

2020 Biennial Assessment and Overview of Climate Finance Flows

Webinar

7 April 2020



1. [Introduction – Background and Approach](#) (Vicky Noens and Seyni Nafo)
2. [Methodological issues related to transparency of climate finance](#) (Padraig Oliver)
3. [Overview of climate finance flows](#) (Chavi Meattle)
4. [Assessment of climate finance flows](#) (Charlene Watson)
5. [Mapping information relevant to Article 2, paragraph 1\(c\)](#) (Chantal Naidoo)
6. [Discussion](#)



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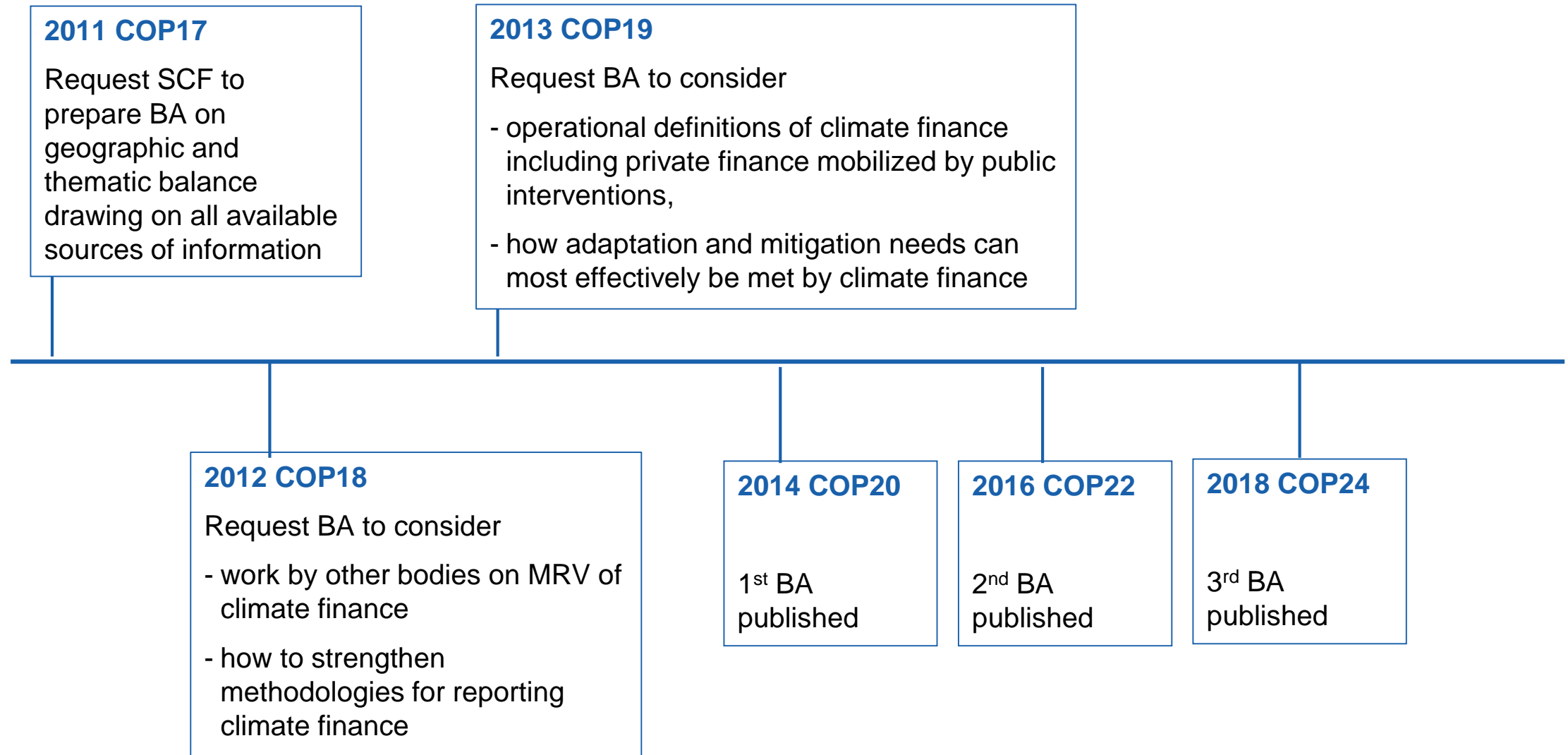
- The Standing Committee on Finance (SCF) was established at COP16 to assist the COP in exercising its functions in relation to the Financial Mechanism of the Convention
- The BA has been one of its flagship activities from the outset



