



Standing Committee on Finance

13 March 2019

**Twentieth meeting of the Standing Committee on Finance
Bonn, Germany, 20–22 March 2019**

Background paper on the 2020 Biennial Assessment and Overview of Climate Finance Flows

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to initiate work for the preparation of the 2020 Biennial Assessment and Overview of Climate Finance Flows (BA), including:

- a) To reach an agreement on the overall approach;
- b) To develop a preliminary draft outline;
- c) To initiate technical work and early engagement with data providers, producers and aggregators, as well as stakeholders that work on matters relating to Article 2, paragraph 1(c), of the Paris Agreement; and
- d) To elect co-facilitators of the 2020 BA.

I. Possible actions for consideration by the Standing Committee on Finance

1. **Overall approach:** The first, second and third BAs comprised a summary and recommendations that was prepared by the SCF and included in its annual report to the COP and a technical report that was prepared by experts under the guidance of the SCF. Co-facilitators, with the support of the secretariat, guided the preparation of the technical report inter-sessionally. The drafts of the technical report were reviewed by the open-ended working group on the BA inter-sessionally as well as at the technical meetings, which were attended by external contributors including data providers, producers and aggregators. At its meetings, the SCF provided strategic guidance for the preparation of the technical report. The SCF may wish to discuss and agree to taking a similar approach to its work for the preparation of the 2020 BA.

2. **General outline:** The SCF may also wish to deliberate on the objectives, scope, and structure of the 2020 BA, with a view to developing a preliminary draft outline for finalization at its next meeting. The SCF may wish to refer to the outline of the 2018 BA contained in the annex I to this background paper as a basis for this discussion and identify possible changes and additional elements for consideration in the 2020 BA. In discussing the outline, the SCF may wish to take into account the following:

- (a) The encouragement by the COP to the SCF to take into account the best available science¹;
- (b) The request by the COP to SCF to use the established terminology in the provisions of the Convention and the Paris Agreement in relation to climate finance, where applicable²;
- (c) The request by the COP to the SCF to map available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof.³; and
- (d) The recommendations included in the summary and recommendations by the SCF on the 2018 BA, as contained in the annex to decision 4/CP.24.

¹ Decision 4/CP.24, paragraph 4.

² Decision 4/CP.24, paragraph 5.

³ Decision 4/CP.24, paragraph 10.

3. When developing the preliminary draft outline of the 2020 BA, the SCF may wish to deliberate on the specific objectives and scope of work on the matter referred to in paragraph 2(c) above. In so doing, the SCF may wish to take into consideration the preliminary information relevant to Article 2.1(c) of the Paris Agreement contained in the 2018 BA technical report and the summary and recommendations⁴, including:

- (a) Methods and metrics⁵;
- (b) Datasets on flows, stocks and integration⁶; and
- (c) Climate finance in the context⁷.

4. Initiation of the technical work and early stakeholder engagement: Furthermore, given workload in 2020, the mandate to undertake additional work in accordance with decision 4/CP.24, paragraph 10, as described in the paragraph 2(c) above, and to ensure timely and effective preparation of the 2020 BA, the SCF may wish to initiate technical work for the preparation of the 2020 BA early on. In particular, in 2019, the SCF may wish to consider undertaking activities with respect to the following:

(a) Initiate, under the guidance of the co-facilitators and with the support of the secretariat, technical work for information gathering for the mapping of available information relevant to Article 2, paragraph 1(c), of the Paris Agreement. In so doing, the SCF may also wish to reach out stakeholders that have undertaken work on this matter to, *inter alia*, identify:

- (i) Efforts aimed at improving the consistency of international public financial flows with low-emission, climate-resilient development pathways;
- (ii) Efforts aimed at promoting consistency of the business sector in general and the financial sector in particular (e.g. banking, investment, insurance and financial services) with low-emission, climate-resilient development pathways;
- (iii) Latest available information on datasets on flows, stocks and integration; and,
- (iv) State of play with respect to methods and metrics.

(b) Initiated climate finance data collection in line with the steps undertaken in the previous BAs. This would include:

- (i) Undertaking data gaps and analysis for years 2017 and 2018;
- (ii) Data collections from different reports and databases;
- (iii) Updating information on operational definitions and tracking and reporting methodologies used by climate finance data producers and aggregators; and
- (v) Exploring further the landscape of methodologies for measuring mitigation and adaptation finance outcomes (i.e. impact reporting).

5. In reaching out the stakeholders, the SCF may wish to consider holding technical expert workshop and/or explore collaboration opportunities in 2019 to advance its work on the matter referred to in paragraph 4(a) and (b) above. In this regard, the SCF may wish to consider either or a combination of the following options for 2019:

(a) Technical expert workshop organised intersessionally in collaboration with stakeholders to explore the underlying technical issues on matters referred to in paragraph 4(a) above. Information gathered could be used to inform, *inter alia*, work on the mapping of available information relevant to Article 2, paragraph 1(c), of the Paris Agreement at the 1st technical meeting in conjunction with SCF21;

⁴ Decision 4/CP.24, Annex.

