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Item 8(b) of the provisional agenda
Matters relating to finance
Matters relating to the Standing Committee on
Finance

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Third session
Glasgow, 31 October to 12 November 2021
Item 8(a) of the provisional agenda
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Finance

Report of the Standing Committee on Finance

Addendum

General outline of the technical report of the fifth Biennial Assessment
and Overview of Climate Finance Flows



General outline of the technical report of the fifth Biennial Assessment and Overview of Climate Finance Flows

Acknowledgement

- Summary and recommendations by the Standing Committee on Finance on the fifth Biennial Assessment and Overview of Climate Finance Flows (BA), including tracking, follow-up and review of recommendations from previous BAs.

Introduction

- Background and objectives: scene-setting – context of decisions of the Conference of the Parties, including decision 4/CP.24, paragraphs 4 (taking into account best available science) and 5 (use of established terminology in provisions of the Convention and the Paris Agreement in relation to climate finance, where applicable);
- Scope: explicit explanation of what the fifth BA includes (i.e. metadata analysis and overview/summary of existing publicly available information);
- Challenges and limitations (e.g. practical difficulties in estimating domestic flows, private flows and other unreported or underreported flows with any certainty; follow-up on gaps and challenges identified in previous BAs);
- Approaches to preparing the fifth BA:
 - Clearly outline what the BA covers: describe data sources, time periods, coverage and aggregation methods (e.g. how the different subflows are categorized in the onion diagram; how “pledged” versus “committed” versus “disbursed” flows are treated);
 - Clearly describe where the data on geographical and thematic balance come from and how they are aggregated and categorized.

Chapter I: Methodological issues related to transparency of climate finance

Boxes/cases studies

- Key messages, new developments and trends;
- Brief summary/update of ongoing technical work related to transparency of climate finance, including operational definitions:
 - Compilation of definitions of climate finance and criteria used by various institutions, and compilation of information on how Parties define mitigation and adaptation in their national communications, biennial reports, biennial update reports, nationally determined contributions, national adaptation plans and nationally appropriate mitigation actions;
 - Comparison of approaches used in reporting climate finance, including sector-based methodologies, methodologies for estimating mobilized private finance, and domestic climate finance tracking systems;
- Information on emerging methodologies for measuring mitigation and adaptation finance outcomes;
- Information on emerging methodologies relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement;
- Review of recommendations from previous BAs.

Chapter II: Overview of climate finance flows in 2019–2020

Boxes/case studies

- Key messages, new developments and trends;
- Mapping of data availability and gaps by sector, geographical area, thematic distribution and financial instrument/asset class;
- Update of the onion diagram and information on trends since the first (2014) BA with respect to flows, thematic and geographical distribution, and financial instruments used, taking into account lessons learned from previous BAs (e.g. in relation to sectors, country classifications):
 - Estimates of global total climate finance flows, including international and domestic flows;
 - Climate finance flows from developed to developing countries;¹
 - UNFCCC funds;
 - South–South cooperation on climate finance;
 - Information on financial instruments used;
- Evaluation of the quality of the data, including clear identification of the uncertainties associated with each source of data, description of how the quality of measurement and reporting is assessed, and description of the completeness of the data (e.g. clearly outline the sources of data uncertainty, clearly describe the assessment of the quality of the data as “relatively certain”, “medium certain” or “relatively uncertain”, and clearly present the scale of completeness of the data from “low” to “high”);
- Update of available data sets that integrate climate change considerations into insurance, lending and investment decision-making processes and that include information relevant to tracking consistency with the long-term goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.;
- Reflection of perspectives of recipient countries;
- Identification of emerging sources of data (e.g. data on cities).

Chapter III: Assessment of climate finance flows

Boxes/case studies

- Key messages, new developments and trends;
- Introduction;
- Thematic objectives and geographical distribution of climate finance flows to developing countries:
 - Thematic objectives of climate finance;
 - Geographical distribution of climate finance;
 - Additionality of climate finance provided.
- Effectiveness of climate finance – ownership, needs and impacts:

¹ For the purpose of the overview of climate finance in the BA, various data sources are used to illustrate flows from developed to developing countries, without prejudice to the meaning of those terms in the context of the Convention and the Paris Agreement, including, but not limited to, Parties included in Annex I to the Convention, Parties not included in Annex I to the Convention and Parties included in Annex II to the Convention; multilateral development banks; members and non-members of the Organisation for Economic Co-operation and Development (OECD); OECD Development Assistance Committee (DAC) members and countries eligible for OECD DAC official development assistance; and other classifications.

- Access to climate finance (e.g. challenges, lessons learned and improvements since the fourth BA);
- Pledges, approvals, commitments and disbursement of climate finance;
- Ownership;
- Alignment of climate finance with investment needs and plans, including, inter alia, in the context of nationally determined contributions and national adaptation plans;
- Reported results and impacts of climate finance: selected insights and experience;
- Leverage and mobilization;
- Technology cost;
- Global total climate finance, and developing country flows in context:
 - Total investment by sector and region, including in high-carbon energy;
 - Estimates of subsidies;
 - Subsidies and financing measures affecting forests and land-use change;
 - Global finance at risk from climate change;
- Drivers of climate finance flows.
- Special topics/issues, such as gender and climate finance, forest finance, financial instruments to address loss and damage, technology investment and climate-resilient infrastructure.

Annexes

Frequently asked questions

Glossary

References

List of abbreviations

Boxes/case studies (in relevant chapters)

- Possible examples of boxes/case studies:
 - Metrics for assessing progress in the alignment of portfolios of international financial institutions, institutional investors, etc.;
 - Systems and tools used for integrating climate change considerations into investment strategies and decision-making processes in the mainstream investment, lending and insurance sectors;
 - Available information relevant to Article 2 of the Paris Agreement;
 - Perspectives of small island developing States on climate finance flows;
 - Efforts to avoid double counting within the BA;
 - Perspectives on the links between development and climate in providing and accessing finance;
 - Financial instruments for addressing the potential increased cost of finance due to the integration of climate change risk.
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