

Overview of SCF work on matters relating to Article 2.1(c) and its complementarity with Article 9 in the UNFCCC process

Standing Committee on Finance co-facilitators on work related to Article 2.1(c) in 2023

Chandi Reina and Kevin Adams



SCF work relating to Article 2.1(c) of the Paris Agreement and its complementarity with Article 9

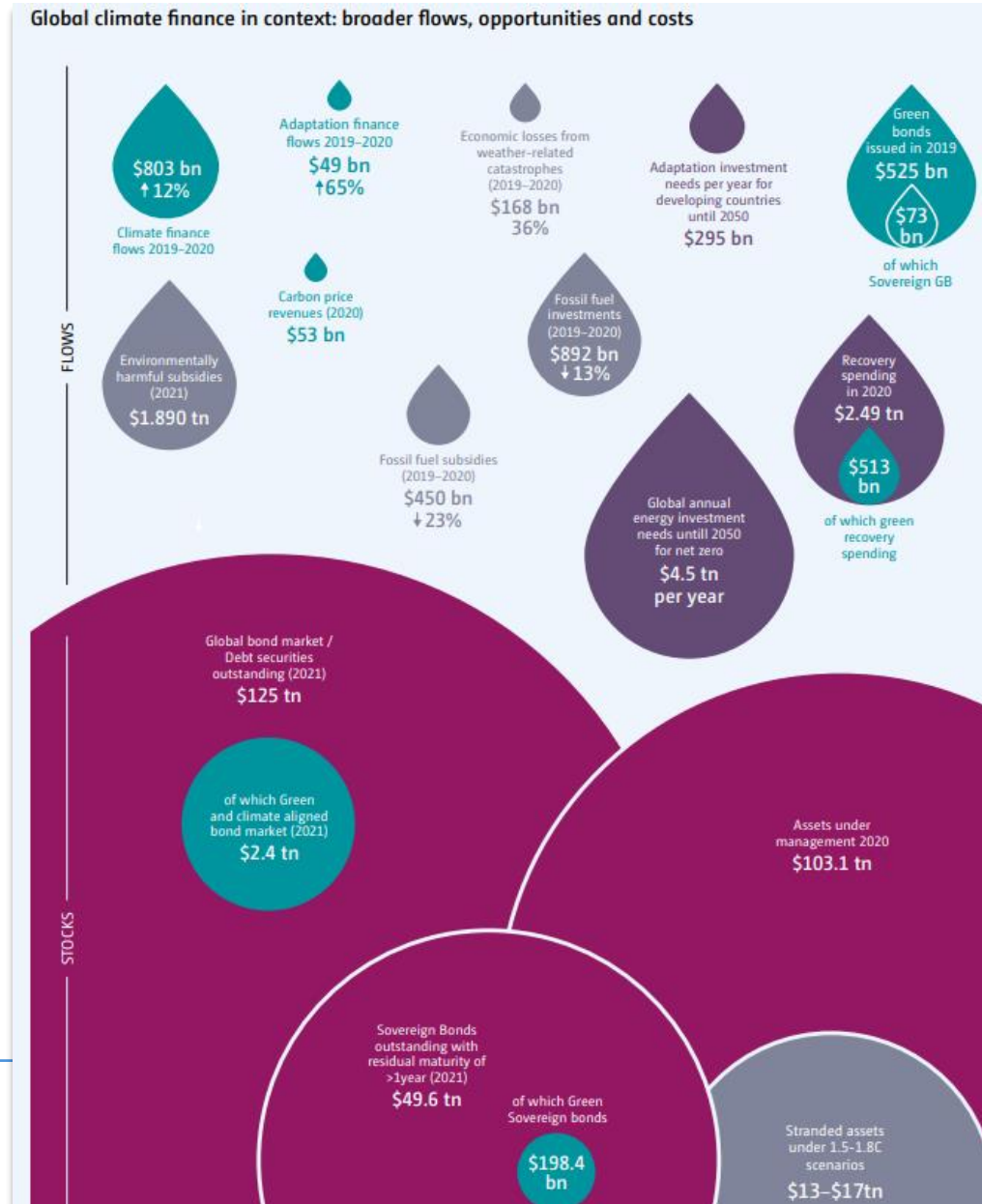
Key outcomes of the SCF's work since 2018

