Conference of the Parties
Twenty-seventh session
Sharm el-Sheikh, 6–18 November 2022
Item 8(b) of the provisional agenda
Matters relating to finance
Matters relating to the Standing Committee on Finance

Conference of the Parties serving as the meeting
of the Parties to the Paris Agreement
Fourth session
Sharm el-Sheikh, 6–18 November 2022
Item 8(a) of the provisional agenda
Matters relating to finance
Matters relating to the Standing Committee on Finance

Report of the Standing Committee on Finance

Addendum

Work on definitions of climate finance

Summary

This document provides an update on the continued work of the Standing Committee on Finance on definitions of climate finance. It includes a compilation and synthesis of information submitted by Party and non-Party stakeholders on definitions of climate finance in 2020 and 2022, an overview of definitions of climate finance in use by Parties in their reporting under the Convention and the Paris Agreement, and an overview of definitions of climate finance in use in contexts outside the Convention and the Paris Agreement by climate finance providers, data aggregators and governments. It also provides a summary of key considerations related to operationalizing definitions of climate finance.
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### Abbreviations and acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BA</td>
<td>biennial assessment and overview of climate finance flows</td>
</tr>
<tr>
<td>BR</td>
<td>biennial report</td>
</tr>
<tr>
<td>BUR</td>
<td>biennial update report</td>
</tr>
<tr>
<td>CBI</td>
<td>Climate Bonds Initiative</td>
</tr>
<tr>
<td>CMA</td>
<td>Conference of the Parties serving as the meeting of the Parties to the Paris Agreement</td>
</tr>
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<td>COP</td>
<td>Conference of the Parties</td>
</tr>
<tr>
<td>CTF</td>
<td>common tabular format</td>
</tr>
<tr>
<td>DAC</td>
<td>Development Assistance Committee</td>
</tr>
<tr>
<td>ETF</td>
<td>enhanced transparency framework under the Paris Agreement</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>GHG</td>
<td>greenhouse gas</td>
</tr>
<tr>
<td>IDFC</td>
<td>International Development Finance Club</td>
</tr>
<tr>
<td>IPCC</td>
<td>Intergovernmental Panel on Climate Change</td>
</tr>
<tr>
<td>LDC</td>
<td>least developed country</td>
</tr>
<tr>
<td>MDB</td>
<td>multilateral development bank</td>
</tr>
<tr>
<td>NDC</td>
<td>nationally determined contribution</td>
</tr>
<tr>
<td>NGO</td>
<td>non-governmental organization</td>
</tr>
<tr>
<td>non-Annex I Party</td>
<td>Party not included in Annex I to the Convention</td>
</tr>
<tr>
<td>non-Annex II Party</td>
<td>Party not included in Annex II to the Convention</td>
</tr>
<tr>
<td>ODA</td>
<td>official development assistance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>SCF</td>
<td>Standing Committee on Finance</td>
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<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
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</tbody>
</table>
I. Introduction

A. Background and mandate

1. COP 26 and CMA 3 requested the SCF to continue its work on definitions of climate finance, taking into account the submissions received from Parties on this matter, with a view to providing input for consideration at COP 27 and CMA 4.

2. This document builds on the ongoing work on operational definitions of climate finance by the SCF. COP 25 and CMA 2 invited Parties to submit their views on the operational definitions of climate finance for consideration by the SCF in order to enhance the technical work of the SCF on this matter in the context of preparing its fourth (2020) BA. Thirteen submissions were received from Parties in 2020 in response to this invitation, as listed in annex I and available on the UNFCCC website. Parties’ views contained in the submissions were synthesized in chapter 1.4.3 of the technical report on the fourth BA and the summary of the fourth BA by the SCF, paragraphs 16–18.

3. 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.

B. Climate finance in the Convention and the Paris Agreement

4. The Convention and the Paris Agreement contain provisions on climate finance that provide further context to the mandate of the work on definitions of climate finance.

5. The Convention provides that:

   (a) Developed country Parties and other developed Parties included in Annex II to the Convention shall provide new and additional financial resources to meet the agreed full costs incurred by developing country Parties in complying with their obligations under Article 4, paragraph 1, of the Convention that relate to communicating information on implementation. They shall also provide such financial resources, including for the transfer of technology, needed by developing country Parties to meet the agreed full incremental costs of implementing measures that are covered by Article 4, paragraph 1, of the Convention, as they relate to commitments, and that are agreed between a developing country Party and the international entity or entities referred to in Article 11 of the Convention, as they relate to the financial mechanism. The implementation of these commitments shall take into account the need for adequacy and predictability in the flow of funds and the importance of appropriate burden sharing among developed country Parties;

   (b) Developed country Parties and other developed Parties included in Annex II to the Convention shall also assist developing country Parties that are particularly vulnerable to the adverse effects of climate change in meeting costs of adaptation to those adverse effects;

   (c) Developed country Parties and other developed Parties included in Annex II to the Convention shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other Parties, particularly developing country Parties, to enable them to implement the provisions of the Convention. In this process, the developed country Parties shall support the development and enhancement of endogenous capacities and technologies of developing Parties included in Annex II as they relate to the development and enhancement of endogenous capacities and technologies of developing country Parties that are particularly vulnerable to the adverse effects of climate change.

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1 Decisions 5/CP.26, para. 7, and 10/ CMA.3, para. 3.
2 Decisions 11/CP.25, para. 10, and 5/CMA.2, para. 10.
country Parties. Other Parties and organizations in a position to do so may also assist in facilitating the transfer of such technologies;

(d) The extent to which developing country Parties will effectively implement their commitments under the Convention will depend on the effective implementation by developed country Parties of their commitments under the Convention related to financial resources and transfer of technology and will take fully into account that economic and social development and poverty eradication are the first and overriding priorities of developing country Parties;

(e) In the implementation of the commitments in Article 4 of the Convention, Parties shall give full consideration to what actions are necessary under the Convention, including actions related to funding, insurance and the transfer of technology, to meet the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and/or the impact of the implementation of response measures, especially on small island countries; countries with low-lying coastal areas; countries with arid and semi-arid areas, forested areas and areas liable to forest decay; countries with areas prone to natural disasters; countries with areas liable to drought and desertification; countries with areas of high urban atmospheric pollution; countries with areas with fragile ecosystems, including mountainous ecosystems; countries whose economies are highly dependent on income generated from the production, processing and export, and/or on consumption, of fossil fuels and associated energy-intensive products; and landlocked and transit countries;

(f) A mechanism to provide financial resources on a grant or concessional basis, including for the transfer of technology, is defined. Developed country Parties may also provide, and developing country Parties avail themselves of, financial resources related to the implementation of the Convention through bilateral, regional and other multilateral channels.\(^5\)

6. The Paris Agreement provides that:

(a) The Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development;

(b) Developed country Parties shall provide financial resources to assist developing country Parties with respect to both mitigation and adaptation in continuation of their existing obligations under the Convention;

(c) Other Parties are encouraged to provide or continue to provide such support voluntarily;

(d) As part of a global effort, developed country Parties should continue to take the lead in mobilizing climate finance from a wide variety of sources, instruments and channels, noting the significant role of public funds, through a variety of actions, including supporting country-driven strategies, and taking into account the needs and priorities of developing country Parties. Such mobilization of climate finance should represent a progression beyond previous efforts;

(e) The provision of scaled-up financial resources should aim to achieve a balance between adaptation and mitigation, taking into account country-driven strategies, and the priorities and needs of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the LDCs and small island developing States, considering the need for public and grant-based resources for adaptation;

(f) Developed country Parties shall biennially communicate indicative quantitative and qualitative information related to Article 9, paragraphs 1 and 3, of the Agreement, as applicable, including, as available, projected levels of public financial

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\(^5\) Article 4, paras. 3, 4, 5, 7 and 8, and Article 11, paras. 1 and 5, of the Convention.
resources to be provided to developing country Parties. Other Parties providing resources are encouraged to communicate biennially such information on a voluntary basis;

   (g) Developed country Parties shall provide transparent and consistent information on support for developing country Parties provided and mobilized through public interventions biennially in accordance with the modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Agreement (hereinafter referred to as the modalities, procedures and guidelines). Other Parties are encouraged to do so.\(^7\)

C. Scope and approach

7. Since 2014, the SCF, through the BAs, has collated information on operational definitions in use within and outside the Convention and the Paris Agreement, including from Parties in their national reporting and from climate finance data collectors and aggregators.

8. The scope of the work on definitions of climate finance in this document includes:

   (a) A compilation and synthesis of the information submitted by Parties in response to the invitation referred to in paragraph 2 above and further inputs received from Parties, climate finance providers and other stakeholders in response to a call for inputs by the SCF in 2022;\(^8\)

   (b) An overview of the use of operational definitions of climate finance in Parties’ national reporting under the Convention and the Paris Agreement and reports by the operating entities of the Financial Mechanism and the SCF;

   (c) An overview of the use of operational definitions of climate finance, in contexts outside of the Convention, by climate finance providers, data providers and aggregators related to climate finance, governments, regional jurisdictions and other stakeholders;

9. The approach taken in this document is to provide a concise summary in chapter II of considerations related to operational definitions of climate finance, taking into account the information outlined in chapters III–VI. Chapter III compiles and synthesizes views from Parties and non-Party stakeholders from the submissions received. The overview on operational definitions in use in chapter IV refers to explicit references to definitions of climate finance by Parties in their reporting to the UNFCCC. In chapter V, frameworks specifically referencing climate finance and widely adopted by key climate finance stakeholders in public and private finance are summarized. Owing to emerging developments in national and international policies and regulations on sustainable and green finance, this overview is non-exhaustive. Valuable inputs were provided by Parties and stakeholders through discussion of the work in SCF meetings and stakeholder engagement webinars on the issue within the context of preparing the fifth BA.

II. Considerations related to operationalizing definitions of climate finance

10. This chapter provides a summary of the concepts and contextual issues related to operational definitions of climate finance in use based on the information outlined in chapters III–VI.

11. As demonstrated by the views submitted by Parties and other stakeholders in response to the invitation referred to in paragraphs 2 and 8 above, there are varying understandings of what climate finance encompasses, including which sectors and activities are covered, the range of financial instruments available and which tracking and reporting processes apply,

\(^6\) Decision 18/CMA.1, annex.

