Submission by Poland and the European Commission on behalf of the European Union and its Member States

Warsaw, 20/03/2025

Subject: Baku to Belém Roadmap to 1.3T

Summary of Key points:

- The Baku to Belem Roadmap should serve as a practical tool to unlock private capital for climate-related investments. It should focus on scaling up private finance and catalysing investments that drive climate action.
- To achieve this, the Roadmap process should actively identify and involve external stakeholders, particularly businesses and institutional investors, ensuring broad engagement of all key actors.
- The Roadmap should identify key action areas at global and national levels, outlining clear pathways to mobilize the 1.3 T target.
- The Roadmap should build on existing processes and initiatives to sustain momentum. It should serve as a platform to inform and consult external actors, advocate for reforms and innovative solutions, and create synergies between the UNFCCC community and external stakeholders.
- Crucially, the Roadmap must not be used to reopen any part of the agreed decision on the NCQG and must not become a negotiated outcome.

Introduction/Background:

The EU and its Member States welcome this opportunity for Parties and non-party stakeholders to submit views on the Baku to Belém Roadmap to 1.3T based on the questions posed by the COP29 and COP30 Presidencies. The EU and its Member States believe that facilitating an open, inclusive and transparent process is essential to ensuring broad support and committed engagement from all relevant partners and stakeholders. We look forward to engaging with all partners and stakeholders on the basis of what is presented below.

Against the backdrop of three years of technical discussions on the structure, content and operationalization of the New Collective Quantified Goal (NCQG) on climate finance leading up to COP29, the EU and its Member States are pleased to now focus on the practical implementation of the goal. The EU and its Member States remains committed to work with all partners on the Roadmap process. In our view, this process is a mean to support ambition and does not constitute a space to reopen any part of the agreed decision on the NCQG.

The EU and its Member States also note that the Roadmap, being developed under the guidance of the Presidencies in consultation with Parties, is to be concluded with a report by CMA7.

The EU and its Member States do not foresee a negotiated outcome. As such, the process is a one year, timebound effort. Therefore, the Roadmap needs to be seen as one important part amongst others on possible pathways on how to reach scale. Certain elements identified in the Roadmap may be more appropriately considered and taken forward by the respective fora and processes, and thus the Roadmap cannot form any basis for future commitments or obligations, that have not otherwise been agreed upon in the respective forums. Following the call for submissions, the EU inputs are structured along the lines of the posed questions in the below section.

(a) What are your overall expectations for the "Baku to Belém Roadmap to 1.3T"?

The "Baku to Belém Roadmap to 1.3T" is envisioned as a valuable way for all actors as part of a global effort to work together to enable the scaling up of financing to developing country Parties for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035. With the NCQG decision now in place, the Roadmap should serve as a unifying process that connects key actors, processes, and initiatives, driving momentum and increasing public and private engagement in climate finance. Therefore, we expect activities under the roadmap to be inclusive to a broad range of actors, including businesses and investors.

At its core, the Roadmap is designed to accelerate efforts to address barriers to investment in climate action in developing countries. This includes reforms on a domestic level, enhancing access to capital markets as well as to financial support, creating enabling environments at both international and domestic levels, and ensuring that financing leads to tangible results and impact on the ground. Achieving such a scale of investment requires robust global cooperation, involving all relevant stakeholders, public and private, national and international, extending beyond the UNFCCC framework. This should include notably but not be limited to insurers, institutional investors, supervisors, Export Credit Agencies and Development Finance Institutions, credit rating agencies, financial regulators, domestic business organisations and other financial actors who have a key role to play in facilitating better enabling environments, as well as international regulatory, standard setting and supervisory bodies in the global finance ecosystem.

A key priority of the Roadmap should be to support efforts to unlock greater levels of private capital, particularly from private institutional investors. While public finance remains crucial, especially for adaptation and in supporting the most vulnerable countries and communities - particularly LDCs and SIDS, it will not be sufficient to meet the scale of finance needed for the climate transition. This makes it imperative to put in place and strengthen mechanisms that leverage private sector engagement and to look beyond direct mobilisation of private finance and towards catalysing private finance with broad structural reforms and investments. Therefore, the Roadmap should emphasise the value of whole-of-government approaches, such as country platforms involving economic stakeholders, to strengthen international and domestic enabling environments, scale up private finance, and catalyse investment, keeping in mind the need to avoid greenwashing.

To be fit for purpose, the Roadmap should focus on qualitative elements that enable the effective mobilization of finance. Improving access, ensuring inclusivity and transparency, exploring mechanisms to reducing cost of capital, strengthening regulatory frameworks, addressing the

burden of indebtedness, reducing investment risks, including currency risk and addressing policy and regulatory barriers (including those that hinder private capital attraction) will be crucial in creating an investment-friendly environment. This would benefit from the active involvement of businesses, investors and philanthropies that can bring ideas and solutions to the table.

Another important aspect is that since climate finance is a tool, it must be deployed in a way that does not exacerbate existing inequalities but instead contributes to addressing them. The Roadmap must take this into account by adopting an approach that respects and promotes human rights, gender equality and the rights of children and youth, persons with disabilities, Indigenous Peoples, local communities, migrants and refugees, climate-vulnerable communities, and people in vulnerable situations. This can also contribute to more effective financing – for example, ensuring gender-responsive policies has been shown to improve the effectiveness and efficiency of climate finance.

Furthermore, the Roadmap should act hand in hand with, serve as a platform to align and channel the outcomes of all the key relevant fora – such as the G20, the International Conference on Financing for Development, the Coalition of Finance Ministers for Climate Action, and initiatives like the Bridgetown Initiative and the Paris Pact for People and the Planet. By fostering synergies between the UNFCCC community and external stakeholders, we can clarify the role of various actors in mobilising climate finance. This would also be conducive with a view to strengthen synergies with financing commitments in other fora, such as CDB, since barriers to and challenges for mobilising financing are similar across various policy areas.

(b) Which topics and thematic issues should be explored to inform the Roadmap, within the scope of the mandate?

The Roadmap should focus on thematic issues that are central to bringing all actors to work together to enable the scaling up of financing for climate action from all sources to 1.3T USD by 2035. Key thematic topics to be explored, include:

- Ensuring committed engagement from all key stakeholders, both inside and outside of the UNFCCC process;
- Building on and informing the continued reform process of the international financial architecture, including multilateral development banks (MDBs), to make them more responsive to country priorities and better positioned to catalyse financing for climate action, and considerations related to international financial regulations/regulatory barriers including the role of credit ratings;
- Exploring the role of country platforms as an opportunity to develop investment plans aligned with ambitious national climate plans and long-term strategies, effectively connecting national climate finance needs and projects with public and private finance stakeholders and investors;
- Providing strong, clear and long-lasting signals to the private sector on the direction of climate finance efforts;
- Strengthening national and global enabling environments and framework conditions, including regulatory frameworks and policies such as carbon pricing, to unlock large-scale investments in green transition and resilience;
- Exploring the development of suitable investment vehicles for global institutional investors;

- Identifying ways to reduce barriers, enhance access and scale up adaptation finance for countries most vulnerable to climate change, in particular LDCs and SIDS; including addressing the high cost of capital and debt burdens that limit developing countries' access to climate finance;
- Exploring the role of innovative sources of finance and financial instruments, with a focus on those capable of scaling up climate finance in developing countries, and;
- Addressing flows running counter to climate objectives, including phasing out fossil fuel subsidies that do not address just transitions or energy poverty, and re-directing finance flows away from fossil fuels and towards sustainable and safe renewable energy.

(c) What country experiences, best practices and lessons-learned can be shared related to barriers and enabling environments; innovative sources of finance; grants; concessional and non-debt creating instruments, and measures to create fiscal space?

While a snapshot is provided here below, the question (d) also delves into the wide array of existing workstreams that provide insights into experiences, best practices and lessons learned:

- The Coalition of Finance Ministers for Climate Action (CFCMA) produces an annual Climate Action Statement (CAS), which includes a comprehensive list of examples of climate actions that the 90+ members are undertaking. The CAS could be used as a source of country experiences, best practices and lessons learnt – in particular on measures to ensure an **enabling environment for investments in climate action** (e.g. tools such as carbon pricing).
- When it comes to **innovative sources of finance**, MDBs can play their part. The European Investment Bank (EIB) recognises that tackling climate change requires going beyond traditional financing approaches. It invests in equity funds as debt and equity are needed to get projects off the ground. It also offers innovative bond instruments that provide a transparent link to investments for climate action, for example through its Climate Awareness Bonds which make the EIB among the largest issuers of green bonds worldwide.
- As the first multilateral climate fund, the **Climate Investment Funds (CIF)** will raise investment capital directly from international capital markets through the CIF Capital Market Mechanisms (CCMM). This pioneering initiative aims to unlock private sector capital to accelerate the scaling of clean energy and sustainable infrastructure in emerging economies.
- To improve enabling environments and diminish investment barriers, it is useful to look at best practices regarding **risk hedging, including local currency lending.** For example, the work done by TCX contributes to more sustainable development in emerging and frontier markets without inducing additional debt. Many European financial institutions for development, including the EBRD, EDFIs, and EIB, are actively involved in providing local currency lending. Additionally, guarantees of the European Commission through the European fund for Sustainable Development+ have supported development financial institutions to de-risk investments to attract private finance.
- Many countries have put in place clear policies as a result of joining **The Clean Energy Transition Partnership** which requires the withdrawal of international public support for the international unabated fossil fuel energy sector by the end of 2022. For example,

some countries have developed guidelines opposing fossil fuel energy projects and prioritizing clean energy projects in their export credit agencies, their development finance institutions, as well as in national representation in international financial institutions. This contributes to an overall **enabling environment** for Paris-aligned investments.

- A key lesson learned, repeatedly emphasised by the private sector, is that a clear **price on carbon** is a highly efficient way for a country to attract investments in climate action. Ambitious, long-term and stable climate policy creates an attractive investment climate. Transparency (e.g. taxonomies), consistency and rule of law are also necessary enablers for private investors.
- It is good to scale up or take an example from innovative initiatives like ILX. ILX is an asset manager specializing in global development finance co-investment strategies. Their funds provide institutional investors with access to investment opportunities in emerging markets and developing economies through the MDBs and DFIs.
- To scale up climate finance of developing country Parties, the **Just Energy Transition Partnerships (JETPs)** approach provides valuable lessons that can be continued in country platforms, which can have significant potential to mobilize private sector funding to address national priorities such as energy security and access to energy.

(d) Which multilateral initiatives do you see as most relevant to take into account in the Roadmap and why?

- The **G20 processes incl.** the **G20 Finance Track/Sustainable Finance Working Group** and the **G20 Taskforce on a Global Mobilization against Climate Change**. For example, the G20 Taskforce on a Global Mobilisation against Climate Change has undertaken crucial work on actions in national economies and in the international financial system with a view to accelerating and scaling up climate action, in synergy with sustainable development priorities and efforts to eradicate poverty and hunger. This includes the endorsement of country platforms based on strong country ownership, facilitating the translation of climate policies and pathways into concrete investment plans.
- Dedicated **dialogue on climate finance for SIDS and LDCs** organised by the EU together with developing and developed countries to facilitate an exchange addressing concerns raised by SIDS and LDCs in various international fora regarding the mobilization of climate finance at scale. This dialogue aims to foster a comprehensive and collaborative dialogue and advance climate finance solutions for these vulnerable countries.
- The 4th **International Conference on Financing for Development** is a critical space to discuss (the reform of) financing for development, including for the SDGs, organised at the highest possible political level.
- The **G20 Roadmap towards Better, Bigger, and more Effective MDBs** can be helpful for clarifying the role of MDBs in the Baku to Belem Roadmap. It sets a comprehensive vision for MDBs to address the global challenges of the 21st century with an appropriate sense of urgency and determination as we are currently in the critical decade for climate action.

- As we need all actors on board, the **Network of Central Banks and Supervisors for Greening the Financial System** (NGFS) can play a critical role in contributing to the development of environment and climate risk management in the financial sector and to mobilise finance to support the transition toward a sustainable economy.
- As the private sector will be of the utmost importance in mobilizing climate finance, the **Glasgow Financial Alliance for Net Zero** (GFANZ) can help to engage private actors to address and catalyse action toward the challenges and opportunities associated with the green transition.
- The **Bridgetown Initiative** contributed to a paradigm shift when it comes to discussing the reform of the international financial architecture and proposes clear actions for such reform.
- Launched at the Summit for a New Global Financing Pact in June 2023, the **Paris Pact for People and Planet** established four guiding principles for a more effective financial architecture. The 4P provides an inclusive forum where participating countries can discuss, work together and put forward new initiatives. Several 4P initiatives will present recommendations and concrete solutions in 2025 to scale up financing for climate action among others and address specific barriers. They include the Global Solidarity Levies Task Force, the Global Expert Review on Debt, Climate and Nature or the coalition on Climate Resilient Debt Clauses (CRDCs).
- The **Coalition of Finance Ministers for Climate Action** brings together fiscal and economic policymakers from over 90 countries to work towards the purpose of mainstreaming climate change aspects into domestic economic and financial policies and public finance and promotes domestic and global action on climate change. The Coalition strives to highlight and draw from the wealth of country experiences that show how Ministries of Finance are working to scale up finance and catalyse investments in climate action, by engaging in whole-of-government approaches, by mainstreaming climate action into macro-economic and fiscal policies, including through carbon pricing, budgeting, public investments, public procurement and financial sector policy, and by involving economic stakeholders and strengthening their engagement in these efforts. Such concrete examples and best-practice approaches can enrich discussions on the Roadmap.
- **Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies** (COFFIS) is a coalition of 16 countries working to remove fossil fuel subsidies. All United Nations member governments have pledged to phase out inefficient fossil fuel subsidies under the SDGs and UNFCCC COP 26–28 outcomes. COFFIS members intend to lead by example by setting timelines for removing financial incentives to fossil fuel production and consumption and promoting a level playing field between industries.
- **Climate and Development Ministerial**, a forum to unite and support climate and development ministers to address the priorities of climate-vulnerable countries, including access.
- To address specific concerns relating to accessing climate finance, the **Task Force on Access to Climate Finance** can provide useful input. In order to respond to the persisting issue of lack of access, it has developed principles and recommendations which constitute a new approach to access, programming and use of climate finance.
- The **Clean Energy Transition Partnership (CETP)**, launched at COP26 in Glasgow, where country and public finance institution signatories committed to transition international

public support towards the clean energy transition and out of unabated fossil fuels. This initiative has contributed to a significant shift in international public finance flows from CETP members away from fossil fuels and towards clean energy (an increase of USD 5 billion in 2022 according to an estimate of the International Institute for Sustainable Development). Alongside other initiatives, it contributes towards creating a level-playing field and aligning policies for Development Finance Institutions (DFIs), Export Credit Agencies (ECAs) and other public finance institutions with the Paris Agreement.

- The **Net-Zero Banking Alliance (NZBA)** is a group of leading global banks convened by the UN, committed to aligning activities with net-zero greenhouse gas emissions by 2050. NZBA's framework, guidance and learning opportunities support their members consisting of 130 banks from 44 countries, representing $ 54 trillion in assets.
- In a similar vein, the **Net Zero Asset Managers** (NZAM) initiative focusing on asset managers, the UN-convened **Net-Zero Asset Owner Alliance** (NZAOA) focusing on institutional investors and the UN-convened **Net-Zero Export Credit Agencies Alliance** (NZECA) focusing on export credit agencies and export-import banks are just as relevant.
- **Export Finance for Future (E3F)** is an ambitious coalition aiming to align public export finance with climate goals and increasing support for sustainable and climate-friendly projects as well as accelerating the progressive phasing out of fossil-fuel related projects.
- The **Institutional Investors Group on Climate Change (IIGCC)** is a network bringing together the investor community to make significant progress towards a net zero and climate resilient future, consisting of more than 400 members across 27 countries, representing more than $ 70 trillion in assets.
- The **Forest & Climate Leaders' partnership (FLCP)**, launched at COP26, is working with existing initiatives and organisations to committed to halt and reverse forest loss and land degradation by 2030, whilst delivering sustainable development and promoting an inclusive rural transformation.