April 2020

Submission of the Environmental Integrity Group (EIG) on its views on the operational definitions of climate finance for consideration by the Standing Committee on Finance

The EIG is of the view that the current operational working definition of the Standing Committee on Finance (SCF) is still valid and covers the vast variety of views and bottom-up definitions of countries for 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.”

The EIG member countries also believe that the bottom-up approach, as anchored in the methodologies, procedures and guidelines for Transparency agreed in Katowice, is most feasible and suitable as it allows for country specific circumstances within the definitions and methodologies used and increases the transparency of the support provided, mobilized, needed and received as much as possible.

Hereby the EIG member states would like to share their respective definitions and methodologies used for the various reporting on climate finance under the Convention and the Paris Agreement to increase the transparency and understanding amongst Parties.

Georgia

- Georgia, as a developing country Party, reports on climate finance, and particularly on support received, as part of its Biannual Update Reports. As prescribed by relevant guidelines, Georgia reports on support in three categories: financial, technological, and capacity building. Georgia’s reporting on financial support includes hard metrics (e.g. renewable energy infrastructure).
- Because Georgia does not have an established definition of climate finance, any other financial flows, whether domestic, public, or private, are not reported or counted as climate finance, but are reported according to particular climate-related activities to which they are directed, such as mitigation actions.
- For support received from international institutions, Georgia categorizes this support as climate change mitigation, adaptation, or cross-cutting projects, in accordance with the Rio Marker methodology.

Liechtenstein

- As a non-Annex II party, Liechtenstein provides climate finance and the reports on its activities on a voluntary basis. Liechtenstein will continue to do so.
- Since 2011, Liechtenstein has provided more than CHF 1.8 Million on new and additional means for climate finance projects.
- Climate Finance projects are defined as projects, that have the reduction of ghg-emissions or to enhance adaptation to climate change as their main target. It can also be a combination of mitigation and adaptation activities. Liechtenstein aims at achieving a balance between mitigation and adaptation projects.
- Not being an OECD-/DAC-Member, Liechtenstein does not implement the CRS-reporting and does therefore not explicitly use the Rio-markers for the classification of climate finance projects. However, Liechtenstein applies similar criteria in the development and selection of projects funded through the climate finance budget. Due to the limited size of the administration, Liechtenstein refrains from applying OECD’s CRS reporting
- Within its biennial reports, Liechtenstein only reports funding that is provided through public channels. Liechtenstein’s climate finance is managed under its International Humanitarian Cooperation and Development (IHCD). Within its climate finance engagement Liechtenstein’s primary concern is the delivery of effective results and benefits which address the sustainable development and climate change needs and priorities of developing countries. Moreover, Liechtenstein aims at providing support for planning and realising sustainable development by

defining a responsible development framework, evaluating capacities, and making efficient and effective use of natural resources. To this end, Liechtenstein’s climate finance not only aims to enhance good governance and capacity-building, but also to foster effects like improving living conditions and safeguarding subsistence, which is respecting dignity and creating additional sources of income and constant progress in the field of education and jobs.
- The Liechtenstein Government is of the view that the involvement of the private sector in climate finance flows is crucial. Cooperation with the private sector has been intensified in recent years, and a number of public-private partnerships have emerged. It is worth to mention that private, non-profit foundations provide more than USD 200 Million for charitable projects annually. Part of these funds are also climate relevant. The Government is of the view, that through an enhanced and closer cooperation between the public and private sector, the mobilisation of climate finance can be further improved.

Mexico
- Mexico is a developing country that acknowledges the great value and role of international cooperation to catalize action in support of the achievement of national goals and international commitments under the UNFCCC. Recently, it has taken decisive steps towards the enhancement of methodologies to allocate resources in its Federal Budget for climate action. Subnational actors and local entities also own climate responsibilities, and apply different approaches to climate financing. The private sector – mainly through financial institutions - has been actively reviewing taxonomies seeking to more transparently characterize climate financing for mitigation and adaptation. A first attempt to disclose the amounts and mechanisms for climate financing is described in the 6th National Communication to the UNFCCC[1].
- Although a consensus has not been established in the international arena around the concept of climate finance, Mexico, with the validation of various actors, has established a broad definition in its 6th National Communication to the UNFCCC: international financing for climate change is financing from external sources of public or private origin, or a combination of both, aimed at facilitating and implementing the accomplishment of the national climate change policy. Includes, as well as actions that contribute to reduce emissions of greenhouse gases and compounds, move towards a low-carbon development, conserve and increase carbon sinks, reduce vulnerability and maintain and increase the resilience of human and ecological systems to the impacts and negative externalities of climate change, through adaptation measures, as well as the development of policies, programs, and projects in this area.
- Climate financing comprises loans, non-refundable funds/donations, credit lines, or technical cooperation to strengthen capacities, research, and development of actions for adaptation and mitigation.
- Mexico still faces significant challenges to track activities and sectors benefited by climate finance flows and to quantify them accurately. However, efforts are being made to enhance accounting capacities.
- Since 2013, the annual Federal expenditure budget has included a cross-sectional annex to improve information on federal public spending on policies, programs, and projects for mitigation and adaptation to climate change. Since then, the annual budgets of the government agencies that carry out mitigation and adaptation actions must report in a specific annex the programmed actions and the financial resources for their implementation. Since 2015, information regarding adaptation to climate change has also been reported in this section.

