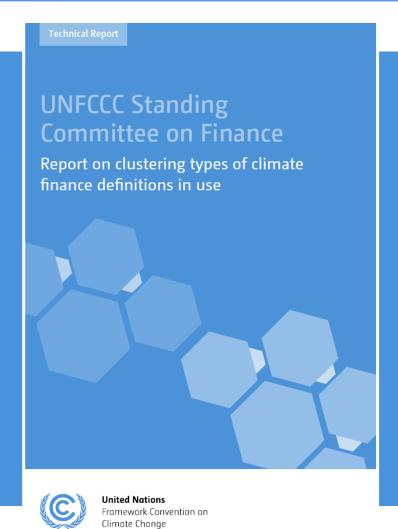
Report on clustering types of climate finance definitions in use

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## BACKGROUND AND APPROACH

Decision 14/CP.27, paragraph 11, Requests the SCF to prepare a report for consideration at COP 28, building on the work of the SCF on definitions of climate finance, on clustering types of climate finance definition in use that could be considered within the UNFCCC process, including with a view to updating the operational definition of climate finance of the SCF, as appropriate, and supporting Parties in their national reporting efforts, and invited Parties and external stakeholders to make further submissions thereon via the submission portal by 30 April 2023

Report structure

Updated synthesis of views

Clustering definitions (guidebook)

Updating the SCF operational definition

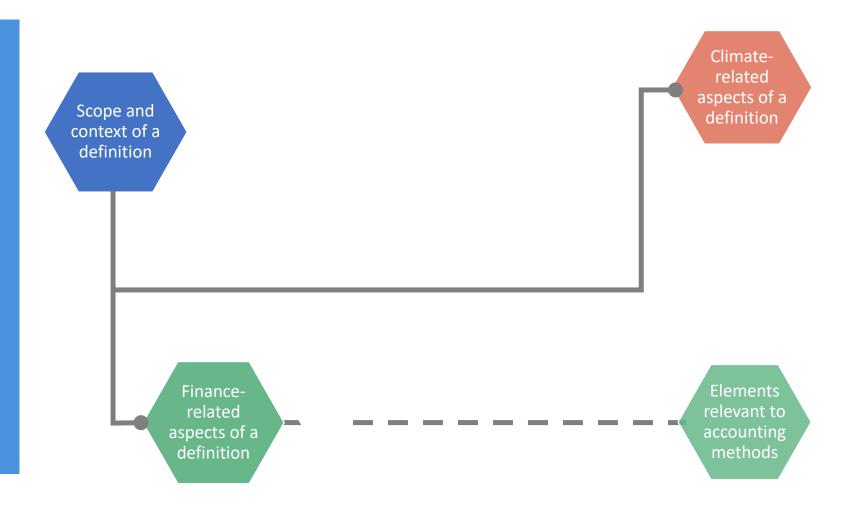


## **Update Synthesis of Views**

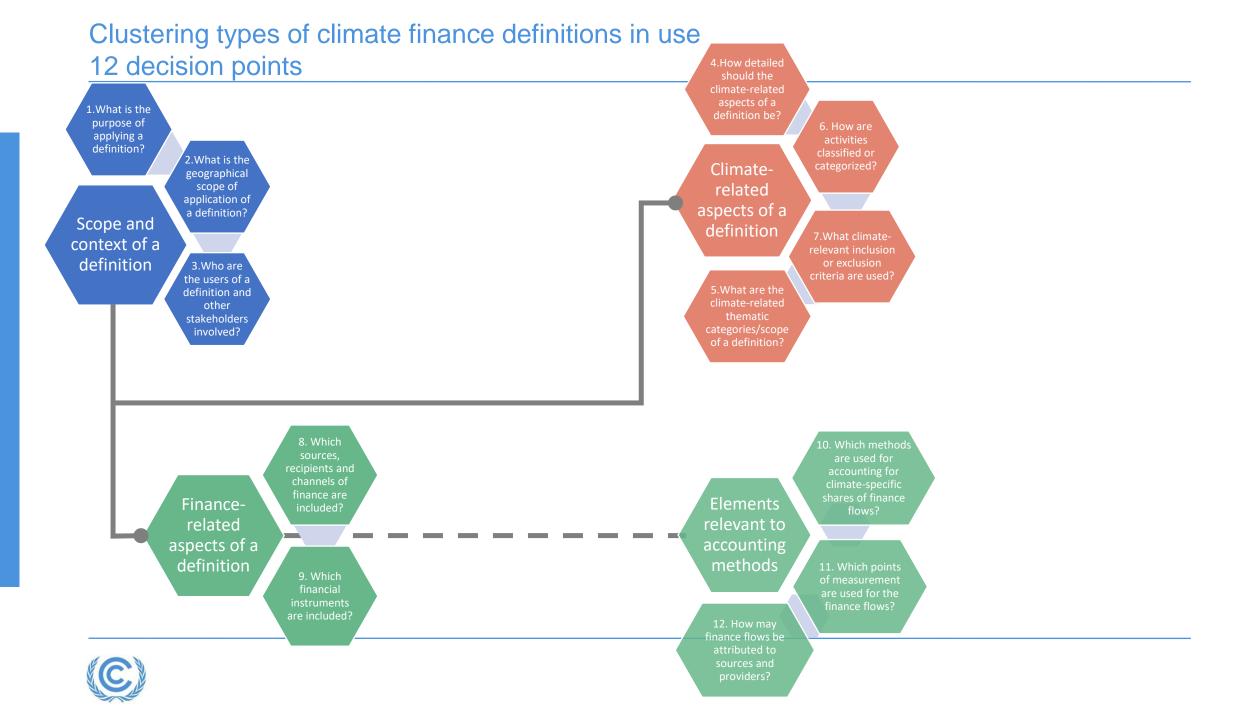
- 21 submissions from Parties and 5 from non-Party stakeholders since 2020. Four new submissions in 2023
- New submissions included further information on national examples and two further proposed definitions
- Views differ in several areas
  - Whether a common definition or multiple definitions are possible
  - Coverage and scope
  - Sources of finance
  - Financial instruments



