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Matters relating to finance
Matters relating to the Standing Committee on Finance

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Item 10(a) of the provisional agenda
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Report of the Standing Committee on Finance

Addendum

Executive summary of the report on clustering types of climate finance definitions in use

Summary

At its 32nd meeting, the Standing Committee on Finance concluded work on the technical report on clustering types of climate finance definitions in use, the executive summary of which is contained in this report.

Abbreviations and acronyms

BA	biennial assessment and overview of climate finance flows
COP	Conference of the Parties
CTF	common tabular format
DAC	Development Assistance Committee
ETF	enhanced transparency framework under the Paris Agreement
MDB	multilateral development bank
MPGs	modalities, procedures and guidelines for the transparency framework for action and support referred to in Article 13 of the Paris Agreement
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
SCF	Standing Committee on Finance

I. Context and mandate

1. COP 27 requested the SCF to prepare a report for consideration at COP 28, building on the work of the SCF on definitions of climate finance, on clustering types of climate finance definition in use that could be considered within the UNFCCC process, including with a view to updating the operational definition of climate finance of the SCF, as appropriate, and supporting Parties in their national reporting efforts, and invited Parties and external stakeholders to make further submissions thereon via the submission portal by 30 April 2023.[1]

2. Since 2020, the SCF work on definitions of climate finance has been informed by 21 submissions of views from Parties or groups of Parties and 5 from non-Party stakeholders.[2] This report builds on the SCF work on definitions of climate finance that is ongoing as part of the BA[3] and that is reflected in its output from 2022,[4] which includes the findings that the understanding of what climate finance encompasses varies, including in terms of which sectors and activities are covered, the range of financial instruments available and which tracking and reporting processes apply, and that there are different perspectives on what definitions of climate finance should include and the detail in which associated concepts should be defined. COP 27 noted that the work of the SCF on definitions of climate finance shows the variety of definitions in use and the complexities associated with the diversity of definitions of climate finance in use by Parties and non-Party stakeholders in relation to ensuring clear, aggregated accounting and reporting of climate finance.[5]

3. In 2024, the SCF will prepare the sixth BA, which will provide an update on ongoing technical work related to transparency of climate finance, including operational definitions. Specifically, it will include an update to the compilation of definitions of climate finance and criteria used by Parties and institutions, and a comparison of approaches used in the context of reporting climate finance, such as sector-based methodologies, methodologies for estimating mobilized private finance, and domestic climate finance tracking systems.

4. The report on clustering types of climate finance definitions in use comprises this executive summary prepared by the SCF and a technical report[6] prepared by external experts under the guidance of the SCF. The aim of the report is to provide information to support Parties in their efforts to report on climate finance. To that end, it was considered appropriate to adopt a guidebook-style approach and to provide examples of clusters of types of climate finance definition in use alongside decision points for use in developing and applying a self-determined definition of climate finance.

II. Challenges and limitations

5. The variation in perspectives and expectations concerning what should be the scope of a definition of climate finance presents a key challenge in providing information on definitions of climate finance in use. As definitions of climate finance are often developed for a range of different purposes and use cases, their scope varies from domestic to international in context, from high-level description to detailed classification of specific climate-related activities, and from focusing solely on what makes finance flows climate-related to covering financing types or accounting-related boundaries of finance flows. This variation makes it more difficult to cluster types of definition, which means that a broad scope of what should be included in a definition has to be applied in order to capture all potential use cases and contexts.

[1] Decision 14/CP.27, para. 11.
[2] The submissions are available at https://unfccc.int/topics/climate-finance/resources/standing-committee-on-finance-info-repository#Submissions-of-views-on-the-operational-definitions-of-climate-finance.
[3] See https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows.
[4] FCCC/CP/2022/8/Add.2–FCCC/PA/CMA/2022/7/Add.2.
[5] Decision 14/CP.27, paras. 9–10.
[6] The technical report will be made available at https://unfccc.int/SCF.

6. Given the widely differing views on what is within the scope of a definition of climate finance and how detailed such a definition may be, identifying commonalities and divergences among operational definitions and reporting practices is another challenge. For example, a Party, international organization or think tank may choose to cover only certain financial instruments or activities when reporting or aggregating climate finance data, but may not consider those choices to determine their definition of climate finance; while another may regard such decisions as being integral to a definition of climate finance. Calling such choices 'definitional' would therefore not accurately reflect all views, which places limits on any technical work to identify commonalities or divergences among definitions of climate finance.