Monaco
- As a non-Annex II party, Monaco has been providing climate finance to developing countries on a voluntary basis for several years.
- In its UNFCCC reporting, Monaco only reports on the climate finance provided to developing countries by the Government (through its ODA). Monaco does not yet have the capacity to

[1] Executive Summary can be consulted here https://unfccc.int/sites/default/files/resource/Mexico-NC6-BUR2-1-Mexico%20Sixth%20National%20Communication%20%20BUR2.pdf

assess the private climate finance mobilized through public interventions in developing countries.
- A vast majority (over 90%) of Monaco's ODA exclusively defined as "climate finance" in the national budget (funding purely targeting climate impact) is channeled through international/multilateral organizations dedicated to fighting climate change (such as the GCF). As such, those organizations are the ones applying the Rio markers to their outflow and reporting on the actual allocation of their funds as per OECD DAC rules.
- Regarding the rest of its ODA, mobilized on projects, through bilateral, multilateral or multi-bilateral cooperation, Monaco, although not being an OECD DAC member, uses the Rio marker methodology to assess climate shares / co-benefits. (https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf).
- These projects, which represent a larger share of the Principality's ODA, only feature climate impacts (reducing emissions, enhancing sinks of greenhouse gases, reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts) as "significant" co-benefits. Although climate impact is not the "principal" target of these projects, they also fall under Monaco's definition of climate finance and are reported as projects with climate "co-benefits" in the various transparency reports.
- Monegasque ODA that can qualify as climate finance is then broken down into categories, based on the type of support it provides: a) Adaptation (by far the most common); b) Mitigation; and c) Cross-cutting (which, as a category of its own, prevents double counting).
- Monaco also considers some of its ODA providing "other" types of support as climate finance. Those include criteria not covered by the Rio methodology but which reflect Monaco's engagement in the fight against climate change. This mainly applies to "Capacity building" (for instance, the financial support Monaco grants SIDS to reinforce their capacities to take part in international climate summits and negotiations) and "Research" (such as Monaco's financial contributions to the MedECC).

Republic of Korea
- In the Biennial Update Reports to the UNFCCC, the Republic of Korea, as a non-Annex I Party, voluntarily provides the information on the financial flow of climate finance (in the form of climate-ODA) provided by official agencies and their executive agencies to developing countries or multilateral organizations with an aim to mitigate and/or adapt to climate change.
- In order to identify and assess climate relevance of bilateral, regional and multi-bilateral cooperation, the Rio Marker methodology of OECD DAC has been utilized.
- In terms of climate finance in the form of multilateral contributions, if an organization clearly represents climate development as its core objective (e.g. the Green Climate Fund), the total amount of contributions (core and earmarked) to the organization is considered climate finance. Contributions to other multilateral organizations are evaluated on the individual project level, and only the earmarked contribution for individual projects with a clear climate mandate is counted.

Switzerland
- In its transparency reports Switzerland only reports the climate finance it provided or mobilized through public interventions in developing countries (see definitions below), since this is what Parties, who provide or mobilize financial support, are requested to report. But Switzerland also considers any financial flow, public or private, domestic or international, which aims at reducing emission, 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 as climate finance.
- To assess the climate relevance of its bilateral, regional and multi-bilateral cooperation as well as its mobilized climate finance Switzerland uses the Rio marker methodology (see http://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf).
- The Rio markers are policy markers: they indicate the policy objective of an activity without quantifying it; the same activity may target multiple objectives and can be marked against

several Rio markers, thereby reflecting the intertwined nature of the three Rio Conventions. In order to further quantify the climate-specific financial share of the marked activities and to avoid double counting of efforts within one convention, Switzerland applies a reduction factor to each of them. A reduction factor of 50% is applied for activities with an indirect impact on climate change adaptation or mitigation (significant marker) and a reduction factor of 85% is applied for activities with a direct impact on climate change adaptation or mitigation (principal marker). Double counting between adaptation and mitigation specific activities is excluded by netting out potential overlaps between the climate change adaptation and mitigation Rio markers.

- To assess the climate-specific share of its multilateral core contributions, which have been paid-in during the respective reporting periods, Switzerland uses the average climate-specific share of the imputed multilateral contribution for the respective years of the reporting period according to the OECD DAC. http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm The methodology used by the OECD DAC for the reporting period 2015 to 2017 to calculate the averages was either based on the MDB joint approach (see the annex of the following document: http://www.eib.org/attachments/documents/joint_mdb_report_on_climate_finance_2015.pdf) or on the Rio marker methodology (see http://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf), depending on the fund.
- Switzerland is convinced that other multilateral institutions, which have been included in its table 7a) of the last Biennial Report also have significant climate activities. But because no average climate-specific share of the imputed multilateral contribution to these institutions was published by the OECD DAC, Switzerland did not report the climate specific share of its core contribution to these institutions. Switzerland will report the climate-specific share of these contributions as well, should the OECD DAC publish such a share in the future, as it also considers them as climate finance.
- To identify whether the support provided and mobilized by Switzerland aims to mitigate climate change or adapt to climate change or is cross-cutting Switzerland uses the Rio marker methodology published by the OECD DAC (see http://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf) Double counting between adaptation and mitigation specific activities is excluded by netting out potential overlaps between the climate change adaptation and mitigation Rio markers. Following such an approach is necessary as the same activity may target multiple objectives and can be marked against several Rio markers, thereby reflecting the intertwined nature of the three Rio Conventions but at the same time avoiding double counting of efforts within one convention. All multilateral contributions, are considered cross-cutting unless the fund / institution focuses exclusively either on mitigation or adaptation activities according to its own definitions.