Australian Government
Department of Foreign Affairs and Trade

COUNTING AUSTRALIA'S CLIMATE FINANCE

Australia is committed to delivering high quality climate finance that responds to the needs of our development partners. Our climate finance supports countries in our region to strengthen their resilience to climate change impacts and achieve their renewable energy transition goals.

Australia has strengthened its climate finance commitment and expects to deliver $3 billion towards global efforts over 2020–2025, largely through existing development assistance commitments. This includes $1.3 billion in climate finance for the Pacific, most of which will support adaptation.

We recognise the significance of the COP29 outcome on a New Collective Quantified Goal on climate finance and will continue to work with other countries to support ambitious climate action.

WHERE DOES AUSTRALIA REPORT ITS CLIMATE FINANCE?

Australia has a strong track record of transparent reporting on both Australia's emissions and on our climate finance activities. Information on progress towards Australia's climate finance commitment, including details on expenditure by sector and region, is published annually in DFAT's ODA Statistical Summary and climate webpages.

In line with Australia's international reporting obligations, Australia reports historical climate finance biennially to the UNFCCC and provides forward-looking climate finance plans through Biennial Communication Reports.

In December 2024, Australia was pleased to submit our third Biennial Communication on climate finance to the UNFCCC and first Biennial Transparency Report under the UNFCCC's Enhanced Transparency Framework.

Australia also reports annually on development finance for climate and environment through the OECD DAC Creditor Reporting System.

The OECD aggregates all countries' UNFCCC climate finance data to track and report on global climate finance efforts: *Climate Finance Provided and Mobilised by Developed Countries in 2013–2022*.

HOW DOES AUSTRALIA DETERMINE WHAT 'COUNTS' AS CLIMATE FINANCE?

Australia's climate finance is calculated by determining whether Australian Government support to development partners has a climate change objective and, if so, what proportion of expenditure can be counted as climate finance.

The OECD DAC Rio markers are used as a guide to assess the climate-relevance of investments:

- For **bilateral and regional activities with a primary climate objective**, Australia counts 100 per cent of the expenditure as climate finance.
- For **bilateral and regional activities with a secondary climate objective** (that is, the activity has other primary objectives but is also designed in some measure to address climate concerns), the actual amount spent on climate change activities is counted. If this cannot be calculated, a default portion of the activity expenditure – 30 per cent – is counted. This reflects a conservative average across the portfolio.
- For **disaster risk reduction and preparedness activities**, where climate-related disasters are considered along with other hazards, 70 per cent of expenditure is counted as climate finance.
- For core contributions to **multilateral institutions** like the Asia Development Bank and Global Environment Facility, Australia uses OECD imputed multilateral shares to calculate the climate-specific percentage of inflows.

Intent is a key consideration in climate finance accounting, and it must be clear that climate-related activities are intentional rather than incidental.

Climate finance activities are identified as supporting either **adaptation**, **mitigation,** or both, and are apportioned accordingly. Where a split between adaptation and mitigation cannot be determined (for example, where an investment is supporting the development of an integrated climate change action plan), activities are reported as '**cross-cutting**'.

COUNTING CLIMATE FINANCE FROM AUSTRALIA'S NON-GRANT FINANCE MECHANISMS

Loans

Australia provides climate-related loans directly to development partners – to both governments and the private sector.

Where loans are provided to sovereign entities, the climate-related component is converted to an ODA grant-equivalent value. This is derived using a formula developed by the OECD that incorporates an assessment of various characteristics of the loan (including the interest rate, tenor, and the recipient) to determine its concessional value. Only the grant-equivalent amount is counted towards Australia's climate finance.

Where loans are provided to the private sector or non-sovereign entities, the full value of the loan is counted, given its economic additionality.

Other non-grant finance mechanisms

Australia also provides non-grant finance through intermediaries. Examples include the Australian Climate Finance Partnership, Australian Development Investments, and the Private Infrastructure Development Group.

Australia adopts an 'institutional approach' to count climate finance for these investments, counting the climate-specific portion of funds transferred from the Australian Government to the intermediary and the climate portion of the attributable private finance mobilised.

MOBILISED PRIVATE CLIMATE FINANCE

Australia supports innovative blended finance mechanisms and private sector investment in partner countries in two ways:

1. providing technical assistance to improve investment environments
2. providing public finance to de-risk and catalyse private sector investment, including by providing first loss finance and supporting guarantees.

This support helps to overcome barriers associated with perceived investment risks, regulatory environments, and limited awareness of private investment opportunities.

Australia uses OECD DAC methodology to calculate attributable private finance mobilised for all blended finance transactions. This methodology considers the amount of money invested, the position taken (for example, the riskiest tranche or a senior position), and the timing of the investment relative to other investors in the transaction. Any private finance mobilised through co-investments or club deals is allocated between public investors to avoid double counting.

To ensure causal links between Australia's public interventions and mobilised private finance, all prospective projects are evaluated through instrument-specific governance processes which involve an assessment of additionality.

For further information, contact:
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