



Submission

UNFCCC Standing Committee on Finance call for Contributions

February 2020

Together with governments, policy makers and citizens, the OECD works on establishing evidence-based international standards and finding solutions to a range of social, economic and environmental challenges. From improving economic performance and creating jobs to fostering strong education and fighting international tax evasion, we provide a unique forum and knowledge hub for data and analysis, exchange of experiences, best-practice sharing, and advice on public policies and international standard-setting.

The OECD provides this submission in response to the [call for contributions](#) relating to the “2020 Biennial Assessment and Overview of Climate Finance Flows”.

As has been the case in previous submissions to the UNFCCC, the OECD welcomes the opportunity to provide input based on its long-standing expertise and experience in tracking and analysing finance and investments for climate action. Such expertise was already made available in the context of previous editions of the Biennial Assessment and Overview of Climate Finance Flows, including via the secondment of an OECD statistician in 2017-2018.

The present submission lists relevant recent OECD outputs along with a short description of each. The OECD remains open to discuss, partner and collaborate as appropriate, as well as to contribute to future expert meetings and discussions hosted by the SCF and UNFCCC.

Methodological issues relating to measuring, reporting, and verifying climate finance flows

- OECD (2019), *Climate Finance Provided and Mobilised by Developed Countries in 2013-17*, OECD Publishing, Paris, <https://doi.org/10.1787/39faf4a7-en>.

This report presents estimates of annual volumes of climate finance provided and mobilised by developed countries for developing countries in 2013-17. These estimates include bilateral and multilateral public finance, official-supported export credits and mobilised private finance. The underpinning accounting framework is consistent with the one used by the OECD in 2015 to produce estimates of climate finance for the years 2013-14, as well as that used in 2016 to produce 2020 climate finance projections. Furthermore, it is also consistent with the outcome of the UNFCCC COP24 on modalities for the accounting of financial resources provided and mobilised through public interventions.

- Falduto, C. and J. Ellis (2019), "Reporting Tables - potential areas of work under SBSTA and options: Financial support provided, mobilised and received", *OECD/IEA Climate Change Expert Group Papers*, No. 2019/02, OECD Publishing, Paris, <https://doi.org/10.1787/b0ba5a7e-en>.

The Modalities, Procedures and Guidelines (MPGs) adopted at COP24 in Katowice lay out rules for reporting and reviewing information under the Enhanced Transparency Framework of the Paris Agreement. The Katowice decision on the MPGs requests the Subsidiary Body for Scientific and Technological Advice (SBSTA) to develop Common Tabular Formats (CTFs) for the reporting of information on, inter alia, financial support provided, mobilised and received. This paper analyses key issues and options that Parties may wish to consider when developing CTFs for reporting on these elements. The widespread use of CTFs for climate finance reporting could potentially facilitate comparability and aggregation of data and information on financial support in the future. This paper also develops options for CTF tables for the three areas of financial support analysed.

- OECD DAC Working Party on Development Finance Statistics (2018), *Converged statistical reporting directives for the Creditor Reporting System (CRS) and the annual DAC questionnaire*, [https://one.oecd.org/document/DCD/DAC/STAT\(2018\)9/FINAL/en/pdf](https://one.oecd.org/document/DCD/DAC/STAT(2018)9/FINAL/en/pdf)

These Converged Statistical Reporting Directives cover annual reporting on key aggregates in the DAC tables and item-level data through the expanded Creditor Reporting System (CRS++). Comparability is of the essence: the data should be reported on the same basis by all donor countries. Where possible the statistics conform with balance of payments norms and definitions. There is regularly a need to capture new policy interests and changing forms of assistance and the directives have evolved over time to take account of new decisions on reporting techniques. Modifications must be approved by the DAC.

- OECD DAC (2019), "[Results of the first survey on coefficients that Members apply to the Rio marker data when reporting to the UN Conventions on Climate Change and Biodiversity](#)",

In 2018, the OECD Development Co-operation Directorate, in its function as DAC Secretariat, carried out a new survey inviting members, on a voluntary basis, to report: i) if they drew on the Rio marker data when reporting their financial contributions in support of the objectives of the UN Conventions on Climate Change and Biodiversity, and ii) if so, the coefficients they applied. Eleven DAC members responded to the survey. This short note summarises approach taken by these members. The DAC will conduct such a survey again on a biennial basis.

