called on participants to keep the discussion on equity non-adversarial, and approach it in a constructive manner, to address the gaps in an equitable fashion.

In final remarks, Ruchti noted suggestions on how the global stocktake should influence the NDCs; the need to consider the opportunities of addressing climate change; and the need for enabling environments. He said the Facilitative Dialogue, which had not been mentioned, will provide Parties with the first opportunity to look at equity considerations. The equity discussion is further along than it was a couple of years ago, he said, and could be translated into progress.

Ngwadla felt some of the initial interventions during the discussion did not take into account the elements agreed in the Paris Agreement. He noted key changes in how equity is defined in the Agreement, from “slicing a cake” equitably to the self-application of metrics. The INDC synthesis report showed that two key metrics, responsibility and capability, were used by almost all countries, he said, and this common basis could be used to arrive at a shared indication of what constitutes fair effort. This more fluent understanding of what constitutes equity, based on the Paris Agreement and on the parameters used in the INDCs, could aid progress further than what was considered possible before 2015, he concluded.

## AMBITION CYCLES

This session was introduced by Müller and Cristina Carreiras.

Müller said his presentation is focused on the mechanism of enhancing ambition within the Paris Agreement. He described the Agreement's "two-track communication cycle" with:

- Paragraph (§) 23 of Decision 1/CP.21, which is part of the Paris outcome, describing one track with INDC timeframes up to 2025 (*"Parties whose intended nationally determined contribution ... contains a time frame up to 2025 to communicate by 2020 a new nationally determined contribution and to do so every five years thereafter ..."*); and
- §24 describing a second track, for Parties with INDC timeframes up to 2030 (*"Parties whose intended nationally determined contribution ...contains a time frame up to 2030 to communicate or update by 2020 these contributions and to do so every five years thereafter ..."*).

To enhance the chances of increasing ambition in subsequent NDCs, he said, these two tracks must be further synchronised, and made to work together more closely. While ten-year horizons may be good from a longer-term planning perspective, this does not mean that §24 countries should have an "NDC vacation" until 2030, with the risk of locking in low medium-term (10-year) ambition.

Instead, he said, §24 countries should be expected to undertake 'mid-term' updates of their 2030 ambition (as communicated in 2020) in 2025, generating a systematic enhancement of short-term (five-year) ambitions. But even this would still not avoid "decadal cliff hangers", where countries in 2029 will not know what the vision will be beyond 2030. This will have an impact on stocktaking exercise, if they are meant to be forward looking exercises. Moreover, said Müller, the current lack of coherence between the §23 and §24 tracks will make it very difficult to come up with any estimates of aggregate global progress towards meeting the overall goals of the Agreement.

To be as ambitious as possible in their upcoming NDCs, he said, countries will need to have information on what other countries plan to do (to address, for instance, concerns over economic competitive disadvantages, equity, reciprocity etc.); and on aggregate progress towards the overall goal of the Agreement. The point at which countries come together to communicate NDCs will therefore also have to be coordinated with the review cycles (including the global stocktakes).

To overcome the shortcomings of the two tracks, which will hamper ambition, Müller described the ecbi proposal for a "dynamic contribution cycle", developed by ecbi Fellows during a previous Colloquium. Under this proposal, all countries will have a synchronised process of firming up their short-term NDCs, while announcing "indicative" longer-term NDCs, with the potential to revise ("update") the latter, in response to new science and pressure from civil society. This will result in a rolling process with a ten-year horizon and five-year communications and updates (see **Figure 2** on the Dynamic Contribution Cycle).

Towards the end of a five-year communication period, he said, governments will then be asked to (A) ratchet up and lock in short term (five-year) ambition (as indicated in the preceding period), and (B) indicate their longer term (ten-year) ambition vision. In the course of the upcoming period, there will (C) be a public assessment, including a global stocktake of that vision, to be taken into account at the end of that period in (D) a government assessment of the indicated vision, leading up to (A) the next ratcheting up and fixing of this vision.

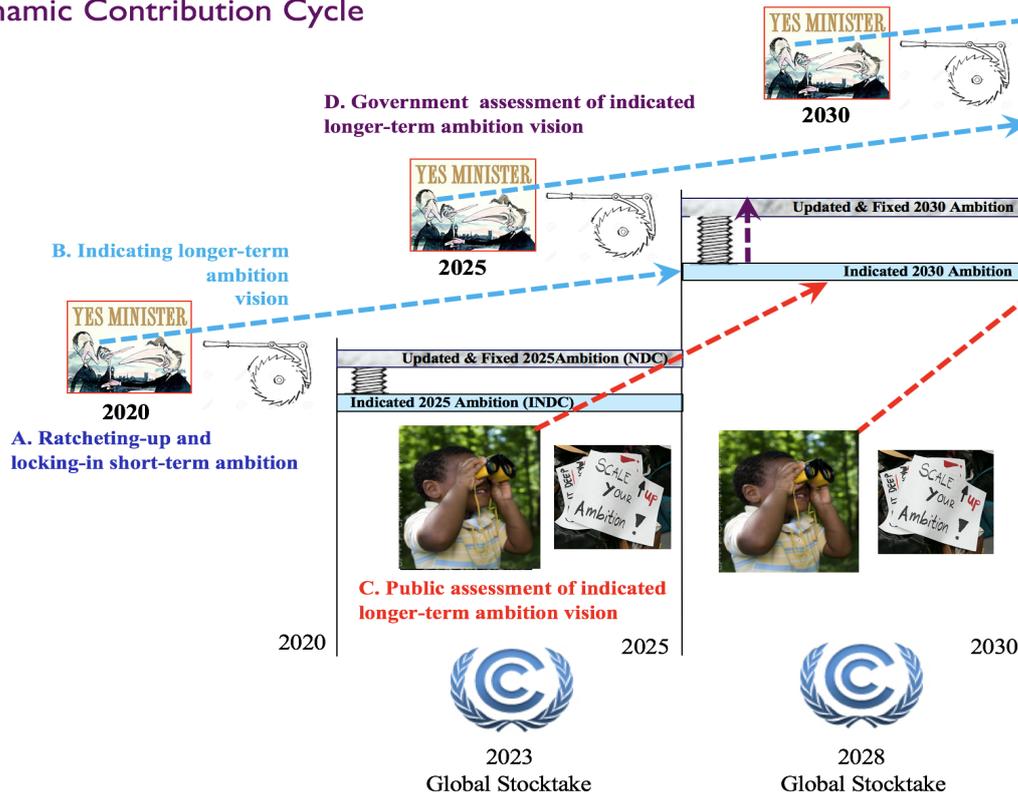
Müller suggested that all this could be achieved by a simple addition by the CMA, to:

- Request all Parties in 2025 to update their 2030 NDC, and communicate an indicative 2035 NDC, and to do so every five years thereafter.

In this way, he said, even if countries want to have ten-year NDC timeframe, they could announce overlapping ten-year NDCs every five years. In 2025, for instance, all countries will then have to update their 2030 NDC, and communicate an indicative NDC for 2035. This will allow the updated and indicative NDCs to feed into the global stocktake, and synchronise meaningfully with the review cycles, to allow synthesis; and give civil society a chance to analyse the indicative future NDCs that are not yet fixed. It will allow time for countries to indicate their intentions, and then have backroom discussions to improve ambition.

**Figure 2**

### Dynamic Contribution Cycle



Müller said the dynamic contribution cycle will also allow countries to take on board justice concerns once they are informed of what other countries intend to do. Without this information, countries cannot compare their intended contributions. They will simply have to assume that the others intend to do the absolute minimum, and to avoid taking on an unfair share of the burden, they will do the same.

In her presentation, Carreiras said the decisions on NDCs are likely to be more political than technical – in the EU, for instance, 28 ministers will decide the NDCs. She noted that the INDCs submitted before Paris had multiple timeframes, and Article 14 was created to accommodate them while ensuring that every five years, countries come together to understand their contributions collectively, and assess challenges in the next round. She said the mechanics are clearer in terms of mitigation, with the specific requests for preparation, communication, updating, progression, information coming from Article 14.

In the current set of 165 NDCs, Carreiras noted, at least 130 have a reference to 2030; 19 have a reference to 2025; one has a reference to 2021; one has a reference to 2033; two have a reference to 2035; and three have

a reference to 2050. The variety is wider than five or ten years. Even when the EU started setting targets, she said, it started with a trial period of three years, then five years, and then ten years. There was a learning by doing component, and it is difficult to determine what will be the best timeframe, as most Parties have done this for the first time. One issue that Paris addressed well, she noted, was related to the political pressure and synchronisation, which was solved to some extent in paragraphs 23 and 24, so Parties would come together at the same time, and feel the pressure to communicate a new target and update, even if they don't have common time frames.

Müller responded that while Paris may have synchronised the communication of NDCs and the stocktake, it did not synchronise the updating of NDCs. Synchronised updating is essential for enhancing the potential for ambition, he said, and making the discussion on who is to do what, and what is fair, more rational. Spontaneous updating by countries, as and when they see fit, will not work, he felt, as it is essential for countries to be able to discuss and compare effort. If countries do not have a deadline for synchronised updating, moreover, they could push it aside. He highlighted the synchronisation of updating as the key new idea in the dynamic contribution cycle, to enhance the potential for enhancement of ambition.

In the discussion that followed, a developing country participant said it is not clear whether standardised cycles are the most effective way to enhance ambition. An “ambition cycle” is not mentioned in the Paris Agreement, although it is reflected, she said, and there is a mechanism to push efforts forward, and enhance NDCs. She queried if shorter cycles could promote ambition, saying longer cycles could provide certainty to lock in greater ambition and provide a clear signal to civil society and markets. Shorter cycles may provide an opportunity for cycles to be updated more regular and for more ambition, she said, but the drive to enhance ambition will have to come from the national level. She also noted national circumstances, and said some countries may want to enhance ambition, but this would rely on certainty regarding means of implementation.

A developing country participant said the Paris Agreement has not created a point in time where all countries come to the table facing the same political pressure, at the same time. While some countries will come to table knowing they must update their NDCs and ambition, others, with longer timelines, will have no need or pressure to update theirs. This will make a comparison of efforts, in relation to each other and in relation to the goal of the Agreement, very difficult. If ten-year targets end up being end-point targets, he said, meaningful conversation on ambition will become particularly difficult. He noted, in this regard, that the next two timeframes are very important – if the emissions curve is not bent by 2025, he said, the 2°C goal will be impossible to achieve. On the issue of providing certainty to markets with longer, ten-year timeframes, he said the energy sector plans for decades, so five or ten years will make little difference to them. He supported both a long-term vision and five-year cycles as essential.

Another developing country participant noted that the problem of different timelines would not have arisen if countries had not submitted INDCs before Paris. However, he felt, the solution proposed by Müller was an elegant way of synchronising updating. He noted the need for both, increased ambition in 2020 to prevent locking in low ambition for the next 15 years; and an indication of the direction of travel. Long-term strategies, he said, will therefore have to accommodate the synchronisation cycles.

Another developing country participant highlighted the importance of support in enhancing ambition, saying the current cycles of accessing finance take too long to be effective. She noted the need for an indication of the support that will be available for effective planning, and certainty that it will be forthcoming.

A participant said unless countries have similar timetables, they will not be able to learn from each other. She noted the need to shorter timelines for countries to reflect latest technological progress, which could be game-

changing, in their updates. She said countries will need five and ten year plans, in addition to longer-term planning, and certainty regarding financing.

A participant from Europe said the solution proposed in paragraphs 23 and 24 was ad hoc, for only one time, to accommodate the different timelines in INDCs. He agreed that synchronised cycles are very important for countries to feel political pressure at the same time, saying the proposal to take advantage of both the five year and ten year cycles could provide stability in the longer term.

A developing country participant said that from a domestic perspective, having an indicative NDC that goes beyond the first period, but is not written in stone and can be adjusted according to needs, the global stocktake and national circumstances is very useful. The indication could provide the private sector the signal they need to plan for the longer term. He said his country's INDC includes contributions until 2015, with an indication until 2030, and this has been very helpful for internal dialogue. Moreover, he said, providing other countries with an indication of future plans could bolster trust and fairness in the process. Without common timeframes, some countries will have to be more attentive at the 2023 global stocktake, as they will have to update their NDCs based on the outcome, while others, with ten-year cycles, will have no cause for worry. He concluded that having a firm first cycle with an indicative second cycle will be good way for enhancing ambition while planning for the long term, without locking in these longer-term plans into low ambition.

A participant from Europe felt even ten years is too short a time to reorganise economies, and a 2050 timeline is necessary. She said the timelines will not make a difference unless the scientific process translates into more ambitious action; while agreeing that there are other uncertainties involved, such as the availability of finance to implement conditional NDCs, and who makes the judgement call on whether ambition was lacking because of external factors. She supported the rolling plan, saying that is how governments work anyway.

Another participant from Europe said the Paris Agreement leaves the framework open instead of making it rigid, reflecting what the Parties were willing to accept. He said rolling cycles could be a very good way ahead – if we can get there. He noted the multiplicity of timeframes in the NDCs, while agreeing that a five, ten and longer term timeframes are necessary. Whatever happens, he said, there must be a domestic debate very five years, to integrate ambition into domestic policies.

A developing country participant while countries decide what they want to do and how and when to do it, there should be a top-down element providing guidance to the national process. She said the process of preparing and communicating INDCs was very rushed, and the Paris Agreement sought to accommodate this rushed process. The discussion on how to synchronise updates and provide adequate top-down guidance is necessary, she felt.

