SBI 64 agenda item 17
Arrangements for funding infrastructure, processes and capacity-building for implementing the guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

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Informal note by the co-facilitators

This informal note has been prepared by the co-facilitators of the informal consultations on this agenda item under their own responsibility, drawing on interventions of Parties made during the sixty-fourth session of the Subsidiary Body for Implementation (SBI). The views reflected in this note are not exhaustive and do not necessarily reflect convergence among Parties. The note captures views expressed by Parties at this session and such views may be contrary to previous decisions and not align with the scope of the mandate of this agenda item. The note has no formal status and should not be considered final in any way. It is intended to assist Parties in advancing discussions on this matter and does not prejudge further work or prevent Parties from expressing other views at any time.

I. General considerations

1. Parties expressed views that the funding arrangements should be guided by the following principles:

(a) Adequate;

(b) Adhere to principle of common but differentiated responsibilities and respective capabilities;

(c) Adhere to the user pays principle;

(d) Aim to become self-financing;

(e) Equitable;

(f) Fair;

(g) Minimize administrative overheads;

(h) Practical;

(i) Predictable;

(j) Reliable;

(k) Stable;

(l) Sufficient;

(m) Sustainable.

2. Parties expressed views that the implementation of activities related to the infrastructure and processes under Article 6, paragraph 2 and the arrangements for their sufficient and stable funding should:

(a) Provide equitable access to all Parties;

(b) Be equitable, reflect the principles of common but differentiated responsibilities and capabilities of Parties, and take into account the respective capacities of Parties who engage voluntarily in cooperative approaches that involve the use of ITMOs, and especially the least developed countries and small island developing States;

(c) Benefit all Parties;

(d) Be fair to all Parties;

(e) Encourage broad and meaningful participation by all Parties;

(f) Facilitate active engagement and participation by developing country Parties, including through capacity building which is an essential condition for meaningful and equitable participation;

(g) Encourage active participation by the private sector and other stakeholders;

(h) Be paid for exclusively by developed country Parties;

(i) Be paid for by those receiving a benefit, and not be paid for by those not receiving a benefit;

(j) Avoid creating barriers, or undermine efforts, for engagement in Article 6.2, particularly for vulnerable developing countries;

(k) Avoid creating barriers for engagement in Article 6.2, particularly for developing countries;

(l) Not create undue additional financial burdens for developing countries;

(m) Not be mandatory or put undue financial burden on Parties that do not engage in cooperative approaches that involve the use of ITMOs;

(n) Take into account national capabilities;

(o) Support enhanced ambition cooperation;

(p) Be effective;

(q) Draw on historical experience in applying fees to similar UNFCCC systems and processes, including for authorized entities;

(r) Recognize that the entity required to pay fees may be able to pass the costs to other entities, and that such fees do not necessarily discourage Parties participation in Article 6.2.

II. Funding approaches

Key to funding options:

Option 1: core funding in future biennium programme budgets

Option 2: supplementary funding

Option 3: usage-based fees

Option 4: user fees levied on participating Parties

Suitability of funding approaches

3. Parties expressed views regarding the suitability of individual options for funding arrangements, including:

(a) In respect of option 1:

(i) May be a suitable approach for some elements of the infrastructure and processes under Article 6, paragraph 2, in particular that it may be suitable for the costs of the Article 6 technical expert reviews and capacity building activities;

(ii) Given the voluntary nature of Article 6, that this option is not a suitable approach;

(b) In respect of option 2:

(i) This option is the only suitable approach;

(ii) This option is suitable to cover the costs of the infrastructure elements;

(c) In respect of option 3:

(i) This may be the most suitable approach, with the possible inclusion of some additional funding through option 4;

(ii) Volume-based charging is a suitable approach;

(iii) Is not a suitable approach and may not align with national circumstances;

(d) In respect of option 4:

(i) This option as suitable;

(ii) That this is not a suitable approach.

4. Parties expressed views regarding the suitability of mixture of various options, including:

(a) The options for funding arrangements are non-exhaustive and are not mutually exclusive;

(b) Different options, or combinations of options, may be used for different components of the Article 6 infrastructure and processes, and a single option is not necessarily intended to apply across all components;

(c) A mixture of options 1 and 2, or any other option with option 2, is a suitable approach;

(d) A mixture of option 2 and option 3 is a suitable approach;

(e) A mixture of option 3 and option 4 should be the primary funding approach;

(f) A mixture of option 3 and option 4 could be applicable to cover the costs of the maintenance elements;

(g) A mixture of option 3 and option 4 would not be a suitable approach for capacity-building activities, the Article 6 technical expert reviews or the essential infrastructure.

