

Submission of the United States of America: Climate Finance Definitions

June 2022

The United States is pleased to submit its views in connection with the Standing Committee on Finance (SCF)'s work on climate finance definitions. In decision 11/CP.25, the COP invited Parties to submit views on the operational definitions of climate finance for consideration by the SCF in order to enhance its technical work in the context of preparing its 2020 Biennial Assessment and Overview of Climate Finance Flows. In decision 5/CP.26, the COP requested the COP to continue this work, taking into account submissions from Parties.

“Climate finance” in the context of the SCF’s work should be defined based on the nature of the adaptation and mitigation activities being financed, rather than the finance providers, intermediaries, recipients, instruments, terms, tenors, or concessionality levels involved.

Article 9.3 of the Paris Agreement supports this view. Article 9.3 states: “As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties.” The reference to “a wide variety of sources, instruments and channels . . . through a variety of actions” makes clear that definitions of climate finance should not impose constraints on the breadth of sources, instruments, or channels employed to mobilize climate finance and enhance climate action.

Instead, definitions should seek to clarify the activities encompassed by the term climate finance. Given the context-specific nature of climate action, in particular in the case of adaptation support, a multiplicity of definitions from different actors is expected and desirable, allowing definitions to be tailored across circumstances. It is also essential the definitions evolve over time as new approaches are developed, needs are identified, or as innovative technologies become available. This bottom-up, iterative approach is in keeping with the country-driven nature of mobilization of support under the Paris Agreement and should inform the work undertaken by the Standing Committee on Finance.

In this context, the operational definition identified by the Standing Committee on Finance in the first Biennial Assessment and Overview of Climate Finance Flows provides clear definitional guidance, captures the complexity of definitions used across contexts by different actors, and allows for sufficient flexibility to accommodate ongoing developments in climate technology and impacts: “Climate finance aims at reducing emissions and enhancing sinks of greenhouse gasses and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts” (SCF, 2014).

This operational definition is sufficient to clearly illustrate the types of activity that should be included as climate finance. Further clarification may be possible to provide additional specificity on the adaptation and mitigation activities included therein. The climate finance

definition used by the United States takes this approach and provides a list of indicative activities¹ and is summarized below:

ADAPTATION FINANCE

Adaptation finance seeks to reduce the vulnerability of people, places, and livelihoods to the negative impacts of climate change. Adaptation will help people, communities and countries anticipate, and prepare for current and future climate impacts. Adaptation can save lives, reduce food and water insecurity and malnutrition, and improve health outcomes. Adaptation may include activities from a broad array of sectors, including but not limited to national and sub-national adaptation planning, agriculture; food security; nutrition; natural resource management; infrastructure; health; water; disaster preparedness and recovery; disaster risk finance; governance; economic growth; education; urban resilience; coastal management; and conflict prevention.

MITIGATION FINANCE

Mitigation finance seeks to significantly reduce and/or avoid greenhouse gas and other climate-warming emissions while improving livelihoods. This includes efforts to enable reliable, efficient, sustainable, and secure energy systems by promoting and enabling the production, procurement, and use of zero-carbon and clean energy technologies, and, to reduce greenhouse gas emissions from land by promoting sustainable land use practices that reduce emissions or increase carbon sequestration. Mitigation will help to reduce the emission of greenhouse gases that contribute to climate change. This includes direct investments in clean energy and advancing energy storage efficiency, and management across sectors. Mitigation also supports the implementation of natural climate solutions, which reduce net greenhouse gas emissions through the conservation, management, and restoration of forests, peatlands, mangroves, and other ecosystems, as well as low emissions practices in agriculture and other production systems, while supporting economic growth, resilience, and other co-benefits. This includes support for low-emissions land use planning; Reducing Emissions from Deforestation and Forest Degradation (REDD+); improved data and analytical tools; monitoring, reporting, and verification systems; enabling laws and policies; effectively implementing institutions; social and environmental safeguards; access to finance; mobilizing finance; work with banks, financial institutions, and participants in commodity supply chains; technical assistance; promotion of rule-of-law, governance, transparency, and programs to counter corruption; promoting enabling environments, including for engagement in market mechanisms and results-based finance; assistance with national policy; economic incentives; and low-emissions agriculture.

¹ See 3rd and 4th Biennial Report of the United States of America, Annex 4.
<https://unfccc.int/sites/default/files/resource/United%20States%207th%20NC%203rd%204th%20BR%20final.pdf>