Current workstreams of the SCF

- Biennial Assessment and Overview of Climate Finance Flows
- Measurement, Reporting and Verification of Support Beyond the Biennial Assessment and Overview of Climate Finance Flows
- Determination of the needs of developing country Parties related to implementing the Convention and Paris Agreement
- Draft Guidance to the Operating Entities of the Financial Mechanism
- SCF Forum
- Coherence and Coordination: Financing for Forests, taking into account different policy approaches

Timeline of the development of the BA and mandates



Summary and Recommendations prepared by the SCF



Technical Report of the Biennial Assessment prepared by experts under guidance of SCF

Chapter I:
Methodological Issues

- MRV systems in and outside the UNFCCC
- Operational definitions of climate finance in use
- Measuring outcomes

Chapter II:
Overview of Climate
Finance Flows

- Global climate finance estimates and trends
- Climate finance from developed to developing countries
- Recipient perspective

Chapter III:
Assessment of Climate
Finance

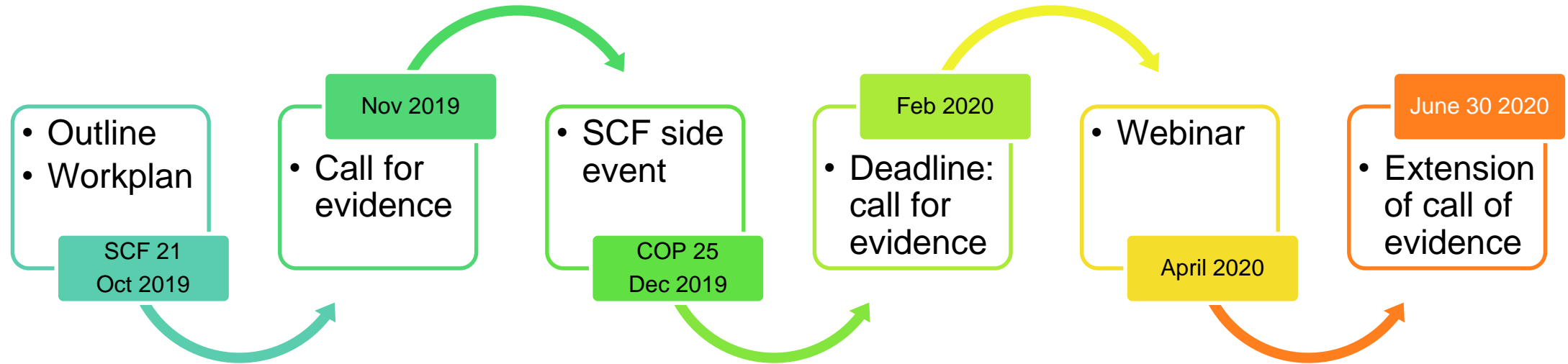
- Thematic, geographic distribution
- Effectiveness: access, ownership, needs, additionality
- Global climate finance in context

Chapter IV:
Mapping information
relevant to Article 2.1c

- Ongoing activities and approaches relevant to article 2.1c
- Impact on the real economy



Milestones in development of 2020 BA



Chapter 1: Methodological issues related to transparency of climate finance

Padraig Oliver



1.2 Updates and trends in methodologies to track climate finance

Consolidation of updates related to international and domestic, public and private finance tracking methods, including private finance mobilized methodologies, in one sub-section

1.3 Reporting of climate finance under the Convention

Focus on updates in the methods from BR, BURs and the operational entities of the Financial Mechanism

1.4 Operational definitions of climate finance in use

Responding to COP25 mandate to collate Parties views and provide expanded review of new developments such as taxonomies in developed and developing countries.

