



ASSESSING PROGRESS TOWARDS ARTICLE 2.1(C) OF THE PARIS AGREEMENT

Considerations relating to scope, approaches and metrics

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First Workshop on Sharm El-Sheikh Dialogue on Article 2.1c of the Paris Agreement

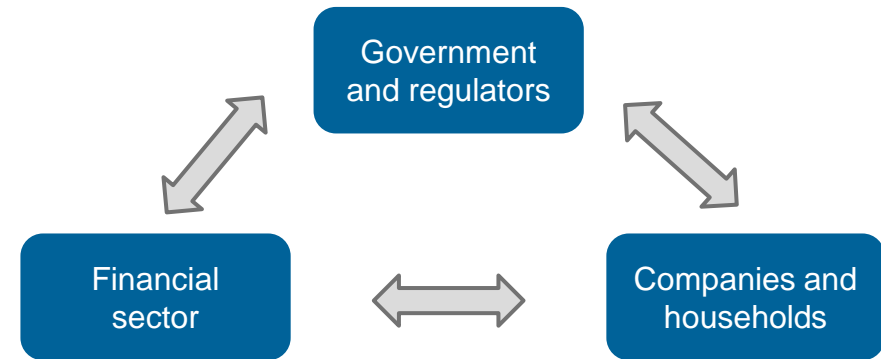


The all-encompassing scope of Article 2.1(c)

Alignment and **misalignment** of both
finance and public policy instruments



**Economy-wide perspective of the
financial sector and real economy**



**All aspects and types of
investments and financing activities**





Key areas of OECD work on policies and levers to support alignment with 2.1(c)

Enhancing the credibility, accountability and integrity of financial sector climate commitments

- Guidance to improve the comparability, transparency and integrity of climate-related assessments and data
- Guidance on transition plans and finance
- Due Diligence Guidance for Responsible Business Conduct

Improving domestic enabling conditions for climate-consistent investments

- Enabling environment conducive to investment in general
- Specific enabling conditions for low-carbon and climate-resilient investment
- Ambitious and stable climate policies
- Coherent and consistent signals across different policy areas

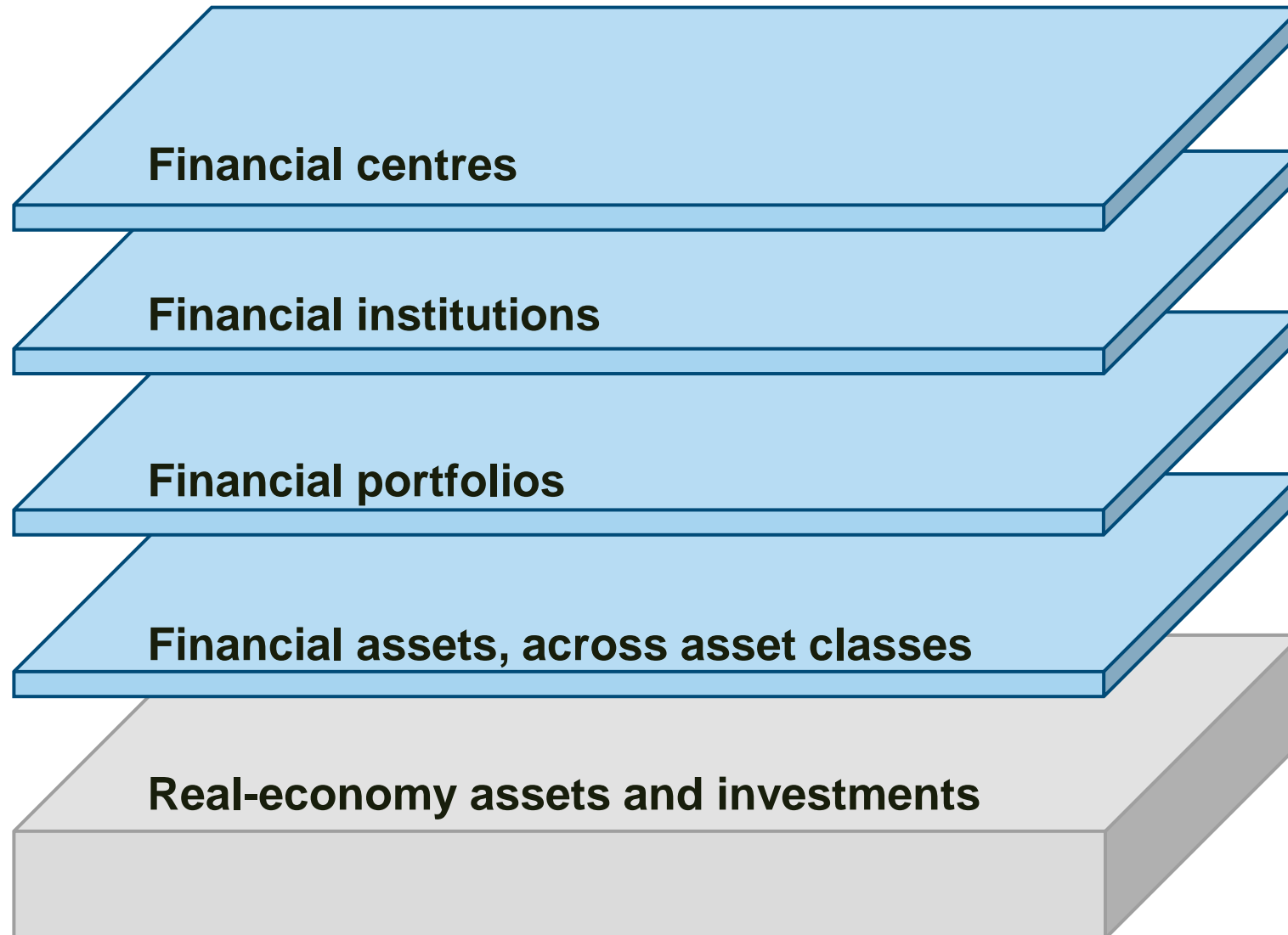
Aligning development co-operation and climate action

