



Standing Committee on Finance

30 August 2024

Thirty-fifth meeting of the Standing Committee on Finance
4–6 September 2024
Arusha, Tanzania

**Background paper on the report on common practices regarding
climate finance definitions, reporting and accounting methods**

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance will be invited to finalize :

- a) The executive summary by the SCF of the report on common practices regarding climate finance definitions, reporting and accounting methods;
- b) The technical report on common practices regarding climate finance definitions, reporting and accounting methods.

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

1. Draft executive summary by the SCF: The SCF may wish to consider and finalize the draft executive summary of the report on common practices regarding climate finance definitions, reporting and accounting methods, as contained in Annex I, to be included as an addendum to the annual report of the SCF.
2. Pre-final technical report: The SCF may also wish to consider and finalize the pre-final draft of the technical report on common practices regarding climate finance definitions, reporting and accounting methods, developed under the guidance of the co-facilitators, taking into account comments and written inputs by SCF members, as contained in Annex II.

II. Background

3. COP 28 mandated the SCF to prepare a report on common practices regarding climate finance definitions, reporting and accounting methods among Parties and climate finance providers, building on the information in the technical report and executive summary of the SCF's 2023 report on clustering types of climate finance definitions in use, for consideration by COP 29.¹
4. Technical work by the SCF on definitions of climate finance was first undertaken in the context of the first (2014) BA, which included information on various operational definitions of climate finance in use by data providers and aggregators, and identified a convergence that was 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

¹ Decision 5/CP.28, paragraph 7.

impacts.”² Subsequent BAs (2016,³ 2018⁴ and 2020⁵) compiled updated information and developments in operational definitions of climate finance in use by various data providers and aggregators.

5. In 2019, by decisions 11/COP.25, para. 10 and 5/CMA.2, para. 10, the COP and CMA invited Parties to submit their views on the operational definitions of climate finance for consideration by the SCF in order to enhance its technical work on this matter in the context of preparing its fourth BA. Thirteen submissions were received from Parties on the operational definitions of climate finance. The information from the submissions was synthesised in section 1.4.3 of the technical report of the fourth BA and in the summary of the fourth (2018) BA by the SCF, paras. 16–18.

6. COP 26 and CMA 3 requested the SCF to continue its work on definitions of climate finance, taking into account submissions received on this matter, with a view to providing input for consideration at COP 27. In 2022, the SCF issued a call for inputs related to the work on definitions of climate finance, receiving additional ten responses from Parties and stakeholders.⁶

7. The work on definitions of climate finance in 2022 included an updated synthesis of the information from submissions, in addition to information on the operational definitions of climate finance in use within and outside the Convention and the Paris Agreement reporting frameworks. The work was included as an addendum to the report of the SCF to COP 27 and CMA 4.⁷

8. COP 27 requested the SCF to prepare a report for consideration by COP 28, building on the Committee’s work on definitions of climate finance, on clustering types of climate finance definitions in use that could be considered within the UNFCCC process, including with a view to updating the Committee’s operational definition of climate finance, as appropriate, and supporting Parties in their national reporting efforts, and invited Parties and external stakeholders to make further submissions via the submission portal by 30 April 2023. The technical report⁸ and its executive summary by the Committee⁹ was considered at COP 28.

9. COP 28 noted the technical report by the Committee on clustering types of climate finance definitions in use, including the executive summary thereof, and also noted the information therein on the clustering of elements aimed at assisting Parties in developing and applying definitions of climate finance and the discussions of the Committee regarding a potential update to the operational definition of climate finance of the Committee. COP 28 further noted the complexities, in relation to accounting of and reporting on climate finance at the aggregated level, associated with the application of the variety of definitions of climate finance in use by Parties and non-Party stakeholders.

² Available at Available at <https://unfccc.int/topics/climate-finance/workstreams/transparency-of-support-ex-post/biennial-assessment-and-overview-of-climate-finance-flows/the-second-biennial-assessment-and-overview-of-climate-finance-flows-2014>.

³ Available at <https://unfccc.int/topics/climate-finance/workstreams/transparency-of-support-ex-post/biennial-assessment-and-overview-of-climate-finance-flows/the-second-biennial-assessment-and-overview-of-climate-finance-flows-2016>.

⁴ Available at <https://unfccc.int/BA-2018>.

⁵ Available at <https://unfccc.int/topics/climate-finance/workstreams/transparency-of-support-ex-post/biennial-assessment-and-overview-of-climate-finance-flows-background/fourth-2020-biennial-assessment-and-overview-of-climate-finance-flows>.

⁶ Available at https://unfccc.int/sites/default/files/resource/Call_for_inputs_Definition_ClimateFinance_2022_.pdf.

⁷ FCCC/CP/2022/8/Add.2–FCCC/PA/CMA/2022/7/Add.2.

⁸ Standing Committee on Finance. 2023. Report on clustering types of climate finance definitions in use. Bonn: UNFCCC. Available at <https://unfccc.int/SCF>.

⁹ FCCC/CP/2023/2/Add.2–FCCC/PA/CMA/2023/8/Add.2.

III. Progress on the work on common practices regarding climate finance definitions, reporting and accounting methods

10. SCF 33 agreed on the scope and outline¹⁰ of the report and the workplan for its preparation.¹¹ Ivan Zambrana Flores and Gertraud Wollansky were appointed as co-facilitators for the work. At the meeting, members discussed the need to build on previous work and to align this report with relevant sections of the sixth BA.

11. Furthermore, members discussed that the focus of the report should be on clarifying and synthesizing common practices regarding climate finance definitions, reporting and accounting methods. In discussing the outline of the report, members agreed that in addition to chapters highlighting common practices in the three areas, the report should include a chapter on conclusions.

12. Also at SCF 33, the Committee agreed to advance work on stakeholder engagement and outreach intersessionally to support the preparation of the report. On 30 April 2024, the SCF conducted a webinar on three key technical reports of the SCF in 2024, including the common practices report, which was attended by 60 participants.

13. SCF 34 appointed Karima Oustadi and Diego Pary Rodriguez as co-facilitators of this workstream to replace the outgoing SCF members Gertraud Wollansky and Ivan Zambrana.

14. Also at SCF 34, members took note of the updated work-in-progress document of the technical report and outcomes of the stakeholder webinar held on 30 April 2024. Members discussed the need to improve the logical and analytical value of the report, including by better outlining the process from definitions, through accounting to reporting on results and tying the different chapters together, as well as better presenting the accounting frameworks and the actual practice in relation to each area of the report, based on factual information. Members provided guidance on the chapter on conclusions, underscoring the value of reflecting key insights from the previous chapters, particularly in relation to clarifying the distinction between definitional aspects and accounting methods. Further, the SCF agreed to prepare intersessionally a pre-final draft of the report taking into account the comments made at SCF 34 and any written comments received, as well as to prepare a draft executive summary for consideration at SCF 35.

15. Technical work on the pre-final draft of the report has included integrating comments, streamlining the report, completing data analysis, as well as developing the chapter on conclusions. The initial draft executive summary was also developed. Four SCF members provided written comments to the updated work in progress circulated ahead of SCF 34. Three members provided written comments to the pre-final draft of the report and the initial draft executive summary.

¹⁰ Available at https://unfccc.int/sites/default/files/resource/SCF33_Outline_report_common%20practices%20regarding%20climate%20finance%20definitions%20reporting%20and%20accounting%20methods_final.pdf?download.

¹¹ See SCF/2024/33/7, annex II.