A participant from Europe asked whether Müller was proposing reopening paragraphs 23 and 24. He said the flexibility in the Paris mechanism is fragile but important, allowing space for national determination, and it is important not to limit this flexibility.

Another developing country participant said for developing countries, financial capacities and flows and the availability of technologies will be key factors in enhancing ambition. For donor countries, it will be important to know what developing countries are planning to do, and what kind of resources are necessary.

A participant from Europe said it is important that the Paris rulebook drives sound domestic policy. This will need regulatory predictability, but also adjustability over time, to change policies in light of new technological developments, the latest science, etc. In terms of a synchronised review cycle, he said the lack of plans beyond

the five year cycles may make countries more susceptible to political pressure, but it does not mean that it will result in better policy. On the idea of countries submitting indicative NDCs at least five years in advance, he said this appears to be an invitation to negotiate NDCs and push for higher levels of ambition. He saw this as a shift from the “nationally determined” nature of contributions, which he said governments may not be conformable with. He highlighted comments from developing country participants, that their plans are more likely to be determined by the availability of resources than peer pressure, saying developed countries are more likely to be interested in the competitiveness of policy.

Müller clarified that the indicative NDCs are not meant for formal negotiations on the NDCs, but for peer-to-peer comparisons.

A developing country participant felt that some speakers were attributing more “granularity” to the NDCs than was the case. He said the NDCs function at the level of “economic outlooks” rather than more detailed “financial accounting”. Therefore, the NDCs need not be restricted to having the same timeframes as national planning and budgetary cycles. Some countries like Brazil and South Africa have already followed the 5+5 year cycles approach in their NDCs, he said, without facing any difficulties. However, the rationale of Parties who only include a five-year period because of domestic budgetary processes is not clear, as NDCs do not need to be linked to national budgetary allocations.

A developing country participant said countries with ten-year timelines could choose to propose something new every five years, but they can also simply repeat the same thing. He felt this choice of whether or not a country has to put down something new will determine the political mindset of ministers at the stocktake. The proposal for a dynamic contribution cycle merits consideration, he said, because it avoids a policy vacuum after five years. He reminded participants that the bargain in Paris was that all countries would take the outcomes of the global stocktake into account and update their NDCs accordingly. While agreeing that the indicative targets could help to establish a floor of ambition, he said countries will have to, in good faith, return to them after the global stocktake takes place. He also agreed that a 2050 pathway is important to help stakeholders make long-term investment decisions.

In his final comments, Müller said many considered the Kyoto Protocol doomed from the start after it was adopted in 1997, because it only provided a pathway for a single commitment period, leaving a vacuum thereafter. He agreed with participants who said that: shorter term timeframes are necessary to consider technological breakthroughs; developing countries cannot make ambitious indicative NDCs, particularly the conditional components, without clarity on means of implementation; and while the Paris Agreement allows for national determination of contributions, this does not imply a free for all – there is also an essential top-down component. A minimum for this top-down component should be a synchronisation of procedures to enable a comparative process, he concluded.

## FACILITATIVE DIALOGUE

This session was initiated with presentations by Kaveh Guilanpour and Cristina Carreiras.

Guilanpour said it will be too late to wait until the first global stocktake to assess progress and take action if the temperature goals of the Paris Agreement are to be achieved. The facilitative Dialogue will provide a first opportunity for Parties to come together to consider the ambition of the NDCs, and it is therefore critical that the Dialogue is effective.

He noted that common ground was emerging on the modalities and objectives of the Dialogue following efforts by the Fijian presidency, but a number of issues remained to be resolved on the modalities, scope and outputs.

With regard to modalities, he proposed that the Dialogue should be designed to answer three questions: where are we now, where we need to be, and how we get there. It should therefore be conducted in a way that: recognises and celebrates efforts already made; informs Parties' preparation to raise the ambition of their NDCs; is effective, simple and not too burdensome; and is strongly linked to the Paris goals, in relation to the long-term temperature goal and achievement of net zero emissions.

The modalities should, he said, help to: generate the wider political momentum necessary to raise ambition; ensure the effective participation of sub-national/non-state actors; be transparent and promote the increased transparency of Parties' NDCs; and explore the current state of implementation. Further, the modalities should incorporate and build on the Fijian concept of "*talanoa*" – a process of inclusive, participatory and transparent dialogue and respectful engagement that builds empathy and leads to decision-making for the common good.

Guilanpour proposed identifying the mitigation gap to answer the questions of "where we are now" and "where we need to be"; and addressing how we close that gap to respond to the question of "how we get there". He noted that the Dialogue will have to be creative and innovative to address the question of "how we get there" – it will have to demonstrate that increased ambition is not only necessary, but possible – and be truly facilitative. It will need to provide solutions, build partnerships, and develop a real momentum for all Parties to find a space and opportunities to go further and faster.

Noting that barriers are often the most significant constrain for developing countries, he said the Dialogue will have to address the fact that all countries have to deal with economic, social, technological and other problems/barriers/constrains, that limit their actions. It should also highlight the economic and development benefits of enhanced climate action, and capitalise on the technological revolution in renewable energy and energy efficiency, while allowing for effective interaction of non-Party stakeholders.

Noting general agreement that a technical element should be part of the Dialogue, Guilanpour said it should aim to inform Parties on the three questions he highlighted. In that context, the inputs for the Dialogue should be concise, robust and capable of aggregation (i.e. quantifiable).

On the Dialogue's political elements, Guilanpour proposed a ministerial gathering at COP24, structured to consider the three questions sequentially, and based on the output of the technical elements of the three questions. He emphasised the importance of making effective use of ministerial time, and being innovative in its format, to avoid ministerial speeches that have been pre-prepared several weeks earlier.

With regard to the scope of the Dialogue, Guilanpour noted that the mandate is focused on mitigation, and the expansion of this scope risks diluting efforts. However, he felt the scope is not cut and dried, and means of implementation in relation to enhanced mitigation will need to be part of the conversation. The link between mitigation and adaptation will also have to be considered.

On the outputs of the Dialogue, Guilanpour listed a clear response to the three questions; and a clear signal of political intent to take what has been learned and use it to raise ambition and inform domestic processes to table new or updated NDCs. Ministers should also be ready to give an indication, as part of that political signal, of what the domestic process to receive and act on the output of the Dialogue will be.

Guilanpour emphasised the need to complete the design of the Dialogue at COP23, with a clear signal and guidelines on what will happen next, including with regard to timetables and deadlines. A “light touch” COP23 decision may be needed to achieve this, he said.

Guilanpour finally listed with the following list of questions for consideration by participants:

- How will inputs from non-Party stakeholders be aggregated, if at all? How can non-Party stakeholders be used effectively as champions?
- How can the ministerial segment be designed effectively to be truly interactive?
- How will pre-2020 implementation be taken into account?
- How can means of implementation be part of the conversation while respecting the mandate of the Dialogue?
- How can the Climate Summit organised by the UN Secretary General in September 2019 be used to increase the effectiveness of the Dialogue?
- What should the COP23 and COP24 decisions look like?

Finally, Guilanpour raised the issue of the US and its role in the Dialogue, given the country’s intention to withdraw from the Paris Agreement; and the fact that it is the only major economy and G20 member with a five-year target, and hence should have come up with a new target in 2020.

In her presentation, Carreiras agreed that the Dialogue will be the first political moment to look at existing efforts and increase global ambition; and that it should address the three questions put forward by Guilanpour. She said the Dialogue should serve to create trust, and inform Parties of the context of their future actions. She noted that the IPCC special report on the 1.5°C aspirational goal, due in 2018, will be a key input into the Dialogue, and agreed that it will be important to include inputs from non-state actors. She said the Climate Action Summit planned in California in 2018 could also be used to build momentum towards the Dialogue. She agreed that ministerial input should not be limited to three-minute speeches, but a more innovative format is necessary, possibly chaired by an outsider. She noted the need to ensure that the ministers have all the information they need for the Dialogue, including reports from IPCC, the UN Environment Programme and the International Renewable Energy Agency. She asked participants to consider how non-state actors could also be part of the Dialogue with ministers.

On behalf of the former Presidency, a developing country participant said his delegation was working with the upcoming presidency to address many of the questions raised during the presentations, including the role of non-state actors.

Another developing country participant said the Dialogue should also how to address the mitigation gap in the pre-2020 period, because if this is not addressed, the burden will pass to developing countries beyond 2020. He emphasised the importance of addressing the role of international cooperation, saying the Africa Group views

facilities to close the pre-2020 gap as a key outcome of the Dialogue. These need not be under the UNFCCC, but should be able to show that the gap has been addressed. He noted that there are several CDM proposals that are awaiting funding, and could play a role in closing the gap.

A participant from Europe said the Dialogue should be considered as a process that takes place not only within the UNFCCC, but also continues outside over a period of time. She noted that the IPCC special report will only be published in October, which will be quite late, so it will be important to think of ways in which it can contribute. She said the Dialogue should consider how to scale up ambition in short term, perhaps by scaling up and replicating existing initiatives and partnerships. She said it will be helpful for ministers to champion key areas. She agreed means of implementation will have to be an important part of the Dialogue, and hoped there would be more pledges to cover the pre-2020 gap.

A developing country participant said the process used in the 2013-2015 periodic review, where scientists were brought in to speak about specific issues, could be used to inform the Dialogue. He said the Adaptation Committee and Technology Executive Committee have the mandate to inform the Dialogue, so a small group of experts from these committees could provide technical inputs to the process leading up to the Dialogue. This would be a way to bring non-state actors into the process. He also proposed an intersessional meeting after the IPCC special report is released, to bring its inputs into the Dialogue.

Another developing country participant said the LDC Group would like to see all the Cancun pledges addressed in the Dialogue, but the challenge will be on how to bring these issues in. He agreed that the mitigation element will be the easiest to address – although an adaptation goal has been agreed, further work is needed on it. For the time being, he said the focus could be on mitigation and means of implementation, with adaptation addressed as part of means of implementation, and this could be a learning process. He emphasised the need for a decision followed by a political declaration, and asked how this could be achieved. On the US issue, he said consideration of how to bring in voluntary contributions by sub-national actors may be necessary.

A developing country participant emphasised the need to maximise on the potential of the Dialogue, for the pre-2020 period and beyond. She said it should be facilitative, consider means of implementation, have a useful outcome, and include consideration of next steps.

Another developing country participant said the Dialogue will provide developing countries with a chance to revisit their INDCs, which were produced in a hurry and without too much consideration of how they can be translated to policies, programmes and projects. He said the Dialogue should provide guidance on increasing global ambition, while considering the potential of countries to deliver emissions reductions, and promoting international cooperation. He proposed intersessional workshops in May and possibly in October 2018; and South-South Dialogue and peer review, saying that what other developing countries are doing is more relevant to his country than what a developed country is doing. He also agreed with the need to consider sub-national contributions from the US.

A participant from Europe said it was useful to have the discussion with four COP Presidents around the table, although the Parties have a key role in making the Dialogue work. She highlighted the need to manage expectations on what is possible from the Dialogue. Agreeing that means of implementation is of vital importance, she proposed linking it to the involvement of non-state actors. On the format, she said the discussion should be interactive, and ensure that the engagement of ministers is not only one-time, but that they continue to engage after the Dialogue, perhaps as champions. She emphasised that what happens after the Dialogue will be important to carry the message forward to a broader audience.

A developing country participant said the Dialogue will need to have a concrete political outcome, but also action-oriented outcomes for the process, such as partnerships and initiatives. She said the Dialogue will be useful for the elaboration of long term strategies, and proposed focused roundtables and discussions on specific sectors, to address specific challenges identified by countries. She supported the idea of champions, not only at the global level but also at the regional, national, sectoral and local levels to create more ownership.

A participant from Europe highlighted the danger of focusing on specificities and losing sight of the bigger picture – this was meant to be a “facilitative Dialogue” and not a “complicated Dialogue”, he said. The success of the Dialogue will not be assessed by its structure, he felt, but by the good faith of the intentions expressed by governments, and the actions that follow it. He noted it will be useful to consider the “hooks” in 2018/ 2019 that can be used to get governments to take part in the Dialogue.

Another participant from Europe said the Facilitative Dialogue could be structured along the lines of the review of the global goal and related Structured Expert Dialogues, and the global stocktake, although it will be less rigorous than these two processes.

The Secretariat will need to be steered towards not making the Dialogue a plenary discussion, said a participant from Europe, proposing a small table setting instead. She said a lot of preparation will be needed to make the Dialogue effective, and ensure the ministers are there not for three minute interventions, but to work with each other. She noted that the Standing Committee on Finance will complete its biennial assessment in the autumn of 2018, and it can serve as an input for the discussion on means of implementation.

A participant from Europe said Dialogue will need to involve many other actors, including civil society, the business sector and local governments for instance, and the vision of its success is not whether ministers said the right thing, but if others heard.

A developing country participant said the Dialogue will have a blind spot to deal with regarding US participation, and this will make discussions on issues such as means of implementation difficult.

In his closing remarks, Guilanpour said that whether a COP23 decision is needed or not should not become a negotiation issue, though he agreed a decision will probably be needed – for instance, to give the Secretariat the go-ahead to hold workshops and additional sessions, or to fix the dates of the ministerial session. At the very least, he said, a statement by the COP presidency will be necessary. He agreed the post-2018 outcomes of the Dialogue will be key, and that ministers should give a clear signal of what will come next. He felt the UN Secretary General’s summit would have been more useful in the spring of 2020, when countries will have had time to react to the Dialogue, but it should be built into the sequence of what happens after 2018. He agreed efforts should be made to inform Parties of the results of the IPCC special report, so they are not taken by surprise.