Modernising export credit rules to better support the climate transition

Embedding climate considerations in international investment treaties



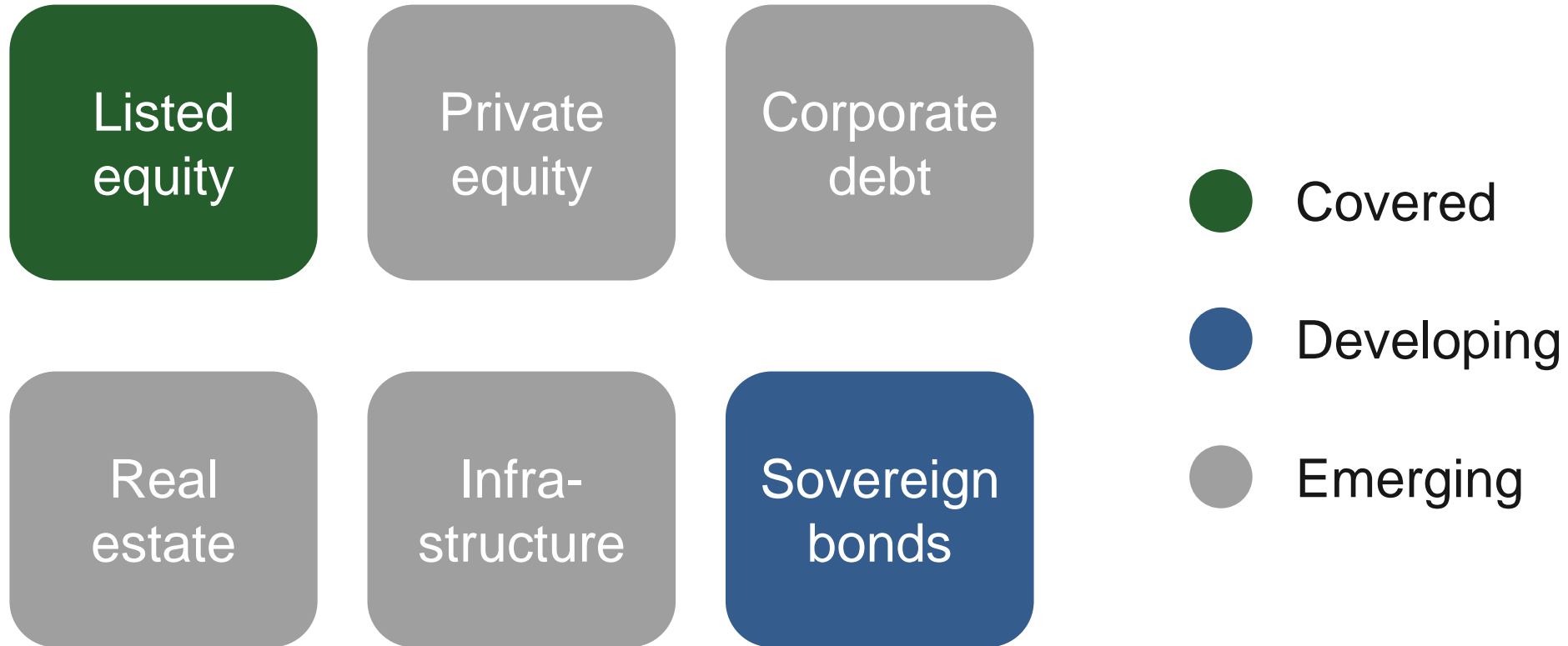
Metrics are needed at different levels of aggregation





