YOUNGO's Submission for a just and equitable approach to 2.1c

Introduction

Article 2.1c entails one of the most radical Articles of the Paris Agreement. Article 2.1c calls for a fundamental system-change! The climate crisis is an interlinked crisis which calls for a holistic solution that co-addresses intertwined crises such as the debt crisis, biodiversity crisis, human rights crisis, poverty crisis. Although we acknowledge that the UNFCCC does not have sufficient mandate to act to implement the article we emphasize that the UNFCCC must lay a foundation for systemic change with the involvement of national and supranational stakeholders. To make our financial flows consistent with the Paris Agreement we need to ensure the following:

Article 9 and other standards:

Ambition under Article 2.1c should not diminish the ambitions under Article 9 of the Paris Agreement. We emphasize the historical and current responsibility of developed countries to pay grants-based climate finance to developing countries. The private sector and ambition under 2.1c is unlikely to provide an adequate amount of grants-based finance which is highly needed especially for adaptation and loss and damage. Therefore, Article 2.1c cannot exempt the Global North from its obligations to provide traditional climate finance even in the long term. The Global North needs to upscale their international public grants-based climate finance. To avoid an undesirable mix of Article 2.1c and Article 9 clear definitions on climate finance, transparency, and accountability is needed. In ongoing discussions around the GST and the NCQG the clear separation of the articles is necessary to allow a fair result. The lack of common understanding of 2.1c and a lack of definition of climate finance must not result in diluting the outcomes of the GST and NCQG.

Role of private sector:

a. Private sector actors are not signatories to the Paris Agreement, parties are. Therefore, the private sector cannot automatically be given the same responsibility that parties have. Nevertheless, parties can create the regulatory framework - on a national or international level - to encourage or obligate the private sector to contribute their fair share to meeting climate targets.

b. Private sector finance can take different forms, just as financial needs to achieve low GHG emissions and climate-resilient development differ depending on what the money is used for. Especially in mitigation, private sector investments can be a suitable source of finance. Investments might not be suitable to cover financial needs for loss and damage though - in this area, private sector finance would have to come via different channels, such as taxation.

c. When we talk about the private sector as a source of finance, it therefore clearly does not excuse the public sector from taking responsibility. No matter if we are talking about investments, insurance-based solutions or taxation, parties need to create the regulatory conditions which create clear responsibilities and opportunities for the private sector to play its role.

d. We have seen that for building trust between all parties, it is important that developed countries are not perceived as wanting to shift financial responsibility from the public to the private sector. While the role of the private sector is important, especially as the need for finance increases, public sector finance is needed as a reliable base.

e. The private sector should align their financial flows to the global biodiversity goals through appropriate regulatory measures and financial incentives. Biodiversity projects are on a small scale and large institutional investors are not able to fill the gap. Thus, models such as community based finance should be introduced as a tool to scale private finance across supply chains.

Decarbonisation and just transition:

a. Article 2.1(c) should not focus solely on just transition pathways to decarbonise as this will leave most of the vulnerable communities behind. We call for a just transition pathway for adaptation, loss & damage and ecosystem restoration as well.

b. Developed countries need to take accountability for both historical and present day emissions that impact the earth. A recent study by NASA's Global Modeling and Assimilation Office[1] has depicted that the majority of emissions causing Climate Change come from the “Global North”. Developing countries in the Global south

---

[1] https://svs.gsfc.nasa.gov/5110

experience the majority of the consequences ranging from cyclones to heat waves, loss of crops etc.

c. The policy makers need to rethink about the fiscal policies in place and on how to leverage on the funding. We call for ending all fossil fuel subsidies. The fiscal policies should be redirected into building more climate resilient communities and innovative solutions to meet the climate targets as well as just transition pathways.

d. Countries who depend largely on fossil fuel for revenue should be incentivized to more climate resilient and innovative sectors. Developing countries without the capacity to do so should receive subsidies to support this transition (while also considering challenges of corruption and inefficient flows of finances). We push for robust monitoring and evaluation processes to be embedded in green financing that encompasses reporting of qualitative and quantitative information at a biennial basis. Developed countries should aid developing countries with technology transfer to help them switch to climate resilient and innovative sectors. Aid in technology will help ensure economic opportunities for local communities and transition in a way that is just and equitable(This can be achieved through collaboration with higher learning institutions so as to build green technology firms and to bridge the knowledge gap when it comes to the use of these technologies. It is important to note that most LDCs have the necessary natural resources, so funding higher learning institutions to effectively work on such initiatives). Meeting the Paris Agreement Goals will require urgent and immediate transformative action. Parties must be cognizant of the fact that fossil fuel is a finite resource and it is in their benefit to champion transition efforts.

International Financial Architecture and Trade

a. The market failures and externalities generated from climate change cannot be overcomed solely by diplomacy and convenings. We need an integrated financial system with more synergies between the MDBs and IFA reform. Finance should be aligned through country-led platforms. There is a need to co-create investment opportunities, tackle pediments, and bring down the cost of capital by sharing risk.

b. We call for an effective reform of the international architecture which should primarily end the colonial debt crisis. There is an urgent need for Multilateral Development Banks (MDBs) and the World Bank group to align to the Paris Agreement. In doing so, we require better metrics and investment guides to align to the Paris Agreement.

