

ELABORATING THE PARIS AGREEMENT: TRANSPARENCY OF FINANCE



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Increased climate finance for developing countries and enhanced transparency are two critical pillars of the Paris Agreement. The two intersect in the provisions of Article 9 (finance) and Article 13 (transparency), addressing the reporting and review of finance-related information. These include requirements that developed countries provide both *ex-ante* (forecast) and *ex-post* (retrospective) information on the provision and mobilization of climate finance, and that developing countries report on support needed and received. Parties are now developing guidance for the implementation of these provisions, to be adopted as part of the Paris “rulebook” at COP 24 in Katowice, Poland, in December 2018. This brief outlines existing arrangements on finance-related information under the U.N. Framework Convention on Climate Change (UNFCCC), the new reporting requirements set under the Paris Agreement, and key issues and options in elaborating guidance for their implementation.

EXISTING ARRANGEMENTS

Parties have gained considerable experience with providing finance-related information under the UNFCCC. Developed countries presently provide information on support they provide and mobilize—and developing countries provide information on support they need and receive. Under the current reporting arrangements decided at COP 17, developed countries prepare biennial reports (BRs) containing, among other things, *ex-post* information on financial support they have provided, committed and/or pledged. This includes

- information on allocation channels, annual or biennial contributions levels, type of support (mitigation versus adaptation), sources of funding, financial instruments (e.g., grants and concessional loans), sectors, and what resources are new and additional
- how resources address the needs of developing countries
- private financial flows leveraged by bilateral climate finance, as well as policies and measures to promote their scaling up.¹

This *ex-post* information is subject to both technical and peer review under the international assessment and review (IAR) process.² The Standing Committee on Finance (SCF) also draws on this information in preparing its biennial assessment and overview of climate finance flows.³

In addition, under a decision at COP 19, developed countries prepare separate biennial submissions on their updated strategies and approaches for scaling up climate finance to 2020, including available *ex ante* quantitative and qualitative information, to

- increase clarity on the expected levels of climate finance mobilized from different sources
- describe their policies, programmes and priorities
- describe their actions and plans to mobilize additional finance
- describe how they balance mitigation and adaptation, in particular the needs of developing countries particularly vulnerable to the adverse effects of climate change
- describe steps taken to enhance their enabling environments.⁴

These submissions of ex-ante information are not subject to any form of review. The secretariat prepares compilation and synthesis reports⁵ to inform in-session workshops on finance-related issues, including strategies and approaches for scaling up climate finance.⁶

For their part, developing countries include information in their biennial update reports (BURs) on support needed and received.⁷ This information is considered in the context of the international consultation and analysis (ICA) process for the BURs.⁸

PARIS PROVISIONS

Several provisions of the Paris Agreement provide a basis for building on existing arrangements to strengthen the provision and consideration of information related to financial resources.

Article 2.1(c) of the agreement sets a long-term goal of “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.” Finance provisions are spelled out in Article 9, which characterizes finance as a “global effort” with clearly differentiated roles. It states that developed countries “shall” provide financial resources⁹ and “should continue to take the lead in mobilizing climate finance,” and that this mobilization should represent a “progression beyond previous efforts.”¹⁰ The agreement also says for the first time that “other Parties are encouraged to provide or continue to provide such support voluntarily.”¹¹

Three provisions of Article 9 address the provision and use of finance-related information:

- Article 9.5 sets a biennial obligation for developed countries to communicate “indicative quantitative and qualitative information” on their anticipated provision and mobilization of climate finance. This is to include “as available, projected levels of public financial resources” to be provided. Other parties providing resources are “encouraged to communicate biennially such information on a voluntary basis.”
- Article 9.7 requires developed countries to provide “transparent and consistent” information biennially on how they have provided and mobilized climate finance through public interventions. Other parties providing and

mobilizing finance are also encouraged to provide this information. In contrast to Article 9.5, this information is to be provided in accordance with the modalities, procedures and guidelines (MPGs) for the Article 13 transparency framework.

- Article 9.6 says that information provided by developed countries under Article 9 is to be taken into account in the global stocktake, to be undertaken every five years under Article 14. Article 13 also addresses the provision, as well as the review, of finance-related information.
- Consistent with Article 9.7, Article 13.9 requires developed countries to provide information on financial, technology transfer and capacity-building support provided.
- Article 13.10 specifies that developing countries “should” provide information on financial, technology transfer and capacity-building support needed and received.
- Article 13.11 says the ex-post information provided by developed countries under Article 13.9 shall undergo a technical expert review, and that “each party shall participate in a facilitative, multilateral consideration of progress with respect to efforts under Article 9.”

Apart from these provisions contained in the Paris Agreement, the decision adopting the agreement extends until 2025 the collective goal of developed countries to mobilize \$100 billion a year by 2020, “in the context of meaningful mitigation actions and transparency on implementation.” It also says parties will establish a new, higher collective goal prior to 2025.¹²

Three negotiating bodies—the Ad-hoc Working Group on the Paris Agreement (APA), Subsidiary Body for Implementation (SBI), and the Subsidiary Body for Scientific and Technological Advice (SBSTA)—have been assigned respective roles in elaborating guidance for the implementation of the agreement’s provisions on finance-related information. The guidance is to be adopted by the Paris Agreement’s governing body, known as Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA).