Need for comprehensive asset class coverage

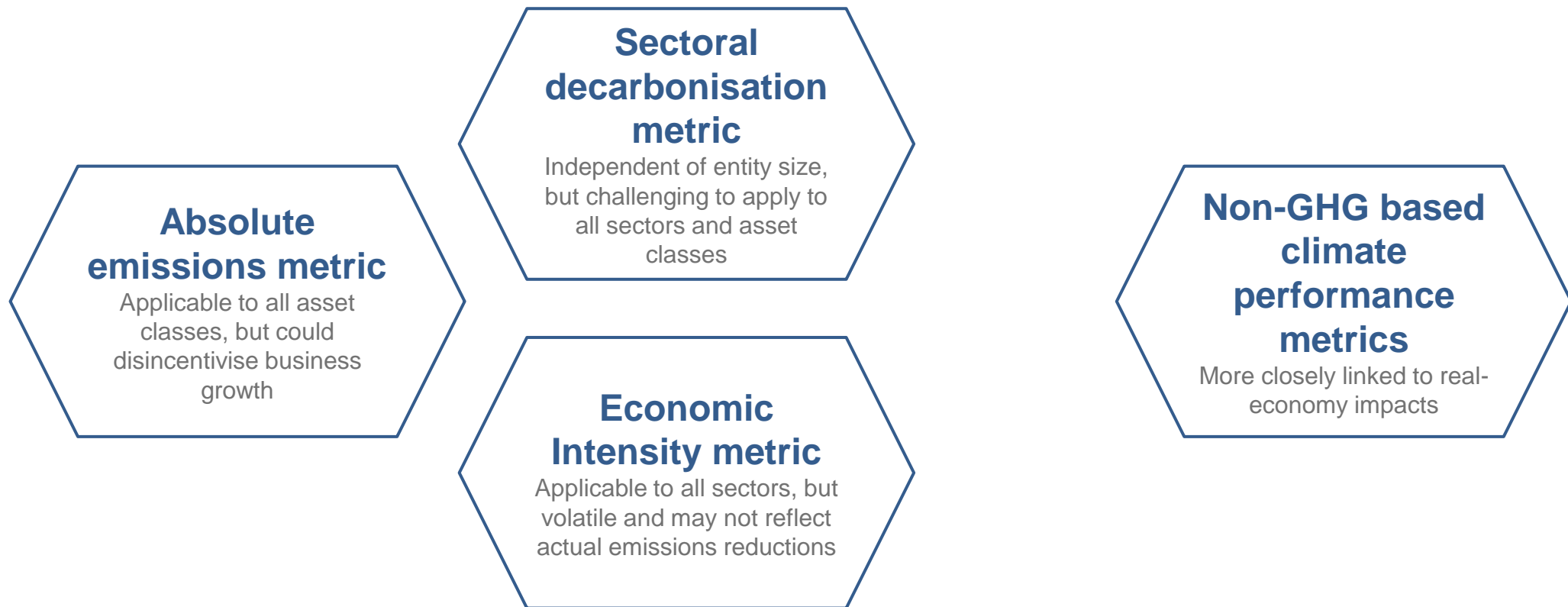
But current coverage is incomplete despite growing efforts