7. A further challenge relates to synthesizing information from submissions that present views on climate finance definitions in unstructured formats and at varying level of detail. While efforts have been made to extract key findings and reflect disparate views fairly and accurately, while providing a synthesis thereof, it is not possible to reflect each submission in detail. However, the original submissions are available in full online.

III. Key findings

A. Updated synthesis of views on definitions of climate finance in use

8. Regarding a **common definition or multiple or broad definitions of climate finance**, eight Parties or groups of Parties noted the lack of a common definition and considered one to be necessary, while another eight Parties or groups of Parties were of the view that the existing operational definition of the SCF remains either valid or broad enough to capture any dynamic new developments in responding to climate change.

9. In terms of **coverage and scope**, all Parties affirmed the focus of operational definitions of climate finance on mitigation and/or adaptation (including cross-cutting, covering both mitigation and adaptation), with some also referring to finance for addressing loss and damage (e.g. relocation) and one referring to finance for disaster risk management.

10. Almost all Parties agreed that climate finance can come from a variety of public and private **sources of finance**. Specifically, some stated that a significant portion of climate finance should come from public funds, and some that climate finance mobilized from private sources should be accounted for in a grant-equivalent manner. In the submissions of many Parties and one non-Party stakeholder, climate finance was defined as relating solely to international funding provided by developed to developing countries. Further, many Parties referred to 'new and additional' climate finance, particularly finance separate from or in incremental addition to ODA.

11. Most Parties considered a variety of **financial instruments** to be relevant to operational definitions of climate finance and either listed them (e.g. grants, equity, concessional loans, guarantees, blended finance) or referenced the bottom-up approach of the MPGs,[7] from which Parties may report on climate finance provided, mobilized, needed or received from a similar list of instruments.

B. Clustering types of climate finance definition in use

12. Clustering types of climate finance definition in use requires an understanding of how such definitions can be different in both form and composition. For example, a definition could be in the form of a high-level single sentence or paragraph, such as the operational definition of climate finance identified in the first BA, which was conducted by the SCF in 2014. At that time, a review of various operational definitions of climate finance in use by data providers and aggregators identified convergence, which could be framed as the following: "Climate finance aims at reducing emissions and enhancing sinks of greenhouse

[7] Decision 18/CMA.1, annex.

gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts".

13. Definitions could also be in the form of a list defining specific concepts that together provide clarity regarding what is considered as climate finance. Several definitions proposed in Party and non-Party stakeholder submissions (available in annex B to the technical report) include descriptions of provision, mobilization, source, channel, public and private finance, terms such as new and additional, and instruments as applicable to a definition of climate finance. Legal contracts often include a list of definitions of terms relevant to the subject: Article 1 of the Convention is an example of this.

14. Finally, definitions could include detailed guidance, classifications or taxonomies of concepts or activities that may be relevant as part of the definition (for examples, see the OECD DAC handbook on the Rio markers for climate change mitigation and adaptation,[8] the MDB climate change tracking framework,[9] the European Union taxonomy on sustainable finance[10] and China's green bond catalogue[11]).

15. In terms of composition, some climate finance definitions in use focus solely on the climate-related nature of the activities being financed, for example describing the mitigation or adaptation activities that benefit from the financing. Others focus on the financial or accounting boundaries of the finance flows, such as included instruments or points of measurement, recognizing that the climate-related nature of the finance is subject to country-driven policies and goals.

16. The MPGs include several references relevant to definition of the climate finance to be reported by developed and developing country Parties, as outlined in the box below.

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

At its first session, the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement adopted the MPGs, which include guidance for developed country Parties (and other Parties, as appropriate) for reporting on financial support provided and mobilized, and for developing country Parties for reporting on financial support needed and received under the ETF. Parties are due to submit their first biennial transparency report under the Paris Agreement by the end of 2024, including reporting in the CTFs, as applicable, as well as on the assumptions, definitions and methodologies used in preparing the reports.