As with all guidance to be contained in the Paris rulebook, one important overarching issue in elaborating the provisions on finance-related

information is how detailed and prescriptive the guidance should be. In this case, a higher degree of prescription may enhance the completeness, transparency, consistency and comparability of the information. Conversely, less flexibility to account for specific circumstances, especially given national differences in planning and budget processes, may constrain information flow. In seeking an appropriate balance, parties must consider what will best facilitate the trust and understanding needed to promote stronger climate finance.

EX-ANTE INFORMATION UNDER ARTICLE 9.5

A central issue is enhancing the “predictability” of climate finance. Greater clarity about future flows would contribute to confidence in the provision of support and could help developing countries prepare and plan the implementation of their NDCs. This could, in turn, facilitate stronger developing country ambition. Donor countries, however, are wary of forecasting future flows that are not rooted in concrete activities and plans and are contingent on future decision making. Further, they stress that no advance assurance of support to any individual country can be given.

A number of broad issues arising in relation to ex ante information under Article 9.5 are discussed below.

INFORMATION TO BE PROVIDED

While existing arrangements provide a starting point for elaborating the ex-ante reporting under the Paris Agreement, the wording of Article 9.5 appears to place more emphasis on quantitative information, in particular, by requiring developed countries to submit, “as available, projected levels of public financial resources to be provided.” A range of guidance options is possible:

- Guidance for indicative quantitative and qualitative information (relating to all forms of finance) may continue to be of the nature of current guidance.¹³
- This guidance could alternatively be enhanced by calling for more specific:
 - qualitative information, such as on processes for setting goals and priorities; funding

criteria; leveraging of non-public finance; measures to respond to developing country strategies, needs and priorities; measures to align development finance with the Paris Agreement; or measures to address effectiveness and barriers

- quantitative information, such as on longer-term goals and priorities; expectations for longer-term channels, instruments and recipients; expectations for the share of a collective goal; or analysis of trends.
- Guidance on projected levels of public finance may vary on
 - the status of the finance to include, which may be limited to what has already budgeted for, or may also include further amounts either anticipated or targeted
 - the timeframe of the information, which may be limited to the current budget period, or may extend beyond this, potentially to a period of five or 10 years.

A related issue is whether and, if so, how guidance may apply differently for developed countries and other countries providing information voluntarily.

PROCESS AND STORAGE OF SUBMISSIONS

The manner of storing submissions may have implications for how prominent and easily accessible the information would be. There may be precedents from how other information is stored, including current ex-ante submissions, but there may also be sensitivities with regard to the apparent status of this information vis-à-vis those precedents. Options include

- submissions posted with other party submissions to the general submissions page of UNFCCC website
- submissions posted to a page on the UNFCCC website dedicated to this purpose
- submissions entered in a dedicated registry supported by the secretariat.

CONSIDERATION OF SUBMISSIONS

The CMA could provide for the use of submitted information in considering an individual party’s progress in its efforts under Article 9 and/or progress

against collective goals, such as the \$100 billion goal or the Article 2.1(c) objective. Any processes may also contribute to improving the usefulness of submissions over time. Options for such processes include

- the facilitative multilateral consideration of progress under Article 13.11. This article already states that efforts under Article 9 shall be covered in this consideration for each party. The modalities for this process and a start date need to be elaborated by the CMA.
- compilation and synthesis reports prepared by the secretariat. These may be considered directly by the CMA or may be considered by the SCF, together with the submissions themselves, in its preparation of its biennial assessment and overview reports.

Submissions and compilation and synthesis reports may be considered in the global stocktake.

EX-POST INFORMATION UNDER ARTICLES 9.7 AND 13.9-12

Article 9.7 elaborates a subset of the information—relating to support provided and mobilized through public interventions—to be provided under Article 13.9 (which refers more broadly to financial, technology transfer and capacity-building support). The Article 9.7 information is therefore to be provided in accordance with the Article 13.13 MPGs being developed by the APA.¹⁴ In view of the linkages, it will be important to coordinate the identification of the ex-post information to be provided under Article 9.7 with the work under Article 13.13.

The SBSTA has also been requested to develop modalities for the accounting of financial resources provided and mobilized through public interventions, to be considered and adopted by the CMA at COP 24.¹⁵ The request places this need for modalities in the context of Article 9.7, and the modalities could be incorporated into the Article 13.13 MPGs or cross-referenced by them. Among the technical challenges in accounting for these resources is a lack of common definitions, methodologies and assumptions, and issues of limited or incomparable data.

A number of broad issues arising in the context of Article 9.7 and the relevant provisions of Article 13 are

explored in the sections below.

