Summary and Recommendations by the Standing Committee on Finance on the 2016 Biennial Assessment and Overview of Climate Finance Flows

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Functions and the Mandates

- The Standing Committee on Finance (SCF) was established at COP16 to assist the COP in exercising its functions in relation to the Financial Mechanism of the Convention.
- This involves improving coherence and coordination in the delivery of climate change financing, rationalization of the Financial Mechanism, mobilization of financial resources, and measurement, reporting and verification of support provided to developing country Parties.

Preparation of the Biennial Assessment Overview of Climate Finance Flows (BA)

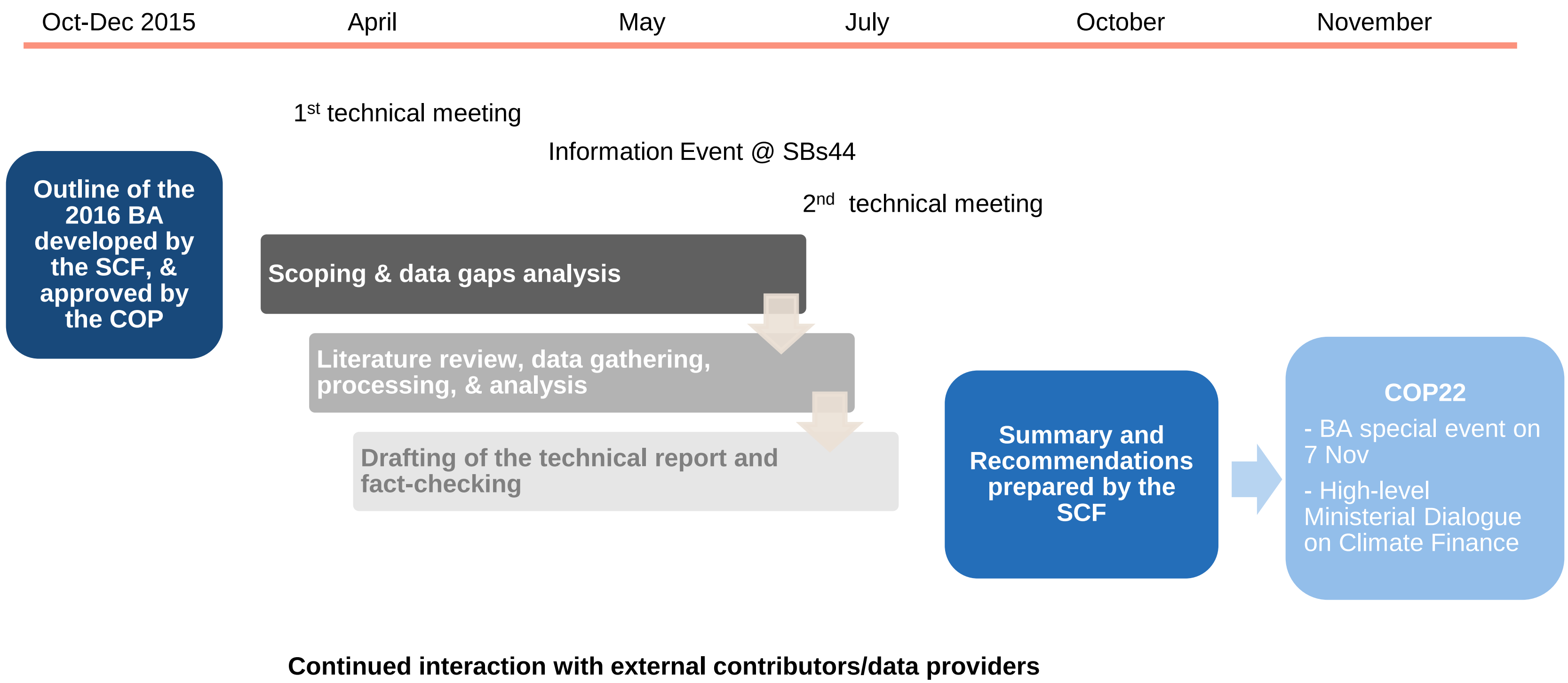
Work Plan on MRV beyond the BA

The COP requested the SCF, in preparing the BA, to consider:

- Relevant work of other bodies and entities on MRV of support and the tracking of climate finance
- Ways of strengthening methodologies for reporting climate finance
- Ongoing technical work on operational definitions of climate finance, including private finance mobilized by public interventions
- Assess how adaptation and mitigation needs can most effectively be met by climate finance.

