Government of the Republic of Vanuatu

Submission of further views on the work of the Standing Committee on Finance regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation, in accordance with decision 10/CMA.3, paragraph 2, for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session (November–December 2023)

Issue: Standing Committee on Finance – ways to achieve Article 2, paragraph 1(c)

Mandate: FCCC/PA/CMA/2022/L.9, para. 4 and FCCC/CP/2022/L.11, para. 11

2022 Call: Parties, operating entities of the Financial Mechanism, international financial institutions and other stakeholders in the financial sector to submit views regarding ways to achieve Article 2, paragraph 1(c),of the Paris Agreement, including options for approaches and guidelines for implementation, by 30 April 2022 and requests the Standing Committee on Finance to submit a synthesis for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session (November 2022).

2023 Call: Requests the Standing Committee on Finance to continue its work regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation, in accordance with decision 10/CMA.3, paragraph 2, for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fifth session (November–December 2023) and invites Parties and stakeholders in the financial sector to make further submissions thereon

Note: In 2022, Vanuatu made a submission in response to the call to submit views regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation. In 2023, the call is for the submission of **further views** on the work of the Standing Committee on Finance regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation, in accordance with decision 10/CMA.3, paragraph 2. In light of this, and further to the submission made in 2022 [in black font henceforth], **further views** to the 2022 submission are presented in **blue font** in the document.

Article 2, paragraph 1(c)

1.This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:

(c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

Article 2.1(c) is an anomalous objective. Unlike the other Article 2 subobjectives, Article 2.1(c) is not cross-referenced throughout the Paris Agreement;[1] and the finance related provisions of the Agreement and its decision, including the transparency framework in Article 13, address financial issues in other ways.[2] This is not relevant to the issue of legal bindingness, but it could be relevant to the potential reception by Paris Parties of proposals for its operationalization.

Vanuatu would like to present the following points for consideration in relation to interpreting Article 2, paragraph 1(c) and approaches and guidelines for implementation:

- Leadership from parties and groups proposing potential elements for the implementation of Article 2.1(c) will allow for some agreement on the approaches and guidelines for implementation and a workplan within a reasonable and stringent timeframe considering increasing vulnerabilities and the quickly closing window for addressing the findings of the IPCC special report on 1.5°C and the IPCC AR6 WG1,2 and 3.
- A succinct and standardized definition of climate finance[3] is required for there to be some clarity on the approaches and implementation of Article 2.1(c). Differing definitions and reporting methodologies have created challenges in collecting aggregating and analyzing information from diverse sources. The absence of a common understanding on climate finance from both public and private sources will result in a deficiency in accountability, transparency, comparability and aggregation of climate finance flows. This deficiency has broad implications for the scaling up, mobilization and accessibility of climate finance and ultimately for operationalizing the goals of the Paris Agreement (the Agreement) and thus achieving the ultimate objective of the United Nations Framework Convention on Climate Change (the Convention). It is vital therefore to aim for increased convergence if not unanimity across different sources on what can count as climate finance especially in the context of the enhanced transparency framework and the global stock take of the Agreement.
- There is a need for clarity on the relationship between Article 2.1(c) and Article 9 of the PA – an assessment of the relationship between Article 2.1(c) and Article 9. The latter provides inter alia for developed Parties (Article 9.1) and other Parties (Article 9.2) to provide financial support to

[1] Neither is it explicitly mentioned in the subsequent Paris Work Programme; however, it is cross-referenced in Decision 4/CP.24 (para 10) and also Decision 14/CMA (para 2), distributed 19 March 2019, which are part of the deal made at COP24 in Katowice, see https://unfccc.int/sites/default/files/resource/CMA2018_03a02E.pdf and https://unfccc.int/sites/default/files/resource/10a1.pdf

[2] Note however that paragraph 121(q) in the modalities, procedures and guidelines for the enhanced transparency framework for Article 13 refers to long term goals of the Paris Agreement (Decision 18/CMA.1): https://unfccc.int/sites/default/files/resource/CMA2018_03a02E.pdf

[3] Vanuatu's views on an operational definition of Climate Finance are available at https://unfccc.int/sites/default/files/resource/Vanuatu.pdf

developing Parties for mitigation and adoption and also for the role of the Financial Mechanism (which has the Global Environment Facility and the Green Climate Fund as its operating entities) under the Agreement (Article 9.8-9.9). Finance mobilization under Article 9 is '[o]ne of the tools' to achieve the finance flows goal[4] but it is not the only one. The requirement for Parties to take action to achieve the Article 2.1c goal cannot be limited to activities pursuant to Article 9 and also requires from Parties 'ambitious efforts' concerning mitigation/NDCs, adaptation, technology development and transfer, capacity-building and transparency in pursuit of the Article 2 purpose, including the finance flows goal. While climate finance (Article 9) contributes to Article 2.1(c), an alignment of financial sources should not have negative implications on the volume and channels of direct support for climate actions provided to the most vulnerable countries. Parties should reach a common understanding as soon as possible that obligations under Article 9 prevail and are not touched by Article 2.1 (c).