Developed country Parties have three CTFs for reporting on financial support provided through (1) bilateral, regional and other channels, (2) multilateral channels and (3) finance mobilized through 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 on 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 related project or programme and implementing agency, including links to any relevant documentation, and, as appropriate, on support for activities related to averting, minimizing and addressing loss and damage associated with the adverse effects of climate change.

The MPGs set out underlying assumptions, definitions and methodologies that Parties should describe in their reporting on climate finance – some elements represent a continuation of the requirements for reporting in the biennial reports and some are relevant to definitions of climate finance, including:

[8] OECD DAC. 2016. *OECD DAC Rio Markers for Climate: Handbook*. Paris: OECD Development Assistance Committee. Available at https://www.oecd.org/dac/environment-development/Revised%20climate%20marker%20handbook_FINAL.pdf .

[9] See https://www.eib.org/attachments/documents/mdb_idfc_mitigation_common_principles_en.pdf and https://www.eib.org/en/publications/20220242-mdbs-joint-methodology-for-tracking-climate-change-adaptation-finance.

[10] See https://finance.ec.europa.eu/sustainable-finance/tools-and-standards/eu-taxonomy-sustainable-activities_en.

[11] See http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4342400/2021091617180089879.pdf.

(a) The status of the funds (committed, disbursed, received);

(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) 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, nationally determined contributions 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;

(l) How double counting among multiple Parties involved in the provision of support was avoided; and how double counting among multiple Parties involved in the mobilization of private finance through public interventions was avoided, including the methodologies and assumptions used to attribute the mobilized resources through public interventions reported to the Party that reports them, if possible relative to the type of instrument used for the mobilization;

(m) How the information provided reflects a progression from previous levels in the provision and mobilization of finance under the Paris Agreement;

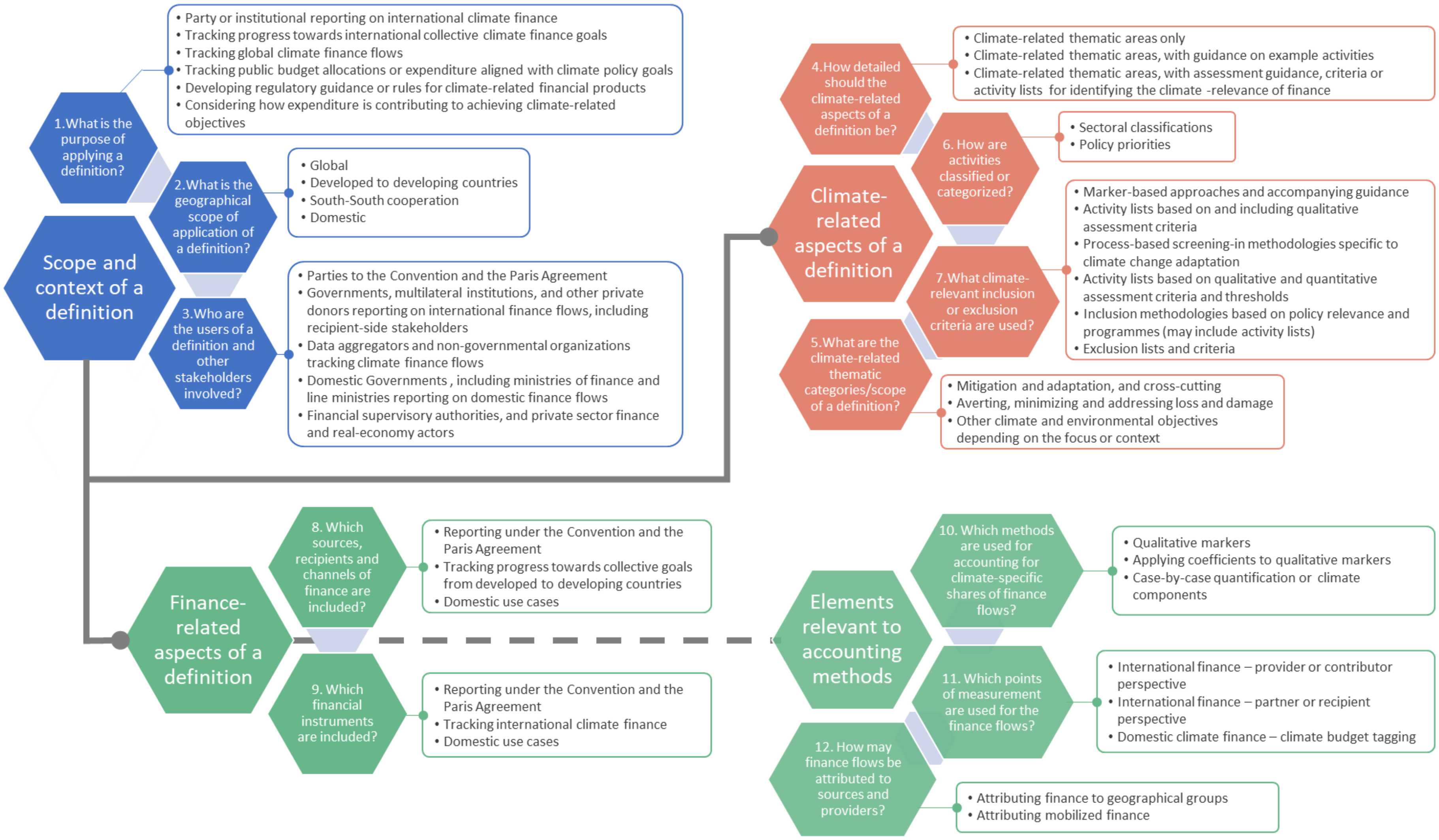
(n) Information on avoiding double counting in reporting information on support needed and received for the implementation of Article 13 of the Paris Agreement and transparency-related activities, including for transparency-related capacity-building, when reporting such information separately from other information on support needed and received;

