Baku to Belem Roadmap to 1.3T:

Parties, constituted bodies, the operating entities of the Financial Mechanism, climate finance institutions, observers and observer organizations, and other stakeholders, particularly from the private sector, to submit their views

Submission by the Marrakech Partnership for Global Climate Action Co-Focal Points for Finance on behalf of the Finance Working Group

About the Marrakech Partnership:

Under the leadership of the High-Level Champions, the Marrakech Partnership for Global Climate Action supports implementation of the Paris Agreement by enabling collaboration between governments and the cities, regions, businesses and investors that must act on climate change.

Our mission is to strengthen collaboration between governments and key stakeholders to immediately lower emissions and increase resilience against climate impacts. These actions are guided by the long-term goals of the Paris Agreement and undertaken in the context of the 2030 Agenda for Sustainable Development. The focus is on environmental, economic, and social system transformation, promoting higher ambition of all stakeholders to collectively strive for the 1.5°C temperature goal and a climate-neutral and resilient world[1].

Context:

As part of the New Collective Quantified Goal (NCQG) agreed at COP29 in Baku, Parties "call[ed] on all actors 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", and launched the* ***Baku to Belém Roadmap to 1.3T*** *to help deliver this.*

The decision came at a critical time when countries are being asked to enhance ambition in their new NDCs. For developing countries, confidence in the availability and accessibility of capital to meet their climate goals, across mitigation, adaptation and nature, will help encourage greater ambition in their updated NDC targets and national climate strategies.

According to the Independent High-level Expert Group (IHLEG) report[2] released at COP29, of the USD 1 trillion estimated external finance required by 2030 to deliver on Paris goals, private finance to EMDCs other than China constitutes about half of it. To reach such levels it would mean an increase of 15 to 18 times from current levels to reach $450–500 billion by 2030 (see Figure 1 below). Of these, $800 billion in public investments will be needed annually by 2030 for urban mitigation and adaptation climate projects to attract private finance[3].

A wide range of private sector actors have been taking voluntary action to align investments with climate and nature positive goals and shown unwavering support for high ambition for global finance

[1] More info here: https://unfccc.int/climate-action/engagement/marrakech-partnership

[2] "Raising ambition and accelerating delivery of climate finance" – Third IHLEG report: https://www.lse.ac.uk/granthaminstitute/publication/raising-ambition-and-accelerating-delivery-of-climate-finance/

[3] U20 Communique 2024 https://www.urban20.org/wp-content/uploads/2024/11/u20-2024-communique.pdf

commitments and climate goals[4]. Business and investors recognise the systemic risk of lack of capital mobilisation to support a just transition in EMDEs and encourage system-wide transformation to align financial flows for a net-zero, resilient and nature-positive future. They stand ready to collaborate with Parties to help address barriers, identify solutions and unlock capital at scale, while ensuring returns over the long term for their beneficiaries and clients.

In the context of increasing fiscal constraints on public budgets globally and dwindling climate finance commitments, the ***Baku to Belém Roadmap to 1.3T*** represents a unique opportunity to ensure a strengthened focus on how to mobilise private capital for climate action and provide a clear set of signals to all critical actors in the international financial ecosystem that effectively catalyses climate finance at scale.