1.5 Emerging methods for measuring climate finance outcomes

Focus on new impact and outcome methods, including in adaptation, climate resilience and with box on gender

1.6 Emerging methods and metrics relevant to tracking consistency with Article 2.1c

Key indicators in use for measuring consistency with Article 2.1c to be aligned with Chapter IV.



- What are **latest developments and updates in climate finance tracking methodologies**, particularly in relation to:
 - a) Private finance mobilized by public interventions
 - b) Domestic level climate finance tracking
 - c) Climate finance received by developing countries
- How should the spectrum of **operational definitions of climate finance** in use be best reflected?
- What are the most up-to-date and **best practice cases of taxonomies** in use or under development that may impact climate finance flows?
- What are **the best examples of impact metrics and outcome methodologies** on climate finance and how are they measured and tracked?



Chapter 2: Overview of climate finance flows

Chavi Meattle



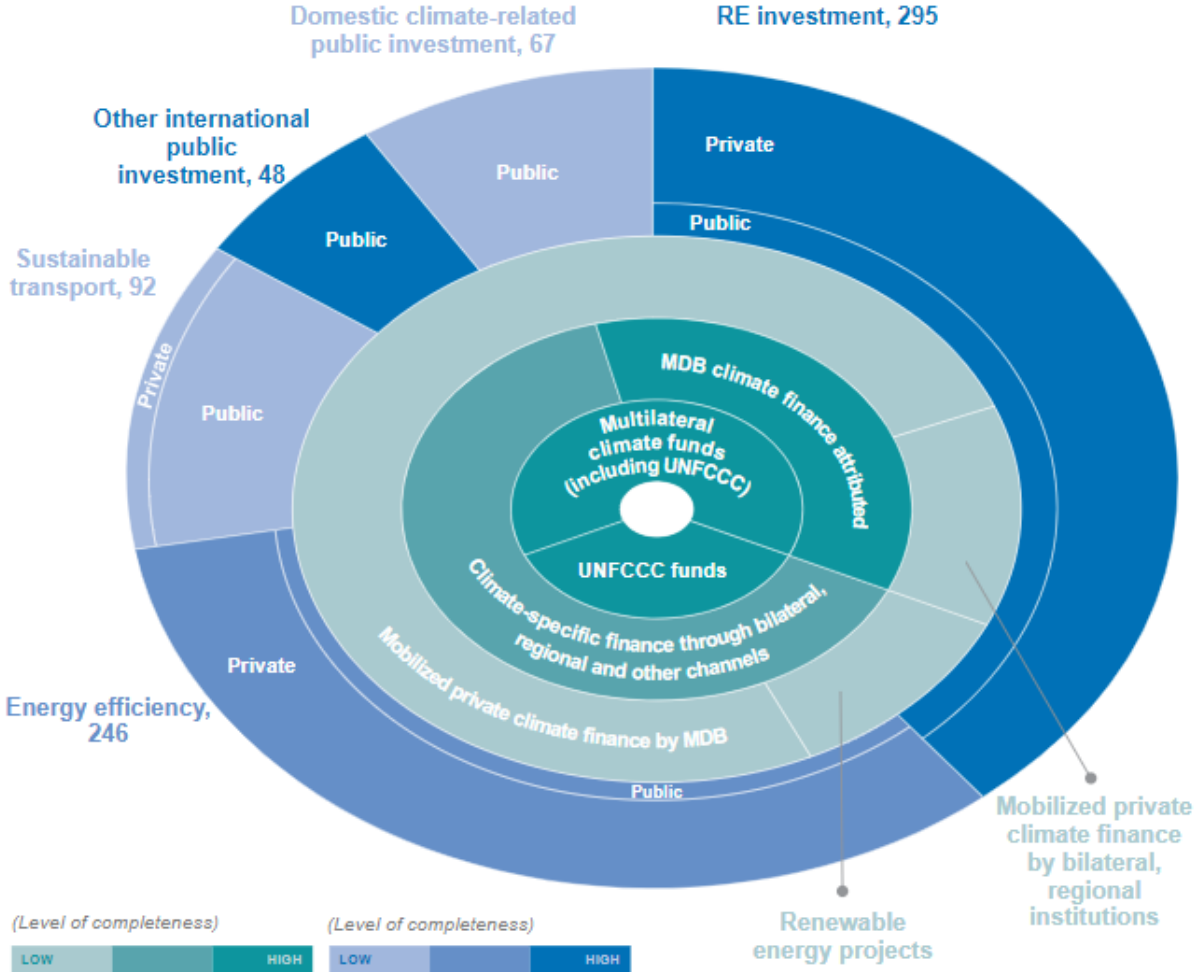
Agenda

- Unpeeling the onion diagram – the Approach
- Key data gaps
- Status Update
- Comments and feedback

Key Graphic: The Onion frames the different sources and channels of climate finance

Blue shading indicate **global** climate finance flows by sector

Green shading indicate flows from **developed to developing countries**, with UNFCCC funds at the core



What are we tracking?

We track...

- ✓ **Primary investments into productive assets and projects** that directly contribute to adaptation and/or mitigation
- ✓ **No double counting**

We don't track...

- × Policy-induced revenue support mechanisms or other public subsidies whose primary function is to pay back investment costs
- × Secondary market transactions

Section 2.2: Global Flows

Public

Private

Renewable Energy

Energy Efficiency

Sustainable Transport

Adaptation

Land-use

Other

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Public

Private

International climate finance

Section 2.3:
Domestic Public
expenditure

Section 2.5: Flows
from developed to
developing countries

Section 2.4:
South-South
cooperation

Multilateral
DFIs

Bilateral, regional,
other channels

Climate Funds

UNFCCC
Funds

Section 2.2: Global Flows

Public

Private

Section 2.5: Flows from developed to developing countries

Section 2.4: Flows between developing countries

Other flows

FDI

Mobilized private finance from MDBs/Bilaterals