(o) (Expected) use, impact and estimated results;

(p) Recipient entity and implementing entity.

17. Following an extensive literature review of climate finance definitions in use, including a review of the MPGs, a guidebook-style approach has been applied to the clustering of types of definition, as outlined in the figure below. Under each of four clustering elements, several decision points are indicated through guiding questions that dictate the form, scope and detail of a climate finance definition depending on the purpose identified. The sequence of the decision points runs from general scope and context-setting options to options for further granularity and detail, if applicable. Thus, not all decision points may apply to the development of a definition. Each decision point is further summarized in the sections below and example options and use cases for each decision point are provided in the technical report.

Clustering elements for developing and applying a definition of climate finance



Note: Under each of the four clustering elements, several decision points are indicated through guiding questions that dictate the form, scope and detail of a climate finance definition depending on the purpose identified. For each decision point, a list of example options and/or use cases provide approaches used in existing definitions of climate finance. The sequence of the decision points runs from general scope and context-setting options to options for further granularity and detail, if applicable. Thus, not all decision points may apply to the development of a definition.

1. Scope and context

18. Setting the scope and context of use is necessary to inform how granular the definition needs to be and what other concepts may need to be defined so that the definition is practical for its target audience.

19. **Decision point 1 – what is the purpose of applying a definition?** Examples that demonstrate the range of purposes and objectives of applying definitions of climate finance in use and the implications for the scope of the definition include (1) Party or institutional reporting on international climate finance, (2) tracking progress on international collective climate finance goals or commitments, (3) tracking climate finance flows globally, (4) tracking public budget allocations or expenditures aligned with climate policy goals, (5) developing regulatory guidance or rules for climate-related financial products or (6) considering how expenditure is contributing to achieving climate-related objectives.

20. **Decision point 2 – what is the geographical scope of application of a definition?** While the geographical scope of climate finance that is global, domestic or bilateral between two countries may be clear, tracking international climate finance may require more consideration of which countries are included in provider and contributor groups and in partner and recipient groups, particularly for understanding finance flows from developed to developing countries, although South–South finance flows may also be relevant depending on the purpose of applying the definition.

21. **Decision point 3 – who are the users of a definition and other stakeholders involved?** These may vary according to the purpose and geographical scope of application of a definition; clusters of users and stakeholders identified in the report were Parties to the Convention and the Paris Agreement; governments, multilateral institutions and other private donors reporting on international finance flows including recipient-side stakeholders; data aggregators and non-governmental organizations tracking climate finance flows; governments, including ministries of finance and other ministries reporting on domestic finance flows; and financial supervisory authorities, private sector finance and real-economy actors.