Different complementary metrics can provide a more holistic assessment

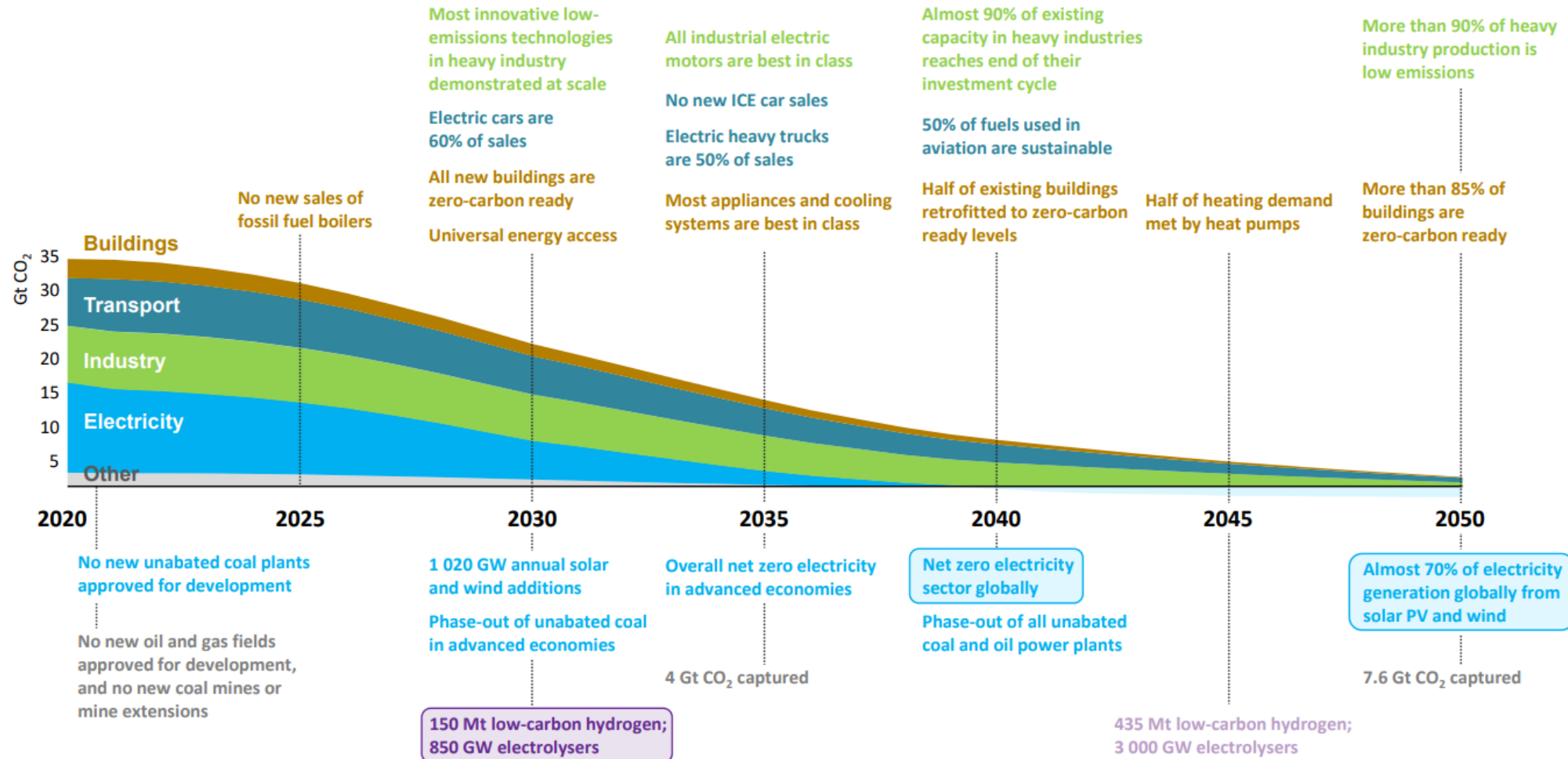
Examples of climate performance metrics





Relevance and difficulties in using scenarios as reference point for alignment assessments