\(^7\) Article 2, para. 1(c), and Article 9, paras. 1–5 and 7, of the Paris Agreement.

\(^8\) [https://unfccc.int/sites/default/files/resource/Call_for_inputs_Definition_ClimateFinance_2022_.pdf](https://unfccc.int/sites/default/files/resource/Call_for_inputs_Definition_ClimateFinance_2022_.pdf).
as well as different perspectives of what definitions of climate finance should include and the detail with which associated concepts should be defined.

12. These differences in view are in three main areas (covered in more detail in chap. VI below):

(a) The climate relevance of sectors and activities and the extent to which they contribute to achieving climate change objectives (i.e. finance associated with underlying economic activities and their contribution to climate change);

(b) The range of financial instruments and accounting and reporting aspects, and the extent to which specific financial flows should be included in a definition of climate finance (i.e. finance volume, reporting on support provided and mobilized);

(c) The different actors involved and the direction of climate finance flows (public and private sector, only considering flows from developed to developing country Parties, or domestic and international flows).

13. A common feature of operational definitions of climate finance in use is that each has a specified purpose for what the definition is designed for (i.e. in meeting the objective and scope of the particular tracking exercise, reporting framework, policy or regulation).

14. With regard to the climate relevance of sectors, subsectors and activities and the extent to which they contribute to climate change objectives, different views may apply on the basis of the context of applying the definition. For example, in the context of climate finance flows at the global level, operational definitions may be based on actions consistent with global scenarios for and pathways to combatting climate change, whereas in the context of climate finance flows at the domestic or national level, operational definitions may be based on activities for achieving national policy goals, as determined through NDCs or other national strategies, which may or may not be consistent with considerations at the global level.

15. Furthermore, in the context of understanding climate finance flows from developed to developing country Parties, other definitional concepts are introduced, such as the geographical locations of the providers and the recipients, the nature of the recipients (e.g. public or private sector), the objectives of the finance flows and the causality or attribution of the finance to individual providers. Some of these elements are reflected in the adoption of the modalities, procedures, guidelines and common tabular formats for the ETF, as noted in box 1.

III. Compilation and synthesis of views from Parties and non-Party stakeholders

16. In response to the invitation for submissions referred to in paragraph 2 above and the call for inputs referred to in paragraph 8(a) above, 18 submissions were received from Parties or groups of Parties and 4 submissions from other stakeholders (see annex I). Table 1 provides an overview of the key elements of the submissions from Parties with a view to highlighting both common and diverging views on specific topics related to definitions of climate finance. By its nature, such an overview is non-exhaustive and interpretative of the detailed descriptions and context outlined in individual submissions.
Table 1
Key elements of Parties’ submissions on operational definitions of climate finance

<table>
<thead>
<tr>
<th>Submission</th>
<th>General views</th>
<th>Climate relevance</th>
<th>Financial instruments and accounting</th>
<th>Actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Group</td>
<td>Yes; a common definition</td>
<td>Adaptation, mitigation, resilience, response measures, technology transfer</td>
<td>Country-driven</td>
<td>Grants, concessional funding</td>
</tr>
<tr>
<td>Independent Association for Latin America and the Caribbean</td>
<td>Yes; a common approach</td>
<td>Adaptation, loss and damage, mitigation</td>
<td>Using a taxonomy or classification system</td>
<td>All</td>
</tr>
<tr>
<td>Alliance of Small Island States</td>
<td>Yes; a common approach</td>
<td>Adaptation, loss and damage, mitigation</td>
<td>Country-driven</td>
<td>All</td>
</tr>
<tr>
<td>Canada</td>
<td>No</td>
<td>Adaptation, mitigation</td>
<td>Country-driven</td>
<td>All</td>
</tr>
<tr>
<td>Environmental Integrity Group</td>
<td>No</td>
<td>Adaptation, mitigation</td>
<td>Country-driven</td>
<td>Unspecified</td>
</tr>
<tr>
<td>EU</td>
<td>No</td>
<td>Adaptation, mitigation</td>
<td>Unspecified/ N/A</td>
<td>Unspecified</td>
</tr>
<tr>
<td>India</td>
<td>Yes; a common definition</td>
<td>Adaptation, capacity-building, loss and damage, mitigation, technology transfer</td>
<td>Country-driven</td>
<td>Grants, concessional loans, guarantees</td>
</tr>
<tr>
<td>Indonesia</td>
<td>No</td>
<td>Unspecified</td>
<td>Unspecified</td>
<td>Unspecified</td>
</tr>
<tr>
<td>Submission</td>
<td>General views</td>
<td>Climate relevance</td>
<td>Financial instruments and accounting</td>
<td>Actors</td>
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</tr>
<tr>
<td>Japan</td>
<td>No</td>
<td>Yes</td>
<td>Unspecified</td>
<td>Country-driven&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Country-driven&lt;sup&gt;a&lt;/sup&gt;</td>
<td>Face value</td>
<td>Both/either</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Face value</td>
<td>Yes; defined as new projects committed or approved in the reporting period</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Face value</td>
<td>Public and mobilized private finance</td>
</tr>
<tr>
<td>Kenya</td>
<td>Yes; a common definition</td>
<td>Unspecified</td>
<td>Face value</td>
<td>Yes; partially defined as not ODA or finance diverted from other development needs, should meet full and incremental costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Face value</td>
<td>Public and mobilized private finance</td>
</tr>
<tr>
<td>LDCs</td>
<td>Yes; a common definition</td>
<td>No definition</td>
<td>Unspecified</td>
<td>Unspecified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Yes; partially defined as not ODA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Public and private sources, acknowledging significant role of public sources</td>
</tr>
<tr>
<td>Like-minded Developing Countries</td>
<td>Yes; a common definition</td>
<td>No definition</td>
<td>Unspecified</td>
<td>Disbursements</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Yes; partially defined as resources in excess of the existing finance to development projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Public and private sources, acknowledging significant role of public sources</td>
</tr>
<tr>
<td>Norway</td>
<td>No</td>
<td>Yes, but it may evolve</td>
<td>Adaptation, mitigation</td>
<td>Unspecified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Both/either</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Public and private sources</td>
</tr>
<tr>
<td>Philippines</td>
<td>No</td>
<td>Yes</td>
<td>Adaptation, disaster risk reduction, mitigation</td>
<td>Unspecified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Yes; partially defined as in excess of ODA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Public and private sources</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>Unspecified</td>
<td>Unspecified</td>
<td>Adaptation, capacity-building, loss and damage, mitigation, technology transfer</td>
<td>Unspecified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Yes; defined as additional to the 0.7 per cent gross national income target for development finance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>A wide variety of sources</td>
</tr>
<tr>
<td>United States of America</td>
<td>No</td>
<td>Yes, but it may change</td>
<td>Adaptation, mitigation</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Unspecified</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Public and private sources</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>Yes; a common definition</td>
<td>Unspecified</td>
<td>Adaptation, loss and damage, mitigation</td>
<td>All</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Unspecified</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Yes; partially defined as excluding ODA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Unspecified</td>
<td>Public, private, alternative and blended sources</td>
</tr>
</tbody>
</table>

<sup>a</sup> The Party or group provided its own approach to defining and reporting climate finance in the submission.
17. Lack of a common definition: Some Parties noted that the lack of a common definition affects the ability to track and assess the fulfilment of obligations of Parties included in Annex II to the Convention and developed country Parties to the Paris Agreement, also noting that a common definition is needed not only in the context of preparing BAs but also for enhancing the overall transparency and effectiveness of the UNFCCC process. They further noted that the lack of a common definition can affect the linkage between the level of climate action developing country Parties engage in and the amount of support provided to these countries, and thus can affect the achievement of the objective of the Convention and the Paris Agreement. In this context, some submissions proposed an operational definition, while other submissions proposed an operational approach to achieve greater convergence over time, based on either common principles or responses to a common set of questions to provide granular information.

18. One submission proposed an operational approach, as opposed to a definition, which could facilitate common understanding across beneficiaries and providers that enhances accounting and avoids overreporting of climate finance. This approach should improve accuracy, comparability and consistency in the assessment and predictability of support and lead to improved national planning processes for developing countries, possibly resulting in enhanced ambition among both developed and developing countries.

19. Multiple or broad definitions: Some Parties noted that the definition of climate finance in the 2014 BA remains valid, aligns with their views or is broad enough to encompass varying operational definitions in use. The form of the operational definition was also noted, in that a single definition would not be useful and, in some cases, could lead to the exclusion of finance allocated to low-emission and climate-resilient development activities. Some indicated that the definition in the 2014 BA is useful because it is broad enough to cater to the dynamic and evolving nature of definitions as a result of factors such as:

(a) How the bottom-up approach outlined in the modalities, procedures and guidelines for the ETF will be implemented over time;

(b) How the need to track progress against the long-term goal in Article 2, paragraph 1(c), of the Paris Agreement will affect the scope of climate finance, with some Parties referring to the global stocktake of collective progress;

(c) How methodologies underlying definitions will evolve owing to improved clarity and data availability over time.

20. Some Parties pointed to the use of a classification system or taxonomy to a single definition and referred to the development of a taxonomy or classifications external to the UNFCCC process or within their national sustainable finance frameworks.

21. Coverage and scope: all Parties affirmed the focus on mitigation and adaptation objectives in operational definitions of climate finance, with some also including references to finance for loss and damage (e.g. relocation), and one referring to disaster risk management. Other means of implementation were also highlighted as relevant, including technology development and transfer, capacity-building and response measures, just transition activities and reporting under the Convention and the Paris Agreement.

22. Almost all Parties agreed that climate-related activities under these themes should be based on the country-driven needs and priorities of developing countries, NDCs or country-driven approaches in line with the modalities, procedures and guidelines on reporting climate finance under the ETF.

23. Some Parties argued for the need for a taxonomy or classification system for avoiding any misunderstandings of what could be considered relevant to climate finance, with one group of Parties referring to the wording in Article 2, paragraph 1(c), of the Paris Agreement as ensuring all finance is consistent with low GHG emission and climate-resilient pathways as a rationale for this argument. Parties that proposed common definitions did not preclude the use of country-driven approaches for applying them, with the elements of definitions proposed focused mainly on instruments and reporting on how the finance is considered new and additional.
24. **Sources of finance**: almost all Parties noted that climate finance may stem from a variety of public and private sources. Specifically, some noted that a significant portion of climate finance should come from public funds, with some noting that mobilized climate finance from private sources should be accounted for in a grant-equivalent manner.