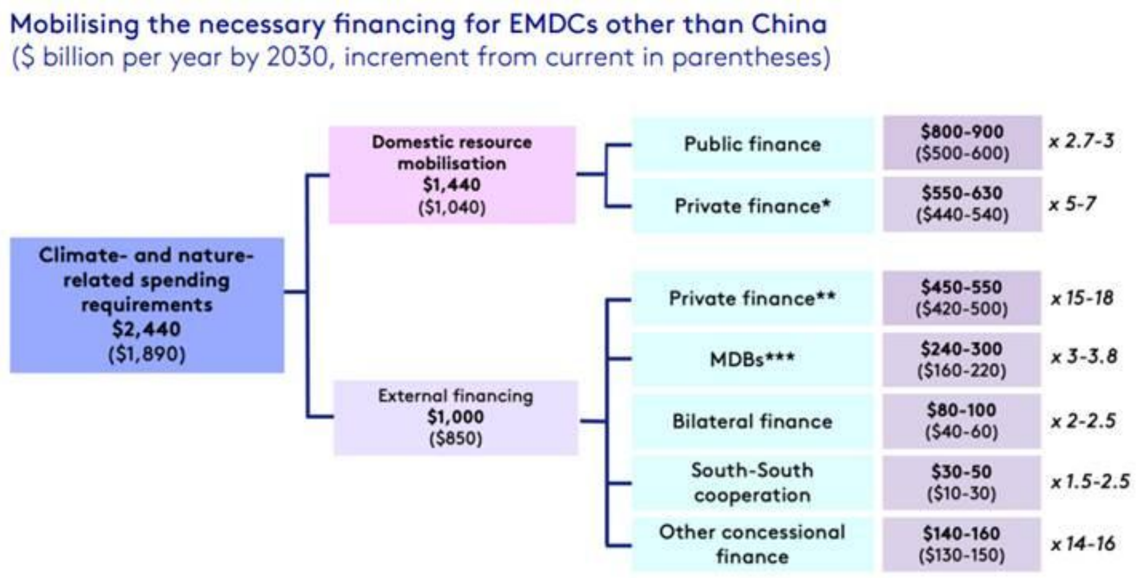

Figure 1 Climate finance mobilisation for EMDCs other than China (IHLEG, p.5)

Key points:

- In contrast to the NCQG outcome at COP29, the roadmap should ensure a stronger **recognition of the role of the private sector** in achieving climate finance goals as well as ensuring the inclusion of a wide array of actors from the private finance sector in its development.
- It should aim to deliver **strong policy signals** and set out actions for all Parties to build a conducive environment for greater private finance investments to support countries' climate ambitions (including at regional and city level), including harmonised green taxonomies and effective financing mechanisms and partnerships to scale up finance at domestic and international level.

[4] High-Level Climate Champions (2024), "Whole-of-Society rallies to support strong national climate plans": https://www.climatechampions.net/media/ht3jqilg/ndcsreport_v3.pdf

- It should also actively consider and exploit synergies with **other relevant multilateral processes** that could help unlock finance a just and equitable transition, including other UNFCCC workstreams, the Rio Conventions and other multilateral fora.

Responses to questions:

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

- We hope the roadmap will provide further clarity on aspects the NCQG decision text left unaddressed and helps **re-build the trust among countries** needed for accelerated climate action to achieve the Paris goals.
- In line with the above, we encourage the development of the roadmap to:
    - Follow an **open, transparent and consultative process** that actively includes the perspective of Non-State Actors (NSAs), capturing a broad range of actors in the financial sector and leveraging the full landscape of finance sources, including the multi-level governance and subnational actors. To support wide engagement, it would be useful to leverage events and moments in the climate calendar, beyond those organised by the UNFCCC.
    - Go beyond a sole focus on finance needs assessment and **consider all sources, mechanisms, policies and actions** that would put us on ambitious, yet realistic path to 1.3tn.
    - Keep momentum on **the pace of the transition**, highlighting trends in investments in climate solutions across the globe and supportive policy actions that could help scale up capital flows and accelerate the transition further.
    - Emphasise the need to mobilise resources to enable **implementation of the GST1 targets** and national climate goals.
    - Build on existing processes (within and outside the UNFCCC), knowledge and resources, and **supports closer partnerships and collaboration** between all relevant actors, including sub-national perspectives, to mobilise finance at scale.
    - Set out an **actionable implementation plan** for the next 10 years to guide all actors forward, providing assurance and clarity to developing countries that climate finance will flow.
    - Define clear metrics and mechanisms for **tracking progress** towards 1.3tn by 2035 target, including by establishing regular engagement dialogues/ forums between policymakers and finance sector leaders to support the implementation of the roadmap, address priority issues identified at key implementation stages, and report on progress at each COP.

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

- Financing gaps and economy-wide misalignment across mitigation, adaptation, and nature.
- Private capital mobilisation: barriers and opportunities
- Role of MDB and DFIs
- Public-private collaboration and partnerships
- Financial instruments and mechanisms (with a particular focus on scaling up innovative/ blended finance mechanisms, insurance to de-risk, grants and concessional finance)

- Policy and regulatory actions to create a supportive environment for a faster transition and facilitate implementation of Parties' national action plans.
- Links and synergies across other complementary processes, including:
    - Within UNFCCC COP (e.g. Standing Committee on Finance, Financing NDCs, Financing NAPs, Art. 2.1c, GST, etc.)
    - Rio Conventions
    - Other multilateral fora and initiatives (see question (d) for suggested list of initiatives)

(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?

- **Financing gaps across mitigation, adaptation, and nature**
    - Continue building on the analysis and expertise of the IHLEG on accelerating the delivery of climate finance.
    - Utilise the recommendations of the UNEP's Adaptation Gap Report to acknowledge and reference the wider enabling conditions that need to be addressed alongside the provision and mobilisation of quantity, quality and access to adaptation finance.
    - Build on the work and recommendations of UNFCCC Standing Committee on Finance (SCF)
- **Private capital mobilisation: barriers and opportunities**
    - Policy, regulatory and data barriers in the UK, and developed countries more broadly, as well as opportunities for capacity building, deeper public-private collaboration and incentives to unlock capital from institutional investors towards emerging markets and developing economies.
    - Report on Tracking and Mobilizing Private Sector Climate Adaptation Finance
    - Discussion paper on scaling blended finance and call to action for policymakers

- **Public-private collaboration and partnerships**
    - Strategic collaboration and coordination between governments (inc. sub-national governments and cities), private investors, and MDBs/DFIs has proven an effective way to increase capital mobilisation to support climate and development goals in emerging markets and developing countries.
    - Transformational shifts to support a new, scaled up and impactful post-2025 financial regime for climate action in the Making Finance Work for Climate report.