2. Climate-related aspects of a definition

22. The second cluster of elements for developing and applying a definition of climate finance requires understanding of how detailed the climate-related aspects of the definition need to be, the scope of climate relevance by theme or activity, if necessary, and criteria or guidance for applying the definition, if necessary.

23. **Decision point 4 – how detailed should the climate-related aspects of a definition be?** In general, definitions with a broad and diverse set of users include less granular climate-related descriptions to accommodate different contexts, needs and purposes, while for a more narrow or specified set of users, specific activities or lists may be detailed to meet a given purpose. The main clusters of use cases are climate-related thematic areas only; climate-related thematic areas with guidance on example activities; and climate-related thematic areas with assessment guidance, criteria or activity lists to identify climate relevance or exclusions.

24. **Decision point 5 – what are the climate-related thematic categories or scope of a definition?** Definitions are often clustered around the thematic categories of mitigation and adaptation, and cross-cutting; use cases that include a category related to averting, minimizing and addressing loss and damage; and use cases that include categories on other environmental and sustainable development objectives, such as disaster risk reduction, transitional activities or objectives, and nature-related objectives, depending on the focus or context, given that these overlap significantly with climate-related purposes.

25. **Decision point 6 – how are activities classified or categorized?** To guide the identification and reporting of climate-relevant finance, activities may be categorized according to economic sectors and subsectors, or policy priorities for climate action. A review of sectoral classifications applied in definitions of climate finance in use shows the commonly covered sectors of agriculture, energy, transport, industry and manufacturing, water and sanitation, buildings and infrastructure, and information and communication

technology; while some classifications extend to sectors such as health, government or institutional support, financial services and humanitarian aid, including emergency response and disaster risk reduction.

26. **Decision point 7 – what climate-relevant inclusion or exclusion criteria are used?** If decided that the definition requires granularity with regard to the climate relevance of the activities within the scope (see decision point 4), a climate finance definition may entail inclusion or exclusion criteria and methodologies for verifying whether a given finance flow may be considered climate-relevant and reported as climate finance accordingly. Clusters of use cases include marker-based approaches and accompanying guidance, such as the OECD Rio marker methodology; activity lists based on and including qualitative assessment criteria; process-based screening-in methodologies specific to climate change adaptation, for example in the MDB climate finance tracking methodology; activity lists based on qualitative and quantitative assessment criteria and thresholds, such as in many sustainable finance taxonomies; and inclusion methodologies based on policy relevance and programmes (may include activity lists), to be found for example in many domestic climate budget tagging systems. Exclusion lists or criteria included in Parties' reporting to the UNFCCC, in multilateral and bilateral development finance institutions' investment guidelines or in domestic climate-relevant taxonomies are also notable features of some definitions.

3. Finance-related aspects of a definition

27. The third cluster of elements for developing a definition of climate finance contains the finance-related aspects of applying the definition. The following decision points may not be relevant to all use cases, for example in case of broad scope without limitation on financial actors or instruments. However, where tracking or assessing progress against policy goals is required, it is important to know which finance is to be tracked.

28. **Decision point 8 – which sources, recipients and channels of finance are included?** Sources of finance may include public and private sector actors or funding sources such as ODA, other official flows or other types of flow. Definitions often outline how sources are considered to be public or private. Channels within the scope of a definition may include international public finance channels, such as bilateral channel flows from government development cooperation budgets to partner countries, or multilateral channels through MDBs and multilateral climate funds. National or domestic channels could also be used, emanating from government budgets and national development institutions and funds. Finally, private sector channels, domestically and internationally, may also apply. Recipients may also be detailed in terms of geographical classification by country or region or as public, private or civil society actors.

29. A key aspect of understanding what scope of sources and channels the definition should include is identifying whether there is a need to consider causality; that is, whether it should cover finance directly deployed, indirectly deployed or mobilized by a group of actors. Use cases to which this is relevant include the scope of reporting on climate finance under the UNFCCC, tracking international climate finance, and domestic finance use cases. Under the ETF, bilateral, regional, multi-bilateral and multilateral channels, as well as finance mobilized through public interventions such as private finance flows, may be reported. In the context of tracking international climate finance and progress towards collective goals, the OECD report series on climate finance and the USD 100 billion goal[12] identifies four channels, namely bilateral public, multilateral public (including MDBs and multilateral climate funds), officially supported climate-related export credits and mobilized private climate finance; while the Oxfam climate finance shadow reports[13] cover bilateral and multilateral public finance and exclude mobilized private finance, contrary to the Bali Action Plan and the Paris Agreement.