He further agreed that long-term strategies are essential, although they are optional and not all countries will have one by 2018. On the format, he said more groundwork is needed to make the process innovative, though he agreed that roundtables bigger than 20 are not conducive to conversation. On the US, he said he had raised it as a political question, on whether it undermines the seriousness with which we approach the Dialogue, but agreed it will have substantive implications from the perspective of mitigation and financial gaps. However, he said this will be a question for the Dialogue in 2018, rather than for the design phase of the Dialogue.

Carreiras added that it will be important to consider how countries present themselves, in the context of what they are doing currently to implement their NDCs.

## GLOBAL STOCKTAKE

This session started with a presentation by Ngwadla and Marianne Karlsen.

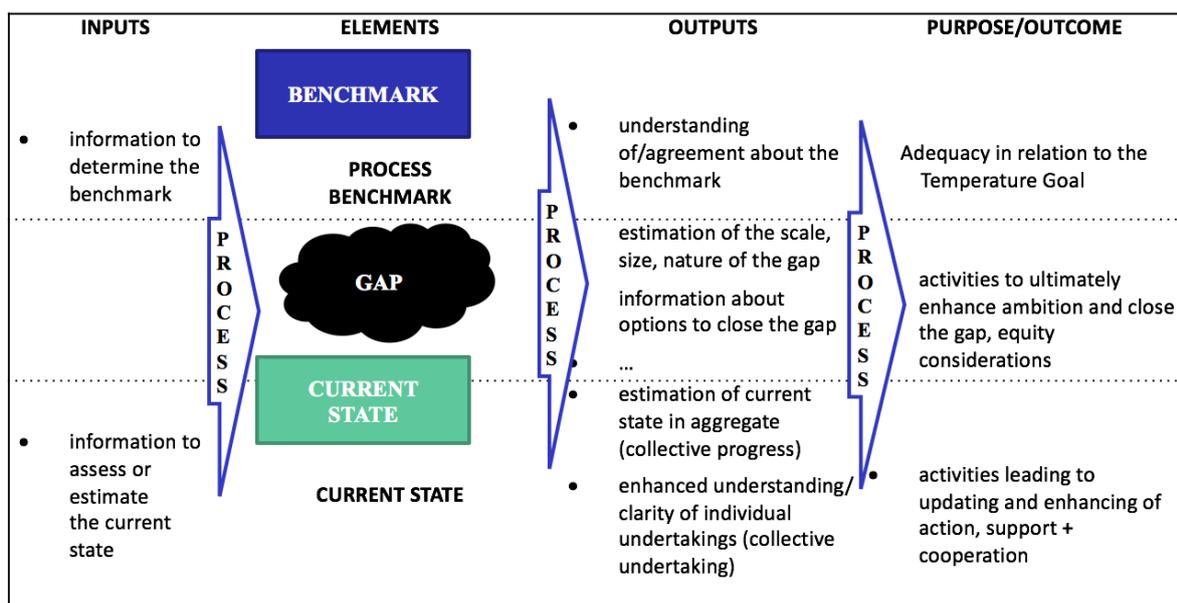
Ngwadla presented on the context of the stocktake; its basic structure; key issues for further clarity; and a proposed process model for the stocktake.

On the objective, he said the stocktake is expected to “periodically take stock of the implementation of this Agreement to assess the collective progress towards achieving the purpose of this Agreement and its long-term goals” (Article 14.1 of the Paris Agreement). Its purpose is to: “...inform Parties in updating and enhancing, in a nationally determined manner, action and support ... enhancing international cooperation for climate action” (Article 14.3).

He said the stocktake should address collective progress against the purpose of the Agreement, and the goals expressed in Article 2a and 4.1 on mitigation; Article 2b and 7.1 on adaptation; and Article 2c and 9 on finance. The stocktake should be carried out in a “...comprehensive and facilitative manner, considering mitigation, adaptation and the means of implementation and support, and in the light of equity and the best available science” (Article 14.1).

On the basic structure of the stocktake, Ngwadla presented **Figure 3**.

**Figure 3: Basic structure of the global stocktake**



Source: Holz, Ngwadla, 2016

He noted that the stocktake was expected to give Parties a sense of where they are, and where they are going. A first exercise should therefore have to generate an understanding of, or agreement about, the benchmark, related to the temperature goal of the Agreement. A second should relate to an exercise of estimating the scale, size and nature of the ambition gap, and an understanding how the gap in ambition can be closed, based on

equity considerations. A third process should generate an understanding of collective progress, and individual undertakings, to inform activities needed to update and enhance action, support and cooperation.

He noted that during the Fellowship Colloquium, participants had proposed taking a step back to design a durable stocktake mechanism that provides flexibility to learn, so that process does not have to be renegotiated or micromanaged in future, which will be the case if each aspect becomes too specific.

Listing key issues for further clarity, he noted different views on:

- Assessing collective progress, related to whether the stocktake is about the assessment of targets, or assessing specific aspects of mitigation, adaptation and finance.
- The meaning of long-term goals, and whether they relate to objectives in Article 2.1(a-c) or also the objectives related to specific goals, such as those articulated in Articles 4.1 (global peaking goal), 7.1 (adaptation goal), 10.6, etc.
- How the themes should be organised. Should there be separate workstreams on mitigation, adaptation, finance and other elements, such as loss and damage and response measures; or whether one stream should address all aspects. Moreover, how should crosscutting issues be addressed, such as the intrinsic relationship between adaptation and mitigation?
- How should core inputs for the stocktake be decided, by whom, on what basis, and by when should they be provided. One understanding is that the inputs should be synthesised information, and be both backward- and forward-looking.

He then presented a process model for the stocktake, summarised in **Figure 4** below, from a note by the co-facilitators of the Ad Hoc Working Group on the Paris Agreement (APA).

**Figure 4: Process model for the global stocktake**

<p>Model 1: Two/three phases with some overlapping and interaction between phases</p> 	<p>Model 2: Three phases intertwined with dynamic interaction</p> 	<p>Model 3: Simple design (Cooperative discourse)</p> 
<ul style="list-style-type: none"> <li>• Preparatory – Technical</li> <li>• Political/leadership</li> </ul>	<ul style="list-style-type: none"> <li>• Information gathering and compilation</li> <li>• Consideration of inputs/assessment</li> <li>• Preparation and consideration of outputs</li> </ul>	<ul style="list-style-type: none"> <li>• Collected sources of inputs ending in an agreed outcome</li> </ul>
<p>Workstreams</p> <ul style="list-style-type: none"> <li>○ Mitigation, adaptation and means of implementation and support (including global financial flows)</li> <li>○ Other workstreams (e.g., loss and damage, response measures, cross-cutting)</li> </ul>		
<p>Post GST engagement</p>		

Source: APA 1.3 co-facilitator informal note

He noted that the first model in the figure is significantly different from the third one, which assumes a single stream, and addresses technical and political issues concurrently. The other models break down into steps. He noted that models 1 and 2 are based on the experience on the 2013-2015 review.

Ngwadla concluded by saying that another big issue that will have to be resolved is the future of the 2013-2015 review, which is supposed to continue, and take place every seven years. He asked whether the review could still have a purpose and continue, or it should be replaced by the stocktake.

In her presentation, Karlsen presented her personal thoughts on how the global stocktake could fit in with other elements and mandates of the Paris Agreement. She noted that without sufficient thought, the stocktake will be a process of “garbage in and garbage out”. She said the stocktake starts with the various communications of countries including the NDCs, adaptation communications, technical needs assessments etc; and national reporting to track progress on the NDCs, adaptation, means of implementation and support.

She noted that the overall goals of the Agreement are overarching, and to make the stocktake effective, further detail and some durable elements will be needed. She presented several review questions for the stocktake.

On mitigation, Karlsen listed the following questions:

- What is the current and projected accumulated concentration of greenhouse gases in the atmosphere and temperature rise?
- What do the emission pathways to stay well below 2°C above pre-industrial levels, and to limit the temperature increase to 1.5 °C above pre-industrial levels, look like?
- What is the overall effect by the NDCs implemented and/or reported by the Parties?
- What is the gap between the estimated level of global emissions in 2030 if the NDCs are fully implemented, and the range consistent with the well below 2°C or 1.5°C temperature goal?
- What is the gap between estimated global emissions and the long term global goal throughout the century?
- What reductions in global emissions are needed to be on the pathway consistent with the long term global goal (Article 2.1a and Article 4.1)?
- What are the opportunities, good practices and barriers for enhanced climate actions?
- What can Parties, collectively or individually, do to enhance climate action to the level needed to achieve the mitigation goals in Article 2.1a Article 4.1?
- What barriers can be identified and how can they be address them?
- What opportunities and good practices exist and how to enhance and scale up?

On adaptation, she listed the following questions:

- What progress has been made to enhance adaptive capacity at the national, sub-national and local levels through adaptation planning processes, including assessments of climate change impacts particularly on vulnerable people, places and ecosystems; processes to formulate and implement national adaptation plans; and monitoring and evaluation of adaptation plans, policies and actions?
- What progress has been made in building resilience and reducing vulnerability to the impacts of climate change, including in socioeconomic and ecological system, through: implementation of adaptation actions and undertakings and/or efforts; and economic diversification and sustainable management of natural resources?
- What are the opportunities, good practices and barriers for enhanced adaptation to the impacts of climate change?
- What can Parties collectively or individually do to enhance adaptation to achieve the global goal on adaptation?
- What barriers can be identified, and how can they be addressed?

- What opportunities and good practices exist, and how can they be enhanced and scaled up?

On finance, she listed the following questions:

- What progress has been made in making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development? What progress has been made related to Article 9, 10 and 11 of the Paris Agreement?
- What is the current level and status of global climate financial flows, including information on the geographic and thematic balance of such flows?
- How effective have Parties and the operating entities of the financial mechanism been in meeting obligations, objectives and principles in Article 9, 10 and 11 of the Paris Agreement, and in shifting finance flows towards a low greenhouse gas emissions and climate-resilient development? This would include assessing coherence and coordination in the delivery of climate finance; rationalisation of the financial mechanisms; mobilisation of financial resources; and reporting and verification of support provided.
- What are the opportunities, good practices and barriers for making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development?
- What can Parties do, collectively or individually, to meet objectives and principles in Article 9, 10 and 11 of the Paris Agreement, in particular mobilising financial resources for climate action in developing countries, developing and transferring technology, and building capacity in developing countries?

Karlsen then noted that too much input into the stocktake will make it impossible to absorb the information. Inputs could include the synthesis reports of the UNFCCC Secretariat on the NDCs, and on their gap report (for mitigation); the Adaptation Committee/LDC Expert Group reports on the “state of adaptation”; the Technology Executive Committee’s report; the Standing Committee on Finance’s report on financial flows, support provided and received; and the Paris Committee on Capacity Building’s report. She noted that these committee’s do not need to be micromanaged for what inputs they should provide, though they should be asked to provide it for the subsidiary bodies meeting in June, in the year of the stocktake.

At the June sessions, she said, Parties can then have a Dialogue and provide recommendations to the CMA/COP based on three workstreams (mitigation, adaptation and finance).

For the mitigation workstream, these recommendations should address the barriers, opportunities and possible solutions, in the light of equity, to:

- collectively or individually enhance climate action to the level needed to achieve the mitigation goals.
- identify and address barriers.
- identify opportunities and good practices to enhance and scale up action, including on technology, capacity building and finance.

On adaptation, the recommendations should address the barriers, opportunities and possible solutions, in the light of equity, to:

- collectively or individually enhance adaptation to achieve the global goal on adaptation.
- identify and address barriers.
- identify opportunities and good practices to enhance and scale up action.

Karlsen said the financial flows workstream should address what Parties can do, in the light of equity, and collectively or individually, to meet the objectives laid out in Articles 2.1c, 9, 10 and 11, in particular mobilising financial resources for climate action in developing countries, developing and transferring technology, and building capacity in developing countries.

She noted that a clear message on ambition at the end is important, as is the “after-party”, when Parties reflect on the stocktake and provide feedback how the stocktake informed their NDCs, and how and why their NDCs reflect progression.

In the discussion that followed, a participant from Europe noted that the implementation of the Paris Agreement will only begin in 2020.

Ngwadla responded that the 2023 Stocktake will have to consider pre-2020 pledges. He said the time taken for countries to provide information, and for it to be synthesised, will have to be considered; and the key will lie in how the common timeframes discussion is resolved.

A developing country participant noted the importance of lessons from the Facilitative Dialogue for the stocktake, without overburdening the Dialogue.

Another developing country participant said the stocktake will be a long-standing mechanism, key to ambition of the Paris Agreement and the effectiveness of the regime. He highlighted the need to harmonise the stocktake with transparency arrangements.

A developing country participant pointed to the link between the stocktake and the question of timeframes; and agreed on the important role of non-state actors.

A participant from Europe noted convergence on significant aspects of the stocktake’s design, with some differences on its scope and influence. He said one of the achievements of the Paris Agreement is to create a dynamic instrument, with an ability to enhance ambition, but it was based on an agreement that it would not be overhauled. He found the suggestions to include other issues such as loss and damage and response measures in the stocktake worrying, as they could unravel the focused nature of the Agreement. On inputs, he said the stocktake would have to rely on the best information available, but not be limited only to information coming formally through the process – instead, the list of inputs was kept open-ended on purpose, to ensure the stocktake is based on best available information.

Another participant from Europe agreed on the need to rely on best possible information from numerous sources, as national reporting to the Secretariat is sometimes very patchy. She said the review processes of the Secretariat do not always assess qualitative data, but only consider if information is reported or not. Considering all sources will also allow information from non-state actors to be captured, she felt.