⁵ Section 1.7 “Insights into emerging practices and metrics relevant for the tracking progress towards the goal outlined in Article 2.1(c) by different actors” in the 2018 BA Technical Report. Available at <<https://unfccc.int/sites/default/files/resource/2018%20BA%20Technical%20Report%20Final%20Feb%202019.pdf>>.

⁶ Section 2.6 “Information relevant to Article 2.1(c) of the Paris Agreement: Datasets on flows, stocks and integration” in the 2018 BA Technical Report. Available at <<https://unfccc.int/sites/default/files/resource/2018%20BA%20Technical%20Report%20Final%20Feb%202019.pdf>>.

⁷ Section 3.4 “Global total climate finance in context” in the 2018 BA Technical Report. Available at <<https://unfccc.int/sites/default/files/resource/2018%20BA%20Technical%20Report%20Final%20Feb%202019.pdf>>.

(b) Technical expert workshop organised intersessionally in collaboration with stakeholders to explore the underlying technical issues on matters referred to in paragraph 4(a) above, followed by decisions on the mapping of available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, climate finance data, and methodological issues at SCF21 and 1st technical meeting at SCF22 (2020);

(c) Side events on the sidelines of 50th session of the Subsidiary Bodies (June, 2019) and 25th session of the COP (December, 2019) and/or other fora.

(d) Other options.

6. In 2019, the SCF may also wish to consider promoting the key findings and recommendations from 2018 BA, including through webinars as well as the outreach activities referred to in paragraph 5 above.

7. Possible milestones and an indicative timeline, including outreach activities on 2020 BA are included in the annex II to this document.

II. Background

8. COP 17 decided that the SCF should assist the COP in exercising its functions with respect to the Financial Mechanism of the Convention in terms of measurement, reporting and verification (MRV) of support provided to developing countries, inter alia, through preparing Biennial Assessments (BAs). The BAs are to include information on the geographical and thematic balance of flows drawing from available sources of information, including, inter alia, from biennial reports and biennial update reports. Further guidance is contained in decisions 1/CP.18, paragraph 71, 5/CP.18, paragraph 11, 3/CP.19, paragraph 11, 9/CP.21, paragraph 13, and paragraph 37 (f) in the annex to decision 8/CP.22.

9. COP 24 welcomed with appreciation the 2018 BA of the SCF, in particular its key findings and recommendations highlighting the increase in climate finance flows from developed country Parties to developing country Parties.⁸

10. COP 24 encouraged the SCF to take into account the best available science in future biennial assessment and overview of climate finance flows.⁹

11. COP 24 requested the SCF to use in the BA the established terminology in the provisions of the Convention and the Paris Agreement in relation to climate finance, where applicable.¹⁰

12. COP 24 also requested the SCF to map, every four years, as part of its BA, the available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof.¹¹

13. COP 24 decided that the sources of input for the global stocktake will consider information at a collective level on the finance flows, including the information referred to in Article 2, paragraph 1(c), and means of implementation and support and mobilization and provision of support, including the information referred to in Article 9, paragraphs 4 and 6, Article 10, paragraph 6, Article 11, paragraph 3, and Article 13, in particular paragraphs 9 and 10, of the Paris Agreement. This should include information from the latest BA of the SCF.¹²

⁸ Decision 4/CP.24, paragraph 3.

⁹ Decision 4/CP.24, paragraph 4.

¹⁰ Decision 4/CP.24, paragraph 5.

¹¹ Decision 4/CP.24, paragraph 10.

¹² Decision 19/CMA.1, paragraph 36(d).

Annex I

General outline of the technical report of the 2018 biennial assessment and overview of climate finance flows

ACKNOWLEDGEMENT

Summary and recommendations by the Standing Committee on Finance on the 2018 biennial assessment and overview of climate finance flows (see above)

INTRODUCTION

- Background and objectives: set the scene – context of decisions of the Conference of the Parties.
- Scope: explicit explanation of what the 2018 BA will do (i.e. a metadata analysis and overview/summary of existing publicly available information).
- Challenges and limitations (e.g. practical difficulties in estimating domestic flows, private flows and other unreported or underreported flows with any certainty).
- Approaches used in preparing the 2018 BA:
 - Clearly outline what the BA is: describe where the data have been sourced from, time period, data coverage and how the data were aggregated (e.g. how the different types of sub-flows are categorized in the onion diagram, how “pledged” vs “committed” vs “disbursed” are treated, etc.);
 - Clearly describe where the data on “geographical” and “thematic balance” come from and how they are aggregated and categorized.

