# 2014 Biennial Report Methodologies for International Climate Finance

On January 1, 2014, the United States submitted its 2014 Climate Action Report (CAR) to the UN Framework Convention on Climate Change (UNFCCC). This report contains two documents that respond to reporting requirements under the United Nations Framework Convention on Climate Change (UNFCCC): (1) the *Sixth National Communication of the United States of America*, and (2) the *First Biennial Report of the United States of America*. The Biennial Report outlines how the United States' action on climate change puts the Nation on a path to achieve its commitments in Copenhagen, Cancún, and Durban, covering the period up to 2020. The Biennial Report contains additional reporting information as specified in decisions 1/CP.16, 2/CP.17 (Annex I), and 19/CP.18.

The UNFCCC reporting guidelines for biennial reports also specify that Parties are to provide the underlying methodology for all financial assistance provided. Specifically, the guidelines state: "Parties shall report in a rigorous, robust and transparent manner the underlying assumptions and methodologies used to produce information on finance."

The United States conducted an interagency process to compile methodology documents for all figures for financial assistance provided in the Biennial Report, particularly those figures listed in table 7, 7(a) and 7(b) of the Biennial Report.

**Annex: Methodologies Used in the Reporting of 2011-2012 Financial Information in the 2014 Biennial Report of the United States to the U.N. Framework Convention on Climate Change**

Pursuant to paragraph 15 of the 2011 UNFCCC biennial reporting guidelines for developed country Parties, this annex provides background information on the underlying assumptions and methodologies used to produce information on finance for the 2014 Biennial Report. Specifically, this annex describes:

1. The overall methodology used for producing information on finance for the Biennial Report
2. The methodology for determining which funds are "climate-specific"
3. The methodology used to specify funds as "committed"
4. Methodologies for calculating mobilization of private finance
5. Methodology used for reporting core/general contributions through multilateral channels
6. Other methodological issues

## 1. Overall Methodology for Producing Information on Climate Finance

The 2014 Biennial Report covers U.S. international climate finance for Fiscal Year (FY) 2011 (October 1, 2010 through September 30, 2011) and Fiscal Year 2012 (October 1, 2011 through September 30, 2012). U.S. international climate finance is provided through the following channels:

- Congressionally appropriated finance, which is delivered through both bilateral and multilateral channels, and includes foreign assistance funding for international development through USAID, the Departments of State and Treasury, and the Millennium Challenge Corporation;

- Development finance through the Overseas Private Investment Corporation (OPIC); and

- Export credit finance through the U.S. Export-Import Bank (Ex-Im).

To ensure accurate and comprehensive reporting, interagency data requests were issued government-wide in 2011 and 2012 to request information on climate-related international programs or activities supported with FY 2011 and FY 2012 resources, respectively. In addition, the U.S. Department of State and U.S. Agency for International Development (USAID) issued internal data calls in FY 2011 and FY 2012 for climate-related finance as part of their annual Operational Plan process.

## 2. Methodology for Determining Which Funds are "Climate-Specific"

Climate-specific funds reported in the 2014 Biennial Report are those assessed to support climate adaptation or mitigation. This includes activities that were conceived and funded specifically to achieve climate-related objectives as well as activities that provide climate co-benefits. In cases where only a fraction of a program's budget supports climate benefits, only that relevant fraction was counted, not the entire program budget.

U.S. international climate finance is categorized under the three thematic pillars of the President's Global Climate Change Initiative:

- Adaptation (increasing resilience to the impacts of climate change);

- Clean Energy (reducing greenhouse gas emissions from energy, industry, and transportation by greater utilization of renewable energy, increased energy efficiency, and other means); and

- Sustainable Landscapes (reducing greenhouse gas emissions from forests and land use).

Further details on each pillar are provided below. These details are specific to the data in the 2014 Biennial Report (i.e., data for Fiscal Years 2011 and 2012) and are subject to change in future reporting.

**a. Adaptation:** Adaptation programming seeks to reduce the vulnerability of people, places, and livelihoods to negative impacts of climate change by integrating effective adaptive strategies into key development sectors, including agriculture and food security, infrastructure, health, water, disaster preparedness, and conflict prevention. Types of activities include, but are not limited to:

- Developing tools for information dissemination or building new capacity among hydro-meteorological information providers to deliver climate information and services
- Providing support for modeling, mapping, and research to better understand climate impacts in specific regions or sectors
- Strengthening government and local community response and communications capacity for climate change-related disasters, such as floods
- Building capacity among decision-makers to use hydro-meteorological data to inform climate-resilient planning
- Increasing water storage and water use efficiency to deal with increased variability in water supply
- Distributing drought-resistant seeds or promoting management practices that increase the ability of farmers ability to cope with reduced rainfall
- Introducing and enforcing flood management plans and zoning and building codes, or coastal zone management activities to reduce vulnerability to rising sea levels and storm surges
- Reducing risk through activities such as flood and famine early warning systems, negotiation of trans-boundary water issues, or meeting critical infrastructure needs

**b. Clean Energy:** Clean energy programming seeks to enable countries to accelerate their transition to climate resilience, lower greenhouse gas emissions, and sustainable economic development through assistance for clean, low-emissions energy systems in energy, industry, transportation, and buildings. Types of activities include, but are not limited to:

- Promoting and deploying clean energy, including renewable energy technologies, energy efficient end-use technologies, and carbon accounting
- Supporting clean energy technologies such as development of agricultural bio-digesters, improved cookstoves, solar water heaters, and/or electricity generation from landfill methane
- Strengthening greenhouse gas inventory and accounting systems

- Supporting an improved enabling environment (law, regulations, policies) for integrating renewable energy into national grids; enhancing cost recovery in the energy sector, improving financial and regulatory capacity of energy utilities

- Supporting efforts to reduce gas flaring through the creation of domestic markets and productive uses for the previously-flared gas

- Supporting the substitution of natural gas for gasoline and diesel fuels for vehicular transportation, or for efficient transportation or comprehensive transportation planning, analysis, and strategy

- Promoting supply-side energy efficiency by retro-fitting existing, high greenhouse gas-emitting fossil fuel power plants with more efficient turbines or installing more energy efficient transformers in a power distribution grid with a large fossil generation component

- Working to reduce technical losses in an energy distribution system, thereby reducing greenhouse gas emissions; or upgrading transmission and operating systems that carry clean energy, in whole or in part (if part, only that share should be attributed)

**c. Sustainable Landscapes:** Sustainable Landscapes programming seeks to slow, halt, and reverse greenhouse gas emissions from deforestation and degradation of forests, as outlined in the U.S. Reducing Emissions from Deforestation and Degradation of Forests (REDD+) strategy. Types of activities include, but are not limited to:

- A program to build a country's capacity to estimate, report and monitor greenhouse gases from forest and land use at the national or subnational level

- Support for creating or strengthening national forest and forest carbon inventory and monitoring systems

- Assistance with implementing land use strategies that affect forests, for example, by addressing the most influential drivers of deforestation and forest degradation or restoring degraded lands through enhanced tree cover

- A forest conservation project leading to reduced-impact logging and reduced deforestation

- A forest conservation project improving governance in indigenous reserves and protected areas which are under threat of deforestation

- A program toimprove land tenure systems that create incentives for communities to manage and restore forested areas, resulting in increased carbon sequestration in tree biomass

## 3. Methodology Used to Specify Funds as "Committed"

The common tabular format for UNFCCC biennial reporting includes three options for the status of financial support: "provided," "committed," and "pledged." All public financial support reported in the 2014 Biennial Report is considered to be "committed." Details regarding the meaning of "committed" across each of the channels of international climate finance follow:

- For Congressionally appropriated finance: Funds reported as committed are those that have been appropriated by Congress and allocated by the funding agency for a specific fund, country, project, or program.

- For development finance, funds reported as committed are those for which a commitment letter is signed and executed by all parties.

- For export credit, funds reported as committed are those authorized by the Export-Import Bank of the United States for that particular purpose.

## 4. Methodologies for Calculating Mobilization of Private Finance

The Biennial Report contains several examples of activities that mobilize private finance. It is important to note that not all agencies track private finance mobilized. As such, the U.S. cannot at this point report a single numeric total for private finance mobilized. As one example, here is how "private sector investment leveraged" is calculated by OPIC:

OPIC offers three main products in support of climate change related efforts: loans and guarantees, political risk insurance, and investment funds. For each project supported by these products, OPIC tracks the amount of financing provided through the following channels:

1. OPIC
2. Main U.S. investor (i.e. main private investor)
3. Other U.S. investor(s) (i.e. secondary investor(s))
4. Host country (i.e. private investors based in the project country)
5. Third country (i.e. private investors based in a country other than the U.S. or the host)
6. International financial institutions (e.g., Asian Development Bank, International Finance Corporation, etc.)

"Private sector investment leveraged" includes categories 2, 3, 4, and 5 against OPIC's investment. In other words, OPIC calculates the amount of private finance leveraged – on a project-by-project basis – by comparing the amount of OPIC's investment with the total amount of private finance invested. OPIC does not include finance contributed by other bilateral or international financial institutions or governments within its calculation of private finance leveraged.

## 5. Methodology Used for Reporting Core/General Contributions Through Multilateral Channels

For core/general contributions to multilateral channels that do not include a climate-specific component, data shown in the 2014 Biennial Report is collected as part of the U.S. government's reporting to the OECD Development Assistance Committee.

## 6. Other Methodological Issues

Tables 7, 7(a), and 7(b) include four categories for "type of support": Mitigation, Adaptation, Cross-cutting, and Other. With the exception of some multilateral funds that are listed as Cross-cutting, U.S. data are presented as follows:

- All U.S. "clean energy" funds, projects, programs, and activities are listed as Mitigation.

- All U.S. “sustainable landscapes” funds, projects, programs, and activities are listed as Mitigation.
- All U.S. “adaptation” funds, projects, programs, and activities are listed as Adaptation.

Tables 7(a) and 7(b) also include several options for “sector”: Energy, Transport, Industry, Agriculture, Forestry, Water and sanitation, Cross-cutting, Other, and Not applicable (7(a) only). To ensure consistency across the data set, information on sectors is tied directly to the three thematic pillars noted earlier. Specifically, U.S. data are presented as follows:

- All U.S. “clean energy” funds are listed as Energy.
- All U.S. “sustainable landscapes” funds are listed as Forestry and Agriculture.
- All U.S. “adaptation” funds are listed as Cross-cutting.