

Submission by the Government of Japan on the operational definitions of climate finance for the consideration by the Standing Committee of Finance

Recalling the Decision 11/CP.25, Paragraph 10 and Decision 5/CMA.2, paragraph 10, in which the Standing Committee on Finance (SCF) invites Parties on their views on the operational definition on Climate Finance in order to enhance its technical work on this matter in the context of preparing 2020 Biennial Assessment and Overview of Climate Finance Flows (BA), the Government of Japan (hereinafter called “Japan”) would like to submit its operational definitions and methodologies used for the various reporting activities related to climate finance under the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement.

Japan recalls that the operational definition on climate finance used by the SCF in the 2014 BA mentioned as “Climate finance aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and mainstreaming and increasing the resilience of, human and ecological systems to negative climate change impacts,” still remains valid.

Japan follows, as an OECD/DAC member, the CRS-based reporting scheme set by OECD, namely the Rio-markers, for the classification of climate finance projects financed and implemented by Japan. Moreover, Japan classifies the climate finance into mitigation, adaptation and cross-cutting according to the Indicative List of Rio-markers.

As the Article 9.3 of the Paris Agreement stipulates that developed country Parties should take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, Japan spares no effort in mobilizing both public and private finance. Japan will mobilize annually the total amount of 1.3 trillion JPY in 2020, for the climate assistance in developing countries under its commitment called “ACE (Actions for Cool Earth) 2.0.”

1. Public Finance

Japan considers the finance which fulfills all of the following 1.1 to 1.6 criteria as climate finance.

1.1 Providers

Japan considers the following governmental organizations and agencies as providers of climate finance;

- National Ministries
Ministry of Foreign Affairs, Ministry of Finance, Ministry of Agriculture, Forestry and Fisheries, Ministry of Economy, Trade and Industry, Ministry of Environment
- Public agencies
Japan International Cooperation Agency (JICA), Japan Bank for International Cooperation (JBIC), Nippon Export and Investment Insurance (NEXI), New Energy and Industrial Technology Development Organization (NEDO)

1.2. Financial Schemes

- Relevant Official Development Assistance (ODA) schemes: Grants, Loans, Technical Cooperation, Overseas Investment and Loans (from JICA), Disbursement and Contribution to the relevant International organizations such as LDCF, SCCF, AF, GEF, GCF, and other funds under the UNFCCC.
- Other official flows (OOF): Commercial Loans, Equity, Export Credits, etc.
- Contribution to the Multilateral Development Banks (MDBs): Japan tracks total amount to ‘core-general’, taking consideration into the difficulties of dividing the element.
- Earmarked contributions to climate-related international organizations for climate change projects.

1.3. Financial Instruments

- Grant, Concessional loan, Non-concessional loan, Equity, Others
(Official development assistance and technical assistance are classified into Grant, Official development loans are classified into Concessional loan.)

1.4. Recipient countries

- All Non-ANNEX I Parties under the Convention and Turkey, which is classified as recipient country given its special circumstances despite its ANNEX I Party status.

1.5. Notion of ‘new and additional’

- Japan considers that a new project which is committed or approved within a certain period as “new and additional.” In case which the project was committed before the period and disbursed during the period, it is excluded from the classification in order to avoid double-counting.
- The project reported in past is excluded.

1.6. Sectors

- Japan classifies the finance into mitigation, adaptation and cross-cutting according to the Indicative List of Rio-markers.
- The following identified sectors in the Indicative List are used:
General, Water and Sanitation, Waste Management, Infrastructure (Transport and Construction), Telecommunication, Energy, Renewable Energy, Agriculture, Fishery, Forestry (including REDD), Disaster Assistance, Prevention and Restoration of Disasters

2. Mobilized Private Finance

- When it comes to private finance, ‘mobilized’ private finance by public finance is counted including;
 - ✧ The amount of co-finance in private sector mobilized by investment and loan of JICA
 - ✧ The amount of co-finance in private sector mobilized by investment and loan of JBIC
 - ✧ The amount of project money covered by NEXI’s Insurance including Export Credits.
- The mobilized private finance is reported to the relevant organizations such as UNFCCC and OECD for their respective reporting activities under the category of “Mobilized Private Climate Finance.”