

# Note by co-facilitators of the working group on the 2016 biennial assessment an overview of climate finance flows

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The provisional agenda for SCF12 refers to the review and the provision of further guidance on the draft technical report of the 2016 biennial assessments and overview of climate finance flows (BA)<sup>1</sup>. The main objective is to agree on the substantive scope and content of 2016 BA and to agree on the next steps in the technical work. In addition, we propose in the background paper a *tour de table* on the scope, structure and flow of the *summary and recommendations that the SCF will deliberate and adopt*. The intention is to initiate work early on and to collectively agree on how to take forward this important task in the coming months.

Based on the agreed general outline<sup>2</sup> and views expressed by SCF members at the SCF10 and SCF11<sup>3</sup>, the 2016 BA:

- Will focus on new developments on issues covered by the recommendations in the 2014 BA as well as information relevant to the assessment of climate finance impact in the context of holding the increase in the global average temperature to well below 2<sup>0</sup>C;
- Will make the necessary adjustments to the structure and the flow and improve the narrative across the chapters in order to better understand the information and data underpinning the onion diagram; and
- Will include available information on methodologies used to assess progress towards the goal of jointly mobilizing USD100 billion per year by 2020. The related activity in the workplan on MRV of support beyond the BA would be the basis for undertaking such work<sup>4</sup>.
- Highlight recipient countries' perspective with relevant information and data to the extent it is possible.

The zero order draft is a first attempt to reflect the above focus areas. It builds substantially on the work done in the 2014 BA. The structure is largely similar. The draft provides a good basis for engaging in substantive discussions on the individual chapters and the technical report as a whole. This meeting, therefore, is well timed to provide comprehensive guidance for the preparation of the draft technical report for consideration at SCF13. We outline below our initial views and pose questions to facilitate this process at the meeting.

## **Methodological issues chapter**

After having considered the material, we think that this chapter could specifically focus on the following:

- Efforts aimed at harmonizing reporting approaches of institutions that produce and aggregate data and what they consists of, including convergences, if any, in the operational definitions of climate finance since the publication of 2014 BA;
- Insights on emerging approaches for tracking public and private climate finance co-financing, including estimation methods for mobilized private finance by public finance and interventions as well as domestic climate finance tracking and reporting systems;
- Understanding of the methodologies used to aggregate financial information on public and private finance mobilized (e.g. the accounting framework used in the OECD study<sup>5</sup>);
- How the variations in the methodologies above affect the estimates of flows and sub-flows presented in the onion diagram;
- Efforts aimed at developing common approaches for assessing impact of financed GHG emissions, low-carbon development and climate resilience;

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<sup>1</sup> SCF/2016/12/2, paragraph 22.

<sup>2</sup> Annex VIII in FCCC/CP/2015/8.

<sup>3</sup> SCF/2015/10/13 and SCF/2015/11/13.

<sup>4</sup> FCCC/CP/2015/8, Annex VII.

<sup>5</sup> "Climate Finance in 2013-14 and the USD 100 billion goal". A report by the OECD in collaboration with the CPI Available at: <<http://www.oecd.org/environment/cc/OECD-CPI-Climate-Finance-Report.pdf>>.

- The extent to which financial information on public finance support provided in the second biennial reports have improved compared to the first biennial reports based on information from the technical reviews;
- Insights on the approaches used in providing financial information in the available biennial update reports;
- How the above relate to the recommendations we made in the 2014 BA, highlighting information [that might be] relevant to future discussions on the development of modalities, procedures and guidelines for the transparency of support (Article 13, paragraph 13 of Paris Agreement and decision 1/CP.21, paragraph 91); and
- The state of play with regards to the range of metrics relevant to Article 2, paragraph 1 (c) of the Paris Agreement on making climate finance flows consistent with a pathway to low GHG emissions and climate resilient development, including, among other, efforts to develop best practices and standards for climate-related risk disclosures by public and private financial institutions.

**Questions:**

- *Is there any other new information that should be considered or re-considered in relation to recommendations we made in the 2014 BA (see annex)?*
- *How to best reflect on the new developments in aggregation methodologies and accounting frameworks?*
- *What information would be useful in relation to future discussions on the development of modalities, procedures and guidelines of transparency of support as well as on the consistency of climate finance flows with a pathway to low GHG emissions and climate resilient development?*

**Overview chapter**

We think that this chapter could be structured and focused on the following:

***First part***

- Present the onion diagram, followed by the data underlying each estimate in tabular format. Same data sets presented differently could be included in an annex;
- Present in tabular format summary of financial information from the second biennial reports and, where, available, financial information from the biennial update reports;
- Explain how the estimates in the onion diagram were derived, including methods used for ranges of estimates, changes compared to estimates presented in onion diagram in the 2014 BA, and an indication of the status “committed”, “pledged”, and “disbursed” for each underlying data sets;

***Second part***

- Present estimates of geographical and thematic balance of flows in tabular format. The section on thematic balance could draw, among other, from the 2015 and 2016 Forums.

***Third part***

- Summary of indicative estimates of climate finance flows from pilot studies of developed and developing countries and, where available, from the second biennial reports and biennial update reports presented in tabular format;
- Summary of available financial information on flows from developing to developing countries in tabular format with an explanation of how the estimates were derived using which data sets/sources.