A developing country participant reflected that even though the Facilitative Dialogue is taking place in a year and the stocktake is several years away, a lot more negotiation is taking place on the latter than the former. The biggest difference between the two, he said, is that whereas the Dialogue will focus on mitigation, the stocktake will look at various aspects, and several workstreams will be necessary for a technical conversation, to feed into the political discussion. He noted conceptual differences that still block progress on details, saying Ngwadla’s questions present a good way to discuss the way ahead. He also said the scope of the stocktake is not as clearly defined as some countries would like to make out, and the list in Article 14 is not exhaustive.

Karlsen said she was open to the IPCC providing information on benchmarks, greenhouse gas levels in the atmosphere and temperature rise, but it would be difficult for them to compile gap reports, where there will be issues of timing and the cycles of the IPCC. Moreover, she said, the bodies that serve under the Paris Agreement already have a system to engage other stakeholders and will therefore be more inclusive.

Ngwadla said the transparency systems do not have any mandate for synthesis of information, therefore the only link between the two is that the transparency process will be a source of input. There would be other inputs, including the NDCs, which may or may not have arrangements with the transparency process. He proposed Structured Expert Dialogues under several workstreams, with a collective dialogue looking at crosscutting issues as a possible way ahead. On the issue of the scope of the stocktake, he said climate action does not exclude loss and damage, but there are no specific goals. He said actions plans, like the gender action plan, should also be addressed.

A developing country participant said it will not be easy to have aggregate information for sectors, and while inventories are important, they will not be enough for a stocktake. He noted that inventories have a one- to six-year time lag. He said that while there are other sources of data, they could be challenged – unlike the IPCC – and result in the erosion of trust in the process. The global stocktake should be based on best available science, he said – not on latest updated information that has not yet been reviewed. He said the Secretariat would have a lot of flexibility on interpreting the basis of equity and best available science if they are entrusted with the gap reports. He also highlighted that the generation of best available is a lengthy process that needs compilation from different sources and perspectives, and he was not convinced that any other body could provide what the IPCC can.

A participant from Europe asked how collective progress on adaptation, which is mostly carried out at the local level, could be reflected.

Ngwadla agreed that checks and balances are necessary to ensure that the bodies providing aggregate information do not make assumptions, and used only published methodologies. On the question of collective information on adaptation, he said the adaptation communications should use approaches to allow for global assessments.

## FINANCE

This session was initiated with presentations by Johanna Lissinger Peitz and Müller.

Peitz said there have been several reports and initiatives showing the benefits of investing in climate, including for the transformation of financial flows, and discussions reflecting that international climate finance will play a vital role for developing countries. She noted that developed countries are committed to deliver US\$ 100 billion by 2020. Her presentation focused on adaptation finance, the transformation of financial flows, and information relating to financial flows.

On adaptation finance, Peitz noted that constructive discussions had taken place in Marrakech on the future of the Adaptation Fund, which is a key focus of the negotiations currently. She invited participants to discuss the operating modalities and the sources of funding for the Fund, including from the market mechanisms of the Paris Agreement, innovative sources and voluntary funding. She noted that the Fund currently relies extensively on voluntary funding. Referring to a report by the World Resources Institute on the role of private finance in adaptation, she proposed that the role of private finance in adaptation should be considered in more detail, perhaps by formally including it in the negotiations' agenda.

Peitz also invited a discussion on where the Adaptation Fund fits into the larger landscape of climate funds. She said the GCF has already allocated more, or at least as much, to adaptation projects than the Adaptation Fund has over its lifespan, although she recognised that the Adaptation Fund has attractive characteristics,

such as easier access and country ownership. She further said a discussion on the effectiveness of adaptation finance is an important issue for discussion.

On Article 2.1c (making climate finance flows consistent with reducing greenhouse gas emission and climate-resilient development), Peitz said changes are already taking place in many countries, for instance with pension funds, fiscal systems, bond, carbon pricing, and linkages with the 2030 Agenda, which also considers development pathways. Peitz highlighted the need to consider how different elements of the Paris Agreement, such as the global stocktake, can help to deliver Article 2.1c; and to consider how recommendations from various reports can help to transform financial flows.

On information for climate finance flows, she asked if the recent in-session workshop on long-term climate finance, held in Bonn in May 2017, was considered a constructive start.

Müller also addressed the role of the Adaptation Fund, and resource mobilisation for adaptation. He said he would focus mainly on the operating modalities relating to the role of the Fund; sources of funding; and linkages with other bodies and institutions.

On the role of the Adaptation Fund, Müller addressed the issue of administrative overheads, raised by some Parties, as a key barrier to agreeing that the Adaptation Fund *shall* serve the Paris Agreement. He said some Parties felt that the financial architecture should be “rationalised” to reduce unnecessary administrative overheads, which is business speak for getting rid of some of the funds.

Instead, he proposed “Plan B” – “rationalising the funding streams” – which he said would also address the issue of administrative overheads as well as enhance the efficiency of the climate finance architecture. He described the experience of the CDM Board, where the Board was faced with a deluge of projects, and it became a bottleneck because it could not screen projects fast enough. If the financial mechanism of the UNFCCC gets all the funding that it needs and enough projects are submitted, he said, it would be unfortunate to have the architecture become a bottleneck. Instead, he proposed a structure that is “wholesale and retail”, saying the GCF should be the wholesale agent, and not have to deal with micro and nano projects. Instead, he said, the retailing should be “outsourced” to a specialised fund like the Adaptation Fund, particularly until all countries are able to have national retail agents.

Müller noted that outsourcing is considered an unnecessary administrative layer only in the case of bad outsourcing. If the Adaptation Fund can effectively deal with micro adaptation projects, he said, then the GCF does not have to expand its capacity to 8000 or more employees to screen such projects in-house. He proposed that the Adaptation Fund should serve as a “multi-sourced, multilateral adaptation retail fund”. This does not imply, however, that the projects will then have to be reconsidered by the GCF Board, he said – under programmatic access, they will have to follow GCF guidelines, but can be cleared by the Adaptation Fund Board. Müller noted that by serving as a GCF retail outlet at the multilateral level, the Adaptation Fund could solve its funding problems, as even the share of proceeds from the Article 6 market mechanisms are unlikely to be sufficient to ensure its long term sustainability.

On the issue of resource mobilisation, he noted that multilateral climate finance has a high “trust intensity” (trust/€), and is necessary to maintain trust in the process. The “Trump gap” left by the US’ withdrawal is not helpful in terms of building trust, he noted.

Müller described efforts by ecbi to encourage sub-national contributions, like the contributions by the Quebec government, the city of Paris and the three Belgian sub-nationals in Paris. He described a bill currently under

consideration in Massachusetts, to create a Massachusetts LDC Fund based on taxpayer donations; the potential of sub-national carbon trading mechanisms in raising funds for adaptation; and the potential of crowdfunding, for instance by asking corporate air passengers to donate one percent of their ticket price to the Adaptation Fund. In the case of the latter, he said, even if only one percent of corporate passengers donate (on average) one percent of their ticket price, up to US\$ 125 million could be generated annually.

Müller called for consideration of other sources, in addition to national budgetary contributions – not as a substitute, but as a way of increasing flows for adaptation. He said an earlier draft of the Paris Decision had called for consideration of additional sources of funding, but this was removed, not because of push back, but because of lack of adequate support. As the issue appeared not to be a redline for countries, he proposed its consideration by the SCF, and/or other workstreams. He said a submission had already been made, in March 2017, calling for the SCF to develop a work plan on alternative and innovative sources of finance.

Finally, Müller listed the following three finance-related elements raised by the Fellows during the colloquium for discussion, in addition to the role of the Adaptation Fund, and the proposed SCF work programme on alternative and innovative sources of finance:

- Article 9.5, on the biennial communication of indicative information related to projected levels of public financial resources.
- Article 2.1.c. on making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
- The role of microfinancing as a tool to meet environmental, social and gender safeguards (which could also be a topic for the 2018 in-session workshops on long-term climate finance).

In the discussion that followed, a developing country participant said the mobilisation of finance is a key roadblock for developing countries in implementing their NDCs. On the links between the GCF and Adaptation Fund, he said his country was facing a similar debate at the national level, on the links between the federal and sub-national funds. Although the federal fund currently relies on the national budget, he said, one option could be to turn it into a multi-sourced fund to address the new, enlarged scale of actions needed. Highlighting the importance of strong international support from multiple sources for developing countries to reach scale, he said a study in his country found that one percent of the national GDP, about US\$ 18-20 billion, will be needed annually to implement the NDC.

He highlighted the need to bring climate change into mainstream economic policy decisions instead of counting it as an externality; addressing sustainable development concerns, and highlighting alternative perspectives, such as the potential for job creation and economic development; positive pricing, by attaching a value to reducing emissions; and linking Article 2.1c to paragraph 108 of Decision 1/CP.21, which recognises the social, economic and environmental value of voluntary mitigation actions and their co-benefits for adaptation, health and sustainable development, to help resource mobilisation.

Another developing country participant said a range of financial options will be needed to address a “trillion-dollar problem”, including addressing financial sources that do not flow through the financial mechanism.

Another developing country participant highlighted the large untapped potential of the climate insurance sector, while emphasising the importance of public funding.

A participant from Europe warned that the SCF only has two meetings per year, and may not be able to take on additional work, although this could change under its new mandate.

Another participant from Europe said although the “Trump gap” looks large in the context of the GCF, bilateral contributions from the US are not substantial in the larger scheme of things.

A developing country participant asked how the finance discussion will interface with the transparency process; and called for the operationalisation of Article 9.5 of the Agreement, calling for biennial communications from developed countries on climate finance, including projected levels, saying it will be essential for trust building.

Another developing country participant said the outgoing Moroccan presidency chaired a discussion on making fiscal policy consistent with transformational pathways; will host an event with the UK, on accelerating climate finance in September 2017; and will also host a workshop on adaptation metrics in October.

A developing country participant highlighted considerations of gender in climate finance, including in implementation; and through disaggregated data and budgeting to track gender-related elements.

A participant from Europe said that while innovative finance should be a consideration, new reports and work programmes should not be necessary, as considerable work has been done on the topic already – including by the UN High-Level Advisory Group on Climate Change Financing convened in 2010; under the work programme on long-term finance under the UNFCCC; and by the G20. He said political will, not the lack of options, appears to be the barrier, and should be the focus.

In closing remarks, Peitz highlighted the need to consider national implementation challenges in the context of climate finance; discuss policy and measures that are already out there, and to develop political will; and have a more substantial discussion on Article 2.1.c, in relation not only to the global stocktake but also other elements of the Paris Agreement.

Müller noted a widespread perception among developing countries that discussions on private sector finance are a way to avoid discussions on public sector finance. He expressed concern that deflecting the discussion on funding through the financial mechanism with a focus on discussions on finance flows in general, and saying that the proportion of funding passing through the mechanism is small and unimportant could raise similar fears. He feared that a discussion on Article 2.1.c could become a “grand exercise of metaphysical speculation”. Despite its small size, he said, the financial mechanism is a very important element of the climate discussions, and saying it is not important could send out wrong signals.

He further noted that lack of political will is not always the barrier for innovative finance – for instance in the context of crowdfunding, where political will is not necessary. He said the idea in his presentation was to propose small things that can be done easily, without demanding a doubling of public sector flows.

# ADAPTATION COMMUNICATIONS

This session started with presentations by Alejandra López Carbajal, also on behalf of Sven Harmeling and Irene Suárez; and by Jake Werksman.

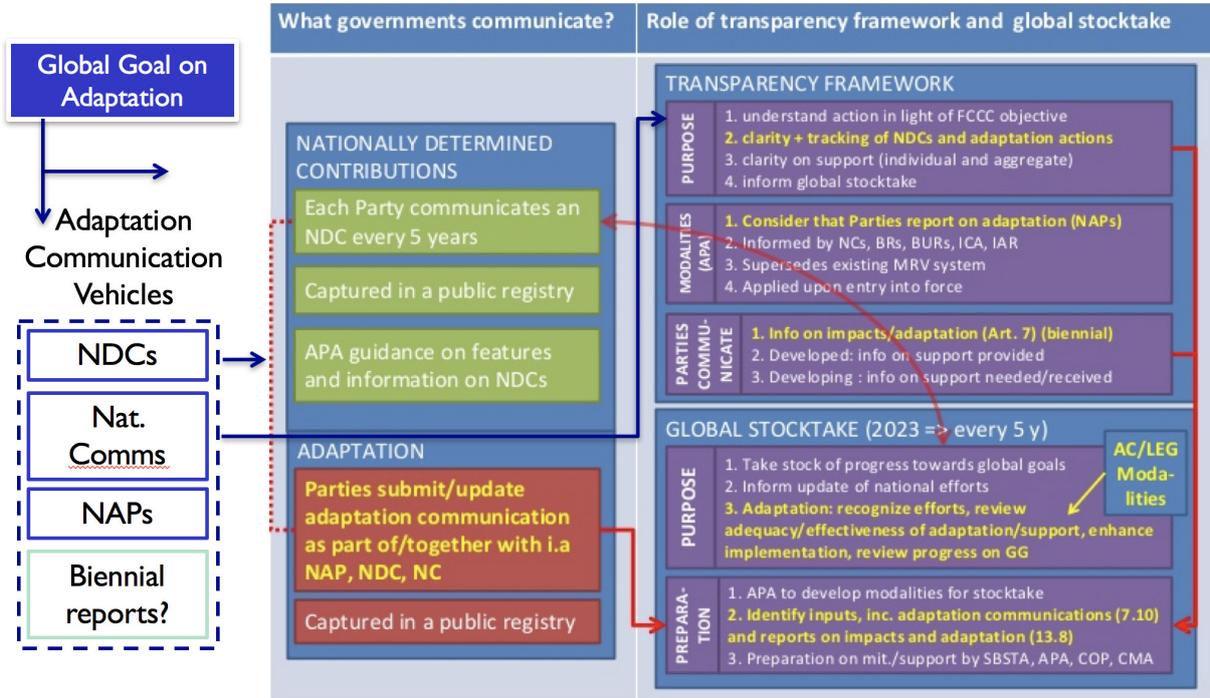
López Carbajal said presentation would address key issues related to the adaptation communications, including linkages with other provisions of the Agreement and the implementation timeline; and fundamental issues to be addressed by COP23.