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UNFCCC
Funds

Data quality parameters and aggregation

- **Quality:** denoting the quality of project or product-level data.
- **Completeness of the data:** denoting availability of full and granular data on sources, instruments, and sectors.
- **Climate Finance:** database tagging it as climate finance

Aggregation:

Lower bound = High data quality marker + referred to as climate finance

Higher bound = Low/high data quality marker

Data quality and gaps

High

Low

	Renewable Energy	Energy Efficiency	Sustainable Transport	Adaptation	Land-use	Others
Private	CPI BNEF	IEA	IEA	-	-	-
Public – International	Biennial Reports; OECD CRS; MDB Report; IDFC Report; CPI					
Public – Domestic	Biennial Update Reports; National Communications; CPEIRs; GFLAC; National Landscape etc.					

Status Update



- EV charging infrastructure (IEA)
- Non-energy infrastructure investments (IJGlobal)
- Use of proceeds data for private and municipal green bond issuances (Climate Bonds Initiative)
- Additional DFIs (3-4 surveys responses)
- Climate finance spending by cities (CDP, CBI)
- Climate finance with gender marker

- OECD- DAC 2018 analysis
- UNDP for CPEIRs
- BRs/ BURs analysis
- IEA (Electric vehicles, charging infrastructure, energy storage)
- Financial instruments used
- Recipients of climate finance
- Reviewing Call of Evidence

Section 2.6: Available datasets to track progress on Article 2.1c

	Datapoints	Data sources
Bank Lending	<ul style="list-style-type: none"> Green or sustainability-linked loans Climate risk assessments 	Bloomberg, IFC, Boston
Bond Markets	<ul style="list-style-type: none"> Green or climate-aligned bonds Green bond listing processes 	Bloomberg, CBI, SSE, BIS
Listed Equity	<ul style="list-style-type: none"> Clean energy initial public offerings Market capitalization committed to adopt a “science-based target” 	BNEF, We Mean Business, SSE
Private Equity	<ul style="list-style-type: none"> VC/PE flows to clean energy sector Amount raised and investment into climate projects 	BNEF, EMPEA
Insurance	<ul style="list-style-type: none"> Insured losses from weather events Climate change policy with respect to risk management and investment management 	Swiss Re Institute, IAIS/SIF, CDI
Assets under Management	<ul style="list-style-type: none"> Low-carbon investments integration of climate risk into investments 	TCFD, PRI, Investor Agenda
Financial Services	<ul style="list-style-type: none"> incorporating ESG into credit 	PRI, Standard & Poor’s

