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**First biennial high-level ministerial dialogue on climate
finance under the Conference of the Parties serving as the
meeting of the Parties to the Paris Agreement**

Note by the President

Summary

This document contains a summary of the first biennial high-level ministerial dialogue on climate finance under the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement, held during its third session. It has been prepared by the President of that session with the support of the secretariat. As mandated, the dialogue was informed by the first biennial communications submitted in accordance with Article 9, paragraph 5, of the Paris Agreement and the summary report on the first biennial in-session workshop thereon.



I. Introduction

A. Mandate

1. Recognizing the importance of predictability of and clarity of information on financial support for the implementation of the Paris Agreement, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) decided to convene a biennial high-level ministerial dialogue on climate finance beginning in 2021 and requested the President of the CMA at the relevant session to summarize the deliberations at the dialogue for consideration by the CMA at its succeeding session.¹

B. Scope of the note

2. Chapter II below presents the key messages from the first biennial high-level ministerial dialogue on climate finance; chapter III below provides information on the proceedings of the dialogue, including preparatory activities; and chapter IV below summarizes the discussions during the dialogue.

C. Possible action by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

3. CMA 5 may wish to consider this note as input to its deliberations on arrangements related to Article 9, paragraph 5, of the Paris Agreement.

II. Key messages

4. Although developed country Parties have increased their commitments to provide and mobilize climate finance, in some cases doubling them, they fell short of the amount required to meet the goal of jointly mobilizing USD 100 billion annually for climate finance by 2020. However, the *Climate Finance Delivery Plan: Meeting the US\$100 Billion Goal*² sets out a clear and predictable trajectory towards achievement of the goal as soon as possible and through to 2025.

5. There is a need to shift from project-based to programmatic and sector-level approaches, which could be communicated in nationally determined contributions and long-term low-emission development strategies, to bring about the transformational change needed to meet the goals of the Paris Agreement. Clarity of information on climate finance to be mobilized and delivered by developed country Parties that is predictable, transparent and long term is pivotal to raising climate ambition, facilitating enhanced climate action and building the trust of developing country Parties. The first biennial communications submitted in accordance with Article 9, paragraph 5, of the Paris Agreement were instrumental in contributing to the provision of more clarity on the scope and volume of projected climate finance to be provided by developed country Parties, as further detailed quantitative information, though it may be challenging to provide, would further enhance clarity of information on and predictability of such support.

6. Mobilization and delivery of finance for adaptation needs to be scaled up significantly to support developing countries in adapting to the adverse effects of climate change and to achieve a balanced allocation of finance between mitigation and adaptation. The increased impacts of extreme weather events on the economies and societies of developing countries exemplify the need to urgently scale up adaptation finance, particularly through grants and concessional loans, in order to avoid increasing the financial burden on already indebted developing countries.

¹ Decision 12/CMA.1, paras. 1, 10 and 11.

² See <https://ukcop26.org/wp-content/uploads/2021/10/Climate-Finance-Delivery-Plan-1.pdf>.

7. The efforts of developed countries to enhance access to climate finance are recognized, but more needs to be done to accelerate climate project implementation, such as by removing barriers to accessing finance; reducing delays between project development, project approval and disbursement of funds; and applying more concerted efforts and coordinated approaches by climate finance providers.

8. Private sector investment plays a critical role in mobilizing the finance at scale that is needed to address the gap in financing for climate action. Public sources of finance can help to de-risk private investments and ensure the transparency and effectiveness of the mobilization of the private sector, particularly in areas that traditionally attract low levels of private investment.

III. Proceedings

A. Preparatory activities

9. The first biennial high-level ministerial dialogue on climate finance under the CMA was convened on 8 November 2021 during CMA 3 by the President of that session with the support of the secretariat. The event was open to all Parties and observers attending the session.

10. As mandated,³ the dialogue was informed by the first biennial communications submitted in accordance with Article 9, paragraph 5, of the Paris Agreement⁴ and the summary report on the first biennial in-session workshop thereon.⁵

B. Opening

11. The dialogue was moderated by Amal-Lee Amin, Director of Climate Strategy at the former CDC Group, the United Kingdom of Great Britain and Northern Ireland's development finance institution. Opening remarks were delivered by Alok Sharma, President of COP 26, CMP 16 and CMA 3, who stressed the importance of climate finance as a pillar of the Paris Agreement that supports all climate action.

12. In referring to the Climate Finance Delivery Plan, Alok Sharma noted with concern that the USD 100 billion goal was not met by 2020 and highlighted that the goal is projected to be met by 2023 at the latest, with USD 500 billion likely to be mobilized in 2021–2025. He also noted the highest ever level of contributions pledged by Parties to the Adaptation Fund totalling USD 232 million, a twofold increase compared with previous mobilization levels.