She said the Paris Agreement raises the profile of adaptation in terms of finance, planning and international cooperation, with key references in Articles 7.10 and 7.11. Article 7.10 calls on all Parties to, “as appropriate, submit and update periodically an adaptation communication, which may include its priorities, implementation and support needs, plans and actions, without creating any additional burden for developing country Parties”. This Article specifies the overarching content, including the priorities, implementation and support needs, plans and actions, while also developing a boundary, of no additional burden for developing countries.

Article 7.11 discusses the timing – calling for the Communications to be updated periodically, but the intervals are left open. It also lists possible vehicles for the Communications, such as the National Adaptation Plans, NDCs and National Communications – without specifying any. The flexibility in this Article increases the importance of guidance, and the balance between degrees of flexibility, effectiveness and guidance, she said.

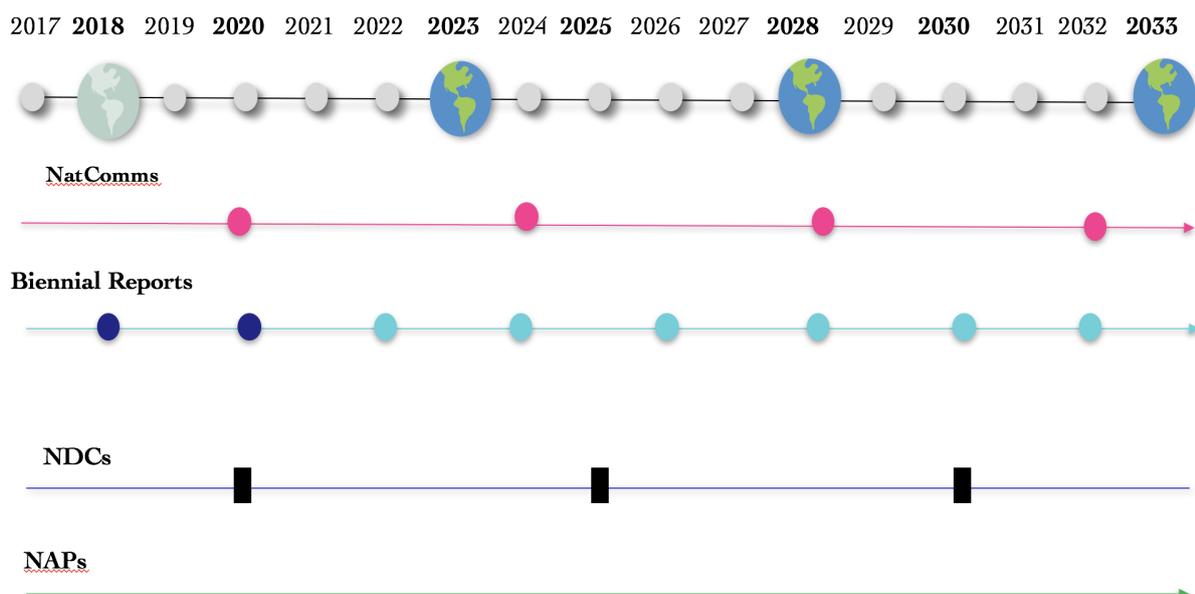
Highlighting the importance of taking into account how adaptation relates to other parts of the Paris Agreement, she presented **Figure 5**.

**Figure 5: Linkages of the Adaptation Communication and other provisions of the Paris Agreement**



López Carbajal said possible vehicles for the adaptation communications could include the NDCs, NAPs, National Communications, as well as, possibly, the Biennial Reports. Considering each of these, she presented a possible timeline for the communications (**Figure 6**).

**Figure 6: Implementation timeline for the Adaptation Communications**



She noted that the most important role for the NDCs is the outlining of forward-looking objectives and targets for action, including on adaptation. The NAPs are also forward looking, and primarily a national planning tool that can provide a roadmap towards achieving objectives outlined in the NDCs or various types of national development plans. The National Communications, meanwhile, she said, are backward-looking and for reporting every four years, with a focus on providing information on actions and policies already undertaken. She asked what the role of the Biennial Reports, to be presented under the enhanced transparency framework, could be, as they are potentially very similar to the National Communications.

In addition, López Carbajal said, the Communications are linked to the transparency framework and the global stocktake.

She noted that adding information related to adaptation in the National Communications, NDCs and potentially the NAPs if countries choose to do them, already involves a lot of work. Countries will therefore have to carefully consider the added value of adaptation communications. Currently, countries have different views on their purpose, including:

- raising/enhancing the profile of adaptation;
- contributing and informing progress towards the global goal on adaptation;
- catalysing adaptation action;
- enhancing support for adaptation actions and plans;
- communicating adaptation actions;
- recognition of adaptation efforts;
- facilitating learning by sharing best practices and lessons learned; and
- informing future decisions under the UNFCCC.

She noted that while the elements listed in Article 7.10 could be common to all, additional elements could be optional for Parties. Some of the key elements could include:

- national circumstances;
- impacts, vulnerabilities and risk assessments;
- priorities, plans, strategies, programmes, policies and actions.
- adaptation support needs / implementation and support needs;

- adaptation efforts;
- monitoring and evaluation of adaptation actions; and
- biennial communication of indicative support from developed countries in terms of finance, technology and capacity building.

Among the fundamental issues and questions to be considered at COP23, López Carbajal listed the following:

- What is the added value of the adaptation communication? How to ensure this added value persists independently of the vehicle to be used?
- Consideration of interlinkages while defining guidance for the adaptation communications.

She said a pre-session roundtable to discuss guidance for the adaptation communications will take place on 4-5 November 2017 in Bonn, and agreement on a negotiation basis for 2018 could facilitate a decision at the first session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, during COP24.

In his presentation, Werksman agreed that the Paris Agreement provides a common set of elements, along with a lot of flexibility to both developed and developing countries, and a balance between the two will have to be sought. He said the adaptation communications will serve to enhance transparency on adaptation action at the national level, and global accountability, through mechanisms such as the global stocktake and transparency framework. He highlighted the need to: ensure that domestic policy is not constructed to cater to the different timescales of the international process; and to learn from the most vulnerable countries, which have been developing national adaptation plans for many years, on how to use those plans to promote international cooperation.

During the discussion, a developing country participant noted that the costs of adaptation could far exceed those of mitigation, and even a 50-50 split of climate finance will not be adequate. Relatively smaller investments now could avoid larger costs in the future, she said, and countries should share and cooperate, particularly technologies that currently only developed countries can afford. She highlighted the importance of insurance mechanisms, which she said could also serve as a data source.

Another developing country participant agreed that the adaptation communications should also reflect implementation and support needs.

A developing country participant felt the adaptation communications should be forward looking, and their added value will be to provide clarity on adaptation, and communicate real needs to facilitate collaboration on support.

A developing country participant said the adaptation communications could serve as an educational tool for international institutions to understand what adaptation is, noting that the GCF is currently struggling with definitions. He said the communications should also make clear linkages between adaptation and the failure to mitigate greenhouse gas emissions.

A participant from Europe agreed that the links with financial and insurance markets should be strengthened; and that adaptation communications should not be an additional burden, but help countries with national planning. She said they could serve to share information and learn from others; and identify best practices, as well as what doesn't work.

Another participant from Europe said trying to arrive at a specific definition for adaptation could hinder rather than enable adaptation – instead, the adaptation communications could enhance understanding of how to address adaptation broadly through development policies, and identify underlying problems. She said the communications could also try to enhance understanding of adaptation of the broader international community, outside the UNFCCC process.

A developing country participant said the communications will be an important tool to understand adaptation needs, priorities and support needed, and should try to capture the cost of adaptation.

On the added value of adaptation communications, a developing country participant said this will depend on the information that is communicated, and how it is treated in the global stocktake. She said they should address the three questions listed by an earlier speaker, on where we are, where we need to go, and how to address the gap.

A participant from Europe agreed that it is important to flesh out the added value of the communications, saying adaptation is a tricky balance of bottom-up process and the need for synchronisation. He said his country has committed to 50-50 split between adaptation and mitigation, and they are helping countries with adaptation planning to ensure it gets to the right place, although sceptics may see the focus on planning as a way of delaying adaptation funding.

In her final remarks, López Carbajal summarised comments, including the need for the communications to: be a useful means to provide common ground and understanding; go further than the Biennial Reports; and mention what countries will do if they have the capacity. She noted further discussions are needed on how the communications can be linked to the global goal on adaptation; and who the end users of the communications will be, at the national and global levels.

Werksman noted the need for additional resources for adaptation, particularly as the focus of adaptation efforts widens to include not only vulnerable countries, but also other developing countries.

## TRANSPARENCY

This session was initiated with a presentation by Achala Abeysinghe, followed by brief inputs from Outi Honkatukia and Werksman.

Abeysinghe said the transparency system of the Paris Agreement was conceived to increase participation by all Parties; build trust and understanding; link to the ratcheting mechanism; and promote accountability. It is an important wheel that should, for instance, inform the global stocktake, and be an important consideration for developing the guidelines for NDCs, accounting of finance, Article 6 mechanisms, and compliance.

She said several submissions and workshops on the topic had thrown up some key areas of divergence between countries, including, for instance, on:

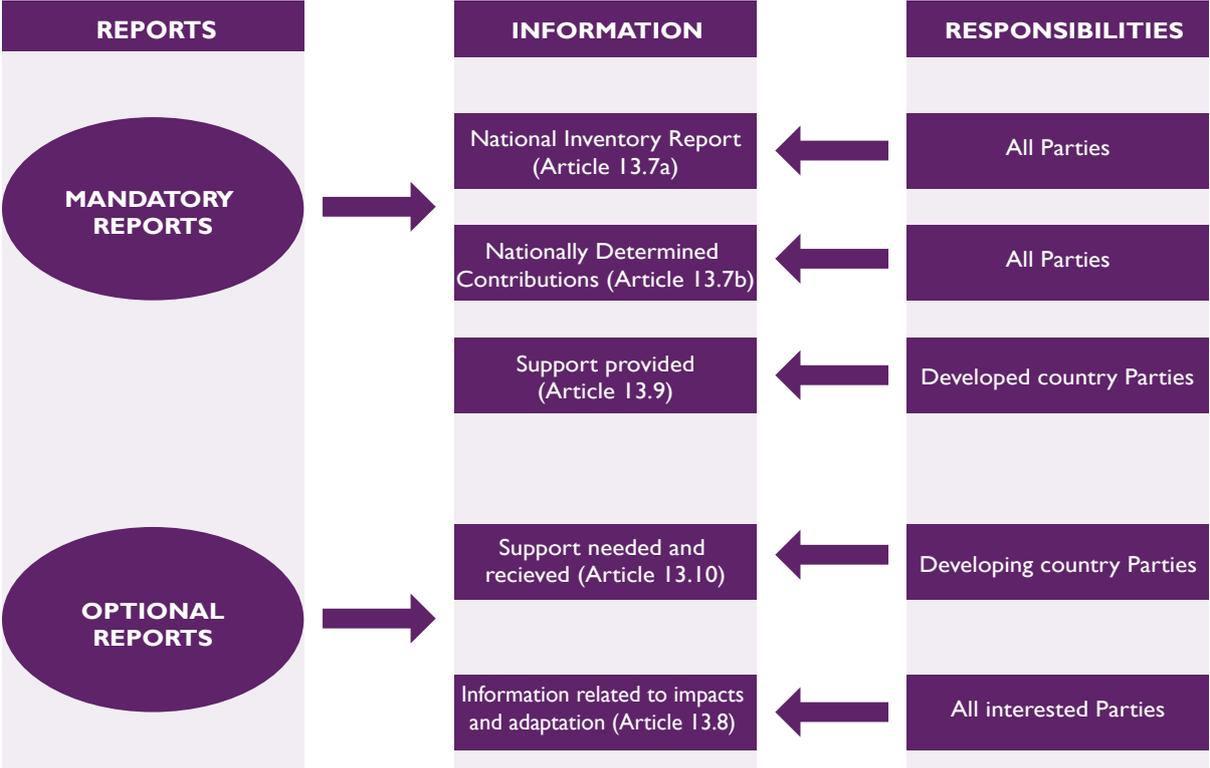
- operationalising flexibility;
- tracking progress of implementation and achieving NDCs;
- scope of information on climate change impacts and adaptation;
- transparency of support provided and needed/ received; and
- modalities, procedures and guidelines (MPGs) for technical expert reviews and the “facilitative, multilateral consideration of progress” (FMCP).

Abeysinghe also listed key concerns, including:

- the avoidance of undue burdens on developing countries;
- the operationalisation of flexibility in a way that still allows the transparency framework to provide an accurate picture of global efforts;
- the timeline for developing the framework, like what needs to be completed by 2018; and
- how to address linkages.