- OECD DAC (2016), “Rio Markers for Climate: Handbook”, https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf

Since 1998, the DAC has monitored development finance flows targeting the objectives of the Rio Conventions on biodiversity, climate change and desertification through the CRS using the so-called “Rio markers”. The Rio markers were originally designed to help members with the preparation of their National Communications or National Reports to the Rio Conventions, by identifying activities that mainstream the Conventions’ objectives into development co-operation. DAC members are requested to indicate for each development finance activity if the activity targets environmental objectives. Rio markers should be applied to all bilateral ODA and non-export credit other official flows (OOF).

- OECD DAC (forthcoming), *Methodologies to measure amounts mobilised from the private sector for development*, www.oecd.org/dac/financing-sustainable-development/development-finance-standards/mobilisation.htm

The OECD DAC has been working under a high-level mandate to develop an international standard for measuring private finance mobilised by bilateral and multilateral development finance interventions, including for climate action. The aim is to provide robust and transparent evidence to inform international processes. This work is carried out jointly with the OECD-hosted Research Collaborative on Tracking Finance for Climate Action, and in close co-operation with experts from bilateral and multilateral development finance institutions. Methods approved by the DAC currently cover all key leveraging mechanism used by IFIs and development agencies.

Data on climate-related finance flows

- OECD DAC, *Climate-related development finance data*, www.oecd.org/dac/financing-sustainable-development/development-finance-topics/climate-change.htm

OECD development finance statistics capture an integrated picture of both bilateral and multilateral climate-related external development finance flows. Standardised activity-level data is collected from providers and are published annually. DAC members as well as the main climate funds report climate-related development finance based on Rio markers for climate change mitigation and adaptation (see above). Multilateral Development Banks (MDBs) report their climate finance outflows to the DAC using their own “climate-components” methodology.

Assessment of the effectiveness of climate finance flows, including drivers, impact results, meeting needs, and access

- Ellis, J., R. Caruso and S. Ockenden (2013), “Exploring Climate Finance Effectiveness”, *OECD/IEA Climate Change Expert Group Papers*, No. 2013/04, OECD Publishing, Paris, <https://doi.org/10.1787/5jzb44nmnbd2-en>.

The effectiveness of climate finance can be defined as the extent to which an activity attains its stated aims. These aims can vary, depending on the source of climate finance and how it is channelled. There are therefore different views on what “effective” climate finance is, as well as on how this effectiveness can be assessed.

Information relevant to making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development (Article 2, paragraph 1(c) of the Paris Agreement)

- Dobrinevski, A. and R. Jachnik (2020, forthcoming), “Exploring options to measure the climate consistency of real economy investments: The manufacturing industries in Norway” and “Exploring options to measure the climate consistency of real economy investments: The transport sector in Latvia”, Will be available at: <https://www.oecd.org/environment/workingpapers.htm>

These two working papers quantify subsector-level investments in infrastructure and equipment in the Norwegian manufacturing industries and Latvian transport sector over a ten period. The analyses then estimate the shares of these investments, which can be considered consistent with different climate change mitigation reference points: technical screening criteria from the draft EU taxonomy for sustainable activities, IEA 2° scenarios, and domestic projections where available. The analyses further provide methodological conclusions to further test, improve and scale up such analyses, including towards informing finance-related elements of the future Global Stocktake.

- Jachnik, R., M. Mirabile and A. Dobrinevski (2019), "Tracking finance flows towards assessing their consistency with climate objectives", *OECD Environment Working Papers*, No. 146, OECD Publishing, Paris, <https://doi.org/10.1787/82cc3a4c-en>.

Achieving a low-greenhouse gas (GHG) development requires making finance flows consistent with this objective. In order to measure progress to date as well as inform future public action in this area, this paper calls for further efforts to track gross primary investments flows in new infrastructure and equipment and the refurbishment of such assets, as well underlying sources of finance. The proposed scope focuses on tangible fixed assets with a direct and significant impact on GHG emissions.

- OECD (2019), *Aligning Development Co-operation and Climate Action: The Only Way Forward*, The Development Dimension, OECD Publishing, Paris, <https://doi.org/10.1787/5099ad91-en>.

This report outlines how development finance providers can make changes at home, in developing countries and in the international development co-operation system, to help create low-emissions, climate-resilient economies, and how they can avoid supporting activities that lock the world into an unsustainable future.