## Clustering types of climate finance definitions in use Four clusters of elements







- Party or institutional reporting on international climate finance
- Tracking progress towards international collective climate finance goals
- Tracking global climate finance flows

Global

Domestic

- Tracking public budget allocations or expenditure aligned with climate policy goals
- Developing regulatory guidance or rules for climate-related financial products

• Developed to developing countries

South-South cooperation

 Considering how expenditure is contributing to achieving climate-related objectives

1.What is the purpose of applying a definition?

a definition? Scope and context of a definition

2.What is the geographical scope of application of

3.Who are

the users of a

definition and

other

stakeholders

involved?

- Parties to the Convention and the Paris Agreement
- Governments, multilateral institutions, and other private donors reporting on international finance flows, including recipient-side stakeholders
- Data aggregators and non-governmental organizations tracking climate finance flows
- Domestic Governments , including ministries of finance and line ministries reporting on domestic finance flows
- Financial supervisory authorities, and private sector finance and real-economy actors

Financerelated aspects of a definition

- 8. Which recipients and channels of finance are included?
- Reporting under the Convention and the Paris Agreement
- Tracking progress towards collective goals from developed to developing countries
- Domestic use cases

9. Which are included?

- · Reporting under the Convention and the Paris Agreement
- Tracking international climate finance
- · Domestic use cases

4.How detailed should the climate-related aspects of a definition be?

Climate-related thematic areas only

- Climate-related thematic areas, with guidance on example activities
- Climate-related thematic areas, with assessment guidance, criteria or activity lists for identifying the climate -relevance of finance

6. How are classified or

7.What climate-

or exclusion

criteria are used?

Climaterelated aspects of a definition

of a definition?

- Sectoral classifications
- Policy priorities
- Marker-based approaches and accompanying guidance
- Activity lists based on and including qualitative assessment criteria
- Process-based screening-in methodologies specific to climate change adaptation
- Activity lists based on qualitative and quantitative assessment criteria and thresholds
- Inclusion methodologies based on policy relevance and programmes (may include activity lists)
- · Exclusion lists and criteria
- Mitigation and adaptation, and cross-cutting
- Averting, minimizing and addressing loss and damage
- Other climate and environmental objectives depending on the focus or context

Elements relevant to accounting methods

finance flows be attributed to

- are used for climate-specific shares of finance
- are used for the finance flows?

- Qualitative markers
- Applying coefficients to qualitative markers
- · Case-by-case quantification or climate components
- International finance provider or contributor perspective
- International finance partner or recipient perspective
- Domestic climate finance climate budget tagging



- Attributing finance to geographical groups
- · Attributing mobilized finance

## SCF discussion on updating its operational definition of climate finance

"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" 2014 BA by the SCF

Members discussed various potential elements of an update, for example:

- Including addressing loss and damage
- Capturing the bottom-up nationally determined nature of climate action
- Referencing the goals of the Paris Agreement and the overall objective of the Convention
- The view that an update was unnecessary
- Discussing an update in the context of the 6<sup>th</sup> BA

3 non-exhaustive options listed in the report