INFORMATION TO BE PROVIDED BY DEVELOPED COUNTRIES

Article 9.7 itself provides little guidance as to the information to be provided, except that it is to be transparent and consistent. Generally, the information may include

- quantitative information on flows, distinguished by channels, instruments, purposes and recipients
- information on definitions, methodologies, assumptions and data sources
- qualitative information, of the nature of the ex-ante information under Article 9.5, such as how the provision and mobilization of climate finance is operationalized, including policies, programs and priorities, criteria, leveraging of non-public finance, or measures to respond to developing country strategies, needs and priorities.

Improvements over time to reporting guidance have led to greater consistency in the presentation of information by developing countries. However, given the multiplicity of finance sources and channels, and the absence of common definitions, there remain significant gaps and inconsistencies in categorization and the level of detail reported. In the modalities being developed under the SBSTA, parties are for the first time attempting detailed guidance on the “accounting” of support provided and mobilized. Issues include¹⁶

- how to define specific concepts, such as what to count under climate finance, what to take into account in the mobilization of finance, or what would constitute double-counting
- how to distinguish finance for climate-specific purposes when multiple purposes are involved
- what categories and level of detail to provide on recipients of finance, including in relation to countries, regions, sectors, programs and activities
- how to determine the shares of finance attributable to donor countries when provided via multilateral funds (e.g. the Green Climate Fund)
- how to provide information on parameters used, such as exchange rates or the distinction between committed and disbursed funds.

INFORMATION TO BE PROVIDED BY DEVELOPING COUNTRIES

Ex post information on climate finance to be provided by developing countries under Article 13.10 focuses on the receipt of finance. Options include

- levels of climate finance needed and received, indicating information on channels, sources, instruments, policy measures, as well as information on any resulting finance gaps
- use of climate finance received
- any barriers to the receipt or use of climate finance.

CONSIDERATION OF INFORMATION AFTER SUBMISSION

Ex-post information provided by developed countries under Article 9.7, as part of the wider information to be

reported under Article 13.9, is to undergo a technical expert review, and all parties are to participate in a facilitative, multilateral consideration of progress. The process and a start date of this consideration need to be elaborated by the CMA. As in relation to Article 9.5, these processes may also contribute to improving the usefulness of submissions over time.

Further options may include

- compilation and synthesis reports of information provided under Article 9.7, prepared by the secretariat. These may be considered directly by the CMA or may be considered by the SCF in its preparation of its biennial assessment and overview reports.
- information and compilation and synthesis reports may be considered in the global stocktake.

ENDNOTES

- 1 Decision 2/CP.17, Annex I, paragraphs 16-20.
- 2 Decision 2/CP.17, Annex II, paragraph 4(d).
- 3 Decision 2/CP.17, paragraph 121(f).
- 4 Decision 3/CP.19, paragraph 10.
- 5 Most recently, document FCCC/CP/2017/INF.1.
- 6 Decision 3/CP.19, paragraph 12.
- 7 Decision 2/CP.17, Annex III, paragraph 2(d).
- 8 Decision 2/CP.17, Annex IV, paragraphs 3(a).
- 9 Article 9.1.
- 10 Article 9.3.
- 11 Article 9.2.
- 12 Decision 1/CP.21, paragraph 53.
- 13 Decision 3/CP.19, paragraph 10.
- 14 Decision 1/CP.21, paragraphs 56 and 91.
- 15 Decision 1/CP.21, paragraphs 56.

16 Relevant work to clarify such issues is being conducted, among others, by the OECD Development Assistance Committee (DAC) and multilateral development banks.

Other C2ES Resources:

Accounting Approaches Under Article 6 of the Paris Agreement, August 2018

<https://www.c2es.org/document/accounting-approaches-under-article-6-of-the-paris-agreement/>

Elaborating the Paris Agreement: National Greenhouse Gas Inventories, August 2018

<https://www.c2es.org/document/elaborating-the-paris-agreement-national-greenhouse-gas-inventories>

General Issues in Elaborating the Paris Agreement, April 2018

<https://www.c2es.org/document/general-issues-in-elaborating-the-paris-agreement>

Accounting for Bottom-Up Trading Under the Paris Agreement, April 2018

<https://www.c2es.org/document/accounting-for-bottom-up-trading-under-the-paris-agreement>

Elaborating the Paris Agreement: Implementation and Compliance, November 2017

<https://www.c2es.org/document/elaborating-the-paris-agreement-implementation-and-compliance>

Elaborating the Paris Agreement: Information and Accounting, November 2017

<https://www.c2es.org/document/elaborating-the-paris-agreement-information-and-accounting>

ICAO's CORSIA and the Paris Agreement: Cross-Cutting Issues, November 2017

<https://www.c2es.org/document/icaos-corsia-and-the-paris-agreement-cross-cutting-issues/>

Elaborating the Paris Agreement: Potential Linkages Between Articles 13, 14, and 15, October 2017

<https://www.c2es.org/document/elaborating-the-paris-agreement-potential-linkages-between-articles-13-14-and-15>



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