



Standing Committee on Finance

06 July 2023

Thirty-first meeting of the Standing Committee on Finance
22–23 July 2023
Bangkok, Thailand

Background paper on the sixth 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) Discuss and agree on the timeline and workplan to prepare the sixth Biennial Assessment and Overview of Climate Finance Flows (sixth BA);
- b) Discuss the scope and consider the outline of the sixth BA;
- c) Provide guidance on the preparatory work to be done intersessionally.

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

1. Timeline, workplan and outreach activities to prepare the sixth BA. In initiating work for the preparation of the sixth BA, the SCF may wish to consider addressing the issue of availability of data on climate finance from developed to developing countries due to the differences in the BA timeline (to be published before the Conference of the Parties (COP), at its 29th session in October/November 2024) and the timelines for the submission of national reports to the UNFCCC, particularly biennial transparency reports (BTRs) under the enhanced transparency framework (by 31 December 2024):

Option I: No changes to the publication schedule of the sixth BA. Under this option, the SCF may wish to consider gathering preliminary data and consider the draft workplan, including outreach activities, as contained in annex II.

Option II: Synchronise the BA timelines with BTRs timelines. Under this option the publication of the sixth BA would be in 2025, potentially by mid-year to capture the latest available information. Potential advantages and disadvantages to both options are outlined in annex I.

2. General outline of the sixth BA. The SCF may wish to consider the potential elements of the general outline of the sixth BA, as contained in annex III, developed under the guidance of co-facilitators based on the agreed general outline of the fourth and fifth BA, with a view to include the outline in the annual report to COP 28 and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its fifth session (December 2023).

II. Background

3. COP 17 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 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 (BR) and biennial update reports (BURs). 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, and 4/CP.24, paragraphs 4 and 5.

4. COP 24 requested the SCF to map, every four years, as part of its BAs, the available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof.¹ COP 26 welcomed the fourth BA of the SCF, in particular its summary, and endorsed its key findings.² It also welcomed the mapping of information relevant to Article 2, paragraph 1(c), of the Paris Agreement in the fourth BA and took note of its key findings.³

5. COP 27 welcomed the fifth BA of the SCF, its summary, and took note of the recommendations. It also acknowledged the improvement in the quality, transparency and granularity of information in the fifth BA while recognizing data limitations persist, particularly in relation to private climate finance, including private finance mobilized by developed country Parties through bilateral and multilateral channels, and finance in sectors other than energy and transport, and requested further work in this regard in the sixth BA, including in relation to data by region, private finance mobilized from public interventions and financing arrangements relevant to averting, minimizing and addressing loss and damage.⁴

III. Progress on the sixth biennial assessment and overview of climate finance flows

6. At its 30th meeting, the SCF appointed Diann Black-Layne and Vicky Noens as co-facilitators of the sixth BA.

¹ Decision 4/CP.24, para. 10.

² Decision 5/CP.26, para. 2.

³ Decision 5/CP.26, para. 9.

⁴ Decision 14/CP.27, paras. 2 and 7.

Annex I

Options to address differences in timing of the sixth Biennial Assessment and Overview of Climate Finance Flows and data availability

Background

1. In 2019, COP 25 decided to change the deadline of the fifth BR of Annex I Parties from 1 January 2022 to 31 December 2022 with a view to synchronise the reporting cycle under the current MRV system with the BTR cycles under enhanced transparency framework.¹ Therefore, while preparing the fifth BA in 2022, the SCF did not have official data and information on the underlying assumptions, definitions and methodologies, on climate financial support provided by Annex II Parties for the years 2019 and 2020.
2. At its 27th meeting, the SCF decided to issue a call for preliminary data from Annex II Parties on their climate finance provided in 2019 and 2020 to assist its preparation of the fifth BA. In total, 17 of the 24 Annex II Parties responded to this invitation and the technical team was able to gather proxy data on another 6 Parties to support the analysis. Data was missing for one Annex II Party.
3. Under the enhanced transparency framework, Parties are due to submit their first BTR by 31 December 2024, leading to similar implications for the preparation of the sixth BA and future BAs.² The first BTRs would provide data and information on climate finance provided and mobilized, as well as received, in 2021 and 2022.
4. According to the current schedule, the sixth BA is due to be published in October/November 2024, ahead of the deadline for the first BTRs. The SCF may wish to consider if:
 - (a) it views the gathering of preliminary data as the long-term solution to the mismatch of the BTR and BA timelines (see option 1 in the table below); or,
 - (b) another solution should be pursued (see option 2 in the table below).