Example: using key milestones in the IEA pathway to net zero





Lack of comparability in metrics and disclosure

Climate-alignment assessment results for 24 listed corporate equity assets

Across 8 emissions-intensive sectors

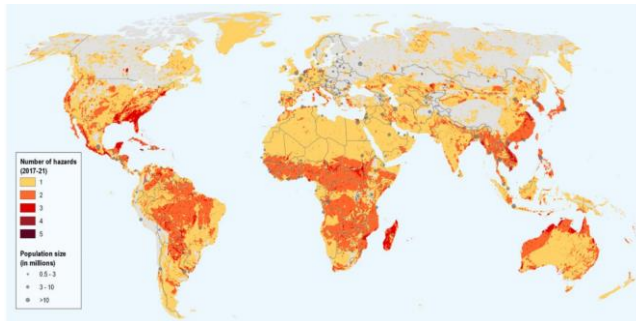
Company	Provider 1	Provider 2	Provider 3	Provider 5	Provider 4
Company A	Not aligned	Not aligned	Not available	2 Degrees	Not aligned
Company B	Not aligned	Not aligned	1.5 Degrees	Not aligned	Not aligned
Company C	Not aligned	Not aligned	Not aligned	Not aligned	2 Degrees
Company D	1.5 Degrees	2 Degrees	Not aligned	Not aligned	Not aligned
Company E	1.5 Degrees	2 Degrees	Not aligned	Not aligned	Not aligned
Company G	1.5 Degrees	2 Degrees	Not aligned	Not aligned	Not aligned
Company F	Not aligned	1.5 Degrees	Not aligned	Not aligned	Not aligned
Company H	Not aligned	Not available	Not available	Not aligned	Not aligned
Company I	Not aligned	1.5 Degrees	Not available	Not aligned	Not available
Company J	Not aligned	2 Degrees	Not available	2 Degrees	Not available
Company K	Not aligned	Not aligned	Not available	2 Degrees	Not aligned
Company L	Not aligned	2 Degrees	Not aligned	Not aligned	Not aligned
Company M	Not aligned	Not available	Not available	Not available	Not aligned
Company N	Not aligned	Not available	Not aligned	Not aligned	Not aligned
Company O	Not aligned	Not available	Not aligned	Not aligned	Not aligned
Company P	Not aligned	2 Degrees	Not available	Not available	2 Degrees
Company Q	2 Degrees	2 Degrees	Not available	Not aligned	Not aligned
Company R	Not aligned	Not aligned	Not available	Not aligned	Not aligned
Company S	Not available	Not aligned	Not available	Not available	Not aligned
Company T	Not aligned	2 Degrees	Not available	Not aligned	Not aligned
Company U	Not aligned	Not aligned	Not available	Not aligned	Not available
Company V	2 Degrees	Not aligned	2 Degrees	Not available	Not aligned
Company W	Not aligned	1.5 Degrees	Not aligned	Not available	2 Degrees
Company X	2 Degrees	Not aligned	Not aligned	Not available	Not aligned



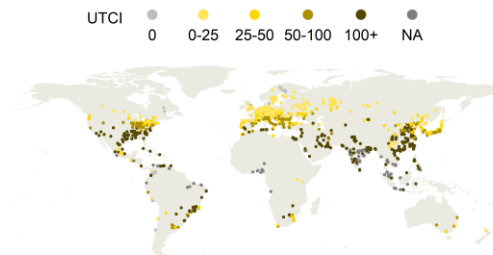
Significant conceptual and technical challenges to assess the climate resilience of finance

Explore possible methods and data that could be used for assessing progress towards the resilience-related provision of Article 2.1(c)

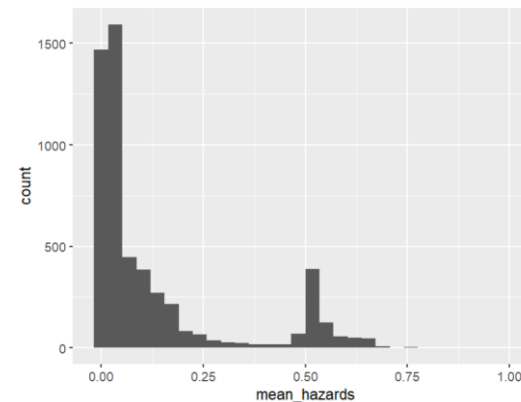
Geospatial distributions of climate hazards