- 2018-22: **Biennial Assessment** and Overview of Climate Finance Flows
- 2022: **Further work on mapping** the available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof
- 2022: **Synthesis of views** regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation
- **Outlook**: ongoing SCF work related to Article 2, paragraph 1(c) in 2023



BIENNIAL ASSESSMENT: Key Findings - Climate finance in context (Ch.3)

Global climate finance flows (USD 803 billion) are small relative to the overall investment needs for the climate transition, including the needs of developing countries



BIENNIAL ASSESSMENT – Key Findings and Recommendations

Key Findings - Methodological issues related to transparency of climate finance (Ch. 1)

- Increasing efforts to enhance transparency and comparability of approaches for tracking consistency with low-emission and climate resilient development pathways
 - Growth of methodological developments from private sector and supervisory authorities
 - Observed focus on decarbonization as compared to climate resilient development

Recommendations

A. Methodological issues related to climate finance flows

- (i) *Encourage* climate finance providers to enhance their reporting on elements relevant to Article 2, paragraph 1(c), of the Paris Agreement, thus increasing the ability to advance work related to pathways for low-emission, climate-resilient development.

B. Overview of climate finance flows

- (c) *Invite* private sector associations and financial institutions to build on the progress made on ways to improve data on climate finance and to engage with the SCF, including through their participation in the forums of the SCF with a view to enhancing the quality of the BA.
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COP26 & CMA3: Two mandates specific to Article 2.1(c), for consideration at COP27 and CMA4

Work related to Article 2, paragraph 1(c)

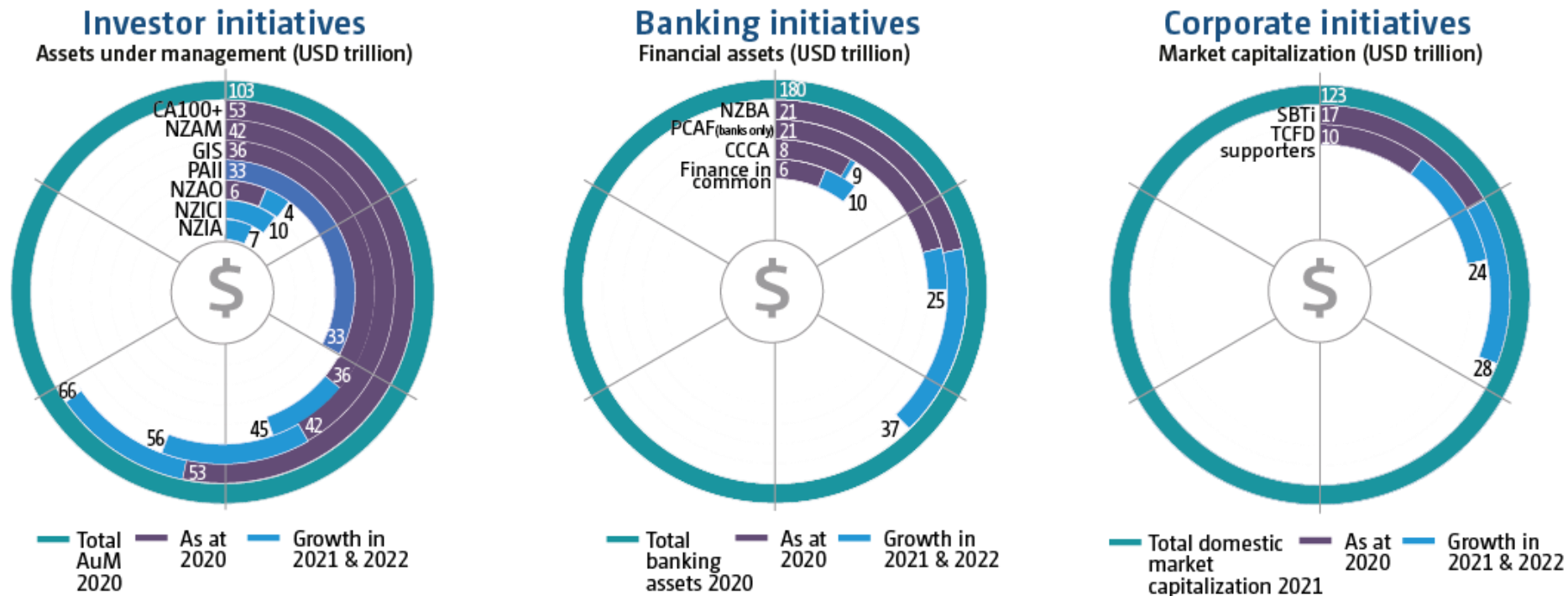
Further work on mapping the available information relevant to Article 2, paragraph 1(c), of the Paris Agreement, including its reference to Article 9 thereof