25. Some Parties stated that climate finance definitions should apply in all contexts: to global climate finance in both domestic and international contexts; when mainstreaming climate finance in national budgets; in international flows from developed to developing countries; and as a result of South–South cooperation. Many Parties defined climate finance as referring solely to international funding from developed to developing countries.

26. **Instruments**: most Parties considered a variety of financial instruments as relevant to operational definitions of climate finance, either listing them (e.g. grant, equity, concessional loans, guarantees, blended finance) or referencing the bottom-up approach of the modalities, procedures and guidelines, which includes similar instruments. Some Parties suggested including only grant-based and concessional instruments in a proposed definition, while one Party included a wide variety of instruments but noted that the value of loans provided should reflect the net or grant-equivalent contribution once loans are repaid to the lender.

27. A few Parties identified the importance of grant-equivalent values for reporting climate finance from different sources, including private ones, but most did not specify whether face or grant-equivalent values should be reported. Similarly, only a few Parties specified whether values should be measured in terms of disbursements to recipients in developing countries or commitments to cover the full cost of projects to be implemented.

28. One Party noted that, owing to the wide variety of sources, instruments and channels referred to in the Paris Agreement, definitions of climate finance should not be specific to a certain source, instrument or channel and should instead seek to clarify the activities encompassed thereunder.

29. **New and additional**: with reference to Article 4, paragraph 3, of the Convention, some Parties noted that new and additional climate finance should be incremental in respect of ODA, exclude existing ODA or exceed the 0.7 per cent of gross national income committed by donors to development finance flows, but did not clarify how this would be operationalized. One group of Parties called for an operational approach to deciding whether and how to account for development aid classified as climate finance by either identifying a suitable baseline for assessing what can be considered new and additional or taking a formulaic approach to discounting overall flows. One Party noted that, although such a distinction is necessary within the context of UNFCCC negotiations, it is difficult to distinguish climate from development finance at the implementation level. Another identified new and additional finance as finance committed to a new project in the reporting period and not including disbursements to existing projects in order to avoid double counting.

30. **Alignment with Sustainable Development Goals**: some Parties noted that climate finance needs to be understood in the broader context of implementing the Sustainable Development Goals and the Addis Ababa Action Agenda on development finance, also noting an improvement in the availability of methodologies for understanding the extent to which development finance is dedicated to climate action.

31. **Other factors**: some Parties noted the importance of tracking and monitoring climate finance to avoid double counting, not only of finance flows from providers to recipient countries but also at the subnational and national level. Some Parties noted the importance of demonstrating the effectiveness and impacts of climate finance and others noted the impact of climate financing should be linked to enhancing implementation of climate policies, regulations and action plans to meet NDC targets. The importance of timely access to climate finance was also mentioned by some Parties.

32. While several Parties and groups of Parties argued that a common definition is impractical or that the operational definition in the 2014 BA is sufficient going forward, several others included specific proposals for operational definitions of climate finance, as shown in table 2. The proposals submitted by non-Party stakeholders are shown in table 3.
Table 2
Definitions of climate finance proposed by Parties or groups of Parties

| Party or group of Parties | Proposed definition of climate finance
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>African Group</td>
<td>Climate finance is the financial resources provided by developed countries, and any other countries referred to in Annex II of the UNFCCC, from public sources, in line with fulfilling their relevant obligations under the UNFCCC and its Paris Agreement, such resources are new and additional, predictable, in line with needs identified by developing countries, reflects progression, provided directly or through intermediaries, including bilateral, multilateral channels and the operating entities of the financial mechanism, or other climate related funds, on a grant and or concessional basis, and disbursed in developing countries, with the aim of providing full support to developing countries to complement their national efforts to implement climate related actions, including projects and programs as identified by the countries themselves, and fulfil their reporting obligations under UNFCCC and its Paris Agreement. Mobilized climate finance is the grant equivalent financial resources of other sources, including private sources and investments, using range of financial instruments, provided directly or through intermediaries, and disbursed in developing countries for mitigation, adaptation and cross-cutting climate related activities, projects and programs.</td>
</tr>
<tr>
<td>India</td>
<td>Climate finance refers to the mandatory supply under the UNFCCC and its Paris Agreement of new and additional financial resources, including public financial resources, on a grant or concessional basis, from developed country Parties and other developed Parties included in Annex II of the UNFCCC to developing country Parties only. These resources shall represent a progression from previous efforts and would be used for the purposes of: (a) Supporting developing country Parties in reporting on their climate change actions under the UNFCCC and its Paris Agreement, including reporting on the implementation of their NDCs; (b) Supporting developing country Parties in implementing mitigation and adaptation actions under the UNFCCC and its Paris Agreement, such as those included in their NDCs as well as actions to address loss and damage; (c) Supporting technology development and transfer, capacity building, and cross-cutting support, to the developing country Parties concerning (a) and/or (b) above.</td>
</tr>
<tr>
<td>Kenya</td>
<td>Elements of a climate finance definition: (a) Purpose: Financial resources provided and mobilized by developed countries to support mitigation, adaptation, loss and damage actions, implementation of response measures and efforts to justly transition to low greenhouse gas emission pathways and resilient development. Its application shouldn’t compromise on food security and poverty eradication efforts or put additional debt burden on developing country parties; (b) Source: Public finance by developed countries. Article 9, paragraph3, of the Paris Agreement mandates developed countries to mobilize from wide variety of sources; (c) Scope: New and additional to official development assistance (ODA) that meets full and incremental costs; (d) Needs: Needs and priorities as basis for providing, mobilizing and channelling finance; (e) Channels: Directly and/or through intermediaries, e.g. bilateral/multilateral/operating entities; (f) Instruments: Grants or concessional; (g) Mobilized finance: Essentially the grant equivalent of financial resources from other resources including private sources. Various instruments can be used to mobilize such finance.</td>
</tr>
<tr>
<td>LDCs&lt;sup&gt;b&lt;/sup&gt;</td>
<td>Climate finance is funding that is new and additional to overseas development assistance (ODA), aiming at: (1) reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts; (2) reducing emissions, and enhancing sinks, of greenhouse gases and (3); averting, minimizing and addressing loss and damage to impacts of climate change. Amount, accessibility, and quality of funding should be key minimum elements for setting criteria to implement and assess adequate and scaled-up climate finance that takes into account the needs and priorities of developing countries.</td>
</tr>
</tbody>
</table>
Climate Finance is the new and additional funding provided by Annex II/developed countries to non-Annex II/developing countries to meet:

(a) The agreed full costs of the obligations of non-Annex II/developing countries under Article 12, paragraph 1, of the Convention as well as Article 13, paragraph 14, of the Paris Agreement;

(b) The agreed full incremental costs, of meeting the obligations of non-Annex II/developing countries as detailed in Article 4, paragraph 1, of the Convention as well as their nationally determined contributions as set out in Articles 3 and 9, paragraph 1 of the Paris Agreement.

More specifically, such agreed incremental costs relate to defined actions/projects/programs undertaken or outlays proposed/incurred, by non-Annex II/developing countries, towards mitigation, adaptation, technology transfer, capacity building, addressing adverse impacts or damage caused by climate change, loss incurred as a result of response measures that address climate change, and any transition to defined low emission pathway/(s) and climate resilient development. Such incremental costs must also include cost of insurance and the cost of raising and servicing the funds provided by Annex II/developed countries.

It must prioritize public financial resources, on a grant or concessional basis, from developed countries and other developed Parties included in Annex II of the UNFCCC to developing country Parties only. These resources shall represent a progression from previous efforts and would be used for the purposes of:

(a) Supporting developing country Parties in reporting on their climate change actions under the UNFCCC and its Paris Agreement, including reporting on the implementation of their NDCs;

(b) Supporting developing country Parties in implementing mitigation and adaptation actions under the UNFCCC and its Paris Agreement, particularly those included in their NDCs as well as actions to address loss and damage;

(c) Supporting technology development and transfer, capacity building, and cross-cutting support, to the developing country Parties concerning (a) and/or (b) above.

Five criteria are considered for finance to be counted as climate finance:

Innovate – financing should be more risk taking and support innovative first-of-a-kind projects that demonstrate new approaches to climate change and support experimenting in approaches to create suitable interventions within different contexts.

Incubate – financing should support ideas in their infancy before they are scaled up.

Influence – financing should support the leveraging of greater financial flows to scale-up and replicate climate interventions by demonstrating the business case, building confidence of investors and de-risking investments across other finance flows.

Incentivise – financing should create incentives that create new understandings and different ways of working for changing default behaviours and institutional practices.

Institutionalise capabilities – financing should strengthen the agility, flexibility, and responsiveness of institutions to be empowered in their response to the uncertainties of climate change. It should as well as strength capabilities to plan robustly and responsively for a range of futures.

Climate Finance is the new and additional funding provided by Annex II developed countries to non-Annex II/developing countries to meet:

(a) The agreed full costs of the obligations of non-Annex II/developing countries under Article 12, paragraph 1, of the Convention as well as Article 13, paragraph 14, of the Paris Agreement;

(b) The agreed full incremental costs of meeting the obligations of non-Annex II developing countries as detailed in Article 4, paragraph 1, of the Convention as well as their nationally determined contributions as set out in Articles 3 and 9, paragraph 1, of the Paris Agreement.

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Definitions are reproduced as submitted, with the exception of abbreviations and formatting.
IV. Operational definitions of climate finance in use under the Convention and the Paris Agreement

33. This chapter provides an overview of the operational definitions of climate finance currently in use by Parties in the context of reporting under the Convention and the Paris Agreement through BRs and BURs, by the operating entities of the Financial Mechanism and the Adaptation Fund, and by the SCF in the BAs. Operational definitions of climate finance means those definitions that are currently in operation or use by climate finance providers or data providers.