13. Despite the record contributions pledged, Alok Sharma emphasized the continued need to further enhance the predictability and increase the scale of finance provided for adaptation. He called for the public and the private sector to make joint efforts to mobilize the scale of investment needed to support developing countries and to make finance flows consistent with low greenhouse gas emission and climate-resilient development pathways.

14. Subsequently, three high-level multi-stakeholder thematic panel discussions were held. The first panel, on **enhancing the predictability of climate finance**, was chaired by Barbara Buchner, Global Managing Director of Climate Policy Initiative, and comprised:

- (a) Lyonpo Yeshey Penjor, Minister of Agriculture and Forests of Bhutan;
- (b) Yasmine Fouad, Minister of Environment of Egypt;
- (c) Steven Guilbeault, Minister of Environment and Climate Change of Canada.

³ Decision 12/CMA.1, para. 10.

⁴ All biennial communications are available at <https://unfccc.int/Art.9.5-biennial-communications>. See document FCCC/PA/CMA/2021/3 for the compilation and synthesis of the first biennial communications.

⁵ FCCC/PA/CMA/2021/5.

15. The second panel, on **improving the scale and effectiveness of adaptation finance**, was chaired by Anne-Marie Trevelyan, then Secretary of State for the United Kingdom's Department for International Trade, and comprised:

(a) Aiyaz Sayed-Khaiyum, Minister for Economy, Civil Service and Communications of Fiji;

(b) Agnes Kalibata, President of AGRA, the Alliance for a Green Revolution in Africa;

(c) Samantha Power, Administrator of the United States Agency for International Development;

(d) Akinwumi Adesina, President of the African Development Bank.

16. The third panel, on **future trends in climate finance mobilization**, was chaired by Dan Jørgensen, then Minister of Climate, Energy and Utilities of Denmark, and comprised:

(a) Mari Pangestu, then Managing Director of Development Policy and Partnerships at the World Bank;

(b) Marsha Caddle, Minister in the Ministry of Economic Affairs and Investment of Barbados.

17. The panel discussions were followed by a plenary session moderated by Yasmine Fouad and Per Bolund, then Deputy Prime Minister and Minister for the Environment and Climate of Sweden, with the participation of 20 ministers, State representatives and high-level representatives of observer organizations. Speakers showcased how their climate finance commitments have increased in recent years and announced new or more ambitious pledges and initiatives to facilitate mobilization of climate finance (see chap. IV.D below). The panel discussions and the plenary session were facilitated by guiding questions, which are available on the UNFCCC website⁶ alongside the programme, webcast and other information related to the event.

18. Patricia Espinosa, then UNFCCC Executive Secretary, concluded the dialogue with closing remarks, highlighting the need to enhance climate ambition, unlock the finance needed to achieve the goals of the Paris Agreement and continue to scale up finance for adaptation action.

IV. Summary of discussions

A. Enhancing the predictability of climate finance

19. While participants welcomed the Climate Finance Delivery Plan, which has helped to enhance predictability and transparency with regard to climate finance, they expressed disappointment in the delay in achieving the USD 100 billion goal. Participants called for scaling up climate finance without delay with a view to exceeding the USD 100 billion goal, which is expected to be met by 2023 and exceeded through to 2025. Participants also called for more quantitative information on the scale and progression of new and additional finance in future biennial communications to enhance the predictability of climate finance, recognizing that the short-term budget cycles of many developed countries make it challenging to provide detailed information on planned climate finance years in advance.

20. Given the importance of adaptation for developing countries, participants underlined the need to achieve a balance between adaptation and mitigation finance and to prioritize concessional and grant-based instruments. Participants converged on the need to improve access to finance for implementing national and local climate plans and projects, particularly for adaptation, with participants emphasizing the need to make climate finance accessible to local communities. While participants welcomed the record contributions pledged to the

⁶ <https://unfccc.int/event/1st-high-level-ministerial-dialogue-on-climate-finance-under-the-cma>.

Adaptation Fund at the annual Contributor Dialogue in 2021, they also emphasized the importance of adaptation finance being sustainable and predictable.

21. Capacity-building and enabling environments are required to enhance the limited capacity of developing countries to access climate finance. Simpler, fairer, more coordinated and easily accessible procedures would help to ensure that financial support reaches those most in need of it.

