



Standing Committee on Finance

28 February 2023

**Thirtieth meeting of the Standing Committee on Finance
6 – 7 March 2023**

Background paper on work on definitions of climate finance

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to:

- a) Agree the appointment of co-facilitators for the report on the definitions of climate finance in use;
- b) Discuss the scope and outline of the work;
- c) Discuss the workplan and timeline to prepare the work;
- d) Consider the format of the input to COP 28.

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

1. Scope, outline and approach to the work. In its deliberations on the scope of the report on the definitions of climate finance in use, the SCF may wish to consider:

(a) *Taking into account the different components of the mandate* in its approach to the work (see background section below), namely “clustering types of climate finance definitions in use that could be considered in the UNFCCC process”, “updating the Committee’s operational definition of climate finance as appropriate”, and “supporting Parties in their national reporting efforts.” The SCF may wish to consider whether each component may be addressed within the scope and approach to one technical product or whether components should be separated into different technical products according to different objectives (e.g. clustering types of climate finance definitions in use that could be considered in the UNFCCC process and/or support national reporting efforts, as separate to work to update the Committee’s operational definition);

(b) *The methodological scope and approach* to clustering types of climate finance definitions in use, in particular, whether to cluster by types of definitions of climate rationale/relevance of different activities and sectors in relation to mitigation, adaptation and/or addressing loss and damage, by types of definitions applying different accounting approaches and methods, or by types of specific use cases in international and national contexts for applying definitions of climate finance, or any other clustering method;

(c) *The sources of information* taking into account the invitation for further submissions via the submission portal by 30 April 2023 and other relevant reports;

2. In its deliberation on the scope and approach to the report, the SCF may wish to consider the possible elements of the draft outline as contained in annex I, with a view to agreeing an outline for the zero-order draft of the report.

3. Workplan and timeline. The SCF may wish to consider the draft workplan and timeline as contained in annex II.

4. Format of the input to COP 28. The SCF may wish to consider how it wishes to report the outcomes of the report to COP 28. In its deliberations on this matter, the SCF may wish

to consider adopting an approach similar to that used for the BA and the first report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement (NDR). This includes developing a stand-alone technical report by a technical team and an executive summary by the SCF. The executive summary would be included in the annual report of the SCF to COP 28 as an addendum.

5. Concurrently, based on the discussions on the substantive scope and content of the work, the SCF may wish to develop a report on clustering types of definitions of climate finance in use separately to an output which proposes an update to the Committee's operational definition of climate finance.

I. Background

6. COP 27 requested the SCF to prepare a report for consideration by COP 28, building on the Committee's work on definitions of climate finance, on clustering types of climate finance definitions in use that could be considered within the UNFCCC process, including with a view to updating the Committee's operational definition of climate finance, as appropriate, and supporting Parties in their national reporting efforts, and invited Parties and external stakeholders to make further submissions via the submission portal by 30 April 2023.¹

7. In 2019, by decisions 11/COP.25, para. 10 and 5/CMA.2, para. 10, the COP and CMA invited Parties to submit their views on the operational definitions of climate finance for consideration by the SCF in order to enhance its technical work on this matter in the context of preparing its fourth BA. Thirteen submissions were received from Parties on the operational definitions of climate finance. The information from the submissions was synthesised in section 1.4.3 of the technical report of the fourth BA and the Summary of the fourth BA by the SCF, paras. 16–18.

8. COP 26 and CMA 3 requested the SCF to continue its work on definitions of climate finance, taking into account submissions received on this matter, with a view to providing input for consideration at COP 27. In 2022, the SCF issued a call for inputs related to the work on definitions of climate finance, receiving an additional ten responses from Parties and stakeholders.²

9. The work on definitions of climate finance in 2022 included an updated synthesis of the information from submissions, in addition to information on the operational definitions of climate finance in use within and outside the Convention and the Paris Agreement reporting frameworks. The work was included as an addendum to the report of the SCF to COP 27 and CMA 4.