She listed the mandatory and optional reporting requirements for the framework, which are summarised in **Figure 7**.

**Figure 7: Reporting requirements for the transparency framework**



She said once the reports are made available, all countries will go through a technical expert review of their greenhouse gas inventories and progress towards NDCs. Developed countries will also undergo a technical expert review of the information they provide on support provided. Following this, all countries will undergo a multilateral, facilitative consideration of progress with respect to efforts under Article 9, and implementation and achievement of NDCs. She noted that flexibility for developing countries could include the scope and frequency of review.

To inform the discussion on the timeline for the transparency framework, Abeysinghe then listed the timelines for other reporting requirements under the UNFCCC (see **Table 2**).

Table 2: Frequency of reporting under the UNFCCC						
	UNFCCC			Paris Agreement		
	Developed countries	Developing countries	LDCs/SIDS	Developed countries	Developing countries	LDCs/SIDS
<b>GHG Inventories</b>	Annual	Part of National Communications and Biennial Update Reports (BURs)	Discretionary	Annual	Every 2 years	Discretionary
<b>National Communications</b>	Every 4 years. Information on support is mandatory. Different guidelines.	Encouraged to do the same. Different guidelines.	Encouraged to do the same.	No new provisions. UNFCCC continues to apply?		
<b>Biennial Reports</b>	Every 2 years. Mandatory information on support. Different guidelines.	BURs every 2 years. Different guidelines	Discretionary	At least every 2 years	At least every 2 years	Discretionary

She noted that although the Biennial Update Reports are mandatory, and the first reports are to be submitted by 2014, only 36 developing countries have submitted them as of early 2017, showing that even though they had less stringent reporting requirements, it has proven to be difficult – most likely due to capacity constraints, including a lack of financial resources, data, or established domestic reporting infrastructure.

Abeyasinghe said the existing arrangements have also shown that technical reviews can place a significant burden on Parties, expert reviewers and the UNFCCC Secretariat, and that it requires significant financial and human resources. According to one estimate, she said, 153 working days are required on average to carry out one country’s review if it involves an in-country review, or 83 days if it involves a centralised review. The number of technical experts available for carrying out reviews is still limited – especially experts from developing countries.

Moreover, she said, the outcomes and usefulness of state-to-state multilateral review processes established under the Cancún Agreements is still questionable. The true value of the multilateral reviews could be learning and experience sharing, as they provided an opportunity to share experiences and shed light not only on what developed countries achieved, but how they reached their respective outcomes. Countries sought to gain clarity on the policies and their results from the countries under review (where nearly every country highlighted the role of carbon pricing, renewable energy and energy efficiency, she noted in an aside).

The multilateral review process created greater clout at the domestic level for ministries involved in implementation; contributed to policy exchange and learning; clarified technical issues in reporting; and offered space for asking political questions, she said. Although the Facilitative Sharing of Views offers a similar forum for information sharing, said Abeyasinghe, both processes are hampered by limited participation by states, reflecting resource limitations: for smaller countries, it is not always possible to engage in detail with the lengthy reports and their reviews.

She noted that the International Consultation and Analysis (ICA) process also aims to contribute toward building the capacity of non-Annex I countries for reporting, which will help improve the quality their Biennial Update Reports over time. The technical reviews are therefore both a technical exercise to facilitate transparency, and a capacity-building effort.

Abeysinghe then presented some options for operationalising flexibility for developing countries in the transparency framework, saying such flexibility could be provided:

- systematically throughout the MPGs, for instance on the scope, level, detail and frequency of reporting;
- through reporting tiers;
- through national determination, based on the capacity of countries;
- on the basis of the legal nature of the reporting requirements, for instance, “*shalls*” and “*shoulds*”; and
- through a link to support needed and provided.

She said that while LDCs and small island developing states (SIDS) may report at their discretion, it may be useful for reports to be submitted and reviewed at least once every five years, to: get a clearer picture of global action; ensure adequate input into the review and global stocktake; and provide an understanding of redundancies/gaps in support needs. She noted however that significant support should be given to help LDCs and SIDS achieve this.

Abeysinghe then listed several challenges in determining what information will be necessary for tracking progress on the NDCs, including:

- the diversity of approaches in NDCs, which makes the formulation of common MPGs complicated;
- the lack of agreement on reporting methods for substances other than greenhouse gases, which are included in some NDCs;
- conditional elements of NDCs; and
- areas where negotiations are still underway, for instance regarding guidance on features of the NDCs; and the mechanisms under Article 6.

She then asked how the discussion on support provided and received could be moved forward, asking if the ongoing SBSTA discussion on accounting is enough. She also listed the following finance-related issues that are relevant for the transparency discussion:

- definitions of support provided/received;
- definition of ‘new and additional’;
- whether support provided and support mobilised are the same;
- how support provided and support received relate, and what happens if data on the two do not match; and
- incorporating lessons from current biennial assessment reporting by developed countries in the MPGs, including that common tabular formats have helped improve reporting.

In her intervention, Honkatukia focused on the transparency of support, saying there are two main workstreams related to this topic – ex ante information under Article 9.7 and accounting modalities – which are being addressed under SBSTA, COP, and the SCF. Therefore, she said, there is quite a lot going on, although this is not always acknowledged in the APA discussions.

On the question of matching figures on support received and support provided, she said the figures are unlikely to match for various reasons, including because not all climate finance goes through national focal points. While it would be interesting to see how many agencies climate finance goes through in countries, and how much money trickles down, it would not necessarily be reliable as an accounting exercise to match funds received and provided.

She was surprised that the focus was on how information should be provided, saying that instead it should be on what information should be provided, and then consider what vehicle will best suit the process.

She reiterated the difficulties in providing advance information on climate finance, which relies on annual budget cycles, saying however that it would be useful to hear how ex ante information will be useful for countries in their planning processes; and whether they would rather have uncertain information on possible amounts of climate finance, or want more certain figures. She emphasised that it is important to make sure that flexibility and voluntary reporting doesn't hinder reporting by other Parties.

On the accounting modalities, she said it should build on existing arrangements and the technical work that already exists. She noted that further sessions on tracking finance will take place before the COP, which will help the process move forward at COP.

Addressing issues related to compliance in Article 15 of the Paris Agreement, Werksman said the Article was not designed as an afterthought, but was a key part of the Paris Agreement which will play a key part, along with the transparency framework, in building trust. The Article 15 committee of experts is the only standing body available to bodies to address facilitation of implementation and compliance under the Paris Agreement. Therefore, he said, it complements the ad hoc role of expert review teams and peer review by governments as part of the multilateral consideration process under the Article 13 transparency framework.

He said the compliance functions are designed on the basis of best practices in other multilateral conventions to hold Parties to account, and help them address challenges. Agreement has already been reached on several elements, including the composition and size of compliance committee. He said the scope and mandate have also been determined, and the basic governing principles were agreed: that it would be an expert committee that is transparent, facilitative, non-punitive, non-adversarial, and applicable to all Parties, although with consideration of national circumstances.

One issue that remains to be resolved, he said, is how issues will be referred to the compliance committee. There are three options being considered in the negotiations: a Party-to-Party trigger; trigger by the Party itself; or on the basis of issues that are unresolved through the transparency framework.

The second main issue to be resolved relates to the tools available to facilitate implementation and promote compliance. He listed four possibilities: facilitating understanding on requirements; ensuring Parties know about support they can tap into; raising the level of political awareness domestically of the importance of compliance and implementing commitments under the Paris Agreement; and help to design plans, to help Parties get back on track.

He also pointed out the possibilities of duplication or interference with mandates of other institutions. For instance, he said, the compliance committee cannot instruct the Global Environment Facility (GEF) to provide funding to a Party, or seek to influence the GEF Governing Council, although it can draw attention to the GEF. Nor, he said, can the committee change the underlying content or provisions of the Paris Agreement – for instance, it cannot convert a collective commitment into an individual commitment, or a binding commitment into a non-binding one.

In the discussion that followed, a developing country participant highlighted the need to move towards a more programmatic approach for implementation and reporting, and to invest in national institutions that are responsible for reporting, integrating and implementation. Knowledge will have to be generated constantly in-country instead of a reliance on external experts, he said, so the flow of information can continue. On support provided and received, he said calculating support provided should be easy, but asked how support provided to international NGOs should be considered. He said his country was working on introducing budget tracking codes, but those are likely to take time to design and implement.

Müller said information related to support received is an information management problem that can be easily overcome – for instance, by requiring donors to report contributions to the UNFCCC focal points. This was already a recommendation from the SCF in the biennial assessment of 2014, but was not taken up by the COP he said.

A developing country participant asked how fundamental, conceptual issues that are blocking progress in the negotiations can be addressed, for instance on the issue of differentiation.

On compliance, a developing country participant said while the compliance committee could be functional by 2020, there is still no clarity on the scope of compliance, and whether it will look at individual obligations or collective obligations. He noted the need for more information to understand how differentiation and other provisions will work, so the committee is not dealing with issues case-by-case.

On the importance of ex ante information on finance provided, another developing country participant highlighted the importance of both means and modalities to communicate such information. He said both long-term and short-term information is important, as the former will help countries understand whether the level of climate finance that is needed is available, and signal intent, particularly for adaptation; while the latter will help to plan in the short-term. He noted that several of the issues specific to climate finance are not dealt with through development assistance indicators.

A participant from Europe agreed that capacity should be considered in the context of the scope of the review, with the intention of improving reporting over time, and perhaps flexibility in formats, for instance by permitting regional reviews.

A developing country participant said that if the figures on support provided and received do not match, then a collective understanding of why there are gaps will be necessary. He noted that the Agreement highlights the importance of national coordination – but if support has been provided without informing the focal points, it will be difficult to say whether it is aligned with national priorities. While not everything needs to go through the focal points, he said, there should be a way to ensure that a country has a full picture of incoming support. He noted particular challenges with private sector finance in this regard, and proposed a process of “prior informed consent”, along the lines of the Rotterdam Convention. He said the biggest challenge that remains is to define climate finance.

Another developing country participant said the Paris Agreement explicitly differentiates between transparency of support provided and received, so the issue will have to be addressed to address the trust gap.

A participant from Europe underlined the importance of capacity building, and the core principle of not burdening developing countries. She noted that even developed country often struggle with reporting requirements, and adding additional layers of reporting will not help. One way of avoiding this will be to use existing reporting systems, such as those developed by the Organisation for Economic Co-operation and Development’s Development Assistance Committee (OECD DAC) and the International Aid Transparency Initiative. She noted an initiative in Bangladesh to match support provided and received. Finally, she said, bilateral donors channel funds to national systems and international NGOs in accordance with the principles of aid effectiveness, and it will be possible to judge effectiveness and alignment with country priorities only after projects are completed.

Another participant from Europe said his country has a five-year spending cycle. He called for a balance between making information on finance flows available, and the flexibility needed to make it more effective.

He called on participants to explore what pieces of information can provide certainty. He also noted existing initiatives under OECD DAC to demonstrate the additionality of an activity, based on whether it would have come about without the intervention.

A participant noted that if a country does not have an idea of the finance it is receiving, its value is diminished. She said donors are asking partners for a level of transparency, and should be willing to provide the same – this could be through a verification process, based on open-source databases. She said that the level of predictability and information on the purpose of climate finance is very poor, and the calls for transparency are not to increase the burden, but to think of how to open up the discussion to further transparency.

While noting that the discussion was mainly focused on climate finance, Abeysinghe said lessons from the past should inform the future development of the transparency system for support provided and received – for instance, the work of the SCF, and the effectiveness of common tabular formats. On compliance, she noted the importance of recognising that the system will not include enforcement like the Kyoto Protocol's compliance system, and that it will be non-intrusive and non-adversarial. She also noted the need for further discussion on the issue of flexibility, including regarding timing and level of detail.

Honkatukia noted that the discussion is further along on accounting modalities than on ex ante information, which has only had one round table so far, and even that had to be cut short. The latter is therefore not at the same stage of maturity. On the importance of vehicles, she said it is important to decide what information should be conveyed, and then to look at how. On accounting modalities, she said the vehicle will likely be a modified version of the common tabular formats. She also noted that there could be easy fixes to keep focal points informed, such as sending an email. The issue of defining mobilised and provided climate finance has already been identified for substantive work, and work on the accounting modalities looks at it from three angles – bilateral, multilateral and finance mobilised. The last of the three is the weakest, she said, and further clarity is needed.

Werksman agreed that Parties will need to be convinced that the compliance committee is not a threat, but will provide assistance. It will also, however, hold to account. On the scope of the committee, he said agreement will be difficult even among friends – Parties should just recognise the text as it is, and stick to what is already agreed.

## ARTICLE 6 MECHANISMS

This session started with a presentation by Túlio Andrade, followed by comments from Martin Hession.

Andrade said Article 6 refers to three different processes: 6.2 (cooperative approaches), 6.4 (sustainable development mechanism, or SDM), and 6.8 (non-market approaches). In his presentation, Andrade focused on the provisions on the guidance on 6.2 and the modalities, procedures and guidelines of 6.4.

Contextualising 6.2, he said cooperative approaches are specifically about the use of internationally transferred mitigation outcomes (ITMOs) towards NDCs, and not for any other purpose. In addition, there are a set of very important legally binding provisions: Parties shall promote sustainable development; shall ensure environmental integrity and transparency, including in governance; and apply robust accounting, to avoid double counting. Article 6.3 calls for the transfer of ITMOs to be voluntary and authorised by participating countries.

