



Standing Committee on Finance

10 July 2023

Thirty-first meeting of the Standing Committee on Finance
22–23 July 2023
Bangkok, Thailand

Background paper on work on definitions of climate finance

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to:

- a) Consider the zero-order draft of the report on clustering types of climate finance definitions in use;
- b) Consider the approach for updating the Committee's operational definition of climate finance;
- c) Provide additional guidance on the work to be done intersessionally.

I. Possible actions for consideration by the Standing Committee on Finance

1. Guidance on the zero-order draft of the report on clustering types of climate finance definitions in use. The SCF may wish to consider the zero-order draft of the report on clustering types of climate finance definitions in use, developed under the guidance of the co-facilitators based on the general outline agreed at SCF 30.

2. Approach for a potential update of the Committee's operational definition of climate finance. In line with guidance received at SCF 30, the elements on whether and how to update the Committee's operational definition of climate finance as appropriate have been outlined in chapter 4 of the zero-order draft. The SCF may wish to consider how to take forward the work on a potential update and also how to communicate the outcome of the discussion to the Conference of the Parties (COP) through either chapter 4 of the report or separately in the report of the SCF to the COP.

II. Background

3. COP 27 requested the SCF to prepare a report for consideration by COP 28, building on the Committee's work on definitions of climate finance, on clustering types of climate finance definitions in use that could be considered within the UNFCCC process, including with a view to updating the Committee's operational definition of climate finance, as appropriate, and supporting Parties in their national reporting efforts, and invited Parties and external stakeholders to make further submissions via the submission portal by 30 April 2023.¹

4. In 2019, by decisions 11/COP.25, para. 10 and 5/CMA.2, para. 10, the COP and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) invited Parties to submit their views on the operational definitions of climate finance for consideration by the SCF in order to enhance its technical work on this matter in the context of preparing its fourth Biennial Assessment and Overview of Climate Finance Flows (fourth BA). Thirteen submissions were received from Parties on the operational definitions of

¹ Decision 14/CP.27, para 11.

climate finance. The information from the submissions was synthesised in section 1.4.3 of the technical report of the fourth BA and the Summary of the fourth BA by the SCF, paragraphs 16–18.

5. COP 26 and CMA 3 requested the SCF to continue its work on definitions of climate finance, taking into account submissions received on this matter, with a view to providing input for consideration at COP 27. In 2022, the SCF issued a call for inputs related to the work on definitions of climate finance, receiving an additional ten responses from Parties and stakeholders.²

6. The work on definitions of climate finance in 2022 included an updated synthesis of the information from submissions, in addition to information on the operational definitions of climate finance in use within and outside the Convention and the Paris Agreement reporting frameworks. The work was included as an addendum to the report of the SCF to COP 27 and CMA 4.

7. COP 27 noted that the work of the SCF on definitions of climate finance shows the variety of definitions in use and the complexities associated with the diversity of definitions of climate finance in use by Parties and non-Party stakeholders in relation to ensuring clear aggregated accounting and reporting of climate finance.³

8. The first (2014) BA reviewed various operational definitions of climate finance in use by data providers and aggregators, and identified a convergence that could be framed as follows: “*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.*” Subsequent BAs (2016, 2018 and 2020) compiled any updates or developments in operational definitions of climate finance in use by various data providers and aggregators.

III. Progress on the work on definitions of climate finance

9. SCF 30 agreed on the general outline⁴ of the report on clustering types of climate finance definitions, a workplan and timeline to prepare the work. Diann Black-Layne and Apollonia Miola were appointed as co-facilitators for the workstream. At SCF 30, members discussed the outline of the report on clustering types of climate finance definitions and considered options to cluster, for example, by elements of definitions or by use cases where definitions are applied. Members considered that both options could be reflected in a guide or handbook style document that would guide readers through step-by-step decision points to develop or review a definition of climate finance and the various options within each decision point.

10. Members also discussed the format of reporting to the COP the Committee’s considerations on updating its operational definition of climate finance in response to the mandate from COP 27. Some members suggested to include the outcome of the discussion as part of the annual report of the SCF to the COP, while other members suggested to include it in the report on clustering types of climate finance definitions in use, as an example in applying the guidebook-style step-by-step decision points. The SCF agreed to consider the possible update to the Committee’s operational definition on climate finance in the outline of the zero-order draft and to consider the format of reporting the outcome at a later SCF meeting.

11. Since SCF 30, four new submissions have been received in response to the invitation by COP 27. Three submissions build on previous submissions by the same Parties in 2020 and 2022 and one submission is from a non-Party stakeholder. Chapter 2 of the zero-order draft provides an updated synthesis of all 26 submissions received. A list of all submissions is contained in annex I.

² Available at <https://unfccc.int/topics/climate-finance/resources/standing-committee-on-finance-info-repository#eq-12>.

³ Decision 14/CP.27, paras. 9 and 10.

⁴ Available at https://unfccc.int/sites/default/files/resource/Outline_definitions.pdf?download.

Annex I

Submissions received on operational definitions of climate finance

Table 1
Submissions in response to the invitation in decision 14/CP.27

<i>Submissions in response to decision 14/CP.27</i>	<i>Submission date</i>
European Union	26 April 2023
Oil Change International and International Institute for Sustainable Development	1 May 2023
Canada	15 May 2023
Senegal, on behalf of Least Developed Countries	16 May 2023

Table 2
Submissions in response to a call for inputs by the SCF in 2022

<i>Submissions in response to a call for inputs by the SCF in 2022</i>	<i>Submission date</i>
India	18 March 2022
Kenya	30 April 2022
Third World Network	21 April 2022
Group of multilateral development banks	27 April 2022
Panafrican Climate Justice Alliance	30 April 2022
International Institute for Environment and Development	6 May 2022
Bolivia, on behalf of the Like-minded Developing Countries	11 May 2022
Senegal, on behalf of Least Developed Countries	13 May 2022
United States of America	29 June 2022

Table 3
Submissions in response to the requests in decisions 11/CP.25 and 5/CMA.2

<i>Submissions in response to the requests in decisions 11/CP.25 and 5/CMA.2</i>	<i>Submission date</i>
Vanuatu	1 May 2020
Switzerland, on behalf of the Environmental Integrity Group	1 May 2020
European Union	5 May 2020
Solomon Islands	8 May 2020
Philippines	8 May 2020
Norway	12 May 2020
Canada	13 May 2020
Honduras, on behalf of the Independent Association for Latin America and the Caribbean	13 May 2020
Japan	15 May 2020
Indonesia	4 June 2020
Gabon, on behalf of the African Group	30 June 2020
Bhutan, on behalf of the Least Developed Countries	30 June 2020
Belize, on behalf of the Alliance of Small Island States	31 August 2020