A. Biennial reports by Parties included in Annex II to the Convention

34. Through their fourth BRs, the 24 Parties included in Annex II to the Convention provided a description of the methodologies and approaches used to report information on the provision of financial support to non-Annex I Parties, including:

(a) How funds are defined as being climate-specific;
(b) How funds are specified as disbursed and/or committed;
(c) What new and additional financial resources were provided and how it was determined that such resources are new and additional;
(d) The types of instruments used in the provision of assistance, such as grants and concessional loans.9

35. In providing the information in paragraph 34 above, none of the Parties referred to the description of these methodologies and approaches as a definition of climate finance. Where a Party provided a definition of climate finance, the definition reported in the 2014 BA was reported by two Parties, while three referred to the OECD DAC definitions on mitigation or adaptation activities. Several other Parties included specific descriptions of the concepts required by the reporting guidelines, such as status of funds committed or disbursed, exchange rates used, use of calendar or fiscal years and use of gross or net flows.

36. In reporting through bilateral, regional and other channels on how funds were identified as being climate-specific, 18 Parties applied a methodology of adapting their reporting with the OECD DAC Rio markers to report climate-specific amounts and therefore point to the use of OECD DAC guidelines for climate mitigation and adaptation activities for these purposes (see chap. IV.B below and annex I), while 4 Parties applied case-by-case methodologies for identifying the climate-specific components of each project and 2 Parties used a combination of the two approaches.

37. Information on activities excluded from reporting on climate finance is not required under the reporting guidelines. However, one Party mentioned the exclusion of direct expenditure for constructing or retrofitting natural gas and other fossil fuel power plants, while another Party reported that it is no longer supporting the construction of new coal-fired power stations or the retrofitting of decommissioned coal-fired power stations in partner countries.

38. Most of the climate finance reported was in the form of disbursements of financial support. A total of 18 Parties reported funds as disbursements in their multilateral channel reporting, with 4 reporting funds as commitments and 2 reporting both committed and disbursed funds for different institutions and funds. Twelve Parties reported support as disbursements through bilateral, regional and other channels, while seven reported support as commitments only and five reported support as either disbursements or commitments, depending on the project.

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9 See decision 2/CP.17, annex I.
39. A total of 20 Parties provided information on definitions of financial instruments in the documentation box of the CTF or in their BR, with 11 referring explicitly to OECD DAC definitions on instruments.10

40. Fourteen Parties indicated that new and additional resources consist of newly disbursed or committed finance in the reporting year, while three Parties used 2009 as a baseline year, four Parties based their definition of new and additional on progressions beyond previous development finance commitments and two Parties described climate finance amounts as flows that exceeded the target percentage of 0.7 per cent of gross national income for overall development finance. In addition, one Party identified a dedicated environmental fund as the source of climate finance separate from traditional ODA channels.

B. Biennial update reports by non-Annex I Parties

41. Of the 79 non-Annex I Parties that had submitted BURs as at 30 June 2022, 59 did not provide a definition of climate finance. Seven Parties referred to the lack of a definition as an issue in collecting and analysing data on climate finance and establishing measurement, reporting and verification systems for support received, while another seven Parties referred to specific definitions of climate finance or financial resources including definitions in the 2014 BA. Table 4 provides examples of definitions of climate finance or financial resources in the context of reporting on climate finance received by non-Annex I Parties. Another Party adopts the definitions used in the OECD DAC Rio marker guidelines on adaptation and mitigation finance when reporting on climate finance received.

Table 4
References to definitions of climate finance in biennial update reports

<table>
<thead>
<tr>
<th>Party</th>
<th>Definitions of climate finance reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombia (third BUR)</td>
<td>Financial resources refer to the provision of monetary resources for the assistance of developing countries in the implementation of the commitments before the UNFCCC, to strike a balance between adaptation and mitigation according to strategies and priorities determined by countries. These resources can come from public, private or alternative sources. Usually the funds are delivered through an agency implementer.</td>
</tr>
<tr>
<td>Dominican Republic (first BUR)</td>
<td>Financial resources: the mobilization of funds from public, private or alternative sources to an implementing agency, which may be, but is not limited to, a public sector entity.</td>
</tr>
<tr>
<td>Egypt (first BUR)</td>
<td>Climate finance is defined as international funding provided as grants and/or concessional loans for climate change projects. The commercial loans and ODA for projects implemented before 2015, are excluded. Only projects that focus mainly on climate change were accounted for in this chapter. Projects with co-benefits are reported separately. It was challenging this cycle to indicate the climate finance portion, therefore the total funds received were outlined.</td>
</tr>
<tr>
<td>Jordan (second BUR)</td>
<td>Climate finance refers to local, national or transnational financing—drawn from public, private and alternative sources of financing—that seeks to support mitigation and adaptation actions that will address climate change.</td>
</tr>
<tr>
<td>Paraguay (third BUR)</td>
<td>Climate finance: are all the financial resources transferred to the country, administered directly or through some implementing agency, aimed at dealing with climate change.</td>
</tr>
<tr>
<td>South Africa (fourth BUR)</td>
<td>Climate finance is defined as all resources that finance the cost of South Africa’s transition to a lower-carbon and climate resilient economy and society. This covers both climate-specific and climate-relevant financial resources, public and private, domestic and international. This includes financial resources that go towards reducing emissions and enhancing sinks of greenhouse gases; reducing vulnerability, maintaining and increasing the resilience of human and ecological systems to negative climate change impacts; climate-resilient and low-emission strategies, plans and policies; climate research and climate monitoring systems; as well as climate change capacity-building and technology.</td>
</tr>
<tr>
<td>Thailand (third BUR)</td>
<td>Financial support: a support needed in a form of money or financial instruments such as grant, soft loan, equity or guarantee to support and leverage government and private sector investment in climate actions, in particular for incremental cost or risk premium required to make the investment</td>
</tr>
</tbody>
</table>

Definitions of climate finance reported*

of climate action viable, or to cover specific activities such as technical assistance or capacity-building.

* Definitions are reproduced as submitted, with the exception of abbreviations and formatting.

42. Information related to definitions of climate finance in use by developed and developing country Parties may be further elaborated in future reporting through the ETF, as outlined in box 1.

Box 1

Reporting on financial support by developed and developing country Parties under the enhanced transparency framework of the Paris Agreement

CMA 1 adopted the modalities, procedures and guidelines, which include guidance on reporting on financial support provided and mobilized by developed country Parties (and other Parties, as appropriate) and reporting on financial needs and finance received of developing country Parties under the ETF. Development of the CTFs for the reporting on climate finance was initiated at the fiftieth session of the Subsidiary Body for Scientific and Technological Advice and adopted at CMA 3. Parties are due to submit their first biennial transparency reports under the Paris Agreement by the end of 2024, including CTFs, as applicable, as well as the underlying assumptions, definitions and methodologies used in the reports.

The adoption of the new CTFs introduced a number of key changes in the scope of reporting compared with the existing reporting framework and CTFs in use by Parties included in Annex II to the Convention. In terms of scope, developed country Parties now have three CTFs for reporting financial support provided through (1) bilateral, regional and other channels, (2) multilateral channels, and (3) finance mobilized by public interventions, with the option to report the latter information in textual or tabular format. In addition, each CTF includes an option to report grant-equivalent values of financial support provided and mobilized on a voluntary basis. For developing country Parties, CTFs for reporting financial support needed and received under Article 9 of the Paris Agreement were developed for the first time. The CTFs contain options for reporting information on the project/programme and implementing agency, including links to any relevant documentation and, as appropriate, support for activities related to averting, minimizing and addressing loss and damage associated with the adverse effects of climate change.

The modalities, procedures and guidelines set out underlying assumptions, definitions and methodologies that Parties should describe in their reporting on climate finance. Some elements represent a continuation of reporting requirements under the BRs and some are relevant to issues related to definitions of climate finance, including:

(a) The status of the funds (e.g. as committed or disbursed);
(b) The channel (bilateral, regional, multi-bilateral, multilateral);
(c) The funding source (ODA, other official flows, other);
(d) The financial instrument (e.g. grant, concessional loan, non-concessional loan, equity, guarantee, insurance, other (specify));
(e) Information on instruments and funding sources reported, including how a Party has determined finance to be concessional and/or ODA, including by using information such as grant equivalency, institution and/or instrument-based approaches;
(f) The type of support (e.g. adaptation, mitigation, cross-cutting);
(g) How the support is identified as climate-specific;
(h) The definition of public and private finance, in particular where entities or funds are mixed;
(i) How the Party seeks to ensure that support provided and mobilized through public interventions effectively addresses the needs and priorities of developing country Parties for the
implementation of the Paris Agreement, as identified in country-driven strategies and instruments, such as biennial transparency reports, NDCs and national adaptation plans;

(j) How the Party seeks to ensure that support provided and mobilized through public interventions is in line with the long-term goals of the Paris Agreement;

(k) An indication of what new and additional financial resources have been provided, and how it has been determined that such resources are new and additional.

C. Operating entities of the Financial Mechanism and the Adaptation Fund

43. The operating entities of the Financial Mechanism are the Green Climate Fund and the Global Environment Facility, which were established under the Convention. The Global Environment Facility manages the Least Developed Countries Fund and the Special Climate Change Fund. The Adaptation Fund was established under the Kyoto Protocol, with the Adaptation Fund Board designated as its operating entity. The operating entities also serve the Paris Agreement. None of the operating entities have a dedicated operational definition of climate finance to set investment policies or the scope of their operations. The Green Climate Fund, in its initial investment framework, provides definitions for its initial criteria for assessing programme or project proposals, which include impact potential to contribute to the achievement of the Fund’s objectives in terms of mitigation and adaptation; paradigm shift potential; sustainable development potential including wider co-benefits; recipient needs; country ownership; and efficiency and effectiveness. The Adaptation Fund, in its operational policies and guidelines for Parties to access resources, defines adaptation projects and programmes as a set of activities aimed at addressing the adverse impacts of and risks posed by climate change. The activities aim at producing visible and tangible results on the ground by reducing vulnerability and increasing the adaptive capacity of human and natural systems to respond to the impacts of climate change, including climate variability.

D. Biennial assessment and overview of climate finance flows

44. As noted paragraph 6 above, the first BA by the SCF in 2014 reviewed various operational definitions of climate finance in use by data providers and aggregators and identified convergence as noted in paragraph 3 above. In preparing the technical report for each BA, technical authors apply a description of climate finance (see chap. V below) in order to support the scoping of underlying data sets and reports. This describes climate finance as referring simply to the financial resources devoted to adapting to and/or mitigating climate change globally and to financial flows to developing countries.