- Attention to the text of developmental "pathway" in Article 2.1(c) is just as important as considering the "finance flows" when contemplating its operationalization. Importantly, when Article 2.1(c) is read in the context of the overarching objective that the Agreement "aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty" (Art 2.1), it is evident that Article 2.1(c) sets a clear trajectory for finance flows to support country-specific outcomes. Understanding that countries are on a sustainable development journey is key, and that for many Small Islands Developing States [SIDS] like Vanuatu, the flow of know-how as well as finance is a priority on that pathway.
- Creating a more structured manner for the inclusion of Non-Party stakeholders considering the vital role they play in the implementation of Article 2.1(c).
- Tracking progress towards the achievement of the PA Article 2.1(c) has proven difficult and the co-facilitators of the technical assessment component of the GST could play a leading role in further steering the organization of tracking Article 2.1(c). For this to be a successful endeavor, there needs to be clarity on how reporting in relation to Article 2.1(c) will be framed and clarity on guidance on which types of sources will be considered relevant information.
- Achieving the Article 2.1(c) will require significant legal and regulatory reform within Parties. Financial regulation and other domestic levers are indispensable for achieving the historic redirection of finance that Article 2.1(c) foresees. Domestic rulemaking is therefore a key locus of activity on finance flows, complemented by multilateral and bilateral initiatives and support and by norm development in transnational markets.

Despite the multi-faceted and tragic impacts of the COVID-19 pandemic and the associated delays in terms of processes and initiatives towards realizing Article 2.1(c) Parties have submitted enhanced NDCs. Associated support in terms of available and accessible climate finance needs to complement these Party efforts, hence it is important to identify what ambition looks like for climate finance and operationalizing Article 2.1(c), how the link between ambition on climate and the role of finance can be articulated, prioritized, measured and acted upon and who is responsible for the operationalization of Article 2.1(c) and delivering a sustainable finance system. Overall, all proposed approaches and guidelines for implementation of Article 2.1(c) should enhance accuracy, comparability and consistency in assessment, predictability of support and lead to improved national planning processes for developing countries, which

[4] Thorgeirsson, 'Objective (Article 2.1)', 128.

can in turn contribute to greater ambition among both developed and developing countries and ultimately, standard interpretation and clarity on the realization of Article 2.1(c)

Article 2, paragraph 1(c)

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The requirement for Parties to take action to achieve the Article 2.1c goal cannot be limited to activities pursuant to Article 9 and also requires from Parties 'ambitious efforts' concerning mitigation/NDCs, adaptation, technology development and transfer, capacity-building and transparency in pursuit of the Article 2 purpose, including the finance flows goal. While climate finance (Article 9) contributes to Article 2.1(c), an alignment of financial sources should not have negative implications on the volume and channels of direct support for climate actions provided to the most vulnerable countries. Vanuatu submitted a 'fully costed' Enhanced NDC[5] document in 2022, where political leaders, technical experts and civil society have considered how Vanuatu can move to a global net-zero greenhouse gas (GHG) emissions society (Article 4.1) whilst being resilient to the unavoidable impacts of climate change (Article 7.1), minimizing, averting and addressing loss and damage (Article 8) in the context of the long-term temperature goal (Article 2), while determining Vanuatu's financial needs (Article 9) that shall be provided by developed country Parties in continuation of their existing obligations under the UNFCCC. Pursuant to Article 4 of the Paris Agreement, and to demonstrate that Vanuatu is an action-focused leader in its calls for all Parties to make ambitious commitments to limit the global average temperature increase to 1.5°C above pre-industrial levels, Vanuatu's NDC reflects the highest ambitions on adaptation, mitigation, and loss and damage. As per Decision 4/CMA.1, Vanuatu's information provides clarity, transparency and understanding. This updated and enhanced NDC contains 20 Mitigation commitments, 116 Adaptation commitments, 12 Loss & Damage commitments and is based on the ambitions, policies and workplans of Vanuatu's frontline sector agencies. Targets and commitments are conditional upon international finance, action, support, technology and capacity development. The approximate conditional cost of achieving Vanuatu's Revised and Enhanced NDC is USD 1,214,350,000.

Vanuatu would like to present the following additional options for ways to achieve **Article 2, paragraph 1(c):**

- In the absence of specific and succinct guidelines for developing NDCs, specifically, guidelines with special considerations for small island developing states that allow for special circumstances and limited reporting capacities, while ensuring a certain level of reporting requirements that can be met in succession, with continued and simplified access to finance for reporting, all parties should present 'costed' NDCs. Vanuatu believes this will significantly enhance the achievement of Article 2, paragraph 1(c) as it will provide a clear indication of the cost of implementing 'conditional' targets, and a method of monitoring and reporting against the achievement of these targets.

[5] Available at https://unfccc.int/documents/578782?gclid=EAIaIQobChMIgsz3ioPQ_gIVkZpmAh01fgo7EAAYASAAEgJSXfD_BwE

Specific national policies and implementation plans may already have a clear pathway towards the achievement of GHG reduction targets, hence, alignment with these existing documents to ensure they contribute to monitoring and measuring the achievement of NDC targets will need to be a focus for financial and technical support for small island developing states.

- To effectively implement Article 2.1(c) each Party must set and enforce rules for its financial actors to move in the right direction for climate action. Voluntary promises show initial momentum but it is time to ensure all finance is consistent with low emissions and climate resilience. Countries regulate their financial sectors but have huge gaps in relation to guiding how finance is affected by and can contribute to climate change.
- To make financial flows consistent with climate action, countries must make progress in their own jurisdictions. This means setting new rules to ensure financial actors align with global climate goals.
- The GST should look not only at the public measures and activities undertaken to implement or support the implementation of Article 2.1c but also those of the private sector. This will include a critical assessment of how ambitious the measures taken or planned are, and of whether and how much of the data required to track progress against the targets is available.
- Assessing the degree of alignment or otherwise of private financial flows with a comparable, scenario-based and forward-focused methodology should be a key priority.
- In addition to making climate finance flows consistent with climate action, access to climate finance for implementation, needs to be increased through simplified processes to access climate finance and support for reporting.

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