It also requested the Ad Hoc Working Group on the Paris Agreement, when developing the modalities, procedures and guidelines for the transparency framework for action and support, to consider, *inter alia*, information in the BA and other reports of the SCF and other relevant bodies under the Convention.

2016 BA preparation process, activities and outputs



Challenges and limitations

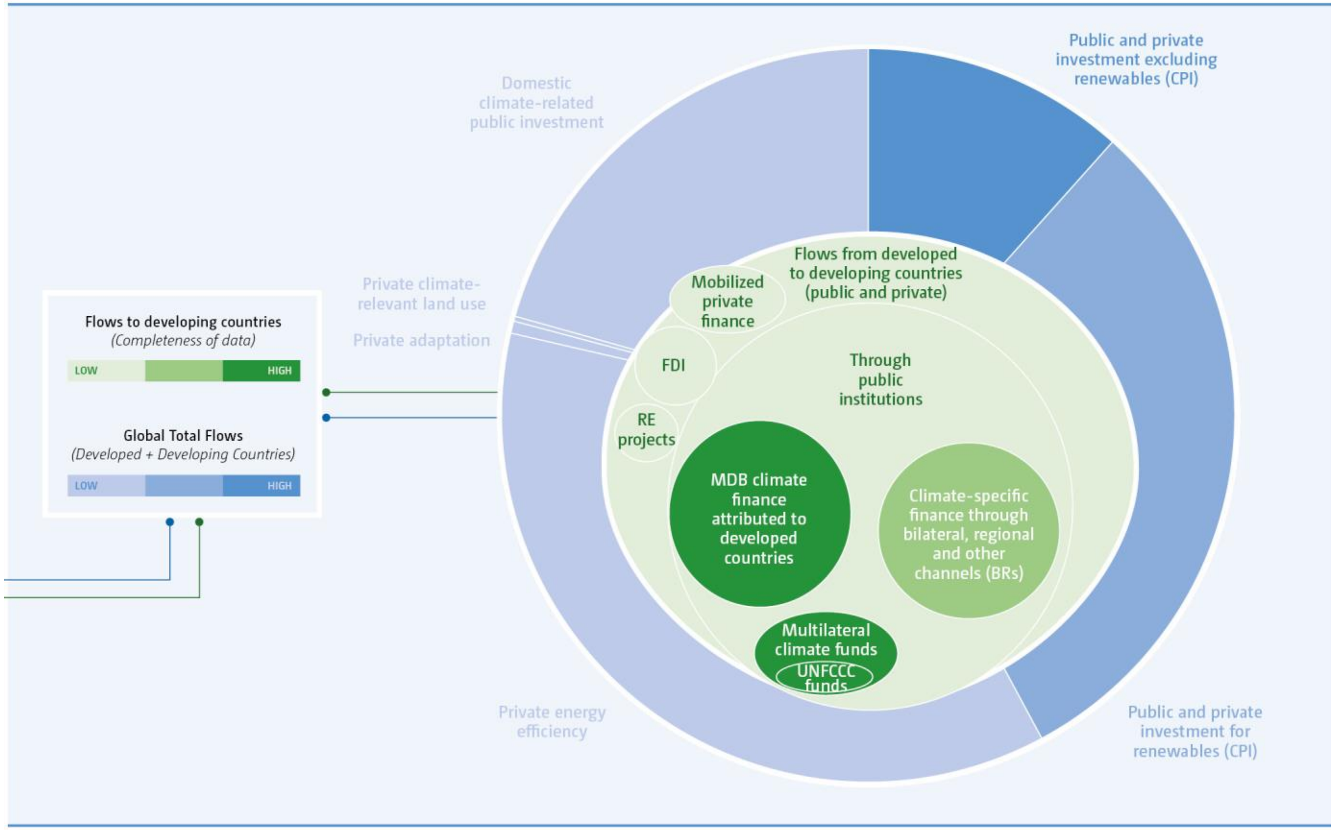
- Due diligence has been undertaken to utilize the best information available from the most credible sources.
- Challenges:
  - Challenges associated with collecting, aggregating and analysing information from diverse sources
  - The limited clarity with regard to the use of different definitions of climate finance limits comparability of data
- There are uncertainties associated with each source of data, and these have different underlying causes.
- There is a lack of systematic collection of data on climate-related private finance flows globally, due to difficulties in identifying climate-related finance, restrictions based on confidentiality, and conceptual and accounting issues.
- The limitations need to be taken into consideration when deriving conclusions and policy implications from this BA.
- The SCF will contribute, through its activities, to the progressive improvement of the measurement, reporting and verification of climate finance information in future BAs, to help address these challenges.

