



## Standing Committee on Finance

07 October 2021

Twenty-sixth meeting of the Standing Committee on Finance  
12–14 October 2021

## Background paper on the Fifth 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:

- a) Initiate work for the preparation of the Fifth BA including consideration of the draft outline
- b) To elect co-facilitators of the Fifth BA

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

1. The SCF may wish to deliberate on the objectives, scope and structure of the Fifth BA, with a view to agreeing an initial general outline for its preparation in line with previous COP mandates.<sup>1</sup>
2. In discussing the outline, the SCF may wish to consider the outline of the Fourth (2020) BA contained in the annex to this background paper as a basis for this discussion and identify possible changes and additional elements for consideration in the Fifth BA.
3. The SCF may also wish to consider a request for co-facilitators to prepare a draft work plan including outreach activities and an initial zero order draft of the fifth BA to be considered at SCF 27, taking account of any additional guidance to the SCF from the COP.

## II. Background

4. The Conference of the Parties (COP) at its seventeenth session decided that the SCF shall assist the COP in exercising its functions with respect to the Financial Mechanism of the Convention in terms of measurement, reporting and verification 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, paragraph 37(f) in the annex to decision 8/CP.22, decision 4/CP.24, paragraphs 4, 5 and 10, decision 11/CP.25, paragraphs 9 and 10, and decision 5/CMA.2, paragraphs 9 and 10.

<sup>1</sup> Decision 2/CP.17, paragraph 121(f).

## **Annex**

### **General outline of the technical report of the 2020 Biennial Assessment and Overview of Climate Finance Flows**

#### **I. Acknowledgement**

1. Summary and recommendations by the Standing Committee on Finance on the 2020 Biennial Assessment and Overview of Climate Finance Flows, including tracking, follow-up and review of recommendations from 2014, 2016 and 2018 BAs.

#### **II. Introduction**

2. Background and objectives: set the scene – context of decisions of the Conference of the Parties, including decision 4/CP.24 – paragraphs 4 (taking into account best available science) and 5 (use of established terminology in provisions of Convention and Paris Agreement in relation to climate finance, where applicable).
3. Scope: explicit explanation of what the 2020 BA will do (i.e. metadata analysis and overview/summary of existing publicly available information; mapping available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof).
4. Challenges and limitations (e.g. practical difficulties in estimating domestic flows, private flows and other unreported or underreported flows with any certainty, follow up on gaps and challenges identified in previous BA).
5. Approaches used in preparing the 2020 BA:
  - (a) 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.);
  - (b) Clearly describe where the data on “geographical” and “thematic balance” come from and how they are aggregated and categorized.

#### **III. CHAPTER I – Methodological issues related to transparency of climate finance**

##### **BOXES/CASE STUDIES**

6. Key messages, new developments and trends.
7. Brief summary/update on ongoing technical work related to transparency of climate finance, including operational definitions:
  - (a) 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;
  - (b) Comparison of approaches used in reporting climate finance, including sector-based methodologies, methodologies for estimating mobilized private finance, and domestic climate finance tracking systems.
8. Information on emerging methodologies for measuring mitigations and adaptation finance outcomes.

9. Information on emerging methodologies relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.
10. Review recommendations from the 2014, 2016 and 2018 BAs.

#### **IV. CHAPTER II – Overview of current climate finance flows in 2017–2018**

##### **BOXES/CASE STUDIES**

11. Key messages, new developments and trends.
12. Mapping of data availability and gaps by sector, geographic area, thematic distribution and financial instrument/asset class.
13. Updated onion diagram, including information on trends since the 2014 BA with respect to flows, thematic and geographical distribution and financial instruments used and taking into account lessons learned from 2018 BA (e.g. sectors, country classifications):
  - (a) Estimates of global total climate finance flows, including international and domestic flows;
  - (b) Climate finance flows from developed to developing countries;<sup>1</sup>
  - (c) UNFCCC funds;
  - (d) South-South cooperation on climate finance;
  - (e) Information on financial instruments used.
14. 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 completeness of data from ‘low’ to high’).
15. Update of available datasets that integrate climate change consideration 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.
16. Reflection of perspectives of recipient countries.
17. Identification of emerging sources of data (e.g. cities).

#### **V. CHAPTER III – Assessment of climate finance flows**

##### **BOXES/CASE STUDIES**

18. Key messages, new developments and trends.
19. Introduction.
20. Thematic objectives and geographical distribution of climate finance flows to developing countries:
  - (a) Thematic objectives of climate finance;
  - (b) Geographical distribution of climate finance;

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<sup>1</sup> For the purposes of the overview of climate finance in the BA, various data sources are used to illustrate flows from developed to developing countries without prejudice to the meaning of those terms in the context of the Convention and the Paris Agreement including but not limited to Annex II/Annex I to non-Annex I, and MDBs; OECD members to non-OECD members; OECD DAC members to OECD DAC ODA eligible countries; and other relevant classifications.

- (c) Additionality of climate finance provided.
- 21. Effectiveness of climate finance: ownership, needs and impacts:
  - (a) Access to climate finance (e.g. challenges, lessons learned and improvements since 2018 BA);
  - (b) Pledges, approvals, commitments and disbursement of climate finance;
  - (c) Ownership;
  - (d) Alignment of climate finance with investment needs and plans, including inter alia in the context of nationally determined contributions and national adaptation plans;
  - (e) Reported results and impacts of climate finance: selected insights and experience;
  - (f) Leverage and mobilization;
  - (g) Technology cost.
- 22. Global total climate finance, and developing country flows in context:
  - (a) Total investments by sector and region, including in high-carbon energy;
  - (b) Estimates of subsidies;
  - (c) Subsidies and financing measures affecting forests and land-use change;
  - (d) Global finance at risk from climate change.
- 23. Drivers of climate finance flows.
- 24. Special topics/issues, such as gender and climate finance, forest finance, financial instruments to address loss and damage, technology investment and climate-resilient infrastructure.

## **VI. CHAPTER IV – Mapping information relevant to Article 2, paragraph 1(c) of the Paris Agreement, including its reference to Article 9 thereof**

### **BOXES/CASE STUDIES**

- 25. Key messages.
- 26. Introduction.
- 27. Scope.
- 28. Challenges and limitations.
- 29. Ongoing activities and initiatives such as investment portfolios, regulatory initiatives, voluntary private sector disclosures, integrating climate risk in investments.
- 30. Additional information and data sets (e.g. metrics, approaches, methodologies, etc.).
- 31. Impact of transformation on real economy.

### **ANNEXES**

### **FAQs**

### **GLOSSARY**

### **REFERENCES**

### **LIST OF ABBREVIATIONS**

### **BOXES/CASE STUDIES (in relevant chapters)**

32. Possible examples:

(a) Metrics for assessing progress in the alignment of portfolios of international financial institutions, institutional investors, etc.;

(b) Systems and tools used for integrating climate change considerations into investment strategies and decision-making processes in the mainstream investment, lending and insurance sectors;

(c) Available information relevant to Article 2 of the Paris Agreement;

(d) SIDS perspective on climate finance flows;

(e) Efforts to avoid double counting within the BA;

(f) Perspectives on the links between development and climate in providing and accessing finance;

(g) Financial instruments on addressing the potential increased cost of finance due to the integration of climate change risk.

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