



ANCP Climate Finance Guidance Note

What is climate finance?

Climate finance refers to local, national or transnational financing, drawn from public, private and alternative sources, to support mitigation and adaptation actions addressing climate change (source: [UNFCCC](#)). It aims at reducing emissions and vulnerability, protecting and enhancing greenhouse gas sinks and reservoirs, and increasing the adaptive capacity and resilience of human and ecological systems to the negative impacts of climate change. The delivery of climate finance to our development partners plays an important role in supporting renewable energy transition goals and climate resilience.

At COP29 in 2024, a new global climate finance goal was decided. The new goal includes a commitment to collectively mobilise USD 300 billion in climate finance per year by 2035 for developing countries. This replaces the previous goal to mobilise USD 100 billion per year in climate finance between 2020–25.

Australia is expecting to deliver AUD 3 billion towards global climate finance efforts between 2020–25. Each year, a portion of Australia's climate finance is delivered through climate-related ANCP projects.

Delivering and reporting on climate finance is an international obligation under the Paris Agreement. Australia reports its climate finance biennially to the [United Nations Framework Convention on Climate Change](#) (UNFCCC) and publishes annual ODA climate finance expenditure through DFAT's [ODA Statistical Summary](#) and [climate webpages](#). Development finance for climate and the environment is also reported annually to the [Organisation for Economic Cooperation and Development](#) (OECD).

The publication of Australia's climate finance expenditure supports comparisons between donors and accountability to global commitments – it is important that all eligible investments are accurately identified and reported.

Climate finance in ANCP ADPlans

Climate objectives should be clearly stated in ANCP ADPlans (submitted in June) in the 'Project Outcomes', 'Project Brief', and 'Project Description'.

Based on advice in this guidance note, the Climate Change section of ADPlans should be filled out to identify:

- whether climate change is a primary or secondary objective, or not targeted
- what percentage of the project should be counted as climate finance
- the portion of climate finance that should be attributed to adaptation and/or mitigation.

Identifying types of climate action: adaptation and mitigation

For an investment to be counted as climate finance, it must target climate change adaptation or mitigation (or a combination of the two). Definitions and eligibility criteria are based on the OECD Development Assistance Committee (DAC) Rio Markers for Climate.

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Climate Change Adaptation	
<i>Definition:</i>	A project should be classified as adaptation if it intends to reduce the vulnerability of human or natural systems to the current and expected impacts of climate change, including disasters, by maintaining or increasing resilience to climate change stresses, shocks, and variability, and/or by helping reduce exposure to them.
<i>Eligibility Criteria:</i>	An adaptation project is eligible to be counted as climate finance if: <ol style="list-style-type: none"> a) the climate change adaptation objective is explicitly indicated in the project documentation (e.g. the project is designed to address or manage rising land and sea temperatures, rising sea levels, variable rainfall, or extreme weather events); and b) the project contains specific measures targeting the definition above.
<i>Examples:</i>	<ul style="list-style-type: none"> • Water conservation in areas subject to increased drought due to climate change. • Health programmes to adapt to climate change, such as the implementation of measures to control heat stress or malaria in areas threatened by increased incidence of diseases due to climate change. • Climate-resilient agricultural models, including climate-smart agriculture, agroecology and related capacity building. • Climate resilient infrastructure and transport. • Climate resilient conservation supporting species to adapt to climate change. • Developing emergency preparedness plans and disaster risk reduction strategies to protect communities and infrastructure assets from the impacts of climate change (including early warning systems, hazard mapping, social protection etc.). • Building-back-better in areas affected by climate-related disasters such as cyclones, floods, wildfires and droughts.
Climate Change Mitigation	
<i>Definition:</i>	A project should be classified as mitigation if it promotes efforts to reduce or limit greenhouse gas emissions or enhance greenhouse gas sequestration (carbon capture).
<i>Eligibility Criteria:</i>	A mitigation project is eligible to be counted as climate finance if it contributes to: <ol style="list-style-type: none"> a) the mitigation of climate change by limiting emissions of greenhouse gasses, including gasses regulated under the Montreal Protocol; or b) protection and/or enhancement of greenhouse gas sinks and reservoirs; or c) integration of climate change in recipient countries' development planning and practice through strengthening institutions, capacity building, improving regulatory and policy frameworks or research; or d) helping partner countries meet their emissions reductions obligations under the United Nations Framework Convention on Climate Change.
<i>Examples:</i>	<ul style="list-style-type: none"> • Protection and enhancement of greenhouse gas sinks and reservoirs through sustainable management and protection of forests, oceans and other marine and coastal ecosystems such as wetlands, mangroves, kelp forests and seagrass. • Regulatory policy reform in the energy sector to facilitate investment in renewable energy generation or energy efficiency. • Integration of renewables into local and national grids, or introduction of energy efficiency measures through grid retrofitting. • Promotion of energy-efficient building techniques and the development and enforcement of related standards and certification schemes. • Transformation of food systems to reduce energy intensity, such as promoting crop varieties that use less cooking energy, using energy saving machinery, and developing food distribution models that reduce transportation emissions. • Efficiency in new construction (exceeding available standards) and retrofitting of existing buildings.

In cases where a project contributes to both adaptation and mitigation, climate finance should be apportioned as appropriate between the two. Where a split cannot otherwise be reasonably determined, climate finance may be allocated 50 per cent to each. Examples of activities that support both adaptation and mitigation include:

- supporting partner governments to develop an integrated climate action plan
- education, training and public awareness raising related to climate change and its causes and impacts
- a mangrove management program intended to improve resilience to coastal erosion and protect a natural carbon sink.

A non-exhaustive list of examples of adaptation and mitigation activities can be found in the [OECD's indicative Rio marker tables](#).

Primary vs. secondary climate objectives

The amount of climate finance attributable to an investment depends on the extent to which the project targets climate change. Climate-related investments either have a 'primary' or 'secondary' climate objective.

Extent climate targeted	Definition	Climate Finance Calculation
Primary Objective	Climate change adaptation and/or mitigation is the main driver of the project and is fundamental to its design (i.e., the project would not have been funded but for that objective). Climate change must be explicitly identified as the principal reason for undertaking the project. Climate intent should be reflected in the project description, outputs and outcomes.	Projects with a primary climate change objective should count 100 per cent of expenditure as climate finance.
Secondary Objective	Climate change adaptation and/or mitigation is not the main driver for the project but is identified as one of its objectives , with some activities designed to address climate change. Climate intent should be reflected in the project description, outputs and outcomes.	Projects with a secondary climate change objective can count between 1-99 per cent of expenditure as climate finance, with the appropriate portion estimated on a case-by-case basis. A default of 30 per cent can be applied where an exact portion cannot be estimated. When a multi-hazard approach is taken to disaster risk reduction, 70 per cent can be counted as climate finance.



Intent is a key consideration in assessing investments – project documentation must show that climate-related activities are intentional rather than incidental. References to broad terms such as 'resilience', 'sustainable', or 'green development' are, by themselves, insufficient evidence to qualify an investment as delivering climate finance.

For queries relating to climate finance, please email: climatefinancereporting@dfat.gov.au.