30. **Decision point 9 – which financial instruments are included?** Definitions may consider the scope of financial instruments to be covered and the manner of their inclusion. This is particularly the case when, in a tracking or data-collection exercise, double counting of the financial aggregate amounts needs to be avoided, thereby limiting the inclusion of

[12] See https://www.oecd.org/climate-change/finance-usd-100-billion-goal/.
[13] Available at https://www.oxfam.org/en/research.

instruments such as guarantees or subsidies that could be double counted against the real investments that they are catalysing. It could also be relevant when, in tracking flows from a source group to a recipient group, it is necessary to net-out reflows, such as loan repayments, or to identify grant-equivalent values. Use cases in which financial instruments are applicable to definitions of climate finance vary depending on whether they apply to reporting on climate finance under the UNFCCC, tracking international climate finance, or domestic use cases.

31. Under the ETF, in relation to the provision of financial support, Parties may report grants, concessional loans, non-concessional loans, equity, guarantees, insurance or other. In addition, Parties may report the grant-equivalent value of climate-specific amounts on a voluntary basis and as appropriate, given that not all financial instruments or public interventions are possible to report under the ETF with a grant-equivalent value. In terms of reporting finance mobilized through public interventions, the list of interventions includes the financial instruments listed above in addition to policy interventions, capacity-building, technology development and transfer, technical assistance and other.

32. A variety of practices can be observed in tracking international climate finance, whereby the Green Climate Fund, the OECD DAC Creditor Reporting System, the OECD report series on climate finance and the USD 100 billion goal and the joint MDB report series on climate finance[14] cover a number of financial instruments, including grants, debt instruments, equity and guarantees, while the Oxfam climate finance shadow reports include estimates of the grant-equivalent amount of financial support made on the basis of grants, equity and the grant-equivalent values of concessional loans.

4. Elements relevant to accounting methodologies

33. In the fourth cluster, specific accounting-related issues in reporting on climate finance have been separated out, in accordance with guidance from the SCF, in order to clarify their relevance to the application of definitions of climate finance in reporting practices. The following decision points may not be relevant to all use cases. However, where tracking or assessing progress against policy goals is required, such decisions are relevant to determining climate-specific financial amounts, whether the financial amounts represent ex ante or ex post flows and how the amounts are attributed to institutions or countries.

34. **Decision point 10 – which methods are used for accounting for climate-specific shares of finance flows?** To ensure that the financial amounts accounted for are tied to the climate-related objectives identified, three methods of accounting for climate-specific finance have been identified: using qualitative markers, applying coefficients to amounts or shares of finance for a climate-related activity, and quantifying on a case-by-case basis climate-specific amounts of finance per activity.

35. **Decision point 11 – which points of measurement are used for the finance flows?** The point of measurement may relate to whether finance is accounted for at the stage of pledge, commitment, approval, budgetary forecast or need in the case of ex ante reporting of finance flows, or at the stage of disbursement, expenditure, investment or received in the case of ex post reporting. This affects the amount of finance reported as well as the ability to assess, at a given point in time, related aspects such as the use and impacts of a finance flow. This decision point is strongly linked to the consideration of the scope of sources, channels and financial instruments included in the definition, as the measurement of the amounts related to these elements is the ultimate outcome of applying definitions of climate finance.

36. The cluster of use cases and examples identified contains reporting international climate finance from the contributor or provider perspective or from the recipient or partner perspective and climate budget tagging systems in domestic finance. Reporting on finance committed or approved for a project may be more conducive to tracking aggregate financial flows and comparing trends over time as it avoids double counting with disbursements. However, committed amounts may differ from the actual amounts disbursed owing to changes in the final costs of projects, cancellations or delays.

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[14] See https://publications.iadb.org/en/publications?keys=Joint%20Report%20on%20Multilateral%20Development%20Banks%20Climate%20Finance&f%5B0%5D=topic%3A4973.

