



## First Meeting of the Veredas Dialogue

9–10 June 2026

### Co-chairs' Informal Background Note and Guiding Questions

#### Session 3: International dimensions of implementing Article 2, paragraph 1(c) and its complementarity with Article 9

##### Context

Finance is a critical enabler of climate action<sup>1</sup>, yet today's global financial system does not allocate capital at the scale or pace required to support climate and sustainable development objectives.

Efforts to make finance flows consistent with a pathway towards low GHG emissions and climate resilient development are nationally determined, taking into account different national circumstances, country-driven strategies and the bottom-up nature of the Paris Agreement.<sup>2</sup> Yet, many countries continue to face systemic barriers and constraints within the international financial system that limit their ability to finance and implement national climate and sustainable development goals.

Issues related to debt sustainability, limited fiscal space and high costs of capital continue to constrain the ability of many countries to finance climate and development priorities. In addition, international capital market regulations, diverging trade regimes, constrained enabling conditions and investment environments, and fragmented public and private sector approaches to the consistency of finance flows may constitute a barrier for scaled-up climate investment, in particular towards developing countries. Furthermore, Parties have identified the risk of unintended consequences and potential adverse impacts when approaches to implement Article 2, paragraph 1(c) of financial and non-financial actors in some jurisdictions may not be aligned with national circumstances and different developmental needs in other jurisdictions.<sup>3</sup>

In response to growing fragmentation and the global investment gap, many countries and public and private financial sector actors recognize the importance of strengthened international cooperation. The NCQG decision called for continued efforts to reform the international financial architecture and to rapidly reduce existing constraints, challenges, systemic inequities and barriers related to access to climate finance.<sup>4</sup> During the Sharm el-Sheikh dialogue, participants also acknowledged the need to strengthen the role of financial systems in better supporting climate action and sustainable development.<sup>5</sup> Cooperative exchange of knowledge and coordination of sustainable finance policies, operational standards or terms and conditions can provide mutual benefits by easing the flow of climate-related goods, scaling up cross-border financing and support the capacities for developing sustainable, local financial sectors.

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<sup>1</sup> Decision 1/CMA.5.

<sup>2</sup> Decision 11/CMA.7, para 3(c).

<sup>3</sup> FCCC/PA/CMA/2025/10, available at <https://unfccc.int/documents/651079>.

<sup>4</sup> Decision 1/CMA.6.

<sup>5</sup> FCCC/PA/CMA/2025/10, para 36, available at <https://unfccc.int/documents/651079>.



The aim of this session is therefore to facilitate dialogue on the international dimensions of implementing Article 2, paragraph 1(c) and its complementarity with Article 9 of the Paris Agreement, taking into account in a cross-cutting manner the concerns and safeguards outlined in paragraph 3 of decision 11/CMA.7. In advance of the Xingu Finance Talks, an annual high-level roundtable to be organized later in the year by the COP 30 Presidency in cooperation with the co-chairs of the Veredas Dialogue<sup>6</sup>, the session also provides an opportunity to reflect on the role of the UNFCCC process in supporting the collective implementation of Article 2, paragraph 1(c) of the Paris Agreement across the financial system.

Following brief case studies, the session will be structured around an implementation-oriented exchange among participants, to identify practical solutions to two specific problem sets at the intersection of domestic and international financial systems.

#### **Problem Statements: Small group exercises facilitated by Experts**

1. *Country X faces high interest rates constraining investment in low GHG emission solutions. Given that transition investments could enhance resilience and improve macroeconomic stability over time, how can public and financial institutions lower financing costs and enable affordable, long-term capital for the country's transition pathways?*
2. *Country Y requires significantly scaled-up investment to implement its national climate plans and support a just transition, but faces persistent challenges in attracting affordable and long-term finance, including institutional capital. What practical measures can be taken to strengthen international and domestic enabling conditions and channel public and private investment towards low-GHG emission and climate-resilient development pathways?*

*Groups are asked to collectively address the posed problem and develop possible solutions to present, including roles of various actors and proposed actions that may help advance the solution.*

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<sup>6</sup> Decision 11/CMA.7, para 13