Key Findings I

- Some on-going improvements in terms of consistency and transparency were identified in tracking and reporting on public climate finance following the recommendations made by the SCF in the 2014 BA.
- MDBs are making available data on public and private climate co-financing (as of 2015).
- There are no internationally agreed methods for reconciling climate finance provided against support received: Biennial Reports of developed country Parties are not reviewed in time for aggregating data for the BAs.
- There is scope for further improvements with regards to transparency and consistency of information on climate finance provided.
- Providing institutional capacity to developing countries to track climate finance received as well as collect climate finance data more generally.
- Additionally, on-going efforts at the international and national levels aimed at improving climate-related financial risk disclosures are important in improving transparency and promoting the alignment of finance and investment flows in accordance with Article 2.1(c) of the Paris Agreement.

Key Findings II

Figure 1: Climate finance flows in 2013–2014 (USD billion and annualized)



Flows from developed to developing countries

Table 1: Climate finance flows for 2013 and 2014

Does reflect pledges to the Green Climate Fund amounting to 10.2 billion USD by the end of 2014.

		2013 (USD billion face value)	2014 (USD billion face value)
Flows to developing countries 2013–2014 average total Public: USD 41 billion Private: USD 2 billion renewables USD 24 billion FDI USD 14.8 billion mobilized	UNFCCC funds[a]	0.6	0.8
	Multilateral climate funds (including UNFCCC funds)	1.9	2.5
	Climate-specific finance through bilateral, regional and other channels	23.1	23.9
	Of which grants and concessional loans	11.7	12.4
	MDB climate finance attributed to developed countries (own resources only)[b]	14.9	16.6
	Renewable energy projects[c]	1.8	2.1
	FDI in greenfield alternative and renewable energy	26.4	21.6
	Mobilized private financed[d]	12.8	16.7

More funds channelled in 2013-2014: USD 1.9 billion in 2013 and USD 2.5 billion in 2014 (USD 1.5 billion on average in 2011-2012).

50% increase in 2013-2014 compared to 2011-2012.

However, attribution to developed countries depends on the methodology used.

Private climate finance from developed to developing (high uncertainty, difficulty in attributing the flows to country of origin, & cannot be aggregated).

Insights on recipients of climate finance

- Lack of data and incomplete reporting on recipient institutions poses a challenge in identifying recipient institutions.
- For example, for 2013–2014, developing country governments are specified as the recipients of about 40% of the total flows. Climate finance channelled through other intermediaries may also reach national governments, but this is not captured in the data.

Global climate finance flows

- Global total climate finance has increased by almost 15% since 2011–2012.
- In dollar terms estimated global total climate finance increased from a high bound estimate of USD 650 billion for 2011-2012 to USD 687 billion for 2013 and to 741 billion for 2014.

Notes and caveats:

- The coverage of data in the 2016 BA has increased and improved since the 2014 BA, but nevertheless the quality and completeness of data on global total flows are lower than those for flows to developing countries.
- Some studies suggest that most climate finance in aggregate is mobilized and deployed domestically, both in developed and developing countries. In the limited number of developing countries for which information on domestic public climate finance is available, the data suggest that, in these countries, domestic public finance significantly exceeds the inflows of international public climate finance from bilateral and multilateral sources.
- Private investment in renewable energy and energy efficiency represents the largest share of the global total; however, the energy efficiency data are much less certain than the renewable energy data.
- The volume of the climate-related finance and investment flows globally may be higher, given that there are still significant data gaps in critical sectors such as sustainable transportation, agriculture, energy efficiency and resilient infrastructure.
- Comprehensive data on domestic climate expenditures are not available.
- Data on south-south climate finance is limited.

