



Monitoring and tracking long-term finance to support climate action

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Seminar on MRV and Carbon Markets:
A CCXG/Global Forum on Environment Event
28 March 2011

Outline



1. Why focusing on Climate Change Finance?
2. Key elements of a MRV system for climate finance
3. Existing information systems at a glance
4. Two 'strawman' proposals for an integrated and comprehensive MRV system



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'

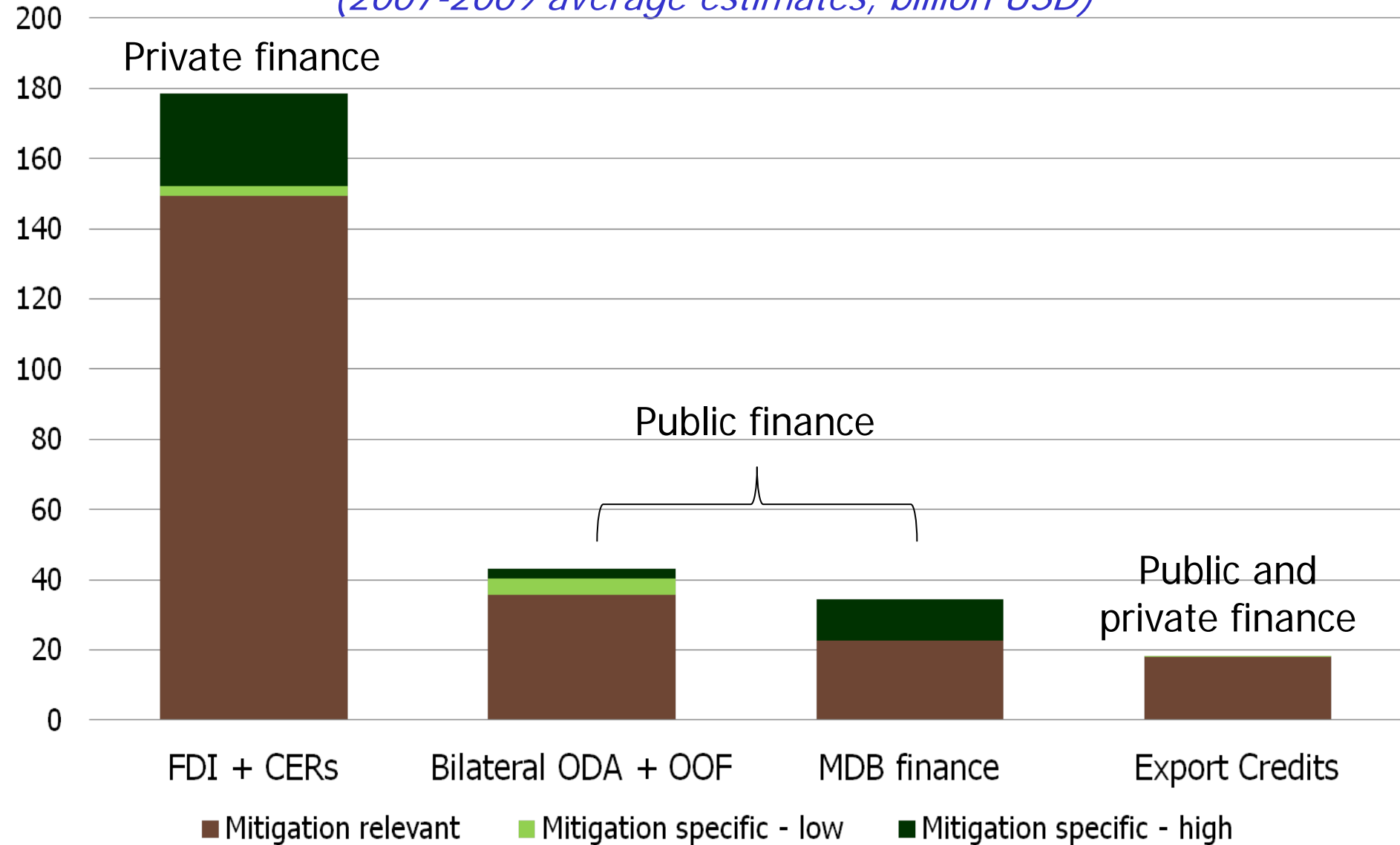
Our definitions

- **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

Understanding the scale and sources of climate finance

North-South finance flows for mitigation: climate-specific and climate-relevant

(2007-2009 average estimates, billion USD)