CHAPTER I – Methodological issues relating to measurement, reporting and verification of climate finance

- Key messages.
- Brief summary/update on ongoing technical work related to measurement, reporting and verification of finance, including operational definitions:
 - Compilation of definitions of climate finance and criteria used by various institutions, and compilation of information on how Parties define mitigation and adaptation in their national communications, biennial reports, biennial update reports, nationally determined contributions, national adaptation plans and nationally appropriate mitigation actions;
 - Comparison of approaches used in reporting climate finance, including sector-based methodologies, methodologies for estimating mobilized private finance, and domestic climate finance tracking systems.
- Information on emerging methodologies for measuring mitigation and adaptation finance outcomes.

Review recommendations from the 2014 and 2016 BAs.

CHAPTER II – Overview of current climate finance flows in 2015–2016

- Key messages.
- Mapping of data availability and gaps by sector, geographic area, thematic distribution and financial instrument/asset class.
- Updated onion diagram, including information on trends since the 2014 BA with respect to flows, thematic and geographical distribution and financial instruments used:
 - Estimates of global total climate finance flows, including international and domestic flows;
 - Climate finance flows from developed to developing countries:
 - UNFCCC funds;
 - South–South cooperation on climate finance.
- Evaluation of the quality of data, including clear identification of the uncertainties associated with each source of data and description of how the quality of measurement and reporting is assessed, and the completeness of data (e.g. clearly outline the sources of data uncertainty, clearly describe the assessment of the quality of data as “relatively certain”, “medium certain” or “relatively uncertain”, and clearly present the scale of the completeness of data from ‘low’ to ‘high’).

- Mapping of available datasets that integrate climate change considerations into insurance, lending and investment decision-making processes and that include information relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.
- Reflection of perspectives of recipient countries.
- Identification of emerging sources of data (e.g. cities)

CHAPTER III – Assessment of climate finance flows

- Key messages.
- Introduction.
- Thematic objectives and geographical distribution of climate finance flows to developing countries:
 - Thematic objectives of climate finance;
 - Geographical distribution of climate finance;
 - Additionality of climate finance provided to developing countries.
- Effectiveness of climate finance: ownership, needs and impacts:
 - Access to climate finance;
 - Pledges, approvals, commitments and disbursement of climate finance;
 - Ownership;
 - Alignment with needs, including inter alia in the context of nationally determined contributions and national adaptation plans;
 - Reported results and impacts of climate finance: selected insights and experience;
 - Leverage and mobilization.
- Global total climate finance, and developing country flows in context:
 - Investment in high-carbon energy;
 - Estimates of subsidies;
 - Subsidies and financing measures affecting forests and land-use change;
 - Global finance at risk from climate change.
- Special topics/issues, such as gender and climate finance, forest finance, financial instruments to address loss and damage, technology investment and climate-resilient infrastructure.

ANNEXES

FAQs

GLOSSARY

REFERENCES

LIST OF ABBREVIATIONS

BOXES/CASE STUDIES (in relevant chapters)

- Possible examples:
 - Metrics for assessing progress in the alignment of portfolios of international financial institutions, institutional investors, etc.;
 - Systems and tools used for integrating climate change considerations into investment strategies and decision-making processes in the mainstream investment, lending and insurance sectors.

Annex II

Possible milestones and an indicative timeline, including outreach activities

Outreach is an important component of the BA preparation process, particularly for the data collection and review, as well as work in the context of decision 4/CP.24, paragraph 10. This could be primarily achieved via the following outreach activities:

- **Technical meetings** organised as standalone technical expert workshop in collaboration with partners and/or in conjunction with the SCF. First technical expert workshop could be held in 2019 and could be focused on work related to Article 2.1(c), of the Paris Agreement. The second and the third technical meetings could be held in 2020, with the themes of the meetings to be confirmed.
- **Call for evidence**, in issuing the call for evidence the SCF may wish to consider the recommendation (o) of the 2018 BA, which states “Encourage *all relevant United Nations agencies and international, regional and national financial institutions to provide information to Parties through the secretariat on how their development assistance and climate finance programmes incorporate climate-proofing and climate-resilience measures, in line with new available scientific information*”.
- **Data collection** from national reports under the Convention, other reports, statistical systems, as well as data collection from institutions that provide climate finance through surveys and desktop research.

Possible milestones and an indicative timeline								
Activities and deliverables	2019-2020							
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase I: Developing and finalizing the outline								
Scope, structure and annotated outline								
Phase II: Research and drafting								
Literature review								
Engagement with data providers, producers and aggregators			1 st Tech meeting on Article 2.1(c) related work		2 nd Tech meeting (theme, tbc)	3 rd Tech meeting (theme, tbc)		
Phase III: Development of the BA								
Development of 1st, 2nd and 3rd order drafts of the technical report				1 st order draft	2 nd order draft	3 rd order draft		
Working group discussions on findings and insights, based on draft chapters of the technical report								
Drafting and finalization of the Summary and Recommendations						1 st order draft	2 nd order draft	
Consolidating the final draft of the technical report								
Phase IV: Publication								
Layout, design and production								
Development of web-based content								
Phase V: Outreach and dissemination								
Communication and promotion of the technical report and the summary and recommendations								
Webinars and launch event at twenty-sixth session of the Conference of the Parties								