Monitoring and Tracking Long-Term Finance to Support Climate Action

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Based on recent paper from the Climate Change Expert Group (OECD):
www.oecd.org/env/ccxg
Why improve MRV of climate finance?

Achievements of the Cancún Agreements

- A formalised **collective commitment** on climate finance by developed countries to provide new and additional funding for developing countries, both in the short and longer term
- **A call for improvements on current reporting** of climate finance under the UNFCCC, both regarding the frequency and coverage of reporting (NCs, BRs, registry)

**Key question**

- How does the international community perform against the finance goals set out in the Cancún Agreement?

**Key issue**

- MRV system for the relevant financial flows to help countries assess compliance with commitments, and to facilitate the effective implementation of these commitments

**Starting point**: the existing effort to track climate finance lacks transparency, comparability and comprehensiveness
Where to start from?
Some definitions

Preamble

- No internationally agreed definition of what constitutes ‘climate finance’

Our definitions

- **Climate finance** (‘climate-specific finance’):
  - capital flows that target low-carbon or climate resilient development – GHG mitigation or adaptation are explicitly stated objectives or outcomes
  - both international public or private financing flows, in practice also domestic.

- **Climate-relevant finance:**
  - a much broader set of capital flows (public or private) from developed to developing countries that will influence (positively or negatively) emissions and/or vulnerability to climate change in developing countries
  - flows that support development and economic growth in key emitting sectors or to sectors affecting vulnerability to climate change

Source: Buchner et al. 2011
Main elements of a MRV framework for climate finance

Sources - origin (country) → Intermediary → Instrument → Recipient

Public finance
- North-South
- South-South
- Domestic

Public-private

Private finance

Instrument
- Climate + investment policies
- Offset finance
- Grants
- Concessional loans
- Capital

Intermediary
- Bilateral
- Multilateral
- ...

Recipient
- Specific uses (e.g., sector endpoint, project type)
- Adaptation / mitigation (or relevant sectors)
# Existing information systems for public and private climate finance

<table>
<thead>
<tr>
<th>System/Info source</th>
<th>Strengths</th>
<th>Weaknesses</th>
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<tr>
<td><strong>UNFCCC National Communications (NCs)</strong></td>
<td>Periodic information by Annex II on bilateral financial support in developing countries; information by Non-Annex I on support received</td>
<td>Inconsistent and incomplete data; no information on amounts disbursed/received; no information on what level of support is directed to specific categories, sectors, technologies</td>
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<tr>
<td><strong>OECD CRS System (Rio Markers)</strong></td>
<td>Most comprehensive system for tracking climate finance flows; data over 10 years; ‘principle’ and ‘significant’ objectives</td>
<td>Does not allow exact quantification of support to climate change goals; multilateral flows not incorporated</td>
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<td><strong>MDB Reporting</strong></td>
<td>Public databases available</td>
<td>Not comparable, in most cases Rio markers not applied</td>
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<tr>
<td><strong>Export Credit Reporting</strong></td>
<td>Robust reporting through OECD TAD</td>
<td>No ‘climate specific’ data</td>
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<tr>
<td><strong>Information on Offset Markets</strong></td>
<td>Various info sources: WB, IDEAcarbon, Point Carbon; UNEP/RI SIROE etc</td>
<td>No systematic monitoring of financial flows or investments from offset projects</td>
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<tr>
<td><strong>Information on FDI</strong></td>
<td>UNCTAD FDI online; OECD statistics online</td>
<td>No clear definition on ‘climate-specific’ FDI</td>
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## Recommendations to improve existing information systems

<table>
<thead>
<tr>
<th>System</th>
<th>Recommendations</th>
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<tbody>
<tr>
<td><strong>UNFCCC National Communications (NCs)</strong></td>
<td>Include reporting by all Annex I parties, as well as non-Annex I parties providing support; increase consistency; greater detail on key support metrics; better reporting of phase of implementation</td>
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<td><strong>OECD CRS System (Rio Markers)</strong></td>
<td>Incorporate multilateral contributions; increased integration with non-DAC donors; work to apply Rio Markers to disbursements.</td>
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<td><strong>MDB Reporting</strong></td>
<td>Work towards full reporting to the OECD DAC</td>
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<td><strong>Export Credit Reporting</strong></td>
<td>Apply OECD DAC CRS methodologies, Rio markers</td>
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<tr>
<td><strong>Information on Offset Markets</strong></td>
<td>Parties need to decide on accounting rules; assign UNFCCC to report estimates.</td>
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<tr>
<td><strong>Information on FDI</strong></td>
<td>Need agreed definition of ‘green’ or ‘climate specific’ FDI. In short term, include flows to RE and environmental services on the mitigation side</td>
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Action items

- Adopt clear definitions of public and private climate finance; prioritise work to improve standardised tracking of climate finance from both donor and recipient perspective.
- Explore avenues for tracking finance within a more comprehensive MRV system, drawing the lessons from existing systems.
- Improve reporting of public finance flows from both donor and recipient perspective building on existing information systems, and new reporting systems established (i.e. BRs, registries).
- Extend reporting to include basic reporting of private climate finance. At minimum, request leverage ratios and streamline reporting on carbon market finance:
  - develop agreed methodology for calculating leveraging ratios and adopt reporting guidelines for donor and recipient parties;
  - develop agreed methodology for tracking investments in CDM, REDD+ and new market mechanisms
  - work with organisational partners, to advance statistical methods with the aim to systematically track FDI flows that are indisputably green e.g. renewable energy, energy efficiency and waste management projects.
For further information and related work

OECD website and previous CCXG papers:

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