V. Operational definitions of climate finance in use by international institutions and at the country level outside the Convention and the Paris Agreement

45. This chapter provides an overview of the varying operational definitions of climate finance in use by climate finance data providers, aggregators and practitioners outside the UNFCCC (see annex II for more detailed information). It builds on work undertaken since the first BA on compiling operational definitions of climate finance in use by data aggregators and providers on climate finance.

11 Adopted by Green Climate Fund decision B.07/06 (a); updated in Green Climate Fund decision B.27/06 (k); applicable from B.27 onwards (November 2020). Sets out the Fund’s investment policies, investment guidelines (including investment criteria) and updated investment strategy and portfolio targets for the first Green Climate Fund replenishment cycle. Available at https://www.greenclimatefund.org/document/initial-investment-framework-updated.

46. Institutions report or provide definitions on climate finance for different purposes and use different methods when doing so. As noted above, some examples listed in this chapter are referenced by some Parties included in Annex II to the Convention in submitting information under the Convention in biennial reports; others are adopted by private sector actors in supporting their investments in climate action; while others are developed in line with country-driven needs and priorities on climate action.

A. International organizations

1. Intergovernmental Panel on Climate Change

47. In the Sixth Assessment Report of the IPCC, the glossary for the contributions of both Working Group II\(^\text{13}\) on impacts, adaptation and vulnerability and Working Group III on mitigation\(^\text{14}\) includes the following definition of climate finance to support its interpretation in the context of the reports as the authors intended. The glossary entries confirm, “There is no agreed definition of climate finance. The term ‘climate finance’ is applied to the financial resources devoted to addressing climate change by all public and private actors from global to local scales, including international financial flows to developing countries to assist them in addressing climate change. Climate finance aims to reduce net greenhouse gas emissions and/or to enhance adaptation and increase resilience to the impacts of current and projected climate change. Finance can come from private and public sources, channelled by various intermediaries, and is delivered by a range of instruments, including grants, concessional and non-concessional debt, and internal budget reallocations.”\(^\text{15}\)

2. Development Assistance Committee of the Organisation for Economic Co-operation and Development

48. The Rio markers are used by OECD DAC members and, by extension, most developed country Parties, including their development agencies and development finance institutions, multilateral institutions and philanthropic foundations to identify activities targeting mitigation and/or adaptation objectives under the DAC statistical system. For each climate-related activity, a marker is applied to state whether climate mitigation or adaptation is a “principal” or “significant” objective of the activity.

49. The Rio markers on climate change adaptation and mitigation allow reporters to identify activities in support of the objectives of the Convention. The Rio markers were developed independently from the UNFCCC process; however, the Convention is mentioned in the title and in the eligibility criteria of the marker. In 2021, the Rio marker definition for climate change mitigation was amended to include references to the Paris Agreement. OECD has developed a handbook\(^\text{15}\) and guidance table\(^\text{16}\) to summarize methodological information on the mitigation and adaptation markers, including agreed definitions and reporting guidance to support their application.

50. As the Rio markers are applied under the DAC statistical system, the points of measurement of the finance flow (e.g. as commitments to or disbursements of finance) and

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the scope of financial instruments that can be reported are the same as those for reporting overall development finance by OECD DAC members.

3. **Multilateral development banks and the International Development Finance Club**

51. Since 2011, MDBs have reported their mitigation and adaptation finance activities jointly and, as reported in the BAs, since 2014, MDBs have constituted one of the key channels for climate finance flows from developed and developing countries. In 2015, the MDBs and IDFC issued common principles for climate change mitigation and adaptation finance tracking. The methodology for tracking adaptation finance methodology captures incremental component-based costs of activities that are typically part of a larger project and are specifically aimed at addressing climate-specific vulnerabilities. The incremental costs of adaptation are identified through a three-step assessment by:

   (a) Taking account of the climate vulnerability context;
   (b) Including an explicit statement of intent of the project to reduce climate vulnerability;
   (c) Articulating a clear and direct link between specific project activities and the activities to reduce climate vulnerability.

52. Mitigation finance is tracked using a “positive” list of eligible activities in sectors and subsectors that reduce GHG emissions in line with the goals of the Paris Agreement and are compatible with low-emission development. The tracking may include overall project costs if the project as a whole is considered a mitigation activity (e.g. renewable energy projects) or the costs of individual components of the project if only parts thereof relate to mitigation (e.g. enhancing energy efficiency as part of a larger project).

53. The common principles for climate change mitigation finance tracking that were updated in 2021 will come into effect for climate finance tracking for finance flows from 2021. It provides a more granular list of eligible mitigation activities (based on a categorization of negative or very low emission activities, transitional activities or enabling activities), including clear criteria and guidance for its application. The revised methodology newly includes, among others, mining activities for climate action; hydrogen production and use; and efficiency measures in aviation systems. The revised list will initially serve as a guide for IDFC members, with the aim of the list being applied fully, to the extent possible, after a two-year transition period.

54. In its *Green Finance Mapping Report*, IDFC members include information on climate finance related to mitigation and adaptation activities and other environmental and biodiversity activities. The report notes, “Green finance is a broad term that can refer to financial investments flowing into sustainable development projects and initiatives, environmental products, and policies that encourage the development of a more sustainable economy. Green finance includes: (i) climate finance; (ii) biodiversity finance (including, for example, for water supply, wastewater treatment, biodiversity conservation and waste management); and (iii) finance for other environmental objectives, that is finance for all those activities that have no climate and biodiversity co-benefits.”

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18 The revised common principles for mitigation consider new mitigation activities that are required in order to achieve the goals of the Paris Agreement, and to ensure, with a specific focus on greenfield activities, the avoidance of activities that despite reducing GHG emissions in the short term risk locking-in emission-intensive technologies over the long term.

55. MDBs report on climate finance in the form of commitments from their own account and external sources channelled through and managed by the banks, as well as on co-financing by non-MDB actors. As financial commitments are accounted for at the time of board approval or financial close, they are based on ex ante estimates and not revised to take into account any changes in the project that lead to either an increase or a decrease in climate financing. The financial instruments reported include advisory services, equity, bonds, grants, guarantees, investment loans, lines of credit, policy-based financing and results-based financing. Financing commitments reported by IDFC members are those signed or approved by the board of the relevant reporting institution during the reporting year and may consist of loans (concessional and non-concessional), grants, guarantees, equity and mezzanine finance.

B. Domestic climate finance reporting systems

56. Domestic climate-related classification systems, eligibility lists and regulatory frameworks provide an indication of how climate finance relates in practice to the broader concepts of green finance, sustainable finance and transition finance.

57. An analysis of 12 classification lists and taxonomies related to mitigation activities, including those used by MDBs and regional and national jurisdictions, shows that the most common mitigation activities (appearing in over 75 per cent of the lists and taxonomies analysed) are renewable energy, carbon capture, utilization and storage, electrified transport, energy efficiency in buildings, and water management and supply. Different eligibility criteria are in use for common activities relating to agriculture, waste, transport infrastructure and power generation (the latter including geothermal power, hydropower, bioenergy and efficiency improvements). Less common activities (appearing in 25–75 per cent of the lists and taxonomies analysed) include gas-fired power generation, generating energy from waste, sustainable logging and information communication and technology infrastructure. Notable uncommon activities (appearing in less than 25 per cent of the lists and taxonomies analysed) are nuclear power generation, aviation and mining. For adaptation, most taxonomies refer to process-based screening methods rather than an activity list owing to adaptation activities being specific to a given local environment or context. Such taxonomies rarely incorporate a stand-alone definition of climate finance, but do adopt eligible activity lists on mitigation and/or adaptation, partially informed by existing practices such as the Rio markers or the joint MDB–IDFC common principles for climate mitigation and adaptation finance tracking (see section 1.2.3 of the fifth BA). At the country level, two types of tracking approaches incorporate the use of operational definitions related to climate finance:

(a) Climate budget tagging approaches to tracking public climate finance expenditure in national budgets (currently implemented by 24 countries and under development in another 24, as reported in the fifth BA);

(b) Approaches to developing sustainable, green or climate-related taxonomies of economic activities to guide the development of green financial markets and products such as green bonds.

58. Regulations, guidance and eligibility lists pertaining to green taxonomies, including for mitigation and adaptation, are currently in place in Bangladesh, China, the EU, Japan, Malaysia, Mongolia and the Russian Federation, as well as, since 2022, in Colombia, Indonesia, South Africa and Sri Lanka. Additional countries or regional jurisdictions have published drafts or have announced that they are considering development of sustainable finance taxonomies, including Association of Southeast Asian Nations, Australia, Canada, Chile, Dominican Republic, India, Kazakhstan, Mexico, New Zealand, the Philippines, the Republic of Korea, Singapore, Thailand, the United Kingdom of Great Britain and Northern Ireland and Viet Nam.20

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59. In recent years, regulatory efforts at the national level have also partly focused on broader green and sustainable finance approaches which include climate transition considerations. A common approach to the development of green or sustainable finance taxonomies, employed, for example, by Association of Southeast Asian Nations, Colombia, the EU, Malaysia and South Africa, considers multiple environmental objectives, including mitigation and adaptation objectives. Other environmental objectives or use cases can relate to pollution prevention and control, biodiversity protection, promotion of circular economy and sustainable use of water and marine resources. Significant contributions to one or more of these environmental objectives are then assessed on the basis of established principles or sector- or activity-based criteria. Many taxonomies also require an activity to meet minimum environmental and/or social safeguards and the do-no-significant harm principle to be considered as providing a significant contribution. This principle stipulates that no significant harm shall be done to any of the other environmental objectives in order to classify as taxonomy-aligned on a given environmental objective.

60. The relationship between climate finance and other forms of green, sustainable and transition finance is further described in figure 1 and box 2.

**Figure 1**
United Nations Environment Programme Inquiry - a simple scheme for understanding broad terms

![Diagram](https://wedocs.unep.org/bitstream/handle/20.500.11822/10603/definitions_concept.pdf?sequence=1&isAllowed=y)


**Box 2**
Relationship of climate finance to green, sustainable and transition finance

The UNEP Inquiry into the Design of a Sustainable Financial System in 2016 described climate finance, focused on mitigation and adaptation activities, as a subset of green finance that addresses environmental objectives in general. Green finance in turn is considered a subset of sustainable finance, which includes a broad set of environmental, social, governance and economic aspects of sustainability. This perspective is schematized as shown in exhibit 3 in the UNEP Inquiry.