Potential options

<i>Option</i>	<i>Potential solution</i>	<i>Potential advantages</i>	<i>Potential disadvantages</i>
1	Retain current BA scheduled publication in 2024 and continue to invite developed country Parties to submit preliminary data on climate finance provided and mobilized and developing country Parties to submit preliminary data on climate finance received.	Retains the BA publication in even-numbered years (2024, 2026 etc.) and with the original time lag in data although it is preliminary data (2021 and 2022 data published in 2024).	Risks incomplete data gathering and hinders trend analysis. Does not allow any consideration of the underlying assumptions, definitions and methodologies used as the official BTRs are not available. Does not allow Party-level data aggregates to be reported in the BA annexes as was a feature from the first to fourth BA.
2	Move BA publication to odd-numbered years (e.g. 2025, 2027 etc.) to capture latest official data from	Allows BA analysis to continue as before with original 1–2-year time lag.	

¹ Decision 6/CP.25, para 3.

² Decision 18/CMA.1, para. 3.

BTRs and invite CMA to request Parties to report on 2021, 2022 and 2023 data in their first BTR; 2024, 2025 in second BTR, etc.

May facilitate earlier publication of BA (e.g. June/July) to support better dissemination and outreach ahead of COP/CMA.

Annex II

Draft workplan including indicative timeline and outreach activities

Sixth Biennial Assessment and Overview of Climate Finance Flows

Delivery date: 2024 (subject to confirmation)

I. Mandate(s) and objectives

1. COP 17 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 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 BRs and BURs. 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, and 4/CP.24, paragraphs 4 and 5.
2. The objectives of the workplan of the sixth BA will be to:
 - (a) Deliver the sixth BA including its technical report and summary and recommendations by the SCF ahead of COP 29; and
 - (b) Engage a broad group of stakeholders in the development of the report and in the dissemination of its key findings through outreach activities.

II. Overall approach

3. Building on the experience of the SCF in developing previous BAs, the approach will comprise of *technical work*, *committee-level work*, and *dedicated outreach and communications* to engage relevant stakeholders from across the climate finance community in preparing the report as well as ensuring its key findings reach a broad audience. The technical work allows the SCF, with the support of the secretariat, to draw meta-data to inform its work through information and data gathering undertaken with the support of consultants and information and data providers.
4. Two co-facilitators from the SCF will guide the technical work intersessionally and during SCF meetings, supported by the UNFCCC secretariat. Within the SCF, an open-ended working group could participate in the intersessional technical work to ensure timely development of the report ahead of formal SCF meetings. This may involve, *inter alia*, providing input and reviewing the drafts of the report, including through written comments and dedicated calls. The outputs (e.g. draft chapters, graphics, presentations,) will be disseminated to the SCF for consideration.
5. The *technical work* combines literature review with technical stakeholder dialogues which can be organised in conjunction with SCF meetings, involving data providers and other contributors. This involves data and information gathering from a range of sources, both national reports to the UNFCCC and other relevant reports.
6. The *Committee-level work* involves reviewing the technical work and providing further guidance. The Committee is responsible for developing the Summary of the technical report, with the support of the Secretariat, and any recommendations it considers necessary for consideration by the COP and CMA.

III. Outreach activities

7. Outreach is an important component of the BA preparation process, particularly for following up on the recommendations of previous BAs and new COP/CMA mandates, data

collection and review information gaps, methodological issues, and assessing the effectiveness of climate finance flows. It can also serve as a platform to promote and disseminate the key products of the SCF including previous BAs, the SCF Forum, the report on the determination of the needs of developing country Parties related to implementing the Convention and the Paris Agreement, and other relevant activities. Outreach will take place through the following activities:

(a) **Call for evidence:** the SCF may wish to consider issuing a call for evidence to all stakeholders to support preparation of the sixth BA. All submissions received are posted on the SCF website;

(b) **Technical stakeholder dialogues** held in conjunction with the 33rd and 34th meetings of the SCF: the SCF may wish to continue the practice of organizing technical stakeholder dialogues in collaboration with partners to provide input on key themes of the sixth BA based on the iterative drafts of the technical report;

(c) **Stakeholder engagement webinars:** the SCF may wish to consider organising dedicated stakeholder engagement webinars intersessionally under the guidance of co-facilitators on specified themes related to information gathering for the sixth BA and specific target audiences of expertise. The webinars may be held in partnership with partner organizations such as other United Nations agencies and the climate finance community. Specific themes related to the outline of the sixth BA to be addressed may be structured by following up on previous BA recommendations by chapter and elements of the agreed outline;

(d) **Informal outreach to stakeholder groups:** As part of the research and information gathering process for drafting the technical report of the sixth BA, the technical team may conduct informal outreach through bilateral calls and meetings with different stakeholder groups on specific topics in relation to preparing the sixth BA.

IV. Communications strategy

8. The SCF has identified the need to promote and disseminate the findings of its key products, including the sixth BA and previous BAs, once launched across multiple communication and engagement channels. It has also identified the need to ensure ease-of-use and understanding of information presented in BAs.

9. The sixth BA will consist of:

(a) A technical report prepared by a technical team under the guidance of the SCF. The technical report will be targeted at a *technical audience*, including relevant experts in the climate finance community, financial institutions, other multilateral institutions, NGOs, academia and Parties, providing an update on the latest data with regard to climate finance flows, methodologies for tracking climate finance, and an assessment of its effectiveness;

(b) A summary and recommendations prepared by the SCF. The summary will be targeted at a *general audience* to provide an overview of the key findings of the technical report and recommendations by the SCF for consideration by the Parties to the COP and CMA.

