Submission by Norway on the operational definitions of climate finance for consideration by the Standing Committee on Finance (SCF)

With reference to Decision 11/CP.25 and Decision 5/CMA 2, Norway is pleased to present its views on the operational definitions of climate finance for consideration by the Standing Committee on Finance (SCF), in order to enhance its technical work on this matter in the context of preparing its 2020 Biennial Assessment and Overview of Climate Finance Flows (BA).

Norway's approach to tracking and reporting climate finance to developing countries

Norway's accounting framework for climate finance is consistent with the UNFCCC COP24 outcome on common modalities, procedures and guidelines (MPGs) for the enhanced transparency framework. A full description of Norway's approach to tracking and reporting climate finance can be found in our Biennial Report 4 to the UNFCCC. Below follows some main points, particularly relevant for the invitation for submissions.

The monitoring of Norwegian development finance targeting the objectives of the UNFCCC builds on our reporting through the OECD Development Assistance Committee’s (DAC) reporting system (CRS). The tracking of Norwegian development finance targeting climate change is separated into *earmarked contributions* and *imputed multilateral core contributions*. Earmarked contributions are bilateral support including earmarked support through multilateral institutions. Norway reports estimations of core contributions to multilateral institutions targeting climate change. These estimations are based on the OECD DAC methodology for calculating imputed multilateral contributions.

In terms of *thematically* defining what constitutes climate finance, we use the Rio markers methodology to identify activities targeting *Climate change adaptation* and *Climate change mitigation*. The Rio Markers identify development activities targeting climate change (adaptation and/or mitigation), and whether targeting climate change is a main or significant objective. We also report on thematic sectors by using the sector classification system, with purpose codes and names, in the OECD DACs CRS.

With regards to our approaches to *accounting*, contributions to activities targeting climate change as a main objective are reported as 100 percent climate finance, and the full amount disbursed is counted. As a conservative estimate, and in line with other major contributors, 40 percent of the support to activities with a significant climate change objective is reported as climate finance. We account for both climate-related ODA and other official flows (OOF). The amounts reported are gross disbursements.

Norway also tracks and reports climate finance mobilised by public intervention. We base our reporting on the OECD standard and methodologies for measuring resources mobilised from the private sector by official development finance interventions. In order to be realistic, feasible and to avoid double-counting, these methodologies strive to be conservative in terms of causality, fair in terms of attribution and pragmatic in terms of the point of measurement and data availability. The term "mobilisation" in this context refers to the direct mobilisation effect of official development finance interventions.

Aggregating climate finance data

Norway recognizes that reporting on climate-related finance is undertaken by a variety of different actors, for different purposes and using different processes. We see value in exploring ways to further harmonize reporting approaches and practices in order to further enhance transparency, accuracy, consistency, comparability and completeness. High transparency allows for generating comparable data, which will be important for informing the first global stocktake in 2023 under Article 14.

We also recognize that the SCF since 2014 has used an operational definition for climate finance based on a review of the climate finance definitions adopted by data collectors and aggregators, which pointed to a convergence in the understanding of what is meant by climate finance. Through the SCFs biennial assessments, climate finance data has been compiled and three reports of climate finance flows have been produced to date. COP 24 welcomed with appreciation the latest 2018 Biennial Assessment (BA), in particular its key findings and recommendations. For the climate finance flows from developed to developing countries, the OECD plays an important role in analysis, quality assurance and aggregating estimates. Based on requests by developed countries, the OECD has over the last years prepared reports on climate finance provided and mobilised by developed countries. These reports provide in-depth descriptions and annexes on the data and methods, and the latest report in 2019 provides information on adjustments and improvements made since earlier reports. Notably, since 2015, significant improvements have been made to the methodology for measuring private finance mobilised by developed countries public climate finance.

The approach to defining climate finance set out in the MPGs

The adoption of decision 18/CMA.1 with common modalities, procedures and guidelines (MPGs) for the enhanced transparency framework is important for robust reporting under the Paris Agreement. It is Norway's view that the MPGs will provide for even more consistency and harmonisation in reporting approaches among parties over time. Further defining climate finance under the UNFCCC, would be a break with the approach taken in the MPGs. The MPGs has institutionalized a bottom-up approach to defining and accounting for climate finance. According to the MPGs, developed country Parties shall, and other Parties that provide support should, provide information on national circumstances and institutional arrangements relevant to reporting on the provision and mobilization of support, as well as a description of the underlying assumptions, methodologies and definitions, as applicable, used to identify and/or report. The MPGs further stipulate what kind of information that should be reported. The common tabular reporting formats, as applicable, are under development under SBSTA.

Operationalising the tracking of the Paris Agreement's Article 2.1.c

In the context of the BA, we see a particular challenge in the tracking of the Paris Agreement's Article 2.1.c. Article 2.1c, sends a signal about the need to look at all finance and ensure it is supportive of, and not undermining the transition to a low greenhouse gas emission and climate-resilient development. In order to effectively implement this article, one has to be able to measure the climate alignment of finance across the entire value chain. Norway therefore looks forward to the 2020 BA, which will map available information relevant to Article 2.1c. Advancing the measurement of Article 2.1c – by identifying potential approaches, indicators and data sources – will be relevant for measuring progress towards climate change mitigation and adaptation objectives, and for informing the future Global Stocktakes of collective progress under the Paris Agreement.