To ensure environmental integrity in the context of 6.2, he said, two elements are essential:

- fungibility requires full comparability. If one mitigation outcome is fungible with another mitigation outcome that is not comparable, environmental integrity cannot be ensured; and
- the same outcome should not be traded twice.

These two safeguards will be essential in the future context, said Andrade, when countries with different levels of capacity will engage in trading – comparability and prevention of double counting will then be key to the reputation of the regime.

He then described two options for operationalising Article 6.2 being discussed in the negotiations:

- Option 1 is along the lines of the discussion around the “framework of various approaches”, and proposes linking major non-multilateral emissions trading schemes. The safeguards necessary to include comparability and prevent double counting in this option would have to include the imposition of multilaterally agreed rules and governance on each existing and new scheme. This would result in policy space restrictions, and require existing schemes to undergo significant adjustments. Andrade did not think this option would prove practical. He pointed out that, from a procedural point of view, the discussion on framework of various approaches occurs under a different agenda item and had been suspended.
- Option 2, defended by other Parties, views Article 6.2 as an accounting framework, similar to the Emissions Trading mechanism under the Kyoto Protocol’s Article 17. Under this option, while engagement by Parties would remain voluntary, those wishing to engage would have to apply an additional layer to what would be mandated to all Parties under Articles 4.13 (accounting for NDCs) and 13 (transparency framework). It would be more rigid, and have a top-down element.

Andrade said there is also a whole new infrastructure that Parties will have to consider when they develop guidance. So, for instance, to prevent double counting, a multilateral register will be needed, with national accounts listing the addition and subtraction of ITMOs; an international transaction log to track transfers. To ensure comparability, he said, many Parties have raised the issue of quantifying NDCs, and converting them into tradeable units. The role of technical expert reviews for any such quantification will also have to be considered, as will the limitations of tradeable units, based on the experience with the Kyoto Protocol. He said the Doha amendments already have a solution for that. Finally, Parties have raised the question of whether units from the SDM and the Kyoto Protocol’s Clean Development Mechanism (CDM) will be eligible to trade under 6.2, and how they will be accounted for.

Moving on to the SDM (Article 6.4), Andrade said the legal language of the Paris Agreement in this Article reflects the Kyoto Protocol’s Article 12 language on the CDM. This mechanism will be under the authority and guidance of the CMA; supervised by a designated body; voluntary; and for the verification and certification by designated operational entities of real, measurable and long-term mitigation benefits that are additional to those that would occur in absence of the mechanism. He said Article 6.4(c) relating to the SDM, which was exhaustively negotiated, also allows host Parties to benefit from emission reductions that are used by another Party to fulfil its NDC. Finally, share of proceeds will also be provided for adaptation, just like the CDM.

Andrade then listed the new elements of the SDM, different from the CDM. First, he said, there is a reference to the scope of activities, which is similar to the programme of activities under the CDM. Importantly, he said one of the main aims of the SDM is to incentivise and facilitate the participation of public and private non-state actors. He recalled that the CDM was initially conceived to be accessible only to states, and that too only to Parties to the Kyoto Protocol. This posed an unnecessary restriction on the demand for certified emissions reductions (CERs) – countries such as the US, who were not Party to the Protocol but represented a huge chunk of the potential demand for CERs, were excluded. With the specific aim of addressing that issue,

SDM was conceived as an unprecedented tool for engaging non-state actors, including the private sector and for purposes related to results-based finance, corporate socio-environmental responsibility strategies, and offsetting carbon footprints, even by individuals, with all environmental integrity assurances from a centralized mechanism based on multilaterally-agreed rules and governance. Although the CDM now has this possibility, through voluntary cancellation of CERs, the SDM is a chance to design the mechanism better to allow for public and private non-state participation. The final new aspect, he said, is that under Article 6.5, CERs used towards host country's NDCs cannot be re-used again.

Andrade said that a high priority for the negotiations is to ensure a smooth transition from the CDM to the SDM. This will be key to the legal certainty and reputation of the regime, especially as the same stakeholders that engaged with the CDM will most likely engage with the SDM. If they do not trust that their efforts under the CDM are recognised, they do not have necessary reassurances to take further risks under the new mechanism, he said. Moreover, this presents a very good opportunity to foster early action, while the SDM is not fully operational.

He said a smooth transition would encompass four dimensions:

- The conversion of CDM CERs to SDM CERs.
- Continued validity of CDM methodologies.
- Transfer of CDM-registered project activities to the SDM governance structure for ultimate issuance of SDM credits.
- Transposition of CDM accreditation system to the SDM.

A decision at the Bonn COP in November 2017 could immediately give a price signal and revive CDM, contributing to closing the pre-2020 emissions gap, he said.

Andrade then described three technical issues, which he said the negotiators have barely scratched in the negotiations: additionality; the SDM registry; and the lack of “corresponding adjustments” for 6.4 transfers..

He said additionality refers to activities that would not otherwise occur – *not in relation to NDCs, but in relation to the SDM itself*. By applying CDM additionality requirements to SDM, every activity under the new mechanism will have to undergo various analyses, for instance to prove they are first-of-its-kind; investment analysis; barriers analysis; and common practice analysis. With the progressive implementation of NDCs, activities that were once deemed additional may no longer be considered first-of-its-kind or pass the investment, barriers and common practice analysis. Ultimately, therefore, activities approved under the SDM will be additional to the NDCs themselves. He highlighted that additionality and conservative baselines will be key to deliver overall mitigation.

Andrade said the SDM registry will be fundamental for non-state actors to get access to credits, and for the link that is needed between the 6.4 and 6.2 transfers, including how it will relate to the accounting framework under 6.2.

Finally, he said, there is the fact that corresponding adjustments are not applicable to 6.4 transfers but only to those under 6.2 according to the Paris Agreement and decision (paragraph 37), and there are technical and environmental consideration that will need to be discussed in this regard, specifically related to the differences between emissions accounting and national inventories.

Hession said he would respond to Andrade's presentation, rather than make his own, as there were important distinctions to be made. First, he said, Article 6 must be placed in the context of the Paris Agreement – it is

part of the Agreement, but only one part, which applies to Parties who decide to exchange tonnes between each other. It is international emissions trading in the sense that countries report on what they have bought, sold and used towards their NDCs. A rule book is necessary to build trust – Parties need to know what each other is doing – but also to avoid double counting. It is clear that transparency guidelines are not enough, he said, nor is a simple report of what was bought and sold – guidelines are necessary to ensure that the integrity of NDCs are not compromised.

From the EU perspective, Hession continued, there is no distinction between a unit that the Parties have generated themselves, and a unit that is generated under a mechanism – and so he disagreed with Brazil that units generated under the mechanisms should not be accounted for by the host under Article 6.2. To do so would result in some units that are accounted for by hosts and users, and other units that are accounted for only by the user, allowing for double counting, and potentially undermine longer term mitigation strategies of hosts.

Taking a step back, one of the challenges with designing an accounting system under Paris is the diversity of NDCs that countries have – non-quantified, absolute, business and usual (BAU), etc. – and they cannot be translated into absolute equivalent budgets without some difficulty, practical and political. The EU has proposed that we should add, subtract or counterbalance a number that is derived from a country's current level of emissions (or removals) covered by the NDC, which every country has, and which are comparable. This would remove the political difficulty of requiring Parties to convert their NDCs into a budget or target. Practically speaking, he said, not many Parties that will be keen on translating their NDCs into budgets, so we need another way of adding and subtracting.

Secondly, he said, while lessons have to be learnt from the CDM, SDM cannot be its carbon copy because the context and objectives of the mechanism are significantly different – It now has the objective of promoting mitigation for all Parties (i.e. both the ultimate user of units and the host), and exists in a context where all Parties have mitigation objectives in the form of NDCs. The core issue is that the CDM currently credits emissions reductions against historic emissions, or projections/BAU. At least notionally, this is inconsistent or difficult in a world where all NDCs are set at “BAU minus” – i.e. it commits hosts to levels of crediting over and above those that are implied by its NDC.

For instance, he said, if Ireland has a target to reduce emissions intensity by 10% and it was to continue to credit emissions reductions under the sector covered by that target at levels calculated against historic or BAU emissions, there would be a mismatch, leaving Ireland to make up the difference. He highlighted the need to avoid double-counting in the SDM, saying ways will have to be found to enable host Parties to provide for crediting through the mechanism in a way that is consistent with their NDCs, and preferably in ways that contribute to its own achievement of its NDC.

That is why, he said, the EU was reluctant to discuss the transition of CDM activities in the negotiations without clarification on the rules that would apply to them, particularly in relation to baselines. CDM projects that are registered and are credited on the basis of reduction from BAU will have to be looked at. Again, in the future, baselines need to be set at a level to allow some credits to be retained by the host towards its NDC, and some by the buyer towards its NDC, but without crediting at levels that would make NDCs more difficult to achieve, in the case of CDM BAU.

Summing up, he said the minimal requirements for Article 6 will be a common metric for what is transferred (for the EU, this metric would be CO<sub>2</sub> equivalent), and a balance, to add and subtract from. The EU proposes it should be a running total based on emissions – so if a Party buys a tonne, it can reduce a tonne from its total,

but the corresponding seller would add a tonne in all cases to their accounting balance. He said this will be a simple system that does not require budgeting or changes in NDCs. It does not deal with how the balance relates to an NDC, because that will depend on the nature of the NDC. However, it will allow Parties to make decisions on what each sector should deliver to its own NDC. The SDM, meanwhile, will have to reflect the change from a world where only the buyers had targets, to one where all countries have targets, and rules will need to be established to avoid double-counting and ensure use of the mechanism can contribute to, rather than undermine the NDCs of hosts.

In the discussion that followed, a developing country participant said in her country, the national environmental programme followed the polluter pays principle, with financial penalties for the opportunity to pollute, and the funds go towards addressing the impacts of pollution. She hoped that this principle would be embodied in the Article 6 mechanisms, so that not only the shares of proceeds, but also other funds generated from the market go towards addressing impacts, for instance through the Adaptation Fund.

Müller asked a question of clarification on the “accounting balance” proposed by Hession, saying in his understanding it was not an assigned amount that countries were targeting, but an absolute amount for each country represented by a number, possibly in tonnes. In that case, he said, all countries would need is to have “minus credits” and “plus credits”, like the Kyoto Protocol’s Joint Implementation mechanism. While noting the subtlety that will be needed in the relationship between double counting and NDCs, he asked how credits will be used for compliance in a case, for instance, where a host country’s NDC has either no reference to emission reductions, or it does not cover the specific sector where the market activity is taking place. In such a case, he said, the market activity will have no implications for host-country NDC compliance.

Hession said the process should not be more complicated than it needs to be. First, in the case of activities that are within the NDC, they plainly should either contribute, or at least not make it more difficult to achieve the NDC. In a case where a tonne is generated that is plainly not in an NDC, other more general considerations apply – how would such a tonne be accounted for domestically, or does this work without international transfer? Can a Party claim mitigation outside its NDC towards its NDC, and what does this mean in terms of defining the scope of an NDC, and progression?

In the simple case of dealing with a tonne generated within an NDC, Hession said the rule in the Paris Agreement under Article 6.2 is that all Parties that participate will need to have a corresponding adjustment for emissions reductions and removals covered by their NDC. A core question is what the reference number for adjustment will be in this simpler case? Noting that Andrade proposed that countries will have to convert this into a Kyoto-style budget derived from the NDC, Hession said this would be quite an ask, given the diversity of NDCs and associated politics. Instead of converting the NDC into a number, he proposed asking for a number – or “accounting balance” - that represents the emissions (and removals) that are covered by the NDC is the first step. We could then just add and subtract from that. If an NDC has an absolute target, then it could be compared directly with this balance, if it is another kind of NDC you would have to apply some relative or conversion factor.

Müller responded that one would have to be wary about adding and subtracting different types of units. So not only a number, but a measure in CO<sub>2</sub> equivalent would have to be identified – a stock or flow measure in CO<sub>2</sub> equivalent to subtract or add the credits.

Hession agreed. On the earlier question on the polluter pays principle, he said how the revenue from use of markets is collected and used would be a domestic concern. The market mechanism should facilitate actors to buy tonnes, and it would be for the host country to recover the revenue. Market rules or mechanisms do not

impose a price themselves – that would also be up to the countries concerned. All the rules do is to enable the system to work internationally.

A developing country participant emphasised that the SDM has a particular value in encouraging investment in a technology, or an area of emissions reduction, that are not currently covered by the NDCs because, for instance, it involves an immature technology, or it is too expensive. As the technology scales up and becomes mainstream, then there will be a point that it is no longer additional and can become part of NDCs. Till this point, however, he said, he would not like to lose the advantage of exploring new areas of mitigation via the SDM.

If that is the fundamental basis, he continued, then the rules will need to distinguish between at least three different scenarios for the purchase of a SDM unit. First, in the case where the activity is operating in a sector that is outside of the NDC. That can be considered a real reduction. Second, within a country, the SDM unit could be purchased by an entity that is not meeting its domestic target, and it is purchasing that for compliance, in which case he said that is a zero-sum game. The third scenario involves an international entity that is purchasing a unit from another country. Here, he said, he sees the need for a corresponding adjustment, but not in the case of the first two scenarios.