Two strawman proposals



Strawman option 1

Expanded Direct Reporting by Parties – focusing on NatComms and Biennial Reports

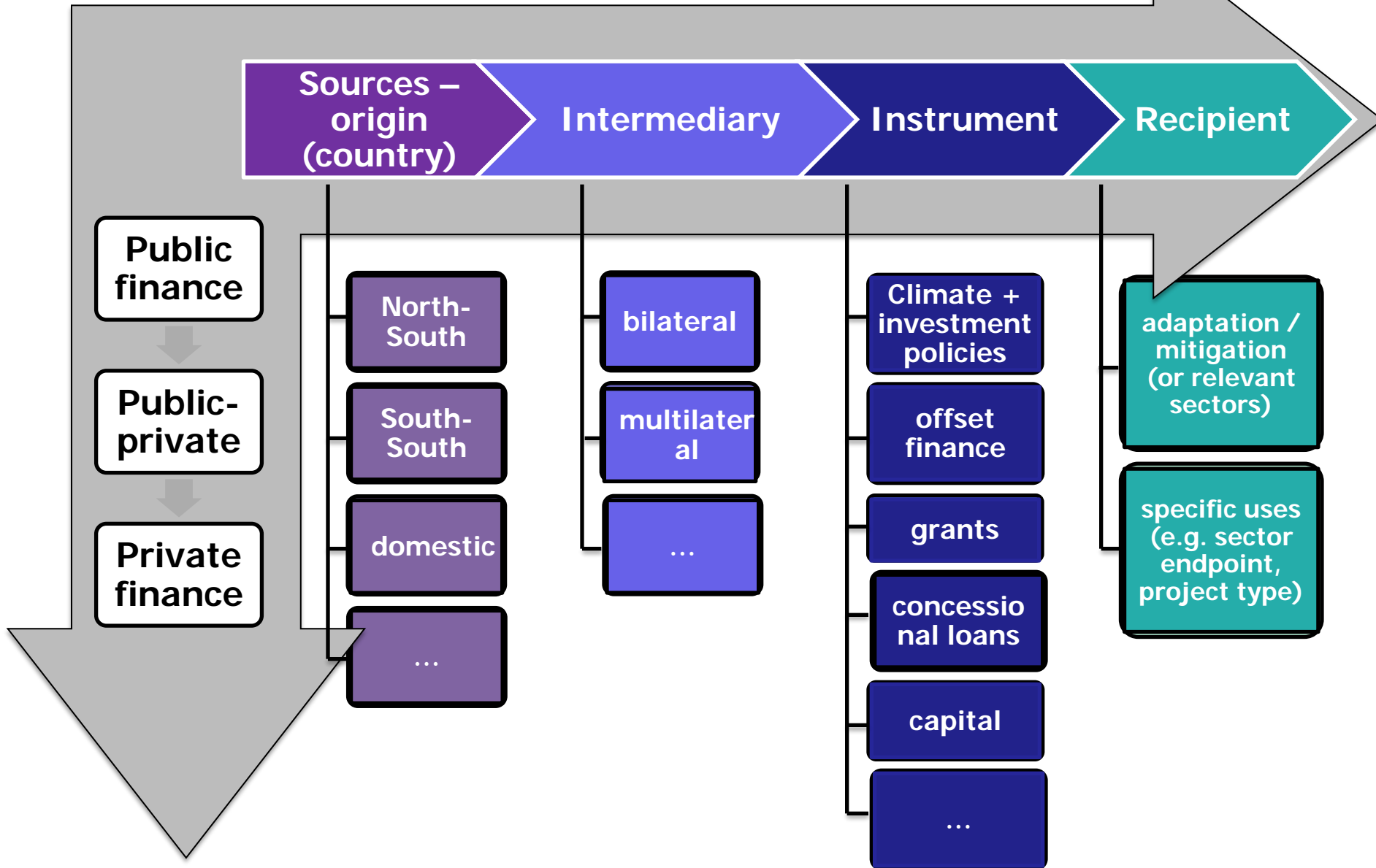