10. COP 27 noted that the work of the SCF on definitions of climate finance shows the variety of definitions in use and the complexities associated with the diversity of definitions of climate finance in use by Parties and non-Party stakeholders in relation to ensuring clear aggregated accounting and reporting of climate finance.³

11. The first (2014) BA reviewed various operational definitions of climate finance in use by data providers and aggregators, and identified a convergence that could be framed as follows: "*Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.*" Subsequent BAs (2016, 2018 and 2020) compiled any updates or developments in operational definitions of climate finance in use by various data providers and aggregators.

¹ In accordance with paragraph 11 of the draft decision entitled "Matters relating to the Standing Committee on Finance" proposed under agenda item 8(b) of COP 27.

² Available at: <https://unfccc.int/topics/climate-finance/resources/standing-committee-on-finance-info-repository#eq-12>.

³ Paragraphs 9 and 10 of the draft decision entitled "Matters relating to the Standing Committee on Finance" proposed under agenda item 8(b) of COP 27..

Annex I

Possible elements of the draft outline of the report on the clustering of types of climate finance definitions in use

ACKNOWLEDGEMENTS

LIST OF ABBREVIATIONS

Executive Summary by the SCF

Technical report

I. Introduction

1. Background and objectives. Mandate stemming from decision X/CP.27, paragraph 42 and context, including references to other relevant decisions.
2. Scope. Explanation of the nature and scope of the report.
3. Approach used in preparing the report.
4. Challenges and limitations.
5. Structure of the report

II. Updated synthesis of views from Parties and non-Party stakeholders on definitions of climate finance in use

III. Clustering types of climate finance definitions in use by elements

6. Clustering types of climate finance definitions related to defining climate rationale/relevance.
7. Clustering types of climate finance definitions related to accounting methods.

Or

III. Clustering types of climate finance definitions by use cases

6. International contexts including Party reporting to the UNFCCC, tracking of finance flows from developed to developing countries, international standard-setting bodies.
7. Domestic or national contexts including in relation to tracking public expenditures, regulatory definitions in support of sustainable financial markets, etc.

IV. Considerations for updating the SCF's operational definition of climate finance

8. Description of considerations for updating the SCF's operational definition of climate finance.
9. Possible recommendations for updating the operational definition, as appropriate.

V. ANNEXES

VI. REFERENCES

Annex II

Draft workplan

Work on definitions of climate finance

I. Mandate(s) and objectives

1. COP 27 requested the SCF to prepare a report for consideration by COP 28, building on the Committee's work on definitions of climate finance, on clustering types of climate finance definitions in use that could be considered within the UNFCCC process, including with a view to updating the Committee's operational definition of climate finance, as appropriate, and supporting Parties in their national reporting efforts, and invited Parties and external stakeholders to make further submissions via the submission portal by 30 April 2023.

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2. The objective of the workplan is to ensure the delivery of the report on clustering types of climate finance definitions in use ahead of CCOP 28 in 2023.

II. Overall Approach

3. Building on the experience of the SCF, the work could be organized and implemented comprising *technical work* and *Committee-level work*. The technical work allows the SCF, with the support of the secretariat, to draw on information from relevant sources with the support of consultants if necessary.

4. Two co-facilitators would be appointed from within the membership of the SCF to guide the technical work intersessionally and during SCF meetings. The co-facilitators are supported by a technical team comprising of consultants and the UNFCCC secretariat.

5. The *technical work* includes literature reviews and stakeholder engagement through technical stakeholder dialogues which can be organised in conjunction with SCF meetings or separately, involving other contributors. This involves information gathering from a range of sources, both submissions received through the mandate as well as other relevant reports.

6. The *Committee-level work* involves reviewing the technical work and providing further guidance. This includes providing input and reviewing drafts of the technical report and executive summary disseminated to the SCF for its consideration including through written comments. Draft chapters and papers may be circulated to SCF members at least 3 weeks prior to SCF meetings. SCF members may be encouraged to provide feedback and/or written comments ahead of the SCF meetings to facilitate their integration and discussion during the formal SCF meeting. SCF members also have an additional two weeks after the meeting to provide feedback or written comments on the circulated drafts.