Comments and Feedback

- Visualization – the onion diagram
- Aggregation methodology of global climate finance – range for the onion diagram and / or ranges of each layer.
- Data gaps (adaptation, agriculture, forestry and land use etc.)
- Data quality parameters
- Structuring of the chapters

Chapter 3: Assessment of climate finance flows

Dr. Charlene Watson



- Structurally the chapter remains much the same as previous years
 - a) Thematic and geographic distribution
 - b) Effectiveness (access, pace and cost, ownership, needs and impact)
 - c) Global total climate finance in context
- Highlighting specific information, if sufficient data available, on, e.g.:
 - a) Financial instruments to address loss and damage
 - b) Least Developed Countries and Small Island Developing States
 - c) Gender and climate finance
- Use of boxes to elaborate country examples, rather than buried in text



- Underway
 - a) Updating: implementing entity data and flows, fund life-cycle costs, national climate change funds and climate finance tracking systems
 - b) Preparing analysis of readiness efforts in a more qualitative/structured way
 - c) Reviewing submissions (for BA as well as Needs Assessment)

- Outstanding
 - a) Awaiting data for thematic and geographical analysis
 - b) Awaiting clarity on content of Ch IV on Consistency so as to avoid overlap
 - c) Updating through literature review and interview remaining sections



- What existing qualitative and quantitative analyses of climate finance readiness efforts exist?
- How detailed can analysis be on gender and climate finance, including access, governance and impact?
- How can the BA be more useful to UNFCCC process and other processes outside of the Convention working on similar technical topics and issues?



Chapter 4: Mapping information relevant to Article 2, paragraph 1(c) of the Paris Agreement, and its reference to Article 9 thereof

Chantal Naidoo



- **This is a new chapter building on references to 2.1.c in prior years**
 - a) Build on references to articles 2.1c and 9 in prior BA reports
 - b) Propose descriptive rather than prescriptive approaches
 - c) Focus on financial systems approach and temporal realities of climate response
 - d) Highlight challenges and opportunities that responding to 2.1c offers

- **Deconstruct the components of Article 2.1c**
 - a) “make”
 - b) “finance flows”
 - c) “consistent”
 - d) “pathway”
 - e) “low GHG and and climate resilient development”