Transition finance is commonly considered as financing that promotes the transition from emission-intensive to low-emission, environmentally friendly economic activities, including in GHG-intensive and hard-to-abate sectors considered to contribute significantly to current and future socioeconomic development. In addition, the absence of viable or mature green
alternatives and the avoidance of carbon lock-in are common principles in operationalizing approaches to transition finance. Similarly to private and non-governmental approaches, national approaches to transition finance are in an early stage of development, making it difficult to identify commonalities and differences. Current frameworks, tools and instruments that integrate transition considerations are known as transition taxonomies, transition bonds and principle-based frameworks that establish guidelines for investment and lending operations for the transition towards low-carbon and climate-resilient economies.


C. Other organizations

61. Other organizations involved in aggregating climate finance data apply definitions of climate finance to define the scope of activities being tracked. Climate Policy Initiative, in its global estimates of climate finance flows, aligns its analysis with the operational definition from the 2014 BA, as capital flows directed towards low-carbon and climate-resilient development interventions with direct or indirect GHG mitigation or adaptation benefits. Positive eligibility lists for both mitigation and adaptation activities are identified on the basis of classifications from the MDB–IDFC common principles, the Rio markers, the CBI taxonomy and the taxonomy recommended by the EU technical expert group on sustainable finance. The analysis excludes fossil fuel based lower-carbon and energy-efficient power generation, or hybrid or plug-in hybrid electric vehicles owing to significant future carbon emission lock-in.

62. CBI developed the Climate Bonds Standard and Certification Scheme for certifying climate bonds, under which sector-specific criteria are developed for economic activities or assets that may be linked with certified climate bonds. The CBI taxonomy provides a guide to climate-aligned assets and projects for potential green bond issuers, including sector-specific criteria for certified climate bonds and guidelines or screening indicators for areas for which there are not yet any certification criteria. Further information can be found in figure 2 and annex II.

63. The Green Bond Principles of the International Capital Market Association set out a high-level process and guidelines for improving the transparency and disclosure of green bonds and underlying activities financed.

64. In the area of adaptation and resilience, CBI has developed a set of climate-resilience principles on the basis of the relevant IPCC definitions in the 2018 Special Report on Global
Warming of 1.5 °C. In order to assess the adaptation contributions of small and medium-sized enterprises, the Adaptation Solutions Taxonomy, an initiative of the Lightsmith Group, the Global Environment Facility and the Inter-American Development Bank, sets out criteria for assessing the eligibility of adaptation-relevant activities. More detailed information on the approaches of other organizations involved in aggregating climate finance data or climate investments is available in annex II.

VI. Conceptual issues

65. Based on the information outlined in chapters III and IV, Table 5 provides an overview of the conceptual issues that may apply to operationalizing climate finance definitions depending on their context, how they are used and their purpose.

Table 5
Overview of conceptual issues when operationalizing definitions of climate finance based on current definitions in use by type of finance flows/subflows and reports

<table>
<thead>
<tr>
<th>Context</th>
<th>Usage and purpose of applying a definition</th>
<th>Operationalization of climate-relevant elements</th>
<th>Operationalization of financial/accounting elements and actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial support from developed to developing countries: BRs from Parties included in Annex II to the Convention</td>
<td>Financial support provided to non-Annex I Parties</td>
<td>CTFs facilitate reporting on adaptation, mitigation, cross-cutting and other types of support</td>
<td>Public and private finance mobilized</td>
</tr>
<tr>
<td>Financial support received by developing countries: Non-Annex I Party BURs</td>
<td>Financial support received</td>
<td>Guidance for BURs refers to reporting on financial resources received for activities relating to climate change</td>
<td>Parties report using available data, varying from grants only to grants and other instruments</td>
</tr>
<tr>
<td>Climate-related ODA support through bilateral channels: OECD DAC statistical system and Rio markers</td>
<td>Reporting development finance to ODA-eligible recipients with climate objectives</td>
<td>Mitigation and adaptation finance definitions with eligibility criteria and a list of project examples</td>
<td>Public and private finance mobilized</td>
</tr>
<tr>
<td>Climate finance outflows from multilateral channels: MDBs</td>
<td>Reporting on climate finance flows to projects</td>
<td>List of eligible activities for mitigation finance and process-based approach for adaptation finance</td>
<td>Public and private finance mobilized</td>
</tr>
<tr>
<td>Data aggregators of global climate finance</td>
<td>Estimating global climate finance flows against</td>
<td>List of eligible activities drawing on various sources</td>
<td>Public and private finance</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Context</th>
<th>Usage and purpose of applying a definition</th>
<th>Operationalization of climate-relevant elements</th>
<th>Operationalization of financial/accounting elements and actors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic climate finance systems</td>
<td>Reporting against expenditure goals, and/or Achievement of national policy goals, and/or Climate finance received, and/or Regulations for green financial products/discrimination</td>
<td>Country systems vary with regard to reporting on mitigation, adaptation, resilience and loss and damage. Draw from guidelines from other sources (e.g. Rio markers, MDBs) or develop own taxonomies of climate finance (eligibility lists and criteria for activities to qualify)</td>
<td>Context-specific, e.g. public finance expenditure allocations, actual budget spend, bond markets, investment funds</td>
</tr>
</tbody>
</table>

1. **Climate relevance of activities under a definition of climate finance**

66. Information from submissions and examples of operational definitions in use indicate that the climate relevance of activities may range from adaptation and mitigation to averting, minimizing and addressing loss and damage, climate resilience, and whether broader finance and investments are aligned with temperature goals and pathways.

67. Within each of these areas, there are a variety of approaches to deciding what constitutes an appropriate activity (e.g. the extent to which a sector/subsector/activity contributes to climate objectives). Ways of determining climate relevance include eligibility and/or exclusion lists, performance criteria, guidelines and examples, and process-based approaches.

68. In recent years, use of taxonomies for identifying mitigation-relevant activities has grown, partly driven by the MDB–IDFC eligibility list. Figure 2 provides an overview of sectors, subsectors and activities relevant to achievement of mitigation objectives that feature in a range of eligibility lists and taxonomies with either a similar approach to criteria for inclusion or different approaches, as well as activities that feature in relatively few lists, and activities which are explicitly excluded.
Figure 2
Mapping of common activities in eligibility lists and taxonomies relevant to mitigation activities

Sources: ADB et al., 2022; ADB, 2021; Bangladesh Bank, 2020; Davis, Hogan, 2020; CR, 2022; ESCOM, 2021; Financial Stability Commission of Mongolia, 2022; Gobierno de Colombia, 2022; National Treasury RSA, 2022; GFSF, 2022; Central Bank of Sri Lanka, 2022; RPO, 2022

Note: 1. Common activities are those in 5-15% of taxonomies reviewed (out of 63). Less common activities are those between 0-25% of taxonomies reviewed (out of 63).}

EXCLUSION LIMITS OR EXAMPLES

**ENERGY**
- Coal-fired power (EU, EIB, MDB)
- All solid fossil fuels (COP)
- TSU dedicated to fossil fuel power (EU, EIB, RSA, MDB, CIP, BID)
- MDB, peak or lead power
- Biomass dedicated to carbon-intensive fuel with lower carbon fuel where electricity generation only fossil-fuel upstream and midstream

**TRANSPORT**
- Oil or coal power on combined heat and power (CCHP) without CCS, WHR from coal or oil power, coal mining or oil upstream
- SSE: New gas power plants

**WASTE & SANITATION**
- CBC: Products dedicated to clean-up or efficiency of fossil fuel energy

**BUILDINGS**
- SSE: Buildings dedicated to extraction, storage, manufacturing, transport of fossil fuels

**INDUSTRY**
- CBC: Agriculture and forestry
- TSU: Activities leading to deforestation
- MSS: Illegal deforestation leading to soil degradation and release of CO2

**Agriculture & Forestry**
- CBC: Agriculture and forestry
- TSU: Activities leading to deforestation
- MSS: Illegal deforestation leading to soil degradation and release of CO2

**Waste & Sanitation**
- CBC: Landfill waste collection facilities
- Landfill without gas capture
69. In addition to considering what is in scope of the specific climate-relevant activity, views on definitions of climate finance reflect a consideration on how to approach reporting of co-benefits for activities that serve multiple developmental objectives, including climate mitigation and adaptation or other objectives, and whether it is desirable to differentiate between climate and development activities.

2. Financial instruments and accounting

70. Information from submissions and examples of operational definitions in use also show a range of views of what accounting or tracking of climate finance flows should include, as shown in table 1. These views can vary with regard to the inclusion of:
   
   (a) Public and/or private finance or only private finance mobilized by public interventions;
   
   (b) Whether the point of measurement should reflect when the finance is committed or when it is disbursed to the recipient;
   
   (c) The range of financial instruments;
   
   (d) Whether flows should be counted as gross or net flows, accounting for repayments such as loans;
   
   (e) Whether flows should calculate total costs/investments or incremental costs related to pursuing a lower carbon alternative or adaptation action.

71. As reported in the fourth BA, there are nine key variables to be considered when operationalizing a given definition of climate finance for reporting purposes. Figure 3 shows the range of potential approaches to accounting for climate finance flows.