The potential of MDBs must be unleashed so as to create highways between private finance and create additional capital resources.

c. Nature and climate have largely been tackled in silos, whilst science dictates that they are interlinked. We highlight that there is a discrepancy in the mature set of foundational policy frameworks, tools and guidelines being developed for climate rather than for nature. We therefore would like to encourage Parties to put in place a foundational framework for nature so as to increase volume and efficacy of financing for nature.

d. At CBD COP15, a globally agreed nature positive goal has to be reflected in Article 2.1(c) so as to align the financial flows to measurable global targets and to reflect the diverse nexus of nature and biodiversity.

e. Further, we stress on the need for a focus on output driven approach rather than solely focusing on the financial inputs needed. The Global South community still has basic needs that should be addressed before we can even talk about degrowth. Similarly, SIDS are vulnerable to economic and environmental shocks. Their development needs should be considered when reforming the international financial architecture.

f. The negative costs related to international trade and financial flows should be internalized in order to create a Pareto optimal Nash equilibrium. This should be coupled with the redistribution of revenue from taxation to the vulnerable communities and ensure that it follows a top to bottom approach rather than the other way around.

g. We strongly support the Coalition guide published on the capacity building of Finance Ministers so that the latters are prepared and equipped to act at the pace necessary to meet the climate goals. Finance Ministers hold the key to finance and they hold levers to private finance.

h. Similarly, we encourage Parties to make reference to the new publication by The World Bank on 'Detox Development: Repurposing Environmentally Harmful Subsidies'. The report fills in the knowledge gap on fiscal policies and provides insights on reforming the subsidies in a more efficient and equitable way. Parties should be held accountable for repurposing subsidies that are harmful to nature under biodiversity finance targets.

i. There is a general consensus that we need other financial instruments that will not generate higher debt for the Global South. There is a need to leverage on different tools such as the blended finance instruments, addressing the risk premium challenge in most vulnerable countries, mainstreaming carbon trading in international trade and scaling on credit guarantees. We need to start putting social return as a priority instead of financial returns.

Data and accounting for finance under Art 2.1c :

a. Parties should report on their green investment on a biennial basis. There should be a mechanism for both bottom-up and top-down collection and dissemination of data. Countries should be able to actively report their investments, as well monitor and evaluate progress.

b. Parties should ensure that the methodologies, assumptions, risks and economic outcomes are factored into the thematic assessments (mitigation, adaptation, L&D) are valid, credible and reliable. Furthermore, details on methodological approach used in reporting and accounting need to be enforced to offer clarity and transparency, as well as consistency across Parties in climate finance reporting.

c. Current knowledge gaps on sectoral assessments and accounting for sub-sectors needs to be addressed. This should be a combined global effort and every country should be responsible in contributing to gap-filling.

d. Detailed work on interlinkages between mitigation, adaptation and L&D is needed. Parties need to work on better understanding mapping of sectors and sources for adaptation work since reports are focused on narrower set of sectors. Limitations in data contributes to what countries prioritse for funding, a data gap that needs to be bridged. The gaps in data can be fixed with Parties working on to provide disaggregated data to enhance openness and accountability, and enforce effective planning and resource allocation.

e. Transparency, accountability, and credibility can be facilitated through Parties ensuring fair and accurate attribution of mobilized private finance to the public actors who jointly facilitate its mobilization. It acknowledges the contributions of developed and developing states in attracting private climate finance.

Closing

In conclusion, we, the youth, strongly advocate for a sustainable and inclusive future, emphasizing the importance of Article 2.1(c) of the Paris Agreement and the need for transformative changes in the International Financial Architecture. We highlight the need to uphold the objectives of Article 9 and provide clear differentiation between the responsibilities of parties and the private sector.

While recognizing the vital role of the private sector in driving climate action, we stress that their responsibilities cannot equate to those of the parties. Instead, a regulatory framework should incentivize the private sector to contribute their fair share. Public sector finance remains essential, and we urge the phasing out of fossil fuel subsidies to redirect resources towards resilient and sustainable development. Furthermore, we emphasize the need to support developing nations, particularly non-Annex I Parties, which bear the brunt of climate impacts. Subsidies and technology transfer should aid their transition to climate-resilient sectors.

Reforming the international financial architecture is paramount to align with the Paris Agreement and address market failures. We advocate for the integration of nature and climate considerations, establishing a framework for nature financing. More so, finance ministers should prioritize capacity building to mobilize financial resources for climate action as they are closer in tapping financial resources in the international finance community.

Lastly, we call for the redirection or **recycling of harmful subsidies towards green transition initiatives and explore alternative financial instruments that prioritize social returns**. By addressing these key points, our submission aims to ensure the effective implementation of Article 2.1(c), driving transformative action to achieve the goals of the Paris Agreement. **We urge global cooperation, solidarity, and urgent action to protect our planet and secure a sustainable future for all**.