Note of Clarification on the
2014 Biennial Assessment and Overview of Climate Finance Flows

The Biennial Assessment and Overview of Climate Finance Flows (BA) prepared in 2014 (2014 BA) is the first of biennial assessments. The preparation of the BAs is part of ongoing work of the Standing Committee on Finance in the area of measurement, reporting, and verification (MRV) of support/finance.

The *technical Report* and the *Summary and Recommendations* present a picture of climate finance to the extent possible. It draws on available sources of information. The exercise of compiling the assessment highlighted challenges in aggregating/quantifying and assessing climate finance data, and reflects the limitations of available data. As a result, the report also assesses the quality of measurement and reporting, and indicates the level of uncertainty associated with data on the different types of climate finance.[1]

Through its ongoing activities in the area of MRV of support/finance, the Standing Committee on Finance contributes to the progressive improvements in the compilation of climate finance information.

This *Note of Clarification* has been prepared following feedback received after the completion of the 2014 BA. The *Report* and the *Summary and Recommendations* should be read in conjunction with this *Note of Clarification*.

I. Estimates of private finance

The 2014 BA has aggregated estimates of public and private finance for the period 2011-2012 in two ways – '*Global total climate finance'* and '*Flows from developed to developing countries'*.

The report notes substantial variation in the quality of measurement and reporting of climate finance – and high levels of uncertainty regarding private finance estimates. It notes the need for continuing efforts to enable better measurement, reporting, and verification of climate finance flows. To this end, the *Summary and Recommendations*, includes concrete steps for data producers, collectors, and aggregators to enhance measurement and reporting of climate finance[2].

For the estimates of private climate flows included in the sub-category '*All financial flows from developed countries'*, the 2014 BA sourced data and information from the available sources:

- 'All financial flows from developed countries' as described in paragraphs 126, 137, and 138 and shown with ranges in Figure III-1, page 53 of the *Report* and paragraph 9 and shown in figure titled "Climate finance flows (USD billion

[1]http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2014_biennial_assessment_and_overview_of_climate_finance_flows_report_web.pdf
[2]http://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/2014_ba_summary_and_recommendations_by_scf_on_the_2014_ba.pdf

and annualized)" in the *Summary and Recommendations* includes both public and private flows of finance. The upper bound of the range includes private investment that is not North-South but mobilized by industrialized countries (see section 4 in Stadelmann et al. (2013)). Stadelmann et al. (2013) have identified USD 10-39 billion of true North-South private climate flows.

- Clapp et al. (2012) distinguish public-private channels – export credits and primary purchases of CERs from CDM projects – as well as private investment and finance. Their estimate of total private finance of USD 39 to 75 billion is dominated by private investment in the renewable energy sector, which is estimated at USD 37 to 72 billion per year, based on 2009-2010 data.
- As indicated in the 2014 BA the magnitude of climate finance flows from developed to developing countries is highly uncertain mainly due to uncertainty about the scale of the private flows. The clarification of the scope of the Stadelmann et al. (2013) estimates suggests that the climate finance flows from developed to developing countries are within the range of USD 40 to 175 billion reported, but it may be closer to the lower bound.

II. Why did the BA exclude flows to the 13 New EU member states from multilateral development banks?

- Some multilateral development banks have made substantial investments in activities that support adaptation and mitigation in new EU member states that are also Annex I Parties to the UNFCCC. Hence, climate finance flows to these 13 Annex I Parties were excluded from estimates of climate finance flows from developed to developing countries in the BA. Where reference is made to the exclusion of Economies in Transition in estimating climate finance in developing countries, it is only finance for the EU 13 that has been excluded.

III. Why don't the numbers in the center of the onion (public flows to developing countries) add up?

- The onion presents a compilation of available estimates from different sources of finance for climate action in developing countries. The available sources use different definitions and methodologies that lead to differences in coverage. These differences can lead to both gaps and duplication. For example, a climate adaptation or mitigation project in a developing country may receive assistance from a developed country and a multilateral development bank (MDB). The bilateral assistance would be reported by the developed country as official development assistance (ODA) to the OECD. The OECD counts the entire amount, rather than the climate-related component, as climate finance. The MDB would report the finance provided for climate-related component of the project. In addition, the project might receive other official support, such as export credits, from different countries that is reported as climate finance. As another example, climate finance provided by Annex I Party institutions that are members of the International Development Finance Club is also reported by the Party, where it qualifies as ODA, to the OECD. The numbers in the onion attempt to eliminate duplication where possible.