10. Within the technical report and the summary prepared by the SCF, consideration will be provided to how graphics and infographics may be used to highlight key messages and findings of the major elements of the chapters, to support the dissemination of the work of the SCF across different communication channels.

11. Following finalization of the report, the key findings will be disseminated through:

(a) Press release from the SCF and UNFCCC, including through social media channels;

(b) The BA webpage will update key findings of the report and interactive graphics;

(c) Events to launch the report will include a SCF side event at COP 29 and other speaking opportunities or participation in related events on climate finance;

(d) Dissemination packs for SCF members will include a presentation slide deck on the content of the BA, talking points notes and social media quotes will be prepared for SCF members for their potential use in their capacity as members of the committee and participation in various events.

V. 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 sixth BA that is dependent on the outcome of decisions regarding the publication schedule:

(a) **Phase I – developing and finalizing the scope and outline:** This phase involves developing the scope, structure and outline of the report;

(b) **Phase II – literature review, data gathering and outreach:** 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 data collection from sources of information as they become available;

(ii) Engagement with various stakeholders, including Parties, data providers, producers and aggregators 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 33 based on the outline agreed, followed by a first-order draft ahead of SCF 34 and a pre-final draft prepared ahead of SCF 35, 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 35;

(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 29;

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

Table 1

Possible milestones and indicative timeline (tentative) for the sixth Biennial Assessment and Overview of Climate Finance Flows

Activities and deliverables	2023						2024												
	Q3			Q4			Q1			Q2			Q3			Q4			
	Jul	Aug	Sep	Oct	Nov	Dec	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																			
Phase II: Literature review and data gathering																			
Literature review																			
Ongoing stakeholder engagement through technical dialogues and webinars																			
Phase III: Development of the report																			
Development of iterative drafts of the report																			
Working group discussions based on draft chapters																			
Professional editing and graphic design																			
Layout, design and production of final report																			
Phase V – dissemination																			
Development of web-based content																			
Communication and promotion of the report																			
Webinars and events																			

Abbreviation: TSD = technical stakeholder dialogues

VI. Expected outputs /deliverables

13. The key outputs may include:
- The sixth biennial assessment and overview of climate finance flows including a technical report and the summary and recommendations by the SCF;
 - Background papers and presentations for SCF meetings;
 - A dedicated webpage on the SCF website;
 - Key infographics from the report;
 - A workplan and timeline.

Annex III

General outline of the technical report of the sixth Biennial Assessment and Overview of Climate Finance Flows

Work in progress by co-facilitators

ACKNOWLEDGEMENT

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

INTRODUCTION

1. 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).
2. Scope: explicit explanation of what the sixth 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).
3. 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).
4. Approaches used in preparing the sixth 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.

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

BOXES/CASE STUDIES

1. Key messages, new developments and trends.
2. 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, BRs, BURs, 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.
3. Information on emerging methodologies for measuring mitigations and adaptation finance outcomes.

4. Information on emerging methodologies relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.
5. Review recommendations from the previous BAs.

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

BOXES/CASE STUDIES

1. Key messages, new developments and trends.
2. Mapping of data availability and gaps by sector, geographic area, thematic distribution and financial instrument/asset class.
3. 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 the fifth 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;¹
 - (c) UNFCCC funds;
 - (d) South-South cooperation on climate finance;
 - (e) Information on financial instruments used.
4. 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’).
5. 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.
6. Reflection of perspectives of recipient countries.
7. Identification of emerging sources of data (e.g. cities).

III. CHAPTER III – Assessment of climate finance flows

BOXES/CASE STUDIES

1. Key messages, new developments and trends.
2. Introduction.
3. Thematic objectives and geographical distribution of climate finance flows to developing countries:
 - (a) Thematic objectives of climate finance;
 - (b) Geographical distribution of climate finance;
 - (c) Additionality of climate finance provided.
4. Effectiveness of climate finance: ownership, needs and impacts:

¹ 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.

- (a) Access to climate finance (e.g. challenges, lessons learned and improvements since the fifth 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.
5. 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.
 6. Drivers of climate finance flows.
 7. Special topics/issues, such as gender and climate finance, forest finance, financial instruments to address loss and damage, technology investment and climate-resilient infrastructure.

IV. 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

1. Key messages.
2. Introduction.
3. Scope.
4. Challenges and limitations.
5. Ongoing activities and initiatives such as investment portfolios, regulatory initiatives, voluntary private sector disclosures, integrating climate risk in investments.
6. Additional information and data sets (e.g. metrics, approaches, methodologies, etc.).
7. Impact of transformation on real economy.

ANNEXES

FAQs

GLOSSARY

REFERENCES

LIST OF ABBREVIATIONS

BOXES/CASE STUDIES (in relevant chapters)

- 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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