Synthesis of views regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation



MAPPING: Growth in initiatives and actions relevant to Article 2.1(c)

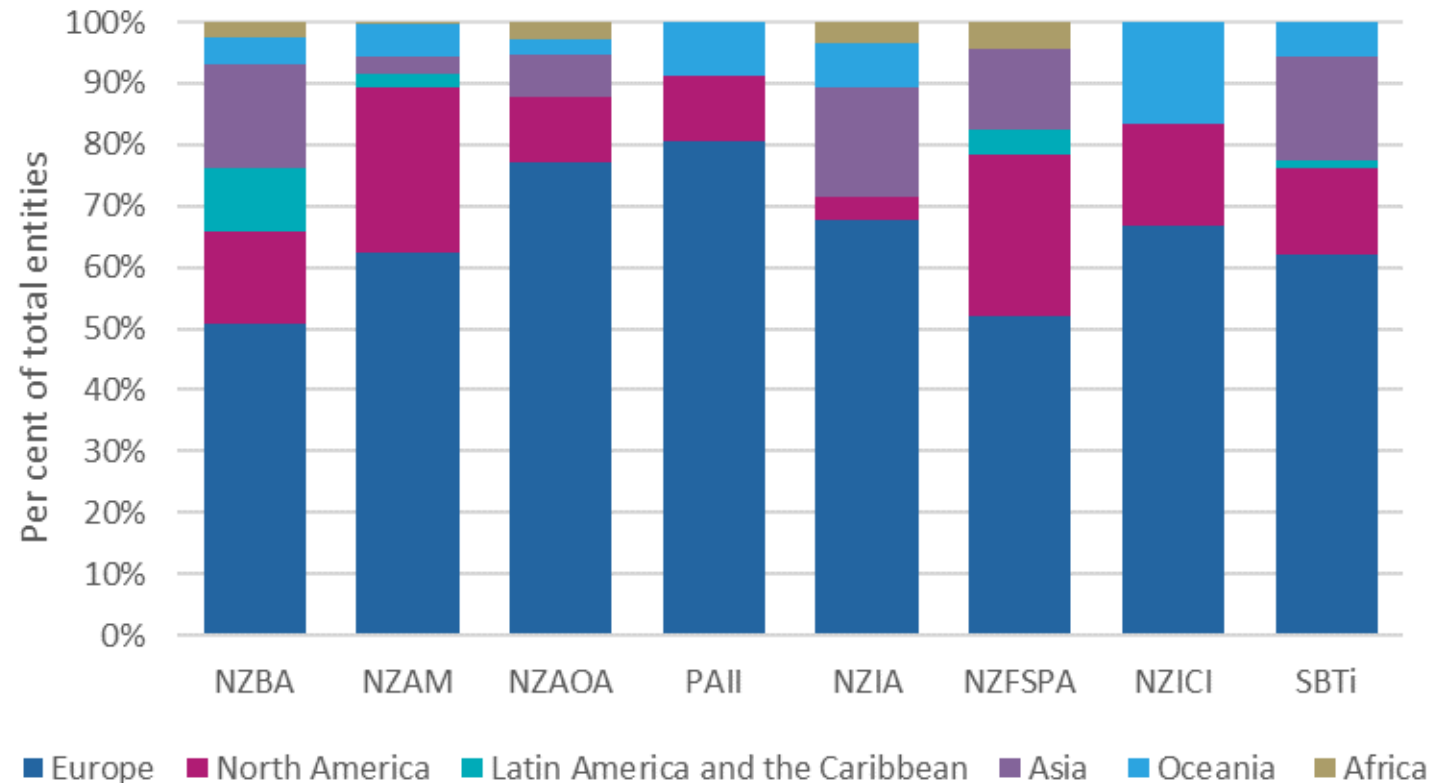
- **Governments, financial supervisory authorities and central banks** are increasingly active on the national, regional and global level: e.g. 16% increase in number of policy and regulatory measures on green finance; NGFS & CFMCA
- **Initiatives:** Investors +25-60% since 2020; Banking +76%; Corporate +65%