- **Policy and regulatory actions**
    - Domestic regulatory provisions in developed countries as well as international financial regulations have been found to hinder developing countries' ability to access and attract private (e.g. existing frameworks, such as Solvency II and Basel III, often lack the necessary flexibility to facilitate capital flows and, in some cases, impose disproportionately high capital requirements on investments in EMDEs). As part of the efforts to achieve $1.3tn by 2035, developed countries should ensure that prudential frameworks and other financial regulation can be applied on a proportionate basis and do not actively discourage private sector investments into developing countries.
    - Policies and regulations that support greater domestic and international private capital mobilisation, including sustainable finance policies and frameworks that support real economy decarbonisation and nature protection across all jurisdictions,

with developed countries leading by example (e.g. fair and equitable repurposing of fossil fuel subsidies, carbon pricing mechanisms, capacity building to enable sustainability reporting, sectoral decarbonisation and long-term strategies, etc.).

    - 2024 Global Investor Statement to Governments on the Climate Crisis - over 530 financial institutions and their representatives managing USD $29 trillion in assets under management call for effective policies at all levels of government to accelerate the private capital flows needed for a climate-resilient, nature-positive, just net zero transition.
    - Statement to governments to address biodiversity loss from long-term investors – institutional investors worth USD 2.5 trillion call on governments to take bold policy action on biodiversity.
    - Nature Positive for Climate Action call to action - Over 600 businesses and financial institutions are advancing at least one of the actions of the Nature Positive for Climate Action call to action, doubling the impact announced at COP28. This includes, adoption of TNFD, deforestation policies, science-based targets for nature/SBTi FLAG targets, and nature in transition plans/nature strategies.
    - Sector decarbonisation roadmaps can help provide clear market signals to inform deployment of private sector finance in line with national climate strategies. Country examples include Japan, EU and Australia – see recent paper: Principles for developing sector decarbonisation roadmaps - the investor perspective for policymakers.
    - Country examples including Japan's.
  - Promotion of harmonisation and interoperability between green taxonomies to: enable a common definition of what constitutes green investments; prevent greenwashing; bring together the work of many jurisdictions and regional bodies currently developing taxonomies; and, expand focus on climate and nature.
    - Examples include the Monetary Authority of Singapore (MAS) which launched the first multi-sector transition taxonomy (SAT) in 2023. This has been supplemented with implementation guidance and examples of how this could underpin a more unified, credible approach to sustainable finance in the region.
  - Assessment and removal of harmful subsidies and implementation of policies and regulations that help shift financial flows toward sustainable production systems, in particular of agricultural commodities. For example, delinking producer subsidies from specific products and linking subsidies to outcomes (e.g. conserving grasslands/forests, crop diversification); policies to encourage transparency throughout supply chains; and ensuring secure land tenure and property rights for Indigenous People and local communities to mitigate potential social and environmental risks.
  - 2030 Global Forest Vision: Priorities for Governments in 2025 highlights policy actions to support protection of forests, including removal of harmful subsidies and addressing debt sustainability.

- **Role of MDB and DFIs**
  - MDBs/ DFIs have a key role to play to unlock increased private capital flows to developing countries, however their focus has often been on capital "deployment" rather than mobilisation of private capital. There is an untapped opportunity to

enhance banks' mobilisation capabilities by reviewing banks' operations and ability to take on greater risk.

- **Financial instruments and mechanisms**
    - Blended Finance best practice: 13 case studies on blended finance vehicles that can support the design and deployment of future instruments.
    - Partnership models between governments, DFIs/ MDBs and the private sector have proven to be successful in mobilising significant private capital for climate and development objectives in developing countries. Examples include:
        - SDG Funds e.g. Danish SDG Investment Fund (IFU)
        - IMCA
        - ILX fund
        - Invesco Climate Adaptation Finance fund (ICAAF)
    - Equity financing innovations in capital mobilisation:
        - Emerging Market Climate Action Fund (AllianzGI & EIB)
        - Dutch Fund for Climate and Development
        - Climate Fund Managers: Climate Investor Funds I,II & II
    - Debt for Climate & Nature swaps
        - The Expert Review on Debt, Nature and Climate
    - Sustainability Linked sovereign and sub-sovereign bonds can help reduce the interest burden on countries and regions, when linked to the achievement of climate goals. See Taskforce for Sustainability-Linked Sovereign Financing' s Voluntary Principles for the deployment of credit enhancements to support scaling of such instruments.
    - Climate Risk Debt Clauses (CDRCs) supporting vulnerable countries by providing fiscal space against economic shocks, including fiscal crises due to natural catastrophes and/or health emergencies.
    - Climate Investment Funds (CIF)'s Capital Market Mechanism (CCMM) issued its first bond in January 2025 and raised $500 million on the back of an orderbook totalling more than $3 billion from investors around the world focused on mobilising finance for climate action and sustainable development.
    - International taxation options generate new sources of finance to scale up green, climate resilient development in the Global South (e.g. global taxes on shipping and aviation emissions)
    - Redistribution of Special Drawing Rights
    - Financing NDCs:
        - Making NDCs investable - the investor perspective
        - Time to deliver: Business call to action for ambitious and investible NDCs
    - Financing NAPs:
        - Financing Asia's National Adaptation Plans
        - Guide for Adaptation and Resilience Finance
    - Nature finance
        - Consider the CBD Resource Mobilization outcomes of optimizing co-benefits and synergies of finance targeting the biodiversity and climate crises while recognizing the need to enhance the transparency, reporting and accountability thereof in line with the mandates of the respective multilateral environmental agreements
        - Scaling Nature Finance Now: The Opportunity for Investors in Brazil and Beyond
        - Global Roadmap for Nature Positive Economy

- Deforestation-free finance e.g. IFACC-aligned products such as long-term loans to producers for sustainable practices, loans to foster agroforestry systems and the production of non-timber forest products, or low-cost annual crop finance to farmers that agree to protect forest cover.
- Advancing Natural Capital Accounting (NCA) domestically to quantify the economic value of natural ecosystems and integrated in NDCs and climate planning. This can help create a credible investment framework that attracts private capital for developing countries' climate and nature goals.
- Development of nature-positive transition pathways, including integration with net-zero pathways to guide sectoral level transition at the global, national and sectoral level.

- **Links and synergies across other complementary processes**
    - Measures that contribute to aligning economic incentives and creating the enabling conditions for private finance to support the implementation of the GTS1 outcomes and NDC targets.
    - The case for reforming the multilateral financial architecture and role of MDBs in catalysing private investments
    - Call for integrated action on climate, nature and food systems

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

Relevant multilateral initiatives to consider include (non-exhaustive list):

- Brazilian G20 Presidency Task Force for the Global Mobilization against Climate Change (CLIMA TF) and related outcomes and reports (e.g. A Green and Just Planet Independent report; Roadmap to Increase Investment in Clean Energy in Developing Countries)
- South African G20 Presidency Sustainable Finance Working Group work focusing on adaptation finance, including private finance
- Building on the work of the International Platform on Sustainable Finance, a forum to help policymakers exchange and disseminate information to promote best practices, compare their different initiatives and identify barriers and opportunities of sustainable finance, while respecting national and regional contexts.
- International Financial Architecture (IFA)/ Multilateral Development Banks (MDB) reform, including outputs from the Bridgetown Initiative
- UNDESA's International Conference on Financing for Development (FFD4)
- Global Solidarity Levy taskforce
- Synergies across the Rio Conventions, with particular focus on CBD COP16 outcomes on the finance/ resource mobilisation and on the Joint Liaison Group of the Rio Convention
- The Coalition of Finance Ministers for Climate Action
- The Climate Club, with a particular focus on Pillar III - cooperation and partnership to facilitate industrial decarbonisation in developing countries
- The Global Emerging Markets Database that aims to leverage MDB/DFI data to support private capital mobilisation
- The Global Clean Power Alliance – and its finance mission - launched by the UK government in 2024

- The Investment Mobilisation Collaboration Alliance (IMCA) - a global partnership and solutions platform to mobilise large-scale private climate financing for emerging markets and developing countries
- The Innovative Finance for the Amazon, Cerrado and Chaco (IFACC) designed to help mobilise institutional financing and develop products to increase capital toward deforestation-and conversion-free production systems.
- Leading group of investors that are part of Finance Sector Deforestation Action (FSDA) that have committed to using best efforts to end commodity-driven deforestation in their investment and lending portfolios.
- The *Tropical Forest Forever Facility*, a blended finance and pay-for-performance mechanism that would operate like a multilateral sovereign wealth fund, the net returns on which would be awarded to tropical forest countries for protecting their natural forests.
- Taskforce for Sustainability-Linked Sovereign Financing, a group of international organisations and development finance institutions focused on using different financial solutions for mobilizing private sector capital through credit enhancement instruments such as debt swaps and green or sustainability-linked bonds.