**Questions:**

- *Are there any other types of climate finance flows that should be considered or re-considered?*
- *Does the preliminary onion diagram contained in zero order draft provide a comprehensive picture of climate finance flows? How could the biennial reports and biennial update reports data be best presented (i.e. tabular format and/or in graphical form)? What else can be considered to better highlight recipient countries’ perspective?*

- *Where possible, should the second part of the chapter include presentation of trends of climate finance flows based on the ranges of estimates in the onion diagram?*
- *The general outline agreed at SCF11 refers to investments in and support for fossil fuels; should this be covered in the overview or the assessment chapter and, if yes, in what form (i.e. quantitative or qualitative information)?*

### **Assessment chapter**

The scope and structure of the assessment chapter in the zero order draft follows largely that of the 2014 BA. The outline of this chapter considers the implications of methodologies and approaches for tracking and reporting climate finance as well as policy and financial considerations of the overview of climate finance flows. It also includes reference to major new developments, including relevant elements in the Paris Agreement.

The work for this chapter will advance after the methodological issues and overview chapter has progressed. Nevertheless, we thought that it would be useful to already have substantive discussions on this chapter at SCF12 and therefore pose the following questions.

### **Questions:**

- *Should the assessment chapter follow the same approach with the 2014 BA?*
- *Is there any new information that could benefit the consideration of financial and policy issues, impact, and needs in the assessment chapter?*
- *What specific information would be relevant to the assessment of climate finance impact in the context of holding the increase in the global average temperature to well below 2°C?*

### **Proposed next steps and indicative timeline:**

#### Technical report

- First order draft by June.
- Final draft by August.

#### Summary and recommendations

- Agree on a general outline of the summary and recommendations at SCF12.
- Discuss and finalize initial draft at SCF13.
- Final draft at SCF14.
- Technical work and outreach
- Webinar with SCF members beginning of May to provide an update on the preparation of the first order draft of the technical report.
- Update on the 2016 BA work at the SCF side event to be held during SB sessions in May.
- Webinar with external stakeholders at the end of May to gather further inputs for preparing the first order draft of the technical report.
- Second technical meeting in June/July to receive further input and for fact-checking the first order draft.
- Webinar with SCF members in August/September to discuss the draft of the summary and recommendations.
- Webinar to soft-launch the 2016 BA in September/October.

Substantive outcomes at the end of the meeting will be essential to ensure that the technical work to be undertaken in the next phase is in line with the overall expectations of the Committee. The technical meeting on the 8<sup>th</sup> of April also represents an excellent opportunity to address Committee-level discussions from a technical angle more comprehensively.

## Annex

### **Recommendations by the SCF on the 2014 biennial assessment and overview of climate finance flows.**

#### **1. Methodologies:**

Further efforts would enable better measuring, reporting and verifying of climate finance flows. This will require many steps over a number of years and require the cooperation of all data producers and aggregators identified in this report. The SCF highlights the following for consideration by the COP:

- a) Invite a relevant body under the Convention to consider the key findings of the BA with a view to improve the guidelines for reporting climate finance under the Convention;
- b) Invite a relevant body of the Convention to develop common reporting methods for needs and climate finance received in time for the next cycle of BURs, with consideration of developing countries experiences;
- c) Invite relevant data producers, collectors, aggregators, and experts from both developed and developing countries to offer suggestions for the enhancement of approaches for measuring and reporting climate finance through, inter alia,
  - i. introduction of formal data assessment processes;
  - ii. improvements in the use of common definitions, and;
  - iii. further efforts to develop common methodologies, particularly for the provision of information on adaptation finance and private climate finance, to the extent possible, disaggregated data to improve comparability of data;
- d) Invite multilateral climate funds, bilateral agencies, financial institutions as well as relevant international organizations to continue working to advance common approaches to assess the impact of their finance on greenhouse gas (GHG) emissions, low carbon development, and climate resilience;
- e) Request the SCF to cooperate with 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 the findings of the OECD Research Collaborative on Tracking Private Climate Finance; and,
- f) Invite relevant international institutions, organizations, and experts from both developed and developing countries to explore options to strengthen tracking and reporting of domestic climate finance from public and private sources in developed and developing countries, building on international experience and emerging practices.

#### **2. Operational definition of climate finance:**

The transparency and accuracy of estimates of climate finance could be strengthened with a common definition of climate finance. The SCF highlights the following for consideration by the COP:

- a) Invite Parties to consider the definitional elements in paragraph 4 above for future reporting under the Convention; and,
- b) Request the SCF, in collaboration with relevant international financial institutions and organizations, to continue technical work on operational definitions.

#### **3. Ownership, impact and effectiveness:**

Steps can be taken to advance the effectiveness and developing country ownership of climate finance. The SCF highlights the following for consideration by the COP:

- a) Invite climate finance providers to continue to deepen their engagement with recipient countries to strengthen alignment with national needs and priorities;
- b) Encourage climate finance providers to inform UNFCCC national focal points of climate finance committed and reported to the Convention as directed to their country to the extent possible; and,

- c) Further work with regards to needs assessment processes is needed to inform future BAs of SC.