Andrade agreed that a strength of the SDM is to address activities that are ultimately additional to NDCs. From his perspective, he said, the assessment of whether an activity falls within or outside an NDC is irrelevant, because the project would have to pass an additionality test. No one can then dispute that it will leverage new technologies – for instance, to help a country dependent on coal to move to wind or solar, to the point that wind and solar become mainstream. He said that not taking this into account could create two perverse incentives. First, Parties will not be stimulated to go into economy-wide NDCs, and will prefer to restrict their NDCs to a single sector, so that most of the economy could be proven additional. Second, the host Parties will not be stimulated to approve SDM projects, because if the corresponding adjustment happens, it would lead the host country to an impossible situation in demonstrating achievement of their NDC. He noted that non-state actors in sectors not covered in NDCs, such as airline and shipping companies, represent a huge potential for SDM. He emphasised that conservative baselines, a strict governing structure and strict additionality criteria could ensure the delivery of an overall mitigation in global emissions through the SDM.

A participant from Europe said in her view, market mechanisms are a tool to get cheaper reductions – not to enhance ambition. She agreed that new ways of promoting new technologies should be considered, but did not think that the market mechanisms are a way to achieve this. She said the International Civil Aviation Organisation (ICAO) now has the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) in place, which will come into effect in 2020. She asked whether there will be rules in place by then under the UNFCCC for the airline industry to use, or whether ICAO will have to come up with their own rules.

Coming back to the polluter pays principle, the developing country participant who raised it earlier asked what principles would guide the market mechanisms – would it be to get the cheapest price possible, or will the polluter pays principle be incorporated? She reiterated her proposal to incorporate the principle, and use one of the UNFCCC funds to implement it. She also asked for more information on the non-market based mechanism under Article 6.8.

A participant from Europe asked for more clarity on the process of implementing the share of proceeds provision in Article 6, asking whether this would be addressed in the discussions on the market mechanisms, or in the finance discussions, given that the issue of where the funds end up could be a very contentious issue.

A developing country participant emphasised the need to ensure safeguards, given the experience with the CDM, where developing countries were first told that it was a wonderful mechanism to help them, and then told there were no more markets for CERs. He asked if there will be some sort of minimum price; how the question of supply and demand will be addressed (for instance through the inclusion of non-state actors such as cities, regions and companies); and how forest projects will be dealt with.

Another developing country participant said to many developing countries, markets are an opportunity to transfer low carbon technologies and to mobilise finance. He also noted that for the Article 6.4 mechanism to stay a “sustainable development” mechanism, it will have to ensure that it sticks to that purpose.

A participant from Europe said additionality was a weak point in CDM, with a recent study showing that a majority of projects were not additional. He asked if there was any progress on better ways to prove additionality.

Müller said it is important to distinguish between additionality at the systemic level, and at the project level. For instance, he said, it will be easy to ascertain additionality if it is decided that wind projects are additional until 25% of a country’s energy comes from wind. It is more difficult to prove additionality in the case of a specific project, say if that involves proving that the activity would not have happened at all in the absence of the mechanism. There are ways of making it simpler in some cases, for instance by using econometric projections instead of scenario-based analyses. Only using a scenario approach is problematic, he said, because there is no way to know how ‘rational’ actors will decide.

A developing country participant said as SBSTA Chair, he found the discussion very useful, because SBSTA needs to deliver input to the negotiations on Article 6. The formal discussions, he said, have not yet come down to the specifics, but he hoped that progress will be made in the roundtables before the COP in November 2017. From his point of view, he said, Article 6 mechanisms are to support countries to deliver their NDCs. While governments will decide the rules, they are not the ones who will have to deliver results – that will have to be delivered by the specific sector. Countries will either have to use the Article 6 market approaches, or they will use the polluter pays principle, where they will charge taxes and use non-market mechanisms under Article 6.8.

In his final comments, Hession said the Article 6 mechanisms are a tool that will help, but will only be used if people trust the quality of the rulebook. He did not think that it will deliver on the polluter pays principle. Moreover, he said, the demand will come from the NDCs, but it will not be enormous. While only a few countries plan to buy credits, there is a promise that if the rulebook engenders trust, then the market will be used. Without robust rules, countries may prefer to use bilateral processes, he said. He emphasised that the purpose of Article 6 is to deliver transparency and trust, and encourage the markets to function within the system rather than outside it.

Andrade acknowledged that the scope of Article 6.4 is not to solve the finance or mitigation gap, but rather to serve as a complementary tool for enhancing ambition and engaging the non-state stakeholders in climate actions, through stringent rules and governance for guaranteeing environmental integrity. The new mechanism provides an opportunity to bring sectors into a measurement, reporting and verification (MRV) framework that is very rigid. Some may argue it might seem too strict, but it must be recalled that the CDM did reach scale in project activities in developing countries and did make a transformational impact. It is unrealistic to think of it as a mechanism that will close the finance and technology gap, but it does encourage financial and technological flows, he said. In response to the question on forest projects, he said REDD+ and forest conservation activities are not expected to be considered under Article 6, given issues related to environmental integrity. Instead, he noted, REDD+ is dealt with under Article 5 of the Paris Agreement and

under the Warsaw Framework for REDD+. On the share of proceeds, he noted controversy on whether it will apply to Article 6.2; and whether the funds will go to the Adaptation Fund. He concluded that Article 6.2 is not a project-based mechanism, because we are not in a context in which it would enable markets.

## WHO WILL FILL THE GAP? CALIFORNIA'S PLEDGE FOR BEING IN

The Seminar ended with a brief presentation updating participants on ecbi's work on promoting sub-national markets to contribute to the LDC Fund.

Emilie Parry, Oxford Centre for the Environment, said there is a great deal of concern after the US President announced his intention to withdraw from the Paris Agreement, including in California, where Governor Brown has announced his intention to step up to address the gap caused by the withdrawal. On behalf of Oxford Climate Policy (OCP), Parry said, she visited California to get a sense of the feasibility of financial contributions from California to make up the international gap.

She described several efforts underway in California, including the intention to host a Global Climate Action Summit from 12-14 September 2018. She said the emphasis in the state is currently on modelling of actions on mitigation, like the high investments into clean energy, transportation, city and urban planning, and market-based approaches. There is a consensus that more needs to be done, not only in terms of meeting the US' Paris commitments, but also to show solidarity with the international community, and address the moral and justice-based foundations of climate change.

While there is interest in exploring ways to address climate change finance, she said, at the moment there are legal constraints against taxpayer's money going even to another state in the US, leave alone an international fund. However, noting the proposals from OCP for raising funds either from the California state emissions trading scheme or through crowdfunding, she said there were precedents where the legal constraints had been overcome. For instance, the California Environmental Protection Agency (EPA) provided funding to Mexico for water management along the border, after attorneys illustrated that by helping Mexico, the EPA is also protecting the wellbeing of California's citizens. A similar case could be made for climate change, she said.

Noting that Governor Brown will be a climate change Ambassador to COP23, and that he has been vocal on the needs to go beyond the Paris Agreement and step into a justice and solidarity relationship with other countries, she encouraged participants to look for opportunities to explore possibilities with him and his representatives. She said the 2018 California climate conference could also be an opportunity to promote relationships between cap and trade regimes, private funders, utilities etc., and vulnerable countries.

In closing, Müller said this was an ongoing project for ecbi/ OCP, and he welcomed input from participants on how to take it forward.

## ANNEX: PARTICIPANTS IN THE 2017 SEMINAR

2017 Fellows				
		Country	Affiliation	Other positions
1	Alejandra López Carbajal	AILAC	Team Leader, AILAC Support Unit	
2	Giza Gaspar Martins	Angola		
3	Diann Black-Layne	Antigua and Barbuda	Director, Department of the Environment, Ambassador for Climate Change	
4	Carlos Fuller	Belize	International and Regional Liaison Officer, Caribbean Community Climate Change Centre	SBSTA Chair
5	Tulio Andrade	Brazil	Second Secretary, Embassy of Brazil in London, Ministry of Foreign Affairs	
6	Everton Frask Lucero	Brazil	Secretary for Climate and Environment Quality, Ministry of Environment	
7	Zhou Qian	China	Director Climate Change Office, Department of Treaty and Law, Ministry of Foreign Affairs	
8	Laura Juliana Arciniegas Rojas	Colombia	Advisor, Office of International Affairs, Ministry of Environment and Sustainable Development	
9	Orlando Rey Santos	Cuba	Advisor, Environment Department, Ministry of Science, Technology and Environment	
10	Tosi Mpanu Mpanu	Democratic Republic of Congo	Senior Advisor on the Environment to the Prime Minister, Office of the Prime Minister	Former LDC Chair and AC co-chair
11	Walter Schuldt -Espinol	Ecuador	First Secretary, Permanent Mission of Ecuador to the United Nations in Geneva, Ministry of Foreign Relations and Human Mobility	
12	Gebru Jember Endalew	Ethiopia	Program Coordinator , Global Green Growth Institute	Current LDC Chair
13	Selam Kidane	Ethiopia		Legal Advisor to the Africa Group of Negotiators
14	Selamawit Desta	Ethiopia	National Climate Change Negotiator under UNFCCC, Climate Change Negotiation Coordination Directorate, Ministry of Environment, Forest and Climate Change	
15	Deo Saran	Fiji	Ambassador Fiji Embassy Brussels, Ministry of Foreign Affairs	
16	James Cameron	Fiji		
17	Rosibel Martinez	Honduras	External Cooperation Director, Secretary of Environment	
18	Rajasree Ray	India	Economic Adviser, Department of Economic Affairs, Ministry of Finance	
19	Stella Gama	Malawi	Deputy Director of Forestry, Department of Forestry	
20	Kaveh Guilanpour	Marshall Islands	Principal Advisor, Ministry of Foreign Affairs	
21	Ayman Bel Hassan Cherkaoui	Morocco	Conseiller, Negotiations COP22	
22	Alfred James Wills	South Africa	Deputy Director General, General Environmental Advisory Services, Department of Environmental Affairs	
23	Xolisa Ngwadla	South Africa	Competence Area Manager, Global Change, Council for Scientific and Industrial Research	
24	Samah El-Bakri	Sudan		Technical Advisor to the African Group of Negotiators

European Participants				
	Participant	Country	Affiliation	
1	Cornelia Jäger	Austria	Climate & Air Quality, Federal Ministry of Agriculture, Forestry, Environment and Water Management	
2	Geert Fremout	Belgium	International Cooperation Team, Climate Change Section, DG Environment, Federal Public Service Public Health, Food Chain Safety and Environment	
3	Diana Todorova	Bulgaria	Chief expert, International Negotiations and Adaptation Department, Climate Change Policy Directorate, Ministry of Environment and Water	
4	Boryana Kamenova	Bulgaria	Director, Climate Change Policy Directorate, Ministry of Environment and Water	
5	Martin Hession	EC	Directorate-General Climate Action of the European Commission	
6	Jake Werksman	EC	Principal Adviser, Directorate-General Climate Action of the European Commission	
7	Ana Cristina da Silva Carreiras	EC		
8	Katre Kets	Estonia	Adviser, Climate and Radiation Department	EU working group Lead during Estonian Presidency
9	Annela Anger-Kraavi	Estonia	Adviser, Climate and Radiation Department	Vice-Chair, SBSTA
10	Outi Honkatukia	Finland	Chief Negotiator for Climate Change, Ministry of the Environment	Co-Chair SCF 2015
11	Delphine Eyraud	France	Senior Policy Adviser, International Climate Negotiations, Ministry of Ecology, Sustainable Development and Energy	
12	Paul Watkinson	France	Chief Negotiator and Head of the Negotiating Team, Department of European and International Affairs, Ministry of Ecology, Sustainable Development and Energy	
13	Corinna Enders	Germany	International Climate Policy, Federal Ministry for the Environment, Nature Conservation, Building and Nuclear Safety	
14	Kelley Kizzier	Ireland		
15	Georg Borsting	Norway	Policy Director, Ministry of Foreign Affairs	
16	Marianne Karlsen	Norway	Deputy Head of Delegation, Ministry of Climate and Environment	
17	Tomasz Chruszczow	Poland	Deputy Head of Delegation, Ministry of the Environment	
18	Przemyslaw Sobanski	Poland	Deputy Director of Air and Climate Protection Department, Ministry of Environment	
19	Johanna Lissinger Peitz	Sweden	Deputy Director, Ministry of the Environment	
20	Tove Goldmann	Sweden	Deputy Director, Division for Climate, Energy and Environment, Global Agenda Department, Ministry for Foreign Affairs	
21	Stefan Ruchti	Switzerland	Head, Environment and Sustainable Development, Federal Department of Foreign Affairs	
22	Archie Young	UK	Head of International Negotiations, EU and Carbon Markets & Head of UK Delegation in the UNFCCC	Council Member GEF
23	Rob Moore		Head of International Climate Finance Negotiations, Department of Business, Energy & Industrial Strategy	
24	Christopher Wright	UK/FCO	Head, Climate Diplomacy , Foreign & Commonwealth Office	

ecbi/ Experts			
1	Jan Cedergren	Ambassador, Co-Chair, ecbi Advisory Committee	Member of GCF (2011 - 2016)
2	Benito Müller	Managing Director, Oxford Climate Policy; Convener International Climate Policy Research, ECI, University of Oxford	Head, ecbi Fellowship Programme
3	Anju Sharma	Director, Oxford Climate Policy	Head, ecbi Policy Analysis and Publications Unit
4	Achala Abeyesinghe	Senior Researcher, Climate Change Group; Team Leader, Global Climate Change Governance, International Institute for Environment and Development	Legal Advisor to the Chairs of the LDC Group Head of ecbi Training and Support Programme
5	Emilie Parry	Associate Fellow, Oxford Climate Policy	
6	Clare Shakya	Director, Climate Change, International Institute for Environment and Development	Africa Climate Change Lead, UK Department for International Development (DfID) (2012-2016) DfID Asia Climate Change Lead (2017- 2012)
7	Sara Swords	Seminar Moderator	