Key Findings III

Table 2: Characteristics of public finance in developing countries for 2013–2014

	Average (2013 and 2014 in billion USD)	Purpose (%)			Implementing entities	Instrument (%)				
		Adaptation	Mitigation	Cross-cutting		Grants	Loans	Concessional Loans	Equity	Other
UNFCCC funds[a]	0.7	50	50		United Nations agencies, MDBs, bilateral development agencies, accredited national institutions, NGOs and private banks / funds	100				
Multilateral climate funds (including UNFCCC funds listed above)	2.2	27	70	3	MDBs, United Nations agencies and bilateral development finance institutions	53		47		
Climate-related bilateral[b]	14.9–25.3	27	53	20	Bilateral development finance agencies (e.g. GIZ, DFID, USAID, NORAD)	49	2[c]	47	2[c]	
MDB climate finance	15.8	18	82		MDBs	9	83		2	6

Note: All values are based on approvals.

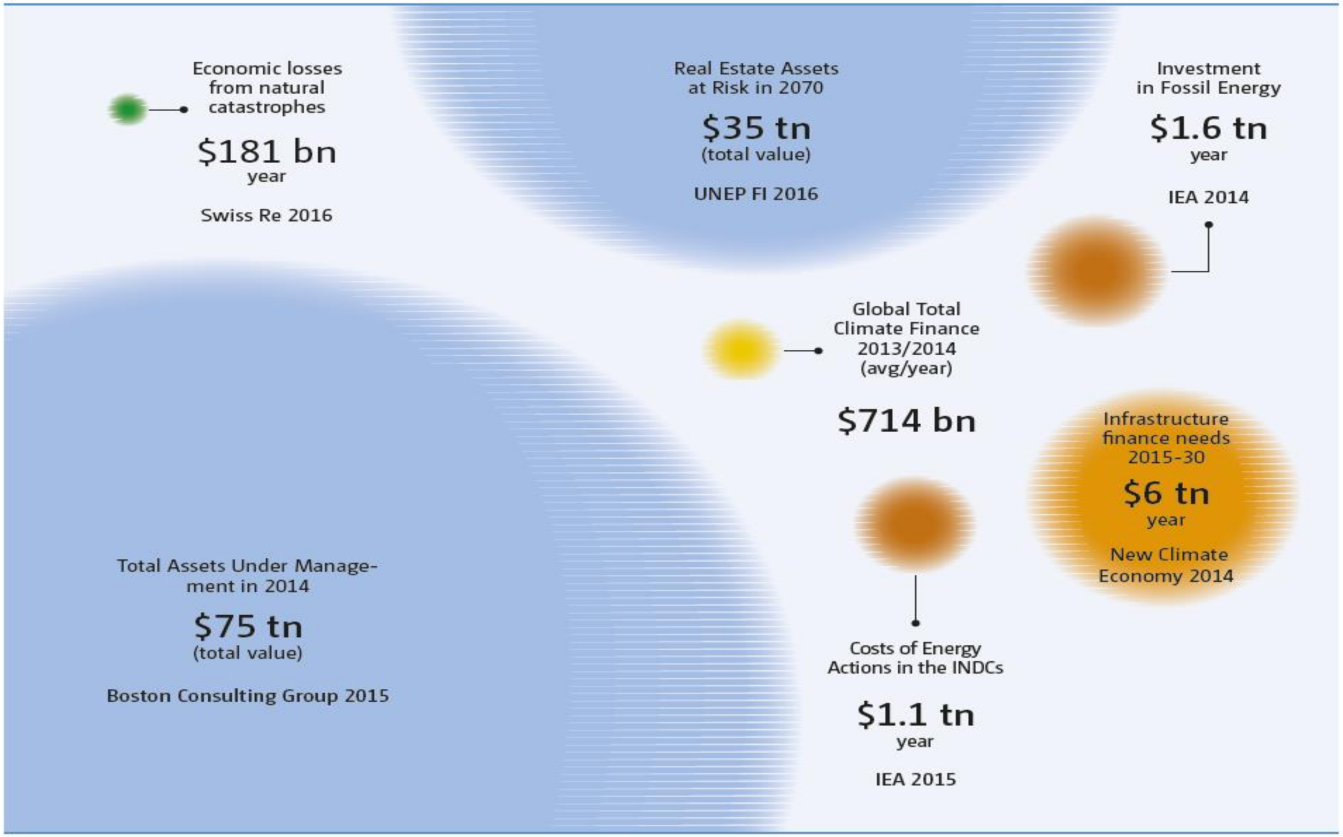
Abbreviations: DFID = Department for International Development, GIZ = Deutsche Gesellschaft für Internationale Zusammenarbeit, MDB = multilateral development bank, NGO = non-governmental organization, NORAD = Norwegian Agency for Development Cooperation, USAID = United States Agency for International Development.