Figure 3
Range of potential approaches to accounting for climate finance flows depending on the purpose and scope of tracking

<table>
<thead>
<tr>
<th>Factors</th>
<th>Range of approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Geographic scope</strong></td>
<td><strong>International flows only</strong></td>
</tr>
<tr>
<td><strong>Recipient</strong></td>
<td><strong>Public sector</strong></td>
</tr>
<tr>
<td><strong>Objective</strong></td>
<td><strong>Programmed or budgeted for climate objectives</strong></td>
</tr>
<tr>
<td><strong>Causality</strong></td>
<td><strong>Direct finance</strong></td>
</tr>
<tr>
<td><strong>Instruments</strong></td>
<td><strong>Grants</strong></td>
</tr>
<tr>
<td><strong>Total or incremental cost</strong></td>
<td><strong>Total cost of a project or action</strong></td>
</tr>
<tr>
<td><strong>Point of measurement</strong></td>
<td><strong>Commitments</strong>: Counting finance when the commitment is made, irrespective of when the finance will be disbursed (e.g. over a number of subsequent years of a project)**</td>
</tr>
<tr>
<td><strong>Cost of expenditure</strong></td>
<td><strong>Nominal value</strong>: The face value of a loan</td>
</tr>
<tr>
<td><strong>Gross/net flows</strong></td>
<td><strong>Gross flows</strong>: The amount spent or committed in a given year</td>
</tr>
</tbody>
</table>

3. Relevant actors

72. Actors that may apply or use the definitions of climate finance are a key consideration in their operationalization. The context in which a definition is applied highlights the concepts relevant to those users that need to be clarified, for example the point of measurement in the case of international finance flows from providers to recipients. In other contexts, such as in relation to domestic climate finance tracking, how a definition may be applied, how it may be compatible with budget tracking systems and how it may be applied by private financial institutions and intermediaries in regulatory reporting are further key considerations.
Annex I

Submissions received on operational definitions of climate finance

The tables below presents the Parties, groups of Parties and stakeholders that provided submissions or responded to a call for inputs on operational definitions of climate finance for consideration by the SCF.\(^1\)

Table I.1  
Submissions in response to the requests in decisions 11/CP.25 and 5/CMA.2

<table>
<thead>
<tr>
<th>Submissions</th>
<th>Submission date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize, on behalf of the Alliance of Small Island States</td>
<td>31 August 2020</td>
</tr>
<tr>
<td>Bhutan, on behalf of the LDCs</td>
<td>30 June 2020</td>
</tr>
<tr>
<td>Canada</td>
<td>13 May 2020</td>
</tr>
<tr>
<td>EU</td>
<td>5 May 2020</td>
</tr>
<tr>
<td>Gabon, on behalf of the African Group</td>
<td>30 June 2020</td>
</tr>
<tr>
<td>Honduras, on behalf of the Independent Association for Latin America and the Caribbean</td>
<td>13 May 2020</td>
</tr>
<tr>
<td>Indonesia</td>
<td>4 June 2020</td>
</tr>
<tr>
<td>Japan</td>
<td>15 May 2020</td>
</tr>
<tr>
<td>Norway</td>
<td>12 May 2020</td>
</tr>
<tr>
<td>Philippines</td>
<td>8 May 2020</td>
</tr>
<tr>
<td>Solomon Islands</td>
<td>8 May 2020</td>
</tr>
<tr>
<td>Switzerland, on behalf of the Environmental Integrity Group</td>
<td>1 May 2020</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>1 May 2020</td>
</tr>
</tbody>
</table>

Table I.2  
Submissions in response to a call for inputs by the SCF (2022)

<table>
<thead>
<tr>
<th>Submissions</th>
<th>Submission date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia, on behalf of the Like-minded Developing Countries</td>
<td>11 May 2022</td>
</tr>
<tr>
<td>Group of MDBs</td>
<td>27 April 2022</td>
</tr>
<tr>
<td>India</td>
<td></td>
</tr>
<tr>
<td>International Institute for Environment and Development</td>
<td>6 May 2022</td>
</tr>
<tr>
<td>Kenya</td>
<td>30 April 2022</td>
</tr>
<tr>
<td>Panafrcian Climate Justice Alliance</td>
<td>30 April 2022</td>
</tr>
<tr>
<td>Senegal, on behalf of the LDCs</td>
<td>13 May 2022</td>
</tr>
<tr>
<td>Third World Network</td>
<td>21 April 2022</td>
</tr>
<tr>
<td>United States of America</td>
<td>29 June 2022</td>
</tr>
</tbody>
</table>

\(^1\) Available at https://unfccc.int/topics/climate-finance/resources/standing-committee-on-finance-info-repository#eq-6.
Annex II

Compilation of operational definitions of climate, mitigation and adaptation finance in use

The table below compiles various operational definitions of climate finance, mitigation finance and adaptation finance definitions in use, as they are referred to in chapter V. The definitions are reproduced as published, with the exception of abbreviations and formatting.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Climate finance definitions</th>
<th>Mitigation finance definitions</th>
<th>Adaptation finance definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD DAC*</td>
<td>Rio markers were designed to track the mainstreaming of environmental considerations into development cooperation rather than providing a quantification of finance and provide separate markers for climate change mitigation and climate change adaptation. The Rio markers are based on definitions and eligibility criteria. They distinguish between activities targeting climate change objectives as either “principal” or “significant”</td>
<td>An activity that contributes to the objective of stabilization of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG removal by sinks, in line with the goals of the Paris Agreement.</td>
<td>An activity that intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping reduce exposure to them. This encompasses a range of activities from information and knowledge generation, to capacity development, planning and the implementation of climate change adaptation actions.</td>
</tr>
</tbody>
</table>

Eligibility

The activity contributes to:

(a) The mitigation of climate change by limiting anthropogenic emissions of GHGs, including gases regulated by the Montreal Protocol on Substances that Deplete the Ozone Layer;

(b) The protection and/or enhancement of GHG sinks and reservoirs; or

(c) The integration of climate change concerns with the recipient countries’ development objectives through institution-building, capacity development, strengthening the regulatory and policy framework, technology transfer or research; or

(d) The efforts of developing countries to meet their obligations under the Convention and the Paris Agreement, namely the implementation and enhancement of mitigation actions.

The activity will score “principal objective” if it directly and explicitly aims to achieve one or more of the above four criteria.

Eligibility

The climate change adaptation objective is explicitly indicated in the activity documentation; and (b) the activity contains specific measures targeting the adaptation definition.

Carrying out an assessment of vulnerability to climate variability and change, either separately or as an integral part of agencies’ standard procedures, facilitates this approach.

To guide scoring, a three-step approach is recommended as a “best practice”, in particular to justify a “principal” score:

Setting out the context of risks, vulnerabilities and impacts related to climate variability and climate change: for a project to be considered as one that contributes to adaptation to climate change, the context of climate vulnerability should be set out clearly using a robust evidence base. This could take a variety of forms, including use of material from existing analyses and reports, or original, bespoke climate vulnerability assessment analysis carried out as part of the preparation of a project.

Stating the intent to address the identified risks, vulnerabilities and impacts in project documentation: The project should set out how it intends to address the context- and location-specific...
climates change vulnerabilities, as set out in existing analyses, reports or the project’s climate vulnerability assessment.

Demonstrating a clear and direct link between the identified risks, vulnerabilities and impacts and the specific project activities: the project should explicitly address risk and vulnerabilities under current and future climate change as identified in the project documentation.

Financial resources associated with only those components or elements/proportions of projects that directly contribute to or promote adaptation, with the aim of lowering the current and expected risks or vulnerabilities posed by climate change. This approach is not intended to capture the value of the entire investment that may increase resilience as a consequence of specific activities within the project.

The joint MDB methodology for tracking adaptation finance, follows a context-specific, location-specific, conservative and granular approach. See the 2020 Joint Report on Multilateral Development Banks’ Climate Finance for case studies on tracking adaptation finance.

The joint MDB methodology for tracking adaptation finance consists of three key steps:

1. Setting out the climate change vulnerability context of the project;
2. Making an explicit statement of intent of the project to reduce climate change vulnerability;
3. Articulating a clear and direct link between specific project activities and the project’s objective to reduce vulnerability to climate change.

The identification and estimation of adaptation finance is limited solely to those project activities (that is, projects, project components, or elements or proportions of projects) that are clearly linked to the climate change vulnerability context.
assets that is inconsistent with the long-term goal of net-zero GHG emissions.

(3) Enabling activities, which are instrumental in enabling other activities to make a substantial contribution to climate change mitigation, e.g., manufacture of very-low-emission technologies. Eligibility principle: are necessary for developing or implementing other eligible climate mitigation activities; do not hamper the development or deployment of negative or very low-emission activities; and do not lead to a lock-in of GHG emission-intensive assets that is inconsistent with the long-term goal of net-zero GHG emissions.

No fixed quantitative thresholds are established within the eligibility list to facilitate the wish of individual institutions to set them according to own mandates and specific circumstances.

Excluded activities are related to support of upstream and midstream activities in the fossil fuel industry, electricity generation from coal or peat, and activities that lead to deforestation. Both brownfield and greenfield activities are included in the scope, but the associated eligibility and criteria can differ, with a focus on ensuring that greenfield activities prevent long-term GHG lock-in and may enable structural changes required for meeting the long-term temperature goal, support emerging technologies with significant climate mitigation potential, meet global high-performance standards or high-efficiency benchmarks, or significantly exceed national or regional standards.

National circumstances and capabilities are accounted for as potential mitigation activities should consider, where possible, country-appropriate or regional benchmarks to facilitate progress towards national goals and avoid long-term lock-ins.

Policy actions, technical assistance and programmes in support of the eligible activities are also eligible, provided that the link to eligible activities is clear or sufficiently demonstrated.