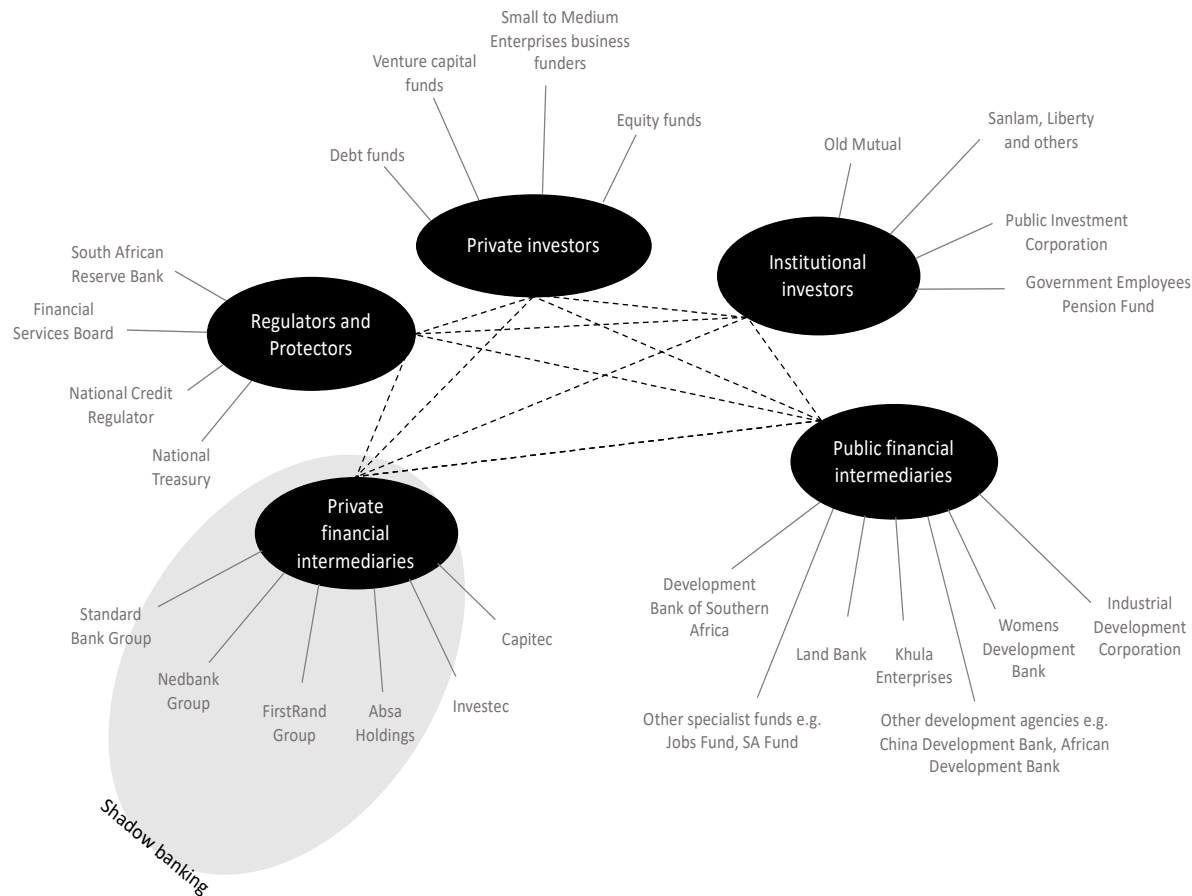
- **Examples of approaches to 2.1c by:**
 - a) Paris-related Coalitions – Coalition of Finance Ministers, G20 Green Finance Working Group, EUHLEG
 - b) Countries – Green finance strategies and other strategic approaches to embedding Paris into finance system
 - c) Financial stakeholders – Network for Greening Financial Systems, UNEP Inquiry, Taskforce for Climate Disclosure
 - d) Other UN processes – Financing for Development (integrated finance frameworks), public expenditure reviews
 - e) CSOs – stakeholder activism, divestment movements, central bank prudential and other instruments
- **Examples of policy approaches to operationalise 2.1c:**
 - a) Ambitious approaches to environmental and social sustainability determines to demands on financial system
 - b) Characteristics of transition process influence how financial system needs to respond
 - c) Defining missions for finance assist in targeting efforts
- **Synthesis into different pathways for how countries can respond and chart their own response to 2.1c**



- **Tracking: financial initiatives by coalitions, financial sector, other UN, CSO**
 - Primary source of information from Coalition of Finance Ministers
 - 30 sustainable finance initiatives industry (mainly NGFS, ECHLEG, UNEP Inquiry)
 - UN processes: UNDESA, Financing for Development report, expenditure reviews
 - Civil society movements: Debt campaigns, greening central banks
- **Conducting: literature review relating to 2.1c and relevant policy narratives**
 - Linking ambition to responses required from financial system
 - Demands that pathway places on financial systems
 - Mission oriented finance
- **Engaging: field engagement with experts, practitioners and some governments**
 - Emerging platforms seeking to engage on 2.1c (private sector)
 - GCF readiness on greening financial systems
 - BA assessment data



Figure 1 - Mapping channels through which finance flows



Engaging on 2.1c gives rises to issues at several levels:

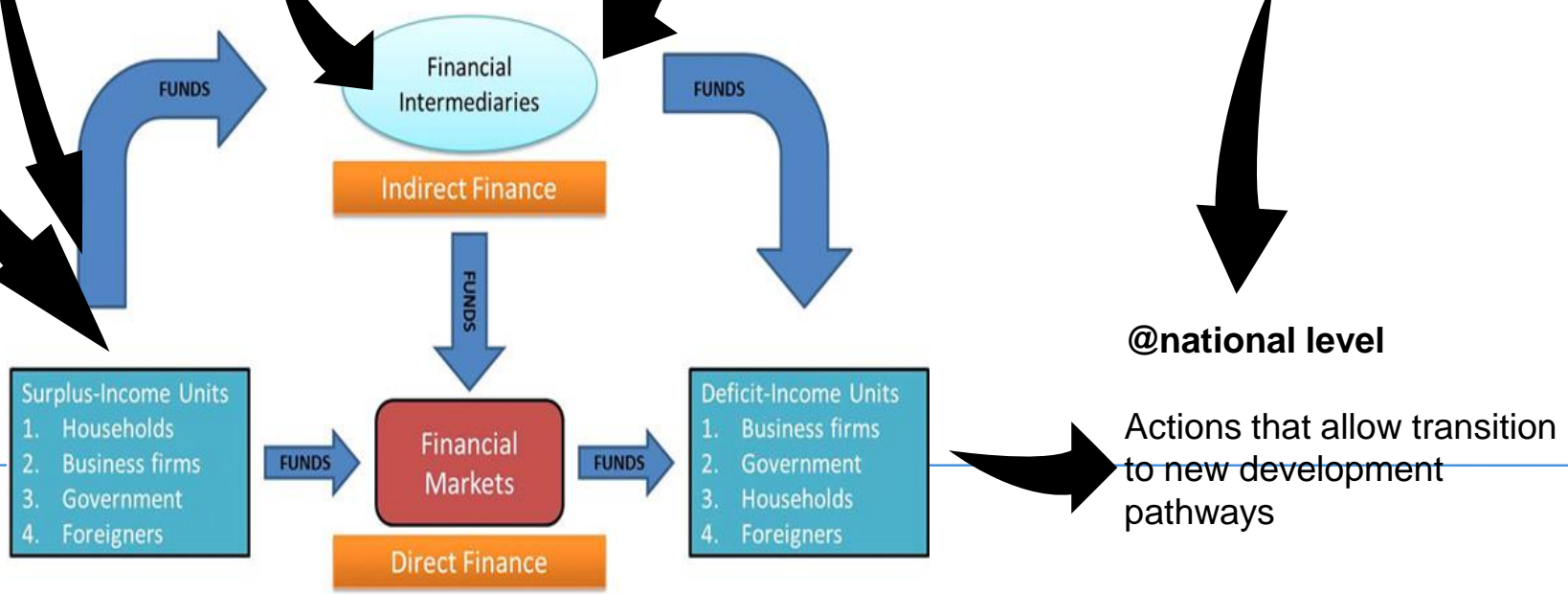
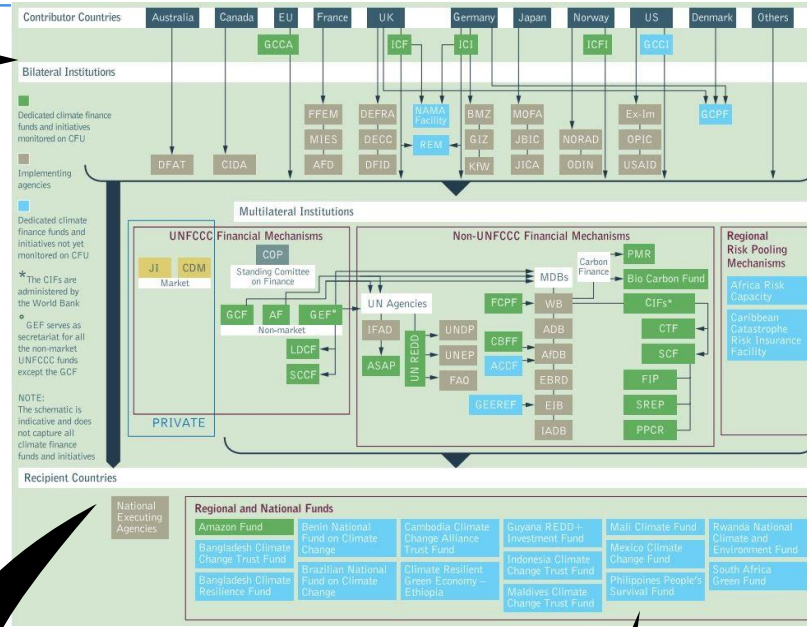
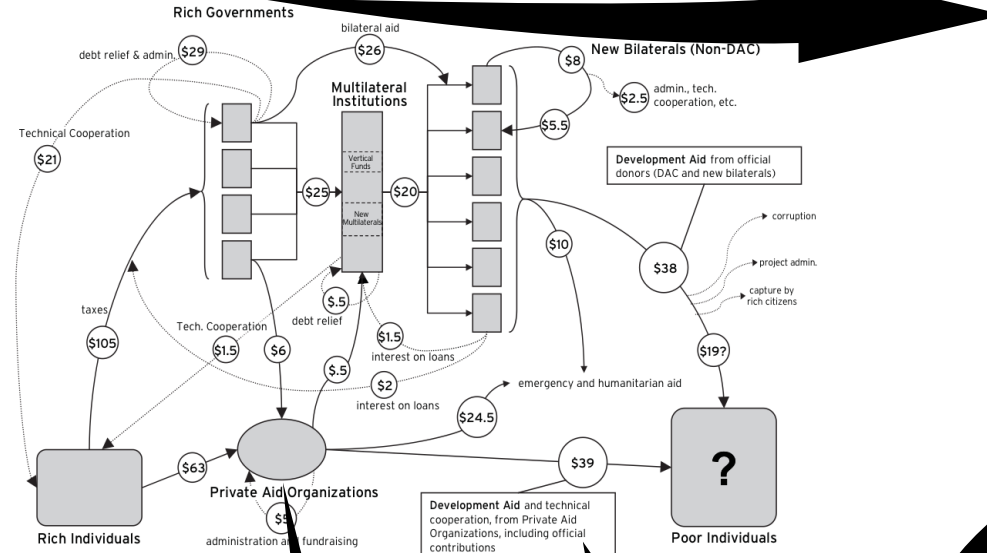
- Finance flows through specific channels
- Achieving consistency depends on the circle of influence at national and international levels
- Network of many actors engaging at different levels – government, communities,
- Informal and formal networks
- Type of financial system (bank, capital or other?)
- Developed versus developing country context

Source: Naidoo, C.P (2019)



Ch IV: Examples of global channels of finance flows and the challenges to achieving consistency

Figure 7: New aid architecture



@national level
 Actions that allow transition to new development pathways



- The depth and breadth of data sufficient for this first chapter
- Degree of differentiation across chapters for 2.1c
- Any suggestions on boxed examples
- Challenges that Covid-19 presents to this article and how to reflect on these in the chapter



Discussion

- How has data availability and gaps improved on climate finance, particularly in relation to private finance, domestic finance and finance received by developing countries, especially SIDs and LDCs?
- What are the best examples of impact metrics and outcomes on climate finance and how are they measured and tracked?
- What are the key current issues around climate finance access and how effectively are they being addressed (e.g. readiness efforts, simplified access processes, committed versus disbursed finance)?
- What existing qualitative and quantitative analyses of climate finance readiness efforts exist?
- How detailed can analysis be on gender and climate finance, including access, governance and impact?
- What are the best examples of ongoing initiatives and activities that are relevant to the goal expressed in Article 2, paragraph 1(c) of the Paris Agreement?



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Thank you for attending

Please submit any further information under the Call for Evidence to standingcommittee@unfccc.int