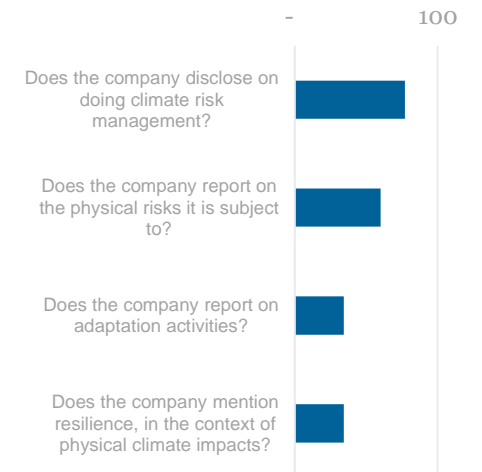
Entity-level data on climate exposure



Risks to company investments and financial holdings



Proxies for corporate resilience alignment





Potential steps forward and opportunities to measure progress related to Article 2.1(c)

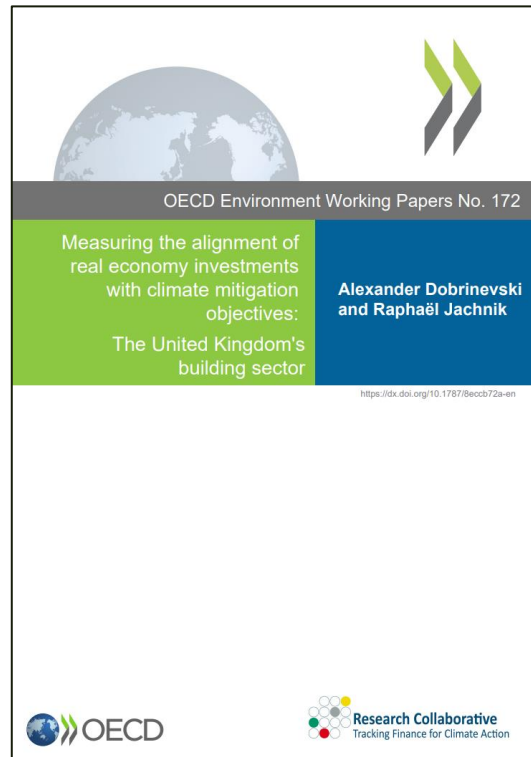
	Cross-cutting
	<ul style="list-style-type: none">• Cover real-economy investments, sources of finance, and financial markets• Cover all financial asset classes, with asset-class specific methods and metrics as relevant• Develop transparent and comparable metrics and underlying data
	Mitigation
	<ul style="list-style-type: none">• Complement GHG-based metrics with non-GHG metrics to assess real-economy impacts and transition plans• Use complementary reference points to capture uncertainty• Reflect national and sectoral circumstances while maintaining global environmental integrity
	Resilience
	<ul style="list-style-type: none">• Develop relevant resilience-related policy reference points• Move beyond risk and exposure analyses to consistency and alignment metrics