22. The guiding principles for collective action outlined in the Climate Finance Delivery Plan could be instrumental in improving the effectiveness and scale of climate finance. While private sector investment has a substantial role to play in addressing the gap in financing for climate action, the public sector too has a critical role in de-risking investment and helping to ensure the transparency and effectiveness of climate finance mobilized from the private sector.

23. Participants stressed the importance of the availability and predictability of support for implementing adaptation and mitigation plans and for increasing climate ambition in order to address the needs and priorities of developing countries in climate action outlined in those plans. In this regard, they noted the need for enhanced predictability and transparency regarding the provision of climate finance, especially for adaptation, and the need for further discussions on definitions of climate finance. A transparent methodology for measuring and reporting on mobilized private finance is key to increasing private sector investment and necessary to ensure credibility and trust. Participants also highlighted the importance of undertaking further work to understand the needs and priorities of developing countries with regard to climate action, with some participants noting that these are diverse and in some cases very context-specific.

B. Improving the scale and effectiveness of adaptation finance

24. Participants underlined the need to take action to improve the scale and effectiveness of climate finance and to channel it to vulnerable countries. Participants welcomed the increased pledges to the Adaptation Fund and noted that, in addition to having dedicated adaptation finance, it is important for countries to integrate adaptation across all government policymaking in order to better meet their needs and priorities.

25. Finance for addressing adaptation and resilience needs to be increased and scaled up to achieve a balance with mitigation finance. Participants shared concerns about market distortion and unsustainable investment in climate action perpetuated by the continuation of fossil fuel subsidies; they noted the need to redirect current finance flows towards greener investments.

26. It was broadly acknowledged that, since project-level financing may not help to improve resilience and bring about transformational change, it is necessary to shift from a project-based to a programmatic and sectoral-level financing approach given that longer-term support is required to achieve such transformation. Parties were encouraged to update their nationally determined contributions and develop long-term low-emission development strategies that may guide longer-term climate action that results in transformation.

27. Participants discussed the scope and scale of the finance needed to access necessary technologies and expertise and called for more significant efforts to improve understanding of the effectiveness of climate finance, including tracking the proportion of finance flows that reach developing countries. Specific examples of ongoing efforts were shared, including Adapt Asia-Pacific, which helps countries to build technical knowledge, prepare projects for financing and strengthen regional networks, and the Africa Adaptation Acceleration Program, which helps to scale up innovative and transformative climate adaptation action across Africa.

28. The critical role of public finance and blended finance approaches in improving the scale, speed of delivery and predictability of adaptation finance by helping to raise ambition, achieve a balance between mitigation and adaptation finance and reach the USD 100 billion goal was reiterated. Recognizing that adaptation finance is traditionally in the form of grants, participants stated the importance of the public and the private sector making joint efforts to

unlock private finance for adaptation. One example of such efforts cited was the innovative adaptation benefits mechanism piloted by the African Development Bank for mobilizing public and private sector finance, investing in climate adaptation, and de-risking and creating incentives for private investment. It was noted that such initiatives need to be scaled up, which can be particularly challenging where investments are small in scale and diverse in nature.

29. Participants noted the importance of cooperation among multilateral financing institutions to ensure that private sector commitments to mobilizing adaptation finance are realized. However, some participants highlighted that support by means of capacity-building and enhancing access to adaptation technologies is equally as important as scaled-up financial support.

C. Future trends in climate finance mobilization

30. In terms of ensuring that climate finance flows are sufficient to meet the needs and priorities of developing countries, the availability of scaled-up climate finance from all sources, notably for adaptation, is important. It was noted that the entire financial system should play a critical role in providing solutions to the climate crisis in all countries.

31. With implementation of adaptation action lagging behind that of mitigation action, participants urged the embedding of adaptation and resilience projects in mitigation portfolios. In addition, with adaptation historically receiving less support than mitigation, participants underscored the need for increased support for adaptation and resilience for developing countries to enable them to prepare better for extreme climate events. One minister pointed out that some developing countries that have contributed least to global greenhouse gas emissions have among the most ambitious nationally determined contributions.

32. There was broad consensus on the need to focus not only on the required level of finance but also on its effectiveness and what interventions are needed for scaling it up to the necessary level, notwithstanding that outcomes related to the USD 100 billion goal and increasing adaptation finance are critical to building trust among Parties. Meanwhile, integrating climate considerations into development plans is a means of ensuring that funding can facilitate local growth and poverty reduction alongside climate action.

33. Differentiated investments and different funding sources are needed to finance different types of climate action, with grants and concessional instruments playing a critical role. Concessional public finance plays a role in de-risking and reducing the cost of finance, while foundations and philanthropic organizations also have an essential role in providing climate finance through grants and concessional instruments. One blended finance platform includes a diversity of funding sources, establishing shared purpose, standards and transparency, to mobilize funds from various stakeholders and sectors, enabling impactful and scalable transformative projects.

