Xingu Finance Talks under the Veredas Dialogue

Informal Summary by the CMA 7 Presidency

Mandate

At CMA 7, Parties requested the CMA Presidency to convene the Xingu Finance Talks under the Veredas Dialogue and in consultation with the co-chairs thereof, as an annual high-level round table with a view to facilitating a cooperative exchange of views among all interested Parties and non-Party stakeholders, in particular academia, international financial institutions and the private sector, on practical solutions that address the challenges and opportunities in the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement.[1]

Organization of the first cycle of the Xingu Finance Talks

The Xingu Finance Talks high-level roundtable was held on 13 October 2026 in Bangkok, Thailand, at the sidelines of the 2026 Annual Meetings of the International Monetary Fund and the World Bank Group. 44 high-level representatives attended the roundtable, including 19 representatives of Parties to the CMA, ministries of finance and other branches of governments, 7 representatives of multilateral development banks (MDBs) and other development finance institutions (DFIs), 3 representatives of central banks and financial supervisory bodies, 7 representatives of international organizations including the UN system and multilateral initiatives relevant to the financial sector, 2 representatives of the private financial sector, and 6 representatives from academia and civil society. In addition, 40 observers attended the roundtable, which was also webcast virtually.[2]

For the inaugural Xingu Finance Talks, the COP30 Presidency proposed tackling two topics identified as priorities: *i) Expanding fiscal space for climate investment* and *ii) Reducing the cost of capital through risk-sharing and guarantees*.

A preparatory Workshop on Practical Solutions was held on 11 October 2026 also in Bangkok, Thailand, with a view to informing the High-level roundtable. It was attended by 80 participants who engaged in interactive discussions and solutions labs which aimed to bring

[1] Decision 11/CMA.7, para 13.
[2] The recording is available at https://unfccc.int/event/xingu-finance-talks-annual-high-level-roundtable.

about practical examples of how Article 2, paragraph 1(c) and its complementarity with Article 9, is being implemented in practice by countries and stakeholders. In preparation for both events, the COP30 Presidency engaged with Parties and non-Party stakeholders through two webinars held on 3 September 2026.

The COP30 President noted that not all Parties and stakeholders interested to participate were able to attend the Xingu Finance Talks events.

Summary

This informal summary aims to capture solutions discussed during the Xingu Finance Talks, and is non-exhaustive, informal and has no status. The Xingu Finance Talks is a facilitative space for exchange of views among Parties and non-Party stakeholders, taking into account the concerns and safeguards outlined in paragraph 3 of Decision 11/CMA.7. It does not constitute a negotiation process nor is intended to create new obligations.

1. *Expanding fiscal space for climate investment*

High-level representatives and technical experts discussed a range of potential solutions to expand fiscal space for climate investment. Participants widely acknowledged that governments, in particular in developing countries, face significant challenges with investing in climate resilience and low GHG emissions development pathways while facing high debt burdens and limited fiscal space.

The complementarity with Article 9 of the Paris Agreement was affirmed as an important safeguard for the implementation of Article 2, paragraph 1(c). Many participants stressed that sustained public international climate finance, including on grant- and concessional basis, in line with international commitments and obligations under Article 9 of the Paris Agreement, remains a cornerstone for supporting climate action in developing countries.

High-level representatives and technical experts highlighted key issue areas to focus efforts for expanding fiscal space for climate investment:

Key Message 1.1: **Treat low GHG emissions and climate resilience investments as investments, not costs.**

Participants stressed that investments in renewable energies, other low-GHG emissions technologies and for adaptation have clear benefits for macro-economic growth, energy security and fiscal resilience in the face of climate and economic shocks. Therefore, participants converged on maintaining momentum for integrating climate-related considerations into financial decision-making processes. Practical solutions included, inter alia:

- Supporting the implementation of ongoing revisions to Debt Sustainability Analyses (DSAs), including the Debt Sustainability Framework for Low-Income Countries (LIC-DSF), so that climate investments receive acknowledgement as risk-reducing and sustainable growth-enhancing investments, rather than financial costs;
- Strengthening methodological efforts for integrating climate vulnerability, resilience benefits, and avoided future losses into debt assessments and broader financial decision-making;
- Considering the extension of DSA reforms beyond low-income countries to all climate-vulnerable countries, including higher income countries that currently do not qualify for concessional support;
- Reviewing sovereign credit rating methodologies, which many participants argued systematically overestimate risks in developing countries, particularly in Africa and SIDS and LDCs, and integrating climate-related risks and opportunities more strongly into commercial rating methodologies.

Key message 1.2: **Existing debt-related instruments are promising tools but require further expansion in scale and adoption across financial market actors, to more effectively support countries with limited fiscal space for closing the climate and development investment gap**.

Suggested solutions included, inter alia:

- Expanding Climate-Resilient Debt Clauses (CRDCs) across sovereign lending;
- Broadening the adoption of climate-resilient debt pause clauses across all MDBs, DFIs, bilateral creditors, and commercial lenders, and identifying barriers that impede uptake in commercial markets in particular;

- Reviewing access requirements of international financial institutions for debt-for-climate, -resilience or -nature swaps, with a view to increasing scope to all debt-distressed and climate-vulnerable countries, regardless of income classifications;
- Strengthening international coordination of debt sustainability discussions with a view to avoiding a "vicious circle" of rising climate impacts and debt constraints, including through existing initiatives such as the Borrowers Platform, Paris Club, the Sevilla Forum on Debt as well as the UN working group on responsible sovereign borrowing and lending principles.

Key message 1.3: **All countries must be supported in nationally determined climate and financial policy efforts and reforms that can generate fiscal space for climate investment and development priorities.**

Suggested solutions included, inter alia:

- Developing sustainable finance frameworks and tools, including taxonomies, climate-related disclosure frameworks, green bonds, and public financial management frameworks such as climate budget tagging and tracking;
- Supporting the translation of NDCs, NAPs and other climate plans into investment planning, sectoral roadmaps and project pipelines that can mobilize additional public and private finance;
- Complementing international public finance commitments, strengthening domestic resource mobilization efforts, including improved tax systems and other revenue enhancing measures, were highlighted, for example:
    - Considering, on a voluntary basis, nationally determined approaches to carbon pricing with a view to providing market incentives for scaled-up investment in low GHG emission and climate-resilient development pathways;
    - Repurposing and reducing inefficient subsidies, in particular those not consistent with climate and environmental objectives, in a socially acceptable way and according to national circumstances;
    - Exploring innovative sources of finance at domestic and/or international levels including international solidarity levies, taxation for high-emitting sectors and similar approaches, with targeted revenue recycling for climate and development priorities.

2. *Reducing the cost of capital through risk-sharing and guarantees*

High-level representatives and technical experts discussed a range of potential solutions to reduce the cost of capital through risk-sharing and guarantees, and highlighted key issue areas to focus joint efforts:

Key message 2.1: **The expansion of guarantees and risk-sharing instruments can support more effective use of public finance and catalyze successive investments, but further standardization, product innovation, market diffusion and better data is required to reach scale.** Participants highlighted that guarantees and other risk-sharing instruments already work, but remain too bespoke, expensive, and difficult to scale across markets.

Proposed solutions included, inter alia:

- Deploying guarantees more systematically through MDBs and DFIs rather than using them selectively, for example through portfolio guarantees and expanding existing co-guarantee arrangements, that bring together multilateral, bilateral and local public financial institutions to de-risk private capital;
- Supporting the creation of pooled multi-guarantor arrangements and regional guarantee mechanisms, that can incentivize participation of different financial institutions with varying risk appetites and investment mandates;
- Targeting the use of guarantees to support first-of-a-kind projects and nascent financial markets and technologies, to facilitate an "investor confidence effect" over time. Participants noted that guarantees and highly concessional finance is often needed to establish first successful investment cases, after which risk perceptions and cost of capital decrease;
- Rolling out standardized guarantee structures and term sheets to reduce transaction costs for financial institutions and recipients, while remaining cognizant of country contexts;
- Improving the availability of data on the performance of guarantees, to strengthen the evidence base for their prudential treatment. Participants noted that where guarantees transfer risk, it is not always reflected in the capital that financial institutions are required to hold, which limits their effect on the cost of capital. Concrete proposals and initiatives included:

- MDBs, DFIs, and other stakeholders to make available, where possible, anonymized transaction-level evidence on the materiality and performance of guarantee structures, covering among others, effect on capital pricing, default and recovery data, claims payment experience, and examples of inconsistent implementation across jurisdictions, to inform prudential treatment of guarantees;
- A guarantee directory being established by the Green Guarantee Group in collaboration with the Government of Barbados;

- Accompanying risk-sharing and guarantee instruments by technical assistance and institutional capacity building.

Key message 2.2: **A key component for reducing the cost of capital will include strengthening local currency financing, local capital markets and risk-sharing instruments that are tailored to country circumstances, policy environments and regional contexts.**

Solutions identified included, inter alia:

- Expanding local currency financing to reduce currency risk, with dual benefits for reducing the cost of capital and reducing exposure to global financial cycles;
- Developing local currency guarantee structures and first-loss facilities;
- Developing country- or regional-specific approaches to risk-sharing and capital stacking, including through strengthened in-country support for translating NDCs and NAPs into investment planning, sectoral roadmaps, and country-platform approaches.

3. *Crosscutting opportunities*

Across both topics, several overarching opportunities were identified, to overcome existing challenges and support accelerated implementation of Article 2, paragraph 1(c) and its complementarity with Article 9.

Opportunity 1: **Working together as a system is required to scale-up investment across the financial system and make finance flows consistent with a pathway towards low GHG emissions and climate resilient development**.

Participants stressed that enhanced coordination of governments, including ministries of finance, financial regulators and central banks, with MDBs and other development finance institutions, private financial sector, academia and civil society can help to foster synergies and align investment approaches with respective risk appetites, investment mandates and institutional capacities.

Practical solutions identified included, inter alia:

- Continuing the implementation of the MDB reform agenda and recommendations of the capital adequacy framework (CAF) review;
- Making MDB balance sheets more responsive to global economic shocks and climate-related impacts, as well as supporting the development of fiscal buffers and disaster-risk financing frameworks;
- Expanding concessional public finance and offer longer maturities;
- Moving from project-by-project financing to programmatic, sectoral and country-platform approaches, which facilitate alignment with country priorities and greater participation of public and private pools of capital;
- Supporting ongoing coordination efforts among MDBs, multilateral climate and environmental funds, and regional and national development banks as a system;
- Strengthening MDB and DFI policy-based lending linked to climate reforms and the identification of sustainable infrastructure pipelines;
- Supporting and strengthening the establishment of regional, national and subnational DFIs or national climate funds, which can act as important intermediaries for international climate finance and investment.

The emphasis was not on creating new institutions but on making existing institutions work together more effectively.

Opportunity 2: **Better, accessible data and climate-related financial information is essential for addressing cost of capital and assessing the risks and opportunities of climate investment.**

A shared message was that collaborative efforts to enhance the availability of financial data, in particular in developing countries, and of information on physical climate risks and low emissions pathways, can address elevated perceptions, unlock private sector investment

and support the transformation towards sustainable financial systems. Concrete proposals included, inter alia;

- Expanding data collection initiatives such as the Global Emerging Markets Risk Database (GEMs consortium), and deepening data points to create a larger evidence base on default and recovery rates, spread statistics, localized and private sector data, physical climate risks, climate resilience benefits and investment performance;
- Improving the transparency on the performance of guarantees and risk-sharing instruments, including through enhanced provision of anonymized transaction-level data *(see key message 2.1 above for further detail);*
- Supporting greater use and application of financial and climate-related data in commercial investment decisions and credit rating assessments, which may help reduce investment uncertainty and lower the cost of capital for country-level investment in developing countries;
- Working towards comparability and interoperability of climate disclosures, reporting standards and sustainable finance frameworks such as taxonomies to support cross-border financing while taking into account nationally determined approaches and circumstances;
- Maintaining momentum on enhanced data collection and methodological developments to assess physical climate risks and evaluate the macro-economic and financial benefits of adaptation investment for sovereign, sub-sovereign and private financial sector actors;
- Bringing these efforts together in an international ecosystem for investment performance and physical climate risk data, building on existing initiatives, to improve data availability, accessibility, comparability and use in investment decisions.

Opportunity 3: **Capacity-building for sustainable finance approaches and support for developing project pipelines must be strengthened, including through targeted use of public concessional finance and technical assistance**.

Practical solutions included, inter alia:

- Targeted use of international public finance from bilateral and multilateral sources, including grants and highly concessional finance, to support project preparation and pipeline development, sectoral roadmaps and sustainable financial policymaking, to catalyze private sector finance by lowering policy, legal, and project risks;
- Making better use of readiness programs to help target fiscal interventions more effectively;
- Strengthening technical assistance and capacity-building efforts by multilateral and bilateral DFIs, as well as by peer-learning networks such as the Coalition of Finance Ministers for Climate Action or the Network for Greening the Financial System (NGFS), with a view to building domestic institutional capabilities and reducing long-term reliance on external experts;
- Supporting programmatic and country-led or regional platform approaches, which have a greater potential to institutionalize domestic knowledge and capabilities.

Conclusion

The inaugural Xingu Finance Talks marked the first time the UNFCCC process was formally mandated to engage with relevant financial institutions and actors to exchange on practical solutions that address the challenges and opportunities in the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement. The technical quality of discussions and strong engagement by governments, public and private financial institutions, civil society and academia demonstrated the value of this new format, facilitating the practical exchange of views between the climate and financial community.

The COP30 Presidency calls for the opportunities and practical solutions identified to be carried forward in future sessions and considered under the Veredas Dialogues, so that the momentum generated by this first edition translates into concrete action.