a) Adaptation Fund, Global Environment Facility, Special Climate Change Fund and Least Developed Countries Fund. No Green Climate Fund projects were approved during 2013–2014.
b) The values for bilateral finance are based on biennial report data for table 1 in this document. The percentages for bilateral climate finance in this table are based on Organisation for Economic Co-operation and Development data due to data availability.
c) Not primarily development or concessional. One per cent of the equity reported is concessional equity.

- **Mitigation-focused finance represented more than 70% of the public finance.**
- **There has been a slight increase in the proportion of adaptation finance**: Adaptation finance provided to developing countries accounted for about 25% of the total finance. This is similar to 2011–2012, although there has been a slight increase in the proportion of adaptation finance from climate funds and bilateral concessional channels.
- **There has been a significant role for grants in adaptation finance**: Grants represent 88% of adaptation finance approved climate funds and 56% of the bilateral finance reported to the OECD DAC with adaptation as a principal objective.
- **There are costs associated with fund management, project development and implementation**: These costs are recovered through mechanisms including administrative budgets and implementing agency fees, which vary across funds and institutions.
- **A broad range of issues can present challenges in accessing climate finance**: GCF has recently stepped up its efforts through its readiness programme.
- **Ownership of climate finance and alignment of this finance with national climate change priorities and emerging policies and strategies is well recognized as an important element for ensuring effectiveness:** NDCs may provide a framework for strengthening ownership in the future. Another important dimension is engagement of key stakeholders across government, particularly ministries of finance and planning, and across society, including civil society and the private sector.
- **Impact monitoring systems are beginning to mature, although reporting of results remains nascent and relatively slow.**

- The 2016 BA identified climate-related global climate finance flows of USD 714 billion on average in 2013-2014; this is a significant amount, **but is relatively small in the context of wider trends in global investment.**

Figure 2: Global Climate Finance in Context



Note: This figure seeks to put the total volume of global finance flows in the context of wider trends in global investment. The flows featured on this diagramme are not strictly comparable, and are presented for illustrative purposes only. Full details of the underlying studies are included in Chapter 3 of the 2016 BA.

Recommendations

Parties and constituted bodies

(a) Invite Parties, the APA, the Subsidiary Body for Scientific and Technological Advice, the Subsidiary Body for Implementation and other relevant bodies under the Convention to consider the 2016 BA, particularly its key findings, in order to improve guidelines for the preparation and reporting of financial information, as well as to develop the modalities, procedures and guidelines, as appropriate, for the transparency of support in accordance with Articles 9 and 13 of the Paris Agreement;

(b) Request the SCF, in fulfilling its function on measurement, reporting and verification of support, and in the context of its workplan, to cooperate with relevant institutions and experts and to consider ongoing work under the Convention;

Recommendations (continued)

Engaging with international organizations and the private sector

(c) Encourage climate finance providers to enhance the availability of granular, country-level data and for the UNFCCC secretariat to make such information more accessible, including via enhanced web-based data platforms;

(d) Encourage relevant institutions and experts, including from the private sector, to devise practical options for estimating and collecting data on private climate finance, taking into consideration ongoing work by the OECD Research Collaborative on Tracking Private Climate Finance and by MDBs;

Ownership, needs and impact

(e) Encourage developing countries to take advantage of the resources available through the operating entities of the Financial Mechanism to strengthen their institutional capacity to programme their priority climate actions as well as to track and report climate finance;

(f)Request the SCF in preparing future BAs to assess available information on investment needs and plans related to Parties' nationally determined contributions and national adaptation plans;

(g)Encourage Parties and relevant international institutions to enhance the availability of information that will be necessary for tracking global progress on the goals outlined in Article 2 of the Paris Agreement;

(h)Invite the Board of the GCF to consider information in the BA in its annual dialogues with climate finance delivery channels in order to enhance complementarity and coherence between the GCF and other funds at the activity level;

(i)Invite multilateral climate funds, MDBs, other financial institutions and relevant international organizations to continue working to further harmonize methods for measuring climate finance and to advance comparable approaches for tracking and reporting on impacts.