Potential implications of funding approaches

5. Parties expressed views regarding the implications of the funding options, including:

(a) In respect of option 1:

(i) All Parties would contribute in accordance with their UNFCCC scale of assessment;

(ii) Be not consistent with the agreed processes for establishing the biennium budget and should not prejudge the outcomes of such processes;

(iii) Put pressure on other work programmes;

(iv) Lead to Parties choosing not to participate to have to bear costs;

(b) With respect to option 2, concerns regarding its ability to provide sufficient and reliable funding, noting that, if funding generated through other options were insufficient, additional funding would need to be provided from supplementary sources;

(c) In respect of option 3:

(i) Ensure adherence to the user-pays principle;

(ii) Not be fit for enabling capacity building activities that are fundamental to prepare Parties for engaging in Article 6.2;

(iii) Be challenging as setting the level of fees would depend on external factors;

(iv) Jeopardize the independence, transparency and impartiality of the UNFCCC technical review process, if a fee per review is levied;

(d) In respect of option 4, that it would create additional burdens on many developing country Parties if a fixed fee is applied equally to all participating Parties;

(e) In respect of options 3 and 4:

(i) Enable self-financing of some elements of Article 6.2 infrastructure and processes;

(ii) Discourage participation by Parties with limited capacity and undermine the effectiveness and scale of Article 6.2;

(iii) Create additional burdens on Parties.

Other considerations on funding approaches

6. Parties expressed views regarding other considerations on funding approaches, including the following:

(a) Voluntary contributions should be encouraged, irrespective of other options;

(b) The least developed countries and small island developing States should be exempted from fees under options 3 and 4, should they choose to be exempted;

(c) Exemptions should be avoided, as determining the applicability of exemptions could require additional time and add complexity;

(d) Parties should not be required to pay fees for the use of the international registry;

(e) Authorized entities using international registry should pay fees to cover the costs incurred, using option 3;

(f) Private entities from developing country Parties should not be charged fees;

(g) The least developed countries and small island developing States should be exempted from fees for the use of the international registry, as they do not have the capacity to develop a registry;

(h) Any funding options must be paid by developed country Parties, and that all options must exclude any payments by developing countries;

(i) That option 3 should take into consideration institutional capacity and the potential restrictions associated with domestic legal requirements in establishing such fee collection arrangements;

(j) That participating Parties and private entities should contribute to the funding of Article 6.2 infrastructure and processes.

III. Administrative and governance considerations

7. Parties expressed views regarding various administrative and governance matters related to the funding of Article 6.2, including:

(a) The CMA could establish a trust fund;

(b) If established, a trust fund should be transparent, accountable, and accessible, with clear governance and reporting;

(c) The lead time to setting a trust fund, its size, the effort required by participating Parties and by the secretariat in administering such trust fund, should be considered;

(d) If option 3 and 4 is used, a scale or schedule of fees would need to be developed, maintained, administered and updated over time;

(e) If option 3 or 4 is used, cases of non-payment would potentially need to be addressed.

IV. Management of resources

8. In respect of prioritization of the components of the Article 6.2 infrastructure and processes:

(a) Some prioritization of the components of the Article 6.2 infrastructure and processes should be made;

(b) The development and implementation of the Article 6 database, the centralized accounting and reporting platform and the Article 6 technical expert reviews should be prioritized;

(c) The development and implementation of the Article 6 database and the centralized accounting and reporting platform should be prioritized because they are necessary for transparency and of common interest;

(d) It is essential that the infrastructure is strengthened and maintained;

(e) The prioritization of the components of the Article 6.2 infrastructure and processes should not be made;

(f) There should be a balance between all mandated components;

(g) There should be a balance between investments on the infrastructure and on capacity building;

(h) Capacity building should be prioritized.

9. The secretariat should consider the effective use of available technology to help with effective and productive use of resources, in particular with regards to the Article 6 technical expert reviews.

10. A transition to a remote-based approach for the Article 6 technical expert reviews could be appropriate, which may also address the near-term funding gap.

11. A transition to remote-based approach for the Article 6 technical expert reviews could lead to additional complexities, including complexities related to remote communications or different time zones, and that this could be a topic for discussion at the upcoming lead reviewers meeting.

V. Near-term funding needs

12. The Article 6.2 infrastructure and processes require immediate funding.

13. Given that the budget for the current biennium is already approved and will not change, it is important to find practical solutions to address the short-term funding needs.

14. The secretariat should proactively seek and promote additional funding through voluntary contributions, including through organizing pledging roundtables or other means, to address the near-term funding needs.

15. The secretariat should launch a specific call for voluntary contributions to support the implementation of the Article 6.2 infrastructure and processes.

VI. Relationship with the UNFCCC budget process

16. Article 6.2 activities are essential long term and recurring, and the established UNFCCC budget process is foreseen to allocate resources to such activities.

17. Given the relationship between this agenda item and the established UNFCCC budget process, it is important to coordinate both items carefully to facilitate more informed and effective participation.

18. The balance between core and supplemental funding is a matter for the UNFCCC budget negotiations and is closely linked to discussions on the enhanced transparency framework.

19. Separate decisions could be taken for each component of the Article 6.2 infrastructure and processes.

20. Any reference to the possible inclusion of elements of Article 6.2 activities in the core budget should not be understood as prejudging the established UNFCCC budget process or the decisions of Parties. Should Parties wish to consider such inclusion, it would need to be addressed through the regular biennial budget cycle, under which the Executive Secretary submits a proposed programme budget for consideration by the Subsidiary Body for Implementation (SBI) and for subsequent approval by the COP, based on the agreed methodology for categorizing activities as per their mandate and duration.

21. The preparation of the 2028-2029 proposed budget will commence in the second half of 2026, and the proposal will be published in April 2027 and considered by Parties at SBI 67 in June 2027. The secretariat will be continuously engaging with Parties at all stages of that process.