34. Special drawing rights were recognized as a powerful tool for leveraging larger amounts of long-term and low-cost finance. To illustrate the need for multilateral development banks to optimize their balance sheets, the example was provided of the African Development Bank's Room2Run, supported by the Government of the United Kingdom, which has helped the Bank to manage its existing balance sheet and thereby enabled it to provide loans for action in socially and environmentally critical areas.

35. Participants stressed that innovative sources will continue to play an important role in climate financing, with catastrophe bonds and guarantees being examples of possible vehicles for significantly scaling up financial support. Barbados' Roofs to Reefs national resilience plan, which aims to boost green investment and increase financial resilience through innovative instruments, by blending insurance and allocation of special drawing rights, was cited as an example of innovative financing. One minister underscored the crucial need for international discussions on finance for addressing loss and damage.

36. Participants recognized that ministries of finance, central banks and financial supervisory authorities, indeed the entire financial system, play a critical role in delivering

solutions for mobilizing climate finance at scale and having a global impact from the most vulnerable communities to the largest economies. Countries must have the political will and undertake collaborative efforts to set clear long-term targets for reducing global greenhouse gas emissions, increasing climate-resilient development and making necessary policy and regulatory shifts. Reform of the financial system was called for in order to respond to the climate emergency.

D. Initiatives for leveraging and catalysing public and private finance

37. There was broad consensus on the need to scale up climate finance in order to close the finance gap and achieve the long-term goals of the Paris Agreement. The level of climate finance must be significantly increased to enable mitigation of global emissions and safe adaptation to climate change. The following announcements were made in relation to climate finance mobilization and investment, and facilitate capacity-building and technical support:

(a) A representative of Denmark reiterated the Party's announcement of ending public financing of fossil fuels;

(b) A representative of France announced the Party's new climate funding commitment of mobilizing EUR 6 billion per year between 2021 and 2025 and ensuring that one third of its total climate funding is for adaptation. The representative reiterated France's commitment to holistic environmental action, ensuring that 30 per cent of that climate funding is allocated to biodiversity by 2025, and also announced that France had committed EUR 20 million to supporting climate action in the least developed countries;

(c) A representative of the United States of America announced the Party's commitment of USD 11 billion in international public climate finance by 2024. The representative reiterated the announcement made by the United States Government of the launch of an emergency plan for adaptation and resilience known as PREPARE, also announcing that the United States is committed to increasing its adaptation finance sixfold to USD 3 billion by 2024 as part of its overall contribution to climate finance. The representative highlighted that the United States Government had made its first-ever contribution to the Adaptation Fund and is committed to improving access to those financial resources;

(d) A representative of the United States announced the United States State Department will provide support to the Climate Resilience in Adaptation Finance and Technology Transfer Facility, the first private investment fund for climate investment in adaptation, and will provide funding to the Global Innovation Lab for Climate Finance for incubating more vehicles for financing adaptation. The representative of the United States announced support to the Lowering Emissions by Accelerating Forest finance, or LEAF, Coalition, which is a unique public-private partnership created to leverage resources from the private sector to support mitigation efforts in tropical and subtropical developing countries. Furthermore, the United States, through the United States Agency for International Development and as part of efforts to improve climate finance in developing countries, is partnering with Jamaica to improve access to climate finance, implementing the recommendations published by the Taskforce on Access to Climate Finance;⁷

(e) A representative of Japan pledged climate finance of approximately USD 70 billion for 2020–2025, representing 14 per cent of the USD 100 billion goal. This commitment is to be delivered at approximately the same scale every year, ensuring that the support from Japan is predictable. The representative announced that the Party will double its adaptation support to USD 14.8 billion in an effort to increase grant-based finance and shared its commitment to increasing concessional loans with low interest rates and long repayment periods;

(f) A representative of Canada reaffirmed the Party's commitment to doubling its climate finance provision to help developing countries to strengthen their resilience. The representative announced that the total adaptation funding provided by Canada will make up a minimum of 40 per cent of its total climate finance flows. Canada will allocate over

⁷ See <https://webarchive.nationalarchives.gov.uk/ukgwa/20230105153630/https://ukcop26.org/cop26-goals/finance/>.

USD 1 billion of its climate finance to support nature-based climate solutions with biodiversity co-benefits;

(g) Alok Sharma stated that the United Kingdom and 12 other countries have committed to the Champions Group on Adaptation Finance, championing for a balance between adaptation and mitigation in the allocation of public climate finance.
