GST Technical Dialogue 1.3
Means of Implementation and Support
USA Intervention

Overarching

- The United States welcomes this important opportunity to discuss the key role of finance and means of implementation and support, at this roundtable of the first Global Stocktake.
- The purpose of the Global Stocktake is to assess our collective progress toward the three long-term goals of the Paris Agreement.
- All three are essential, and the pursuit of Article 2.1(c) in particular is foundational to achieving Articles 2.1(a) and (b), as well as Article 7.1.
- This means making all - 100% - of financial flows, international and domestic, public and private, must be Paris-aligned.
- And as we all acknowledged in Sharm el-Sheikh, this requires a transformation of the financial system and its structures and processes, engaging governments, central banks, commercial banks, institutional investors and other financial actors.
- In this context, we are deeply concerned by the lack of focus on progress toward achieving Article 2.1(c) of the Paris Agreement in the Summary Report, which is woefully underdeveloped on this crucial issue and scarcely discusses the significant progress made globally in this regard.
- We expect to see significantly more information on shifting financial flows in the next iteration of documents, in order to support Parties in delivering on the full mandate of the GST.
- Moreover, looking forward to the decision that Parties will take in Dubai, we anticipate structuring that decision first and foremost around collective progress made toward achieving Article 2.1(a), Article 2.1(b) and 7.1, and Article 2.1(c).
- We also see that decision capturing elements related to other issues, including those pertaining to Article 9, 10, and 11, but underscore that there needs to be a clear distinction between these elements and Article 2.1(c). These articles are complementary, but they are not synonymous, and in line with the GST's mandate, a fulsome, dedicated treatment of Article 2.1(c) is essential.
- In an effort to be expedient, given our limited time today, I'd like to take a moment to provide a few high-level inputs, regarding the collective progress that Parties have made, since the adoption of the Paris Agreement.

Article 2.1c- Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

- First, regarding collective progress made toward achieving Article 2.1(c), it is clear that dramatic progress has been made since 2015.
- This is despite the continued lack of a dedicated space or structured approach to engagement between Parties on this critical issue.
- Still, there have been significant advancements all around the world, including in:
    - Creating the demand for Paris-aligned investment,
    - Increasing the supply of Paris-aligned finance, and scaling-down finance for those activities which take us further away from our collective goals, and
    - Managing climate-related financial risks and strengthen the global financial system
- On creating the demand,

- Parties have developed and submitted NDCs, NAPs, and other relevant national climate plans and strategies, including NDC investment plans, which provide clear signals to firms and investors about their climate priorities.
  - However, these plans and strategies vary widely in their levels of ambition, specificity, and implementation.
  - In 2021 alone, we have seen a 16% increase in the number of policy and regulatory measures for green finance, bringing the total to 648 measures registered in over 100 jurisdictions globally. Of these measures, 37% originate from developing and emerging economies and 63% from developed countries.
  - Significantly more work is required to develop and implement policies and measures to incentivize investments in climate action globally
- On increasing the supply,
  - According to the IPCC, there is sufficient global capital and liquidity to close global investment gaps, given the size of the global financial system, but there are barriers to redirect capital to climate action both within and outside the global financial sector
  - It is essential to focus efforts on shifting financial flows toward the goals of the Paris Agreement, including scaling-up investments in climate-aligned activities and scaling-down investments in activities which actively detract from our achievement of these goal
- On scaling up:
  - In 2021 The Climate Bonds Initiative reported the issuance of over half a trillion (USD 522 billion) green bonds in 2021, a 75% increase from 2020.
  - The Glasgow Financial Alliance for Net Zero (GFANZ) now includes over 450 financial firms from 45 countries with more than USD 130 trillion in assets.
- On scaling down:
  - In 2019-2020, investments in unabated fossil fuels were USD 892 billion, a 13% decrease from 2017-2018.
  - In 2019-2020, fossil fuel subsidies wereUSD 450 billion, a23% decrease from 2017-2018.
- And on managing climate-related financial risks,
  - The Task Force on Climate Related Financial Disclosure (TCFD) now has over 2,600 supporters with a combined market capitalization of USD 25 trillion and financial institution assets under management of USD 194 trillion.
- Overall, substantial progress has been made toward the collective implementation of Article 2.1(c) of the Paris Agreement, though it has been uneven across sectors, regions, and actors.The Paris Agreement played a critical part in spurring many of these efforts, but significant opportunities remain to accelerate and enhance them.

<u>Climate Finance</u>

- Second, and turning to Means of Implementation, continuing to mobilize and provide support for developing countries is another essential aspect of the Paris Agreement. Developed countries remain fully committed to the goal of jointly mobilizing USD 100 billion to address the needs of developing countries, through to 2025, in the context of meaningful mitigation actions and transparency on implementation.
- Climate finance has continued to steadily increase from 2013 to 2020, reaching USD 83.3 billion in 2020, including an increase of 42% since 2016.

- We recognize that the $100 billion goal has not yet been fully met, but we expect that developed countries have made significant progress toward the USD 100 billion goal in 2022 and are confident that it will be met this year in 2023.
- Critically, climate finance is a means to an end. While the financial value of investments in climate action is a useful indicator of progress, the true test of climate finance is its ability to effectively reduce greenhouse gas emissions and build climate resilience, supporting the achievement of the long-term goals of the Paris Agreement.
- Unfortunately, there is little high-quality evidence on climate finance effectiveness.
- From the SCF's work last year, we know that the sectoral, thematic, and geographic distribution of needs expressed by developing countries is well-aligned with the distribution of climate finance provided and mobilized through 2020.
- And, regarding transparency on implementation, the submission of biennial update reports (BUR) of developed country Parties has been increasing, though only 51% of parties have submitted at least one BUR and only two Parties had submitted all four as of 2020.
- Many countries, including those with substantial capacity for reporting, have not submitted timely BURs, which are the foundation of transparency in the UNFCCC and the Paris Agreement.

Technology

- While we have talked at length today about Article 2.1(c) and financial support, it is essential that the global stocktake also give sufficient attention to the critical issues of technology development and transfer and capacity building.
- So our third key point is that technology development and transfer has continued to accelerate rapidly since the adoption of the Paris Agreement.
- We have experienced a decade-long trend of decoupling emissions and economic growth.
- We have seen unprecedented momentum behind investing in renewables, with the world set to add as much renewable power in the next 5 years as it did in the past 20.
- And the price of clean energy technologies continues to plummet, while accessibility rises.

Capacity Building

- And fourth, we recognize that capacity building is critical to long-term, durable, independent, and rapid climate action.
- And while there is further to go, it is unquestionable that capacity has been built.
- Successful capacity-building is locally- and nationally-owned, and ultimately can be maintained and enhanced independent from international support.
- When done right, capacity-building creates a positive feedback loop of additional and sustained mitigation and adaptation action.