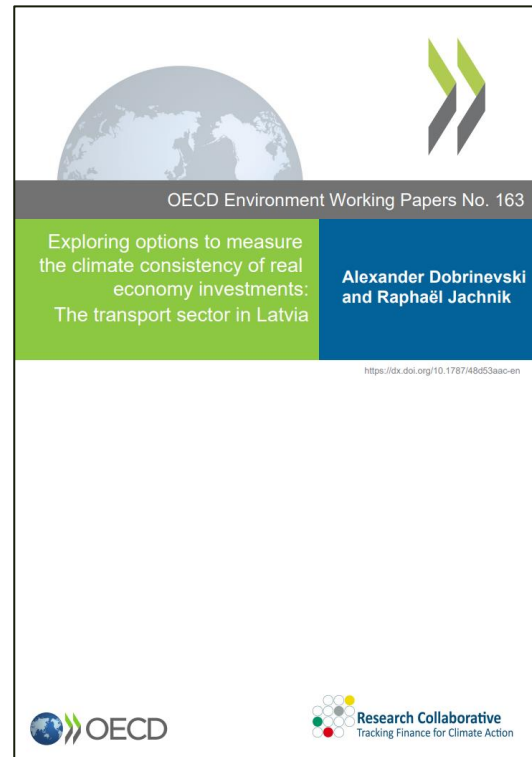
THANK YOU



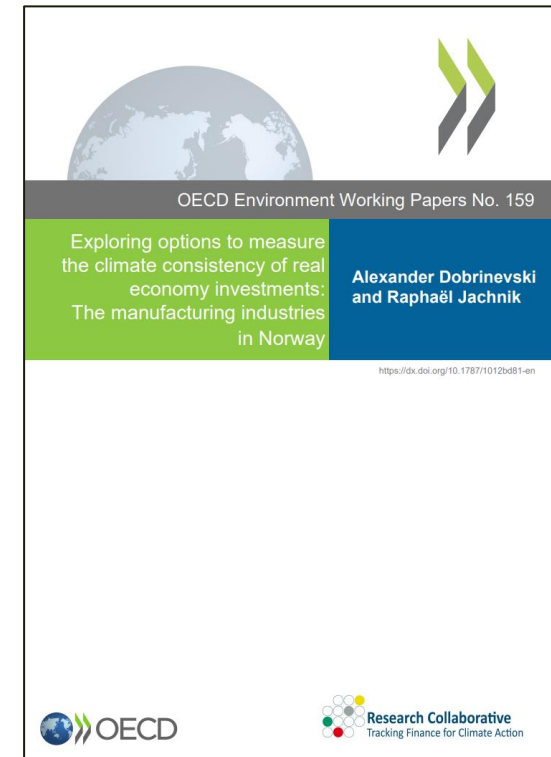
Published pilot studies on measuring the alignment of real-economy investments



[Jachnik, R. and A. Dobrinevski \(2021\),
Measuring the alignment of real
economy investments with climate
mitigation objectives: The United
Kingdom's buildings sector](https://dx.doi.org/10.1787/8ecb72a-en)



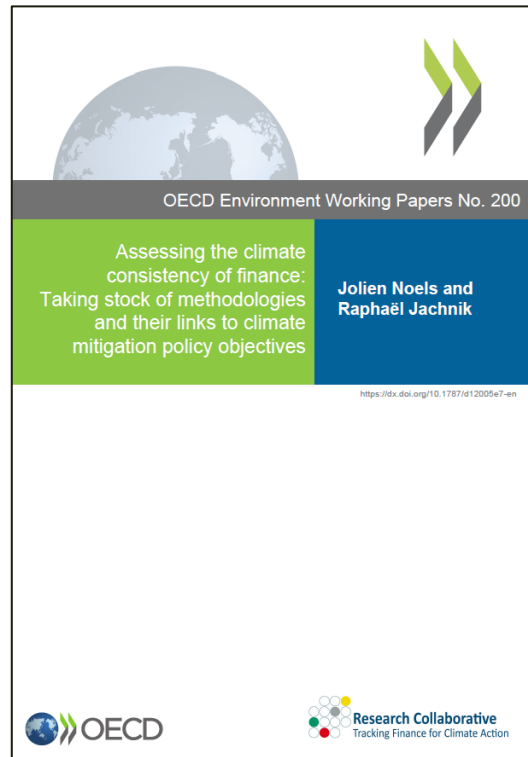
[Dobrinevski, A. and R. Jachnik \(2020\),
Exploring options to measure the
climate consistency of real economy
investments: The transport sector in
Latvia](https://dx.doi.org/10.1787/48d53aac-en)



[Dobrinevski, A. and R. Jachnik \(2020\),
"Exploring options to measure the
climate consistency of real economy
investments: The manufacturing
industries of Norway](https://dx.doi.org/10.1787/1012bd81-en)



Published and forthcoming work on assessing the climate-alignment of finance



[Noels and Jachnik \(2022\) Assessing the climate consistency of finance: Taking stock of methodologies and their links to climate mitigation policy objectives](https://dx.doi.org/10.1787/d12005e7-en)

Forthcoming work

- Use of climate change mitigation scenarios for financial sector target setting and alignment assessment
- Characteristics and coverage of metrics put forward by framework providers to support the monitoring of net-zero commitments by financial institutions
- Testing data and approaches to assess the climate resilience of finance and investments