37. **Decision point 12 – how may finance flows be attributed to sources and providers?** This focuses on the methods for attributing amounts identified as climate finance to particular groups and institutions, if relevant for the particular use case. In deciding on the scope of sources, providers and channels of finance, it is key to determine whether causality (i.e. finance directly deployed by a group of actors, indirectly deployed or mobilized) is relevant to the use case. If so, attribution methods are used, to the degree that causality can be determined and within the boundaries of accounting for amounts from institutions or instruments. Examples include the use cases of tracking to geographical groups and tracking private finance mobilized.

IV. Summary of the discussion to update the Standing Committee on Finance's operational definition of climate finance

38. In addition to discussing work on clustering types of climate finance definition in use as mandated, the SCF also discussed potentially updating its operational definition of climate finance, as appropriate.[15]

39. In the first BA the SCF reviewed various operational definitions of climate finance in use by data providers and aggregators, and identified a convergence (see para. 12 above). In the subsequent four BAs, any updates to or developments in operational definitions of climate finance in use by data providers and aggregators were compiled.[16] The SCF work on definitions of climate finance in use in 2022 provides further information on definitions in use by Parties reporting on climate finance provided and mobilized in biennial reports and on climate finance received in biennial update reports.

40. Since the first BA, the SCF has framed the BAs as technical metadata studies, drawing on existing analytical work and available data on climate finance flows. To guide the technical scope of finance flows to be covered in the BAs, climate finance has in each case been used to refer to "financial resources dedicated to adapting to and mitigating climate change globally, including in the context of financial flows to developing countries."

41. While regular updates and new additions to the compilation of operational definitions of climate finance in use by data providers, aggregators and institutions have been provided as part of the BA, there has been no update to the convergence identified in the first BA, which is considered as the operational definition of climate finance of the SCF referred to in the mandate from COP 27.

42. In considering this element of the mandate, the SCF discussed a potential update to capture developments since the adoption of the Paris Agreement, with some members identifying loss and damage and others identifying the bottom-up, nationally determined nature of climate action and goals of the Paris Agreement and overall objective of the Convention as potential elements to be reflected. Some members considered that an update was unnecessary. One member suggested that the structure of the process for developing a definition outlined in this report could be applied to the discussion of the potential update, while another member was of the view that many of the decision points in this report are not applicable to the global use case of the BA.

43. Several Parties referred in their submissions to the SCF operational definition of climate finance still being valid owing to its comprehensive and broad nature with the potential to capture the evolving nature of climate finance over time. In one recent submission it was suggested that, if an update is needed, it should be considered as part of the sixth BA for consistency, take into consideration other processes, such as the new collective quantified goal on climate finance, and be consistent with the bottom-up, nationally determined nature

[15] In line with decision 14/CP.27, para. 11.

[16] The first, second and third BAs compiled definitions in use by Climate Policy Initiative, the Intergovernmental Panel on Climate Change, the International Development Finance Club, MDBs, OECD DAC, the United Nations Conference on Trade and Development and the United Nations Development Programme, and the fourth and fifth BAs added definitions from the Climate Bonds Initiative and the European Union taxonomy to the compilation.

of climate action reflected in the approach to the Paris Agreement and in line with the practice of Party-level reporting under the ETF.

44. Bearing these points in mind, the SCF considered the following non-exhaustive list of potential options for its operational definition of climate finance, as appropriate:

(a) No update, thereby confirming the current definition in use: “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”;

(b) Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases, aims at reducing vulnerability, **increasing adaptive capacity**, and mainstreaming and increasing resilience of human and ecological systems to negative climate impacts, **and includes financing for activities that result in measurable action and impact towards achieving the goals of the Paris Agreement and the objective of the Convention**;

(c) Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases, aims at reducing vulnerability, **increasing adaptive capacity**, and mainstreaming and increasing resilience of human and ecological systems to negative climate impacts, **and includes financing for measurable actions identified in a country’s nationally determined contribution, adaptation communication, national adaptation plan, long-term low-emission development strategy or other national plan for implementing and achieving the goals of the Paris Agreement and the objective of the Convention**.

45. The SCF highlighted that the sixth BA will contain a section that compiles the operational definitions of climate finance in use.