MAPPING: Geographical distribution of initiatives

- Private financial sector initiatives have a footprint in every world region, but concentrated within Europe and North America
- Public sector initiatives have broader global coverage with increasing participation of developing countries in recent years

Regional composition (share) of private finance initiatives, as at July 2022



MAPPING: Insights from the mapping

A number of **insights** as well as **efforts, possible challenges and opportunities** have been identified by financial sector actors to implement Article 2.1(c):

- **Net-zero target setting** and commitments need approaches, methods and indicators to meet them
 - **Transparency**: In response, ensuring the robustness, credibility and transparency of financial sector targets and commitments is an emerging field of activity and initiatives
 - **Fewer initiatives towards consistency of finance flows with climate-resilient pathways** are registered and related methodologies are at earlier stages of development
 - Persistent **climate-related data gaps** at country, sector, entity and asset level continue to prove an obstacle for the development of transition and physical risk assessments and decarbonization alignment methods
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KEY FINDINGS: Synthesis of views regarding ways to achieve Article 2.1c

14 submissions received in 2022 (11 Parties, 3 non-Party stakeholders)

- Type of finance and actors identified that might be relevant, particularly [asset managers, banks, and governments and supervisory authorities](#)
 - Almost all submissions recognized it can include both [public and private finance flows, and in domestic and international contexts](#)
 - Many Parties put forward methodologies, policies and approaches to implement Article 2.1(c), including [fiscal, macroeconomic and regulatory policy levers or incentives](#), with the application of financial instruments, voluntary standards and orientation of investments
 - Complementarity: Almost all Parties make reference to or [see relationships between Article 2.1\(c\) and Article 9 of the Paris Agreement](#) on the provision and mobilization of financial support to developing countries
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KEY FINDINGS: Synthesis of views regards ways to achieve Article 2.1c

A variety of views were expressed on **further operationalizing Article 2.1(c)**, relating amongst others to:

- The role of the CMA, the COP or the broader UNFCCC process, and the role of the SCF
 - The respective roles of the private financial sector and of governments
 - Consideration of the national context and circumstances, equity and just transition, in efforts to implement Article 2.1(c), including to avoid unintended consequences and to take into account the risk of stranded assets
 - Tracking and reporting modalities or guiding frameworks for assessing consistency of finance flows and relevant policies
 - Inclusion of Non-Party stakeholders in reporting progress made towards achieving Article 2.1(c) and the sharing of best practices
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Outlook 2023

CMA 4 requested the SCF



*to **continue its work** regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation, for consideration at CMA 5 in Dubai Nov-Dec 2023, and invited Parties and stakeholders in the financial sector to make further submissions thereon*

22 new submissions received in 2023, from 8 Parties and 14 stakeholders



Thank you for your attention