A list of eligible activities, screening criteria and guidance is provided in table 2-12 of the common principles for climate mitigation finance tracking.
<table>
<thead>
<tr>
<th>Institution</th>
<th>Climate finance definitions</th>
<th>Mitigation finance definitions</th>
<th>Adaptation finance definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDFC&lt;sup&gt;5&lt;/sup&gt;</td>
<td>According to the IDFC methodology, green finance comprises climate finance and finance for other environmental objectives, with climate finance being composed of green energy and mitigation of GHGs and adaptation to climate change.</td>
<td>IDFC members will use the list in the revised MDB-IDFC common principles for climate change mitigation finance tracking as a guide for a two-year transitional period. An activity is classified as being related to mitigation if it promotes efforts to reduce or limit GHG emissions or enhance GHG sequestration. Eligibility criteria are based on a “positive” list of project categories and activities, which are aligned with the MDBs–IDFC Common Principles (2015). The list is given in appendix D of the of the IDFC Green Finance Mapping Report 2021. Similar considerations to renewable energy, modal shift in transport, and energy efficiency investments are provided as in the MDB criteria.</td>
<td>The definition provided in the IDFC Green Finance Mapping annual report is used, which takes the MDB-IDFC common principles for climate change adaptation finance tracking into account. An activity is classified as being related to adaptation if it addresses the current and expected effects of climate change, where such effects are material for the context of those activities. Eligibility criteria are based on a “positive” list of project categories and activities, which are aligned with the MDBs–IDFC Common Principles (2015). The list is given in appendix D of the of the IDFC Green Finance Mapping Report 2021.</td>
</tr>
<tr>
<td>CPI&lt;sup&gt;6&lt;/sup&gt;</td>
<td>Aligned with the recommended operational definition of the SCF. Capital flows directed towards low-carbon and climate-resilient development interventions with Mitigation finance is defined as resources directed to activities: • Contributing to reducing or avoiding GHG emissions, including gases regulated by the Montreal Protocol; or • Maintaining or enhancing GHG sinks and reservoirs. Eligibility “Positive list”, drawing on approaches taken by the OECD DAC, MDBs, IDFC and multilateral climate funds. Updated sector classification drawing taken from the following economic activity classifications: MDB, CBI taxonomy, contribution of Working Group 3.5 and Working Group 3.6.</td>
<td>Adaptation finance is defined as resources directed at activities aimed at reducing the vulnerability of human or natural systems to the impacts of climate change and climate-related risks, by maintaining or increasing adaptive capacity and resilience. Eligibility “Positive list”, drawing on approaches taken by the OECD DAC, MDBs, IDFC and multilateral climate funds.</td>
<td></td>
</tr>
</tbody>
</table>

<sup>5</sup> IDFC: International Development Finance Corporation (IDFC)

<sup>6</sup> CPI: Climate Policy Initiative (CPI)
### Climate finance definitions

<table>
<thead>
<tr>
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<th>Mitigation finance definitions</th>
<th>Adaptation finance definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPCC</td>
<td>There is no agreed definition of climate finance. The term “climate finance” is applied to the financial resources devoted to addressing climate change by all public and private actors from global to local scales, including international financial flows to developing countries to assist them in addressing climate change. Climate finance aims to reduce net greenhouse gas emissions and/or to</td>
<td>Group III to the Fifth Assessment Report of the IPCC, the EU taxonomy and the OECD Creditor Reporting System purpose codes. It excludes: • Private research and development in relation to technology and investment in manufacturing for the production of green technologies (e.g. wind turbines), owing to double counting issues with investments in technology deployment; • Policy-induced revenue support mechanisms or other public subsidies, the primary function of which is to pay back initial investment costs, in order to avoid double counting; • Fossil fuel-based lower-carbon and energy-efficient generation (e.g. efficiency retrofits of coal-fired power plants) owing to significant future lock-in of carbon emissions; • Plug-in hybrid electric vehicles given their potential to pollute depending on driver behaviour.</td>
<td>A human intervention to reduce emissions or enhance the sinks of GHGs. In human systems, the process of adjustment to actual or expected climate and its effects, in order to moderate harm or exploit beneficial opportunities. In natural systems, the process of adjustment to actual climate and its effects; human intervention may facilitate adjustment to expected climate and its effects.</td>
</tr>
<tr>
<td>Institution</td>
<td>Climate finance definitions</td>
<td>Mitigation finance definitions</td>
<td>Adaptation finance definitions</td>
</tr>
<tr>
<td>-------------</td>
<td>-----------------------------</td>
<td>------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>CBI</td>
<td>Not applicable.</td>
<td>Definition not specified. The CBI taxonomy identifies the assets and projects needed to deliver a low carbon economy and gives GHG emissions screening criteria consistent with the 2-degree global warming target set by the COP21 Paris Agreement.</td>
<td>A climate resilience approach is used to guide adaptation activities based on the IPCC definitions for both adaptation and resilience. Climate resilience investments improve the ability of assets and systems to persist, adapt and/or transform in a timely, efficient and fair manner that reduces risk, avoids maladaptation, unlocks development and creates benefits, including for the public good, against the increasing prevalence and severity of climate-related stresses and shocks.</td>
</tr>
<tr>
<td></td>
<td>The CBI taxonomy refers to alignment with Paris Agreement goals on mitigation activities and climate resilience principles are proposed for adaptation activities.</td>
<td>Eligibility Positive list with screening indicators for specific assets. Excludes: - Coal or oil power without carbon dioxide capture and storage; coal or oil-powered combined heat and power; waste heat recovery from coal or oil power; coal mining or oil extraction, refining, processing or production associated supply chain infrastructure; products dedicated to cleaning up or enhancing efficiency of fossil fuel energy; - Roads, road bridges, road upgrades, parking facilities, fossil fuel filling stations; - Oil tankers or other ships solely transporting coal or oil; - Agricultural or timber production on peatland;</td>
<td></td>
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<tr>
<td></td>
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</tr>
</tbody>
</table>
### Mitigation finance definitions

- Collection of waste for landfill; landfill without gas capture.

### Adaptation finance definitions

- Design principles, addressing the climate risk assessment that needs to be undertaken in order to design, implement and operate assets and activities that appropriately address those risks, including understanding physical climate hazards, exposure and vulnerability, and potential trade-offs between climate resilience and mitigation impacts. For assets and activities focused on enhancing the resilience of the system, this also includes a resilience benefit assessment;

- Ongoing management principles, addressing the need for ongoing monitoring and evaluation by the issuer to enable assets and activities to remain in step with evolving climate hazards, exposures and vulnerabilities, and changing opportunities and needs for resilience benefits.

### EU Sustainable finance taxonomy (Regulation (EU) 2020/852)

The EU sustainable finance taxonomy (Regulation (EU) 2020/852) identifies economic activities that make a substantial contribution to climate change mitigation with performance thresholds and climate change adaptation with screening criteria. For all activities a cross-cutting of do no significant harm to other environment objectives applies.

<table>
<thead>
<tr>
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<th>Mitigation finance definitions</th>
<th>Adaptation finance definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>Not applicable.</td>
<td>An economic activity shall be considered to contribute substantially to climate change mitigation where that activity substantially contributes to the stabilization of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system by avoiding or reducing greenhouse gas emissions or enhancing greenhouse gas removals through any of the following means, including through process or product innovation, consistent with the long-term temperature goal of the Paris Agreement: (a) Generating, transmitting, storing, distributing or using renewable energy in line with EU directive 2018/2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid; (b) Improving energy efficiency, except for power generation activities as referred to in Article 14(2a) EU regulation 2020/852; (c) Increasing clean or climate-neutral mobility; (d) Switching to the use of sustainably sourced renewable materials; (e) Increasing the use of environmentally safe carbon dioxide capture and utilization and carbon dioxide capture and storage technologies that deliver a net reduction in GHG emissions; (f) Strengthening land carbon sinks, including through avoided deforestation and forest degradation, restoration of forests,</td>
<td>An economic activity shall be considered to contribute substantially to climate change adaptation where: a. that economic activity includes adaptation solutions that either substantially reduce the risk of adverse impact or substantially reduces the adverse impact of the current and expected future climate on that economic activity itself without increasing the risk of an adverse impact on other people, nature and assets; or where b. that economic activity provides adaptation solutions that, in addition to the conditions laid down in Article 11a EU regulation 2020/852, contribute substantially to preventing or reducing the risk of adverse impact or substantially reduces the adverse impact of the current and expected future climate on other people, nature or assets, without increasing the risk of an adverse impact on other people, nature and assets. The adaptation solutions referred to under (a) above shall be assessed and prioritized using the best available climate projections and shall, as a minimum, prevent or reduce: (a) The location-specific and context-specific adverse impact of climate change on the economic activity; or (b) The adverse impact that climate change may have on the environment within which the economic activity takes place.</td>
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<td>Institution</td>
<td>Climate finance definitions</td>
<td>Mitigation finance definitions</td>
<td>Adaptation finance definitions</td>
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<td>International Capital Markets Association</td>
<td>Green projects are considered as assets, investments and supporting expenditures that address one or more environmental objectives including climate change mitigation.</td>
<td>Sustainable management and restoration of cropland, grassland and wetlands, afforestation, and regenerative agriculture;</td>
<td>The following two-step process aims to demonstrate that an activity contributes to a substantial reduction of the negative effects of climate change:</td>
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<td>Green Bond Principles</td>
<td>Eligibility: Non-exhaustive eligibility list that comprises amongst others renewable energies, energy efficiency, clean transportation, green buildings, sustainable water and wastewater management,</td>
<td>(g) Establishing energy infrastructure required for enabling the decarbonization of energy systems;</td>
<td>a. Assessing the expected negative physical effects of climate change on the underlying economic activity that is the focus of resilience-building efforts, drawing on robust evidence and leveraging appropriate climate information;</td>
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<td>(h) Producing clean and efficient fuels from renewable or carbon-neutral sources;</td>
<td>b. Demonstrating how the economic activity will address the identified negative physical effects of climate change or will prevent an increase or shifting of these negative physical effects.</td>
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<td>(i) Enabling any of the above in accordance with Article 11a EU regulation 2020/852.</td>
<td>The assessment of the contribution of the activity will vary based on its scope (asset, corporate, sector or market), as well as spatial and temporal scale. Moreover, the proposed approach recognises that an adaptation activity may target an entity (e.g. a corporation or a city) and/or a market, sector, or region</td>
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</table>
Institution	| Climate finance definitions | Mitigation finance definitions | Adaptation finance definitions |
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Climate Resilience Principles
Adaptation Solutions Taxonomy

- circular economy and eco-efficient products as well as the category of climate change adaptation that may include infrastructure resilience, climate information and early warning systems and other measures.
- resilience, climate information and early warning systems and other measures.
- “Climate resilience investments improve the ability of assets and systems to persist, adapt and/or transform in a timely, efficient, and fair manner that reduces risk, avoids maladaptation, unlocks development and creates benefits, including for the public good, against the increasing prevalence and severity of climate-related stresses and shocks.”
- Eligibility:
  Adaptation products technologies or services qualify in accordance with four criteria namely if these i) allow for the identification or management of physical climate risks, impacts and opportunities in order to contribute to preventing or reducing such impacts on people, nature, economic activities and assets; ii) offer a systemic contribution to improve resilience building (address existing financial, technological, capacity or information-related barriers to adaptation); iii) take place or be offered in developing countries; and finally, iv) are measurable and reportable in a quantitative or qualitative manner. Within its definition and screening criteria, the Adaptation Solutions Taxonomy methodology builds on other classification schemes by taking up the concept of systemic adaptation, material physical risks and the Do-No-Significant Harm principle from the EU taxonomy, and has been informed by the Climate Bonds Climate Resilience Principles and the Global Adaptation and Resilience Working Group.


