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Climate Group Submission: Baku to Belém Roadmap to 1.3T

The Climate Group[1] is the Secretariat for the Under2 Coalition, the largest global network of subnational governments – states, regions and provinces - representing 1.75 billion people and 50% of the global economy, all committed to net zero by no later than 2050. With a long history of engaging this level of government, we understand the importance of their role in driving climate action and want to ensure the fiscal powers they hold is recognised within the Baku to Belem roadmap.

The New Collective Quantified Goal (NCQG) agreed at COP29 was a step forward not a finish line. The Under2Coaltion, a central partner to the Local Government and Municipal Authority (LGMA) formal body to the UNFCCC, tracked the NCQG negotiations tirelessly. For each draft iteration of text seen, we submitted edits to:

- Recognise the role of states, regions, and provinces in driving climate action.
- Ensure improved direct access to finance for subnational governments.
- Acknowledge the role that this layer of government has played – and will continue to do so – in already contributing to international pools of finance.

States, regions, and provincial governments are uniquely positioned to drive meaningful climate action as they operate closest to the people, industries, and ecosystems most affected by climate change. Their proximity allows them to implement policies tailored to local needs while ensuring coordinated engagement.

Many subnationals have the fiscal and regulatory authority to drive action on mobilising and distributing climate finance (examples below), their impact should not be understanded. National-level ambition on climate isn't a 'ceiling' of ambition for subnationals, many go far above. For example, in India, 14 out of 20 regions have net zero targets for earlier dates than the national 2070 target, and in the US, 19 states have net zero targets, with five aiming for earlier than the 2050 federal goal.

Along this vein, the Under2Coalition provides feedback to UNFCCC questions (b) and (c) on the Baku to Belem roadmap.

[1] Climate Group is an international non-profit, launched in 2004, with offices in London, Amsterdam, Beijing, New Delhi, and New York. Our mission is to drive climate action, fast. Our goal is a world of net zero carbon emissions by 2050, with greater prosperity for all. We do this by forming powerful networks of business and government, unlocking the power of collective action and scale to move whole systems such as energy, transport, the built environment, industry and food to a cleaner future. Together, we're helping to shift global markets and policies towards faster reductions in carbon emissions. Climate Group hosts Climate Week NYC and regional summits Climate Group Asia Action Summit and US Climate Action Summit.

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

To align with the mandate of COP30, the following thematic areas should be prioritised. Direct further input from subnational governments can be facilitated by the Under2 coalition:

1. The role of subnational governments in mobilising finance.

Subnational carbon pricing instruments are just as common as national versions. The carbon pricing dashboard shows that 39/89 existing carbon pricing instruments exist at the subnational level.[2] For instance, California's Cap-and-Trade Program drives localised emission reductions, and Queretaro's carbon tax on heavy emitting industry players. These players should have the same emphasis in UNFCCC talks and same calls to action on them for driving some of that capital towards addressing the international finance gap. Then, on the flip side, they should have equal modalities to access climate finance as the national government and recognition of this at COP.

2. Improved access to climate finance for subnationals.

Recognise that in many geographies national government disengagement in climate is not mirrored at the subnational level. Design new financial mechanisms that directly fund regional and local climate action, whilst reducing reliance on national intermediaries. These mechanisms should be coupled with risk-sharing facilities to de-risk investments in subnational climate projects.

3. Ensure the inclusion of subnational governments in country platforms

There is a need for strengthened multilevel climate governance - ensuring coordination between cities, regions, and national governments to ensure policy coherence on finance mobilisation and distribution in a country. Subnationals are often responsible for implementing policies, managing infrastructure, and mobilising local investments, so harmonisation is pivotal but often not factored in at COP.

Take their role in procurement for instance. Subnational governments are often large consumers of products (e.g. in education and health) and responsible for supplying communities with public services. This gives them significant influence over where funds are directed and how they are used. The OECD found that subnational governments account for 63% of climate-significant public expenditure and 69% of climate-significant public investment across more than 30 OECD and EU countries.[3] Globally, subnational governments represent over 50% of all environmental and climate spending through their spending allocations and procurement powers.[4]

4. Institutionalise subnational participation in UNFCCC negotiations.

Subnational governments should have a formal role in UNFCCC negotiations, as they bridge the gap between national commitments and local action. They are crucial implementation partners, a key priority of COP30. With direct responsibility for urban