7. In addition, SCF members may be invited to informal dedicated calls intersessionally to ensure timely development of the technical report ahead of formal SCF meetings.

8. Depending on the approach the SCF wishes to take on the report, the Committee may wish to identify key findings from the technical work and prepare an *executive summary* and/or *recommendations* as appropriate.

III. Outreach, engagement and dissemination

9. Engagement with various stakeholders including Parties and non-Party stakeholders will take place through the preparation of the report.

⁴ In accordance the paragraph 11 of the draft decision entitled "Matters relating to the Standing Committee on Finance" proposed under agenda item 8(a) of COP 27.

10. Outreach to engage stakeholders to provide input into the development of the report as well as support the dissemination of its key findings may take place through the following activities:

(a) **Call for inputs:** the SCF may wish to consider issuing a call for inputs to all stakeholders to support preparation of the report on clustering types of definitions of climate finance in use with a potential deadline of 31 July 2023. This could complement the official call for submissions via the submission portal mandated in the decision by 30 April 2023. All submissions received are posted on the SCF website;

(b) **Technical stakeholder dialogues:** the SCF may wish to continue the practice of organizing technical stakeholder dialogues in collaboration with partners to provide input on the key themes of the report. They may be organised in conjunction with SCF meetings or as stand-alone webinars;

11. Following finalization of the report, the key findings will be disseminated through a dedicated webpage on the SCF website, SCF side events at COP 28, and other communication channels with UNFCCC support, e.g. press release and social media.

IV. Timeline

12. To ensure sufficient rigor, the work will be organized in four phases as outlined below. The table below presents possible milestones and an indicative timeline for the preparation of the report.

(a) **Phase I – developing and finalizing the scope and outline:** This phase involves developing the scope, structure and outline of the report to be initially discussed by the SCF at SCF 30;

(b) **Phase II – literature review and information gathering:** This phase will continue until the development of the pre-final draft of the report as relevant information becomes available. It will involve:

(i) Continuous literature review and information gathering from sources of information as they become available;

(ii) Engagement with various stakeholders, including Parties to confirm interpretation and presentation of data;

(iii) Further outreach through open technical stakeholder dialogues in conjunction with SCF meetings or webinars with broader stakeholder groups to gather inputs and views;

(c) **Phase III – development of the report:** This phase includes the iterative drafting of the report and presenting it for feedback at SCF meetings. A zero-order draft would be prepared ahead of SCF 31 based on the outline agreed at SCF 30, followed by a pre-final draft prepared ahead of SCF 32, based on written comments and feedback of SCF members. In parallel, the professional editing, graphic design and layout of the report will be prepared to ensure the report is ready for publication as soon as possible after SCF 32;

(d) **Phase IV – dissemination:** Following finalization of the report, the key findings will be disseminated through:

(i) A dedicated webpage on the SCF website;

(ii) SCF side events at COP 28;

(iii) Other communication channels with UNFCCC support including a press release and social media.

Table 1
Possible milestones and indicative timeline for the progress report

Activities and deliverables	2022											
	Q1			Q2			Q3			Q4		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Phase I: Developing and finalizing the scope and outline												
Scope, structure and annotated outline			SCF 30									
Phase II: Literature review and data gathering												
Literature review												
Engagement with Parties, data providers, producers and aggregators												
Phase III: Development of the report												
Development of iterative drafts of the report						Zero-order draft (SCF 31 tbc)		Pre-final draft (SCF 32 tbc)				
Informal discussions on findings and insights, based on draft chapters of the technical report												
Professional editing and graphic design												
Layout, design and production of final report												
Phase IV – dissemination												
Development of web-based content												
Communication and promotion of the report												COP 28

V. Expected outputs/deliverables

13. The key outputs may include:

- (a) The addendum to the report of the SCF to COP 28 and/or a stand-alone technical report, and/or the input on updating the Committee's operational definition of climate finance;
- (b) Background papers and presentations for SCF meetings;
- (c) SCF meeting reports with guidance on this agenda item.
- (d) A dedicated webpage on the SCF website.