



Standing Committee on Finance

28 February 2023

Thirtieth meeting of the Standing Committee on Finance
6 – 7 March 2023

Background paper on the work on ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation

Expected actions by the Standing Committee on Finance

The Standing Committee on Finance (SCF) will be invited to:

- a) Agree the appointment of co-facilitators for the work on ways to achieve Article 2, paragraph 1(c), of the Paris Agreement;
- b) Discuss and agree on the scope, outline, and format of the work for consideration at CMA 5;
- c) Discuss and agree on the workplan and timeline to prepare the work.

I. Possible actions for consideration by the Standing Committee on Finance

1. **Scope and outline.** In its deliberations on the scope of the work regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation, the SCF may wish to consider:

(a) The *methodological scope and approach* to be taken in preparing the work, including the main considerations in collecting and presenting information and concepts reflected in Article 2, paragraph 1(c) and in the mandate (e.g. “ways to achieve”, “options for approaches and guidelines for implementation”);

(b) The *sources of information* taking into account the invitation for further submissions via the submission portal by 30 April 2023, and how they may be integrated in the work as well as other relevant reports;

(c) Whether the work should include *challenges and opportunities and/or recommendations* for consideration by the CMA.

2. In its deliberation on the outline of the work related to Article 2, paragraph 1(c) of the Paris Agreement, the SCF may wish to consider the possible elements of the draft outline as contained in annex I, with a view to agreeing an outline for the zero-order draft of the work.

3. In considering the scope and outline of the work, the SCF may wish take into consideration the following mandates and outcomes from COP 27 and CMA 4:

(a) The Sharm el-Sheikh dialogue in 2023 between Parties, relevant organizations and stakeholders to exchange views on and enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement¹;

(b) The request to the co-chairs of the ad hoc work programme on the New Collective Quantified Goal on Climate Finance (NCQG) to include in their annual report

¹ Decision - / CMA.4, paragraph 68

options for accelerating the achievement of the goal in Article 2 of the Paris Agreement of holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature to 1.5 °C above pre-industrial levels,² as well as the agreement to consider the aim to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.³

(c) The Global Stocktake (GST) is mandated in its technical component (June 2022 – June 2023) to organize its work in line with taking stock of the implementation of the Paris Agreement to assess the collective progress towards achieving its purpose and long-term goals, including under Article 2, paragraph 1(a–c), in the thematic areas of mitigation, adaptation and means of implementation and support,⁴ The final component of consideration of outputs will take place at CMA 5.

4. Format of the input to CMA 5. The SCF may wish to consider the mandate for the work in how the input to CMA 5 is reported, including whether to continue work on synthesising views and mapping information as separate documents or to produce one document.

5. Workplan and timeline. The SCF may wish to consider the draft workplan and timeline as contained in annex II.

II. Background

6. CMA 4 requested the SCF 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 CMA 5 and invited Parties and stakeholders in the financial sector to make further submissions thereon via the submission portal by 30 April 2023.⁵

7. In decision 10/CMA.3, paragraph 3, the CMA invited Parties, the operating entities of the Financial Mechanism, international financial institutions and other stakeholders in the financial sector to submit via the submission portal their 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 requested the SCF to submit a synthesis for consideration by CMA 4. In addition, By decision 4/CP.26, paragraph 13, the COP also requested the SCF to undertake further work relevant to Article 2, paragraph 1(c) including its reference to Article 9 thereof, with a view to providing input for consideration at COP 27.

8. In 2022, the SCF delivered the two mandated inputs to COP 27 and CMA 4 as addenda to the report of the SCF. The addendum on the synthesis of views regarding ways to implement Article 2, paragraph 1(c), of the Paris Agreement includes information from 14 submissions received from Parties and non-Party stakeholders on its scope, its relationship with Article 9 of the Paris Agreement, and on operationalizing Article 2, paragraph 1(c) as part of the intergovernmental process.⁶ The addendum on the mapping of available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof, provided updated information on new initiatives, status of relevant activities in the financial sector and implementation of methods and tools.⁷ In addition insights from the mapping including geographical scope, relevance to Article 9 and similarities and differences in approaches were outlined.

9. By decision 4/CP.24, paragraph 10, the COP requested the SCF to map, every four years, as part of its biennial assessment and overview of climate finance flows, the available

² See https://unfccc.int/sites/default/files/resource/cma4_auv_2_cover_decision.pdf.

³ Decision 14/CMA.1, paragraph 2.

⁴ Decision 19/CMA.1

⁵ In accordance with the paragraph 4 of the draft decision entitled “Matters relating to the Standing Committee on Finance” proposed under agenda item 8(a) of CMA 4.

⁶ See <https://unfccc.int/documents/620459>

⁷ See <https://unfccc.int/documents/620484>

information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof. The 2018 and 2022 BAs included information relevant to Article 2, paragraph 1(c) including methods and metrics, and data sets on flows, stocks and considerations for integration.

10. Article 2, paragraph 1, of the Paris Agreement states that the 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, as specified in paragraph 1(c), making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.

Annex I

Possible elements of the draft outline of the work on ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation

ACKNOWLEDGEMENTS

LIST OF ABBREVIATIONS

Executive summary by the SCF

Technical report

I. Introduction

1. Background and objectives. Mandate stemming from decision 10/CMA.4, paragraph 4 and context, including reference in decision 10/CMA.3, para. 3 and other relevant decisions.
2. Scope. Explanation of the nature and scope of the work regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement
3. Approach used in preparing the work.
4. Challenges and limitations.
5. Structure of the work

II. Updated synthesis of views

6. Summary overview of views in submissions, building on Section II. of Synthesis of views in 2022

III. Scoping the ways to achieve Article 2, paragraph 1(c), of the Paris Agreement

7. The scope of potential financing activities and actors involved in achieving Article 2.1(c);
 - (a) Views expressed in submissions, building on section III.A of the Synthesis of views in 2022
 - (b) Public sector financing activities and actors (Finance ministries, central banks and supervisory agencies, public development institutions, international organizations and others)
 - (c) Private sector financing activities and actors (financial sector net zero alliances, individual financial institutions, global standard setters, and others)
 - (d) Other financing activities and actors (e.g. non-governmental and civil society initiatives, philanthropy, and others)
8. The role of Article 2, paragraph 1(c) in climate finance flows from developed to developing countries

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- (a) Views expressed in submissions, building on Section III.B. of the Synthesis of views in 2022
 - (b) Other available information in the public and private financial sector

IV. Options for approaches – policy and mobilizing action

- 9. Description of *policies and approaches* for implementation of the goal including
 - (a) Views expressed in submissions, building on Table 2 of the Synthesis of views in 2022
 - (b) Description of policies and approaches in use in the public and private financial sector

V. Options for approaches – tracking and measuring progress

- 10. Description on *monitoring and transparency* of progress on commitments made related to Article 2, paragraph 1(c) of the Paris Agreement including
 - (a) Views expressed in submissions, building on information in the Synthesis of views in 2022
 - (b) Approaches and available qualitative and quantitative information on monitoring and transparency from public, private and non-governmental actors (e.g. group-level reports of financial sector net-zero alliances, NGFS, CFMCA and others)
- 11. Description of approaches to assessing *impact* of efforts related to implementation and achievement of Article 2, paragraph 1(c) of the Paris Agreement
 - (a) Views expressed in submissions, building on information in the Synthesis of views in 2022
 - (b) Approaches and available qualitative and quantitative information on impact of efforts of public, private and non-governmental actors (e.g. IPCC, iGST consistency case-studies, financial sector net-zero alliances, CPI, E3G and others)

VI. Guidelines for implementation

- 12. Description of the key challenges to achieve Article 2, paragraph 1(c) of the Paris Agreement
- 13. Description of the key opportunities to achieve Article 2, paragraph 1(c) of the Paris Agreement
- 14. Potential recommendations

VII. Annexes

VIII. References

Annex II**Draft workplan****Work on ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation****I. Mandate(s) and objectives**

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its 4th session requested the SCF 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 and invited Parties and stakeholders in the financial sector to make further submissions thereon via the submission portal by 30 April 2023;
2. The objective of the workplan is to ensure the delivery of the work regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation.

II. Overall Approach

3. Building on the experience of the SCF, the work on ways to achieve Article 2, paragraph 1(c), of the Paris Agreement could be organized and implemented through *technical work* and *Committee-level work*. The technical work allows the SCF, with the support of the secretariat, to draw on information from relevant sources.
4. Two co-facilitators would be appointed from within the membership of the SCF to guide the technical work intersessionally and during SCF meetings. The co-facilitators are supported by a technical team within the UNFCCC secretariat..
5. *Technical work* will be undertaken to support the SCF to deliver on the mandated work in relation to Article 2, paragraph 1(c) of the Paris Agreement. The work includes in-depth review of submissions received up to 30 April 2022, literature review and information gathering on ways to achieve and options for approaches in use in the financial sector regarding Article 2, paragraph 1(c) of the Paris Agreement. This involves data and information gathering from a range of sources, public and private, on the international, national and sub-national level.
6. The *Committee-level work* involves reviewing the technical work and providing further guidance. This includes providing input and reviewing drafts of the technical work disseminated to the SCF for its consideration including through written comments. Draft chapters and papers may be circulated to SCF members at least 3 weeks prior to SCF meetings. SCF members may be encouraged to provide feedback and/or written comments ahead of the SCF meetings to facilitate their integration and discussion during the formal SCF meeting. SCF members also have an additional two weeks after the meeting to provide feedback or written comments on the circulated drafts.
7. In addition, SCF members may be invited to informal dedicated calls intersessionally to ensure timely development of the technical report ahead of formal SCF meetings.

8. Depending on the approach the SCF wishes to take on the work, the Committee may wish to identify key findings from the technical work and prepare *recommendations* as appropriate in the context of providing input for consideration at CMA 5.

III. Outreach, engagement and dissemination

9. Engagement with various stakeholders including Parties, relevant stakeholders and data providers will take place particularly to confirm interpretation and presentation of information. Following finalization of the work, the key outputs will be disseminated through the SCF report to COP 28 and CMA 5, SCF side events at COP 28, and other communication channels with UNFCCC support, e.g. press release and social media.

10. The SCF may wish to deliberate on how it seeks to continue its efforts to engage Parties and relevant stakeholders in the financial sector to submit their views regarding ways to achieve Article 2, paragraph 1(c) of the Paris Agreement and to enhance the work of the SCF. In particular, the SCF may wish to consider integrating engagement on this issue within the events and activities organised in the context of the ad hoc work programme on the NCQG and the Sharm el-Sheikh dialogue to exchange views on and enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement, focusing on the following target audiences:

(a) Foster dialogue on coordinated climate action among networks of ministries of finance, central banks and supervisors, international organizations and private sector financial institutions to explore opportunities for system-wide shared action that go beyond individual networks;

(b) Facilitate strategic dialogue among international financial institutions, private sector financial institutions, and other relevant actors with the objective of promoting availability of information that will be necessary to track global progress on the goal outlined in Article 2, paragraph 1(c), of the Paris Agreement.

IV. Timeline

2. To ensure sufficient rigor, the work will be organized in four phases as outlined below. The table below presents possible milestones and an indicative timeline for the preparation of the work.

(a) **Phase I – developing and finalizing the scope and outline:** This phase involves developing the scope, structure and outline of the output to be initially discussed by the SCF at SCF 30;

(b) **Phase II – literature review and data gathering:** This phase will continue until the development of the pre-final draft of the output as relevant information becomes available. It will involve:

(i) Review of submissions received from Parties and relevant stakeholders;

(ii) Continuous literature review and data collection from sources of information as they become available;

(iii) Engagement with various stakeholders, including Parties, to confirm interpretation and presentation of information;

(iv) Further outreach through open technical stakeholder dialogues in conjunction with SCF meetings or webinars with broader stakeholder groups to gather inputs and views;

(c) **Phase III – development of the output:** This phase includes the iterative drafting of the output and presenting it for feedback at SCF meetings. A zero-order draft would be prepared ahead of SCF 31 based on the outline agreed at SCF 30, followed by a

pre-final draft prepared ahead of SCF 32, based on written comments and feedback of SCF members;

(d) **Phase IV – dissemination:** Following finalization of the output, the key findings will be disseminated through:

- (i) A dedicated addendum to the SCF report to CMA 5;
- (ii) SCF side events at CMA 5;
- (iii) Other communication channels with UNFCCC support including a press release and social media.

Table 1

Possible milestones and indicative timeline for the work regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation

Activities and deliverables	2022											
	Q1			Q2			Q3			Q4		
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Phase I: Developing and finalizing the scope and outline												
Scope, structure and annotated outline			SCF 30									
Phase II: Review of submissions, and relevant literature and data												
Review of submission received												
Literature review												
Engagement with Parties, and stakeholders												
Phase III: Development of the report												
Development of iterative drafts of the work						Zero-order draft (SCF 31 tbc)		Pre-final draft (SCF 32 tbc)				
Informal / Working group discussions based on draft chapters of the technical output												
Phase IV – dissemination												
Development of addendum to SCF report to CMA 5												
Communication and promotion of the output												CMA5

V. Expected outputs/deliverables

3. The key outputs may include:
 - (a) The addendum to the SCF report to COP 28 and CMA 5 on the work regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation;
 - (b) Background papers and presentations for SCF meetings;
 - (c) SCF meeting reports with guidance on this agenda item.