Strawman option 2

Limited Direct Reporting by Parties –institutional collaboration, draws on external (non-Party) sources

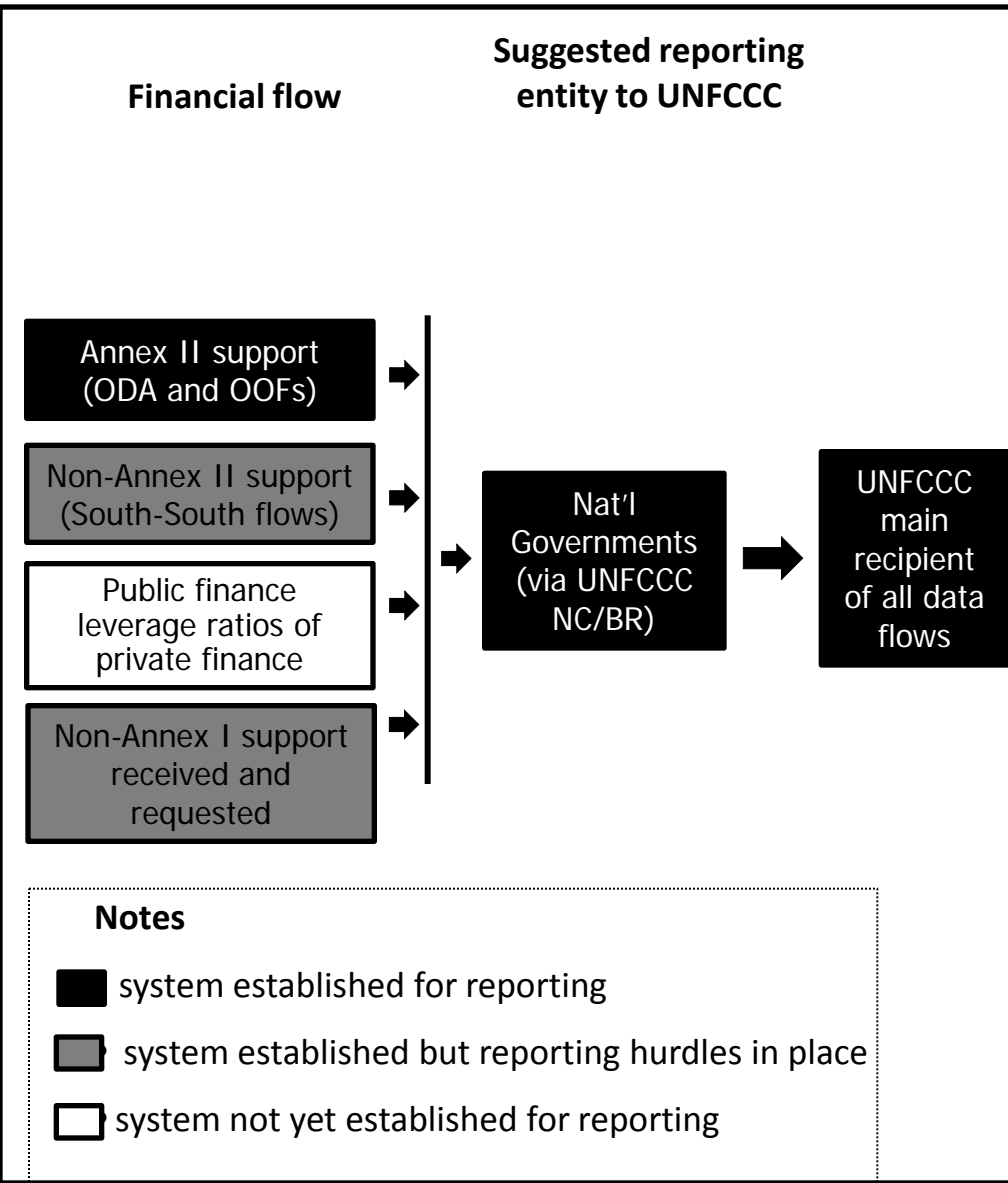
In both options:

- UNFCCC main recipient of data flows, serve as ‘clearinghouse’ of information
- Relies on OECD DAC CRS data, either as direct input or as verification mechanism
- Strengthened focus on private finance flows

Main elements of a MRV framework for climate finance



Strawman option 1: Expanded Direct Reporting by Parties



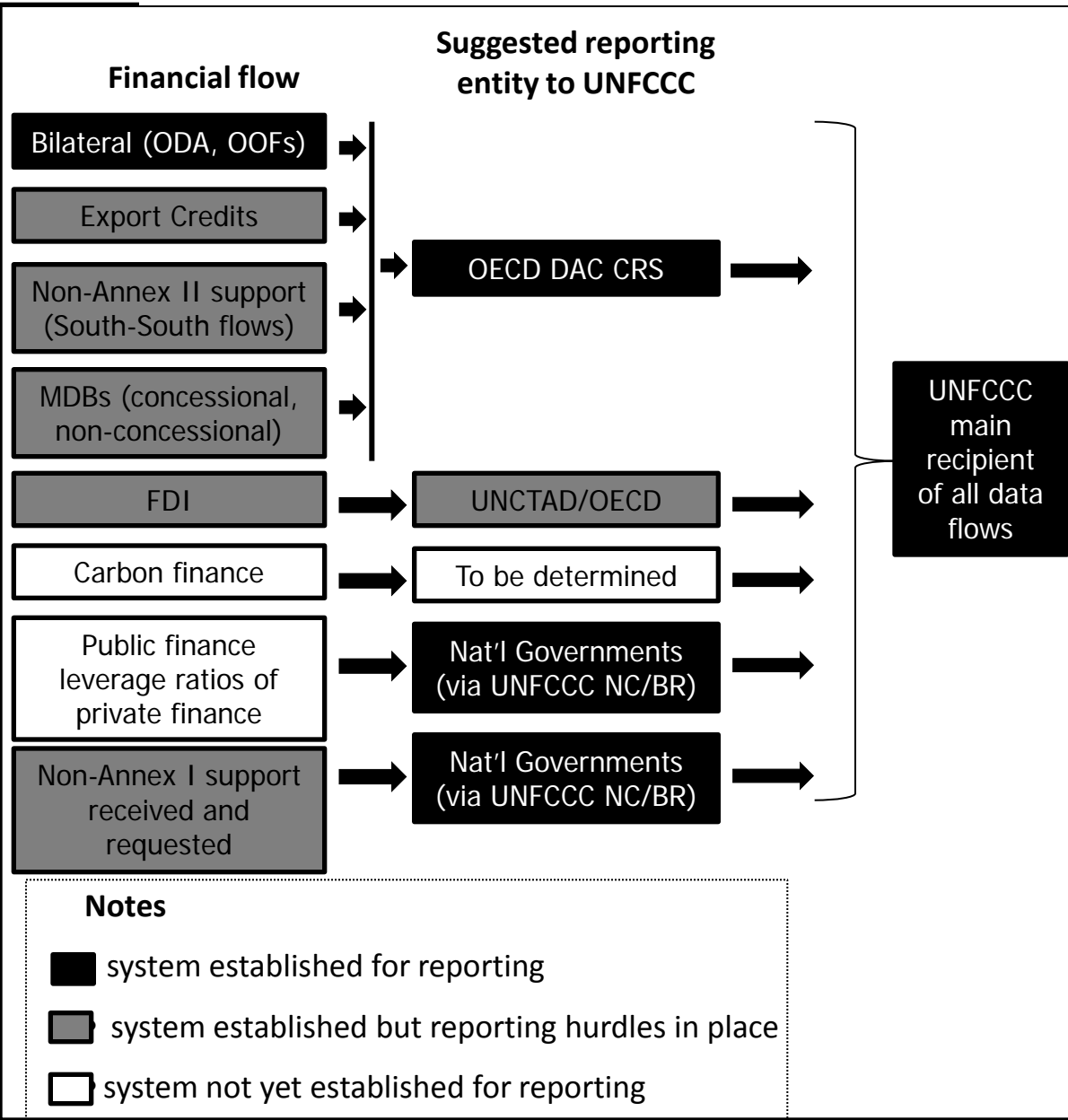
Strengths

- Builds off and strengthens the existing reporting and review system under the Convention
- Political advantage (agreed reporting framework)

Weaknesses

- Holes due to the need for data that cannot be provided by Parties
- Misses private flows (FDI, CDM) and other elements (export credits) – can only focus on public flows
- Risk of poor statistical harmonisation; or of duplication
- Significantly increased engagement across Parties and Secretariat

Strawman option 2: Limited Direct Reporting by Parties, Supplemental Reporting by IGOs



Strengths

- Less burdensome approach for Parties than Option 1
- Relies on existing, reliable information systems
- Increases efficiency, avoids duplication
- Allows NCs to be refined

Weaknesses

- Requires time to build the system, harmonise systems
- Increases reporting requirements, requires level of harmonisation
- May undermine current NC system on reporting finance
- Questions about governance re: OECD DAC system

Bottom line



- **There is no internationally agreed definition of climate finance**, translating into two major challenges:
 - ◆ defining public climate finance flows
 - ◆ defining private climate finance flows
- **There is no integrated international system for storing and accessing financial data**
 - ◆ Individual components of a system reside in UN agencies and several non-UNFCCC sources, including the OECD, IFIs, non-profit research organizations and the private sector
- **A more comprehensive, transparent and robust MRV system for climate finance is possible** -- building upon and improving existing information systems
- Regardless of what how the future MRV system for climate finance will look like, **consider how to improve the currently weak verification of reported financial flows**

Questions for discussion



1. **Why track climate finance?** What are the priority goals for an improved system of MRV of finance?
2. **How to include private finance** in any tracking system and in particular how international climate finance is leveraging private finance to support climate action?
3. **How do countries and institutions track climate finance today? What successes and challenges** exist to provide more comprehensive and comparable information in the key areas of importance?
4. **How to build an integrated and robust MRV system** (e.g. see suggestions in Strawman options 1 and 2) ?
 - ◆ In particular, **how build on information from other intergovernmental organizations and use in conjunction with Convention reporting instruments (i.e. NCs, BRs, Registries)?**

For further information and related work



OECD website and previous CCXG papers:

www.oecd.org/env/cc/ccxg

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Existing information systems for climate finance

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

Recommendations to improve existing information systems

System	Recommendations
UNFCCC National Communications (NCs)	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
OECD CRS System (Rio Markers)	Incorporate multilateral contributions; increased integration with non-DAC donors; work to apply Rio Markers to disbursements.
MDB Reporting	Work towards full reporting to the OECD DAC
Export Credit Reporting	Apply OECD DAC CRS methodologies, Rio markers
Information on Offset Markets	Parties need to decide on accounting rules; assign UNFCCC to report estimates.
Information on FDI	Need agreed definition of 'green' or 'climate specific' FDI. In short term, include flows to RE and environmental services on the mitigation side



Building on – but going beyond – existing systems