24 March 2025

Submission by the International Chamber of Commerce in its role as UNFCCC Business and Industry Constituency Focal Point on the "Baku to Belém Roadmap to 1.3T"

The International Chamber of Commerce (ICC) is the institutional representative of 45 million companies from all sizes and sectors in more than 170 countries. ICC is deeply committed to the objectives of the Paris Agreement and recognizes the urgent need to scale and accelerate global climate action across all its pillars and to support developing countries' efforts in this regard.

ICC has served as the United Nations Framework Convention on Climate Change (UNFCCC) Focal Point for Business and Industry NGOs Constituency (hereafter BINGO) since the early 1990s, providing technical expertise and real economy insights to the negotiations, and exchanging with governments and all non-State actors on opportunities and challenges to implement the Convention and its Paris Agreement.

A. Context

ICC and BINGO welcomed the COP29 decision on the New Collective Quantified Goal on climate finance (NCQG) – aiming to triple finance to developing countries, from the previous goal of USD 100 billion annually, to USD 300 billion annually and mobilize at least USD 1.3 trillion annually from all sources, by 2035, as well as the launch of the "Baku to Belém Roadmap to 1.3T" (hereafter the Roadmap).

We recognize the initiative's objective in the context of the call on all actors to work together to enable the scaling of climate financing to developing countries to at least USD 1.3 trillion per year by 2035, to "scale up climate finance to developing country Parties to support low greenhouse gas emissions and climate-resilient development pathways and implement the nationally determined contributions and national adaptation plans, including through grants, concessional and non-debt creating instruments, and measures to create fiscal space, taking into account relevant multilateral initiatives as appropriate".

We estimate that around two thirds of the USD 1.3 trillion goal is expected to come from the private sector – both mobilized by public institutions and deployed on commercial terms, placing immense pressure on financial institutions and investors. At the same time, private capital flows to emerging and developing economies (EMDEs) are increasingly constrained by significant regulatory barriers, financial risks and an unattractive investment climate.

Urgent and substantial further efforts are therefore needed to translate the NCQG decision into action and allow the private sector to fully play its role, particularly by removing persistent barriers to private investment in low-carbon emissions and climate-resilient solutions. The Roadmap represents a unique opportunity for governments to establish a clear action agenda for achieving the USD 1.3

trillion goal and more broadly aligning the global financial system with the Paris Agreement goals goal. It should focus on the enabling policies and regulations, structural reforms, existing and innovative financial instruments and partnerships needed to catalyse public and private investment at scale and pace to close this financing gap with urgency.

B. Business expectations on the outcome and process

ICC expects the Roadmap to provide a clear and actionable pathway towards the USD 1.3 trillion goal, including concrete commitments from Parties to make financial frameworks, rules, institutions fit for purpose and implement enabling policies both at national and global level to support various actors, such as the private and financial sector in contributing to the overall investment goal. The Roadmap should also include a commitment to scaling existing efforts and provide a set of concrete solutions and financial instruments to enabler greater private climate finance flows into EMDEs.

Discussion under the Roadmap should be open, transparent and inclusive, engaging Parties, non-Party stakeholders, and in particular the private sector, and key actors outside of the UNFCCC – including multilateral development banks (MDBs), financial regulators, international standard-setting bodies, financial central banks and development institutions and representatives from the real economy – through a clear and structured stakeholder engagement strategy. Consultations should take various forms, including written submissions, virtual and in-person briefings with private sector experts, and formal in-session dialogues, with opportunities for input communicated early and coordinated with existing groups, particularly UNFCCC Observer Constituencies.

We encourage the COP Presidencies and Parties to closely engage and coordinate with BINGO and to leverage key opportunities for discussion with business, including in parallel to events where the private sector is already active, such as London and New York Climate Action Weeks, World Bank/IMF Spring and Annual Meetings, Fourth International Conference on Financing for Development (FfD4) and FfD4 International Business Forum and UNFCCC Climate Weeks.

C. Key priority areas and thematic issues to inform the Roadmap discussion

1. **Alignment of the global financial system with the goals of the Paris Agreement**
   From a real-economy perspective, it is clear that the global climate and development goals can only be reached – if the financial system is fully aligned in service of those objectives and if all actors work together. In order to mobilize the trillions of dollars needed, governments must create favourable conditions and facilitate increased private finance flows. Focused and inclusive discussions on the following key priority areas where governments can prioritize efforts to close the persistent climate investment gap in EMDEs are critical:

   a. **Impact of macroprudential regulations on private finance flows to EMDEs**
      There is a growing body of evidence that macroprudential rules, such as Basel III, act as an inadvertent barrier to the supply of climate finance to developing economies – a challenge further compounded by sovereign downgrades since the COVID-19 pandemic, which have increased regulatory capital weightings for investments in some developing markets.

In this context, we believe that the Roadmap should include a structured dialogue among international standard-setting bodies, financial regulators, central banks, development institutions and the private and financial sector to better understand the impact of global macroprudential rules on climate finance flows and explore potential solutions and mechanisms to address this problem.

Such a dialogue should explore, as a priority, potential mechanisms – without unduly jeopardizing global financial stability – to: (i) avoid automatic increases in regulatory capital charges for existing assets in instances of sovereign downgrades; (ii) provide enhanced capital treatment for critical sustainable infrastructure projects that meet recognised international quality standards; and (iii) ensure regulatory capital requirements for exposures covered by multilateral credit guarantees for climate-related investments are more nuanced and sensitive, reflecting the actual risk mitigation features of the guarantee products. The rules should be designed to avoid an all-or-nothing approach, allowing for a more accurate representation of the underlying risk.

b. Potential of multilateral development banks to become genuine catalysts of private finance

Blended finance and the strategic use of public funds to attract private capital for critical decarbonization and adaptation and resilience efforts holds enormous potential to bridge climate financing gaps. While there are important efforts underway, this potential remains underutilized due to structural and operational barriers. Currently, development bank financing for clean energy only mobilizes 1.3 times the amount of private investment, which is far from sufficient.

A significantly greater emphasis on equity investment is necessary, as well as more early-stage grants to stimulate private sector participation. We see an opportunity for MDBs to become real catalysts of private finance.

This will require a major shift in MDBs investment strategies, greater willingness to take risk, and enhanced technical assistance, including capacity building to strengthen institutional frameworks and support project development.

c. The creation of domestic enabling environments and robust investment regimes

It is essential that countries create the right domestic enabling environments to attract private investment flows in climate-related projects.

This can be best achieved through robust, coherent policy ecosystems that offer clarity, predictability, and confidence to investors. Key elements include: clear national emissions reduction and adaptation targets, robust investment protection laws, efficient permitting and regulatory processes for major infrastructure projects, strong offtake markets for low-emissions energy investments, clarity on domestic policies and procedures governing use of the Paris Agreement Credit Mechanism (Article 6) and fiscal incentives for sustainable infrastructure.

We also see an opportunity for the Roadmap to encourage all UNFCCC Parties to embed financing plans and investment roadmaps at the center of their Nationally Determined Contributions (NDCs) due this year, providing guidance to support domestic regulations – for example, helping countries in the process of developing sustainable taxonomies to ensure alignment with other national and regional frameworks should also be explored.

2. **Existing and innovative financial instruments to scale private capital in EMDEs**
   In the context of reaching the USD 1.3 trillion target, governments should explore both existing and innovative financial instruments to attract private sector investment in developing economies, including non-debt solutions. The Roadmap should encourage genuine innovation, with thoughtful consideration of what this entails. Some elements worth further exploration include:

   a. Private sector's appetite for non-debt instruments in developing economies (e.g. off-taker agreements and venture capital). While there appears to be interest in funding blended instruments, the challenge lies in accessing donor capital. Innovations in this space, such as securitization and the pooling of diverse assets, have emerged. However the initial financing remains a barrier. Consolidating and simplifying donor programs and capital markets could help address this issue.
   b. Financing instruments focused on SMEs, including sustainable supply-chain and trade finance, to ensure they have access to funding opportunities. Efforts, such as the ICC Principles for Sustainable Trade Finance can serve as a foundation for broader adoption of sustainability principles for sustainable trade finance.
   c. Existing and new models and instruments to enhance private sector finance in areas with large financing gaps such as adaptation finance or finance to preserve tropical forests, along with enabling policies for their deployment at scale. For example, micro-insurance for vulnerable communities through parametric insurance or insurance products for communities dependent on coastal ecosystems, linked to resilience indices. The efforts underway by the Government of Brazil and World Bank Group to design and launch a target USD 125 billion Tropical Forestry Financing Facility is a model that shows high potential for blending public and private finance at scale.
   d. The role of robust, high-integrity compliance, Article 6 and voluntary carbon markets, as non-debt instruments to support efforts toward the 1.3T target. While circumstances and requirements will vary by country or region, carbon markets have the potential to enhance overall ambition in countries' NDCs and mitigation and adaptation efforts, transfer technology, and deliver finance flows where most needed.
   e. Improving the effectiveness of existing multilateral climate financing vehicles in mobilizing private finance. This review should include modalities of the Green Climate Fund, Adaptation Fund, Global Environment Facility and Climate Investment Funds. The recent success in January 2025 of the Climate Investment Fund's Capital Market Mechanism (CCMM) in mobilizing fixed income investors through an inaugural bond issuance by a listed and rated funding vehicle is an encouraging innovation highlighting strong private investor appetite.

f. The role of philanthropy in supporting the target and the incentives needed to help bridge public finance gaps.

3. **Ways to measure the USD 1.3 trillion target and increase transparency in financial capital markets**

The Roadmap should also consider how to measure progress toward the USD 1.3 trillion target and track contributions from various actors. A common understanding of what constitutes climate finance and what falls within the scope of the target is essential. In this context, it would be valuable to explore broader principles and share experiences on taxonomies for sustainable finance.

Furthermore, we believe that private sector flows and voluntary contributions are currently not sufficiently recognized or captured, resulting in their contributions being likely understated. Considerations should be given to how such voluntary contributions could be better recognized and accounted for.

Clear, year-on-year reporting that tracks the deployment and implementation of policies – and the resulting financial flows – is critical. Transparency in the implementation of NDCs and their contribution to the Global Stocktake outcomes is also crucial for shifting private sector appetite and mindsets.

D. Country experiences, best practices and lessons learned that 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

We emphasize the need for governments to continue to strengthen their domestic enabling environments, to strengthen policy guidance, incentives, regulations and work with the private and financial sector to test and scale innovative financing instruments to reach the scale of private investments required to achieve. We welcome existing efforts and initiatives in this context, that should be leveraged further.

The following examples of best practices and innovative instruments could be shared to support discussions in the context of the Roadmap:

1. Vietnam's transition from a lower-middle-income to an upper-middle-income country and the enablers and challenges for its growth story.
2. National policies implemented by diverse countries including India, Kenya and Morocco to scale up significantly the proportion of clean power through engaging private sectors and investors.
3. Debt-for-nature and climate swaps, such as in Gabon (2023) and Ecuador (2024), that have been among the first to be carried out in public capital markets and which have benefitted from greater transparency and a much wider suite of investors. Other notable examples, such as those in the Bahamas and Barbados (2024), were not capital markets deals, but still represent significant steps in the debt-for-nature and climate swap space.
4. Climate-Resilient Debt Clauses (CRDC) for fiscal space.

5. Scalable and frictionless blended finance models for different types of investors, taking into account different levels of risk tolerance (i.e. BBB not necessarily all AAA-rated). The CCMM, for example, is rated AA+/Aa1 but still achieved six times oversubscription in the order book for its inaugural bond issuance.
6. Role of country platforms in streamlining finance for climate and development and aligning climate and nature action plans, given the important and cost-effective role that natural climate solutions can play in reducing emissions.
7. Brazil's efforts through initiatives such as Eco Invest, the Sovereign Sustainable Bonds, discussion on the Brazilian Sustainable Taxonomy, regulations to the cap-and-trade national carbon market, leadership in the design of the Tropical Forests Financing Facility, and development of key technologies to enable the climate transition, such as the Program for Accelerating the Energy Transition (Paten).

E. Relevant multilateral initiatives to take into account

We recognise several important processes and initiatives outside the UNFCCC that should be considered in the development of the Roadmap. Many of these efforts often operate in silos, and we believe a more coordinated approach would be beneficial. Some of these include: Financing for Development (FfD4), G7/G20 efforts on climate finance, The Bridgetown Initiative, Finance in Common, the Paris Pact for People and the Planet (4P), the Sustainable Sovereign Debt Hub, and the Framework for Sustainable Finance Integrity.

We hope that the discussions under the Roadmap and its outcome document will identify solutions to foster greater coordination between countries and key stakeholders, such as the private sector and ensure key international, regional and national initiatives outside the UNFCCC mutually reinforce each other.

ICC and BINGO stand ready to actively engage in forthcoming discussions on the Roadmap and work with the Presidencies and all Parties towards a robust outcome on this important item at COP30 in Belém.