

Prompt for breakout discussion a) for Roundtable 3: Means of implementation and support (RT Mol)

Topic: Finance - Aligning financial flows and meeting needs for system-wide transitions to net zero emissions and transformative climate resilient development

Expert: Nick Robins

Facilitator: Preety Bhandari

Short summary of relevant findings from TD1.1.

The global financial system has more than enough capital to deliver the goals of the Paris Agreement (including Article 2.1c). However, in spite of some progress in both commitment and delivery from finance ministries and central banks, international financial institutions as well as the financial sector itself, capital continues to be misallocated and flows are far from aligned. Gaps in both ambition and implementation exist, resulting in profound inequities in the access to climate finance, impacting the adequacy, balance and effectiveness of investments, particularly in developing countries. There is an urgent need as well as emerging opportunities for a transformation of the global financial system so that financial flows can be scaled up in line with what is required to meet climate and sustainable development goals.

Prompts for discussion at TD1.2

To identify practical options for transformative finance, four sub-questions need to be addressed:

- a. **What reforms are needed to align financial flows globally to meet the goals of the Paris Agreement?** This sub-question focuses on how the international financial architecture has to be improved over the long term, including through policies and regulations for financial stability and monetary operations, the scaling up of development finance, market rules governing the sustainability of private finance in terms of risk, integrity and transparency, as well as mechanisms for measuring and ensuring the climate accountability of all financial flows.
- b. **What approaches can better connect investment needs with financial resources?** This sub-question focuses on the immediate steps that can be taken so that the financial system can effectively intermediate the world's significant financial resources with pressing on the ground needs for additional climate finance to drive just transitions. This addresses how to overcome the analytical and operational challenges around needs assessment, tracking and mobilising financial flows, and then how to substantially expand the pipeline of bankable projects for net zero, resilience as well as loss and damage, focusing on the roles of different institutions to close these gaps, notably financial ministries and other providers of public finance, central banks and financial supervisors, development finance institutions as well as commercial banks, institutional investors, insurance firms and other institutions (including social finance and civil society).
- c. **What are emerging good practices in aligning and shifting flows to finance enhanced climate action?** This sub-question focuses on how real world efforts of financial actors – both individual institutions and collective initiatives - are supporting the scaling up of investment in key systems and also scaling down misaligned financial flows. This means understanding the conditions for success in terms of effectiveness, efficiency and equity, the weaknesses and unintended consequences as well as the potential for extending these good practices, particularly to ensure access to climate finance in developing countries.

- d. **What innovative approaches are required to overcome the ambition and implementation gaps that block the transformation of the financial system?** This sub-question focuses on identifying new approaches to aligning financial flows that go beyond existing practices, particularly to overcome financing gaps around net zero and resilience. This could involve understanding how to build pathways for scaling up promising activities so that they are universally applied, how to encourage leadership in developing and deploying breakthrough financial policies and instruments for public and private finance, and how to strengthen capacity within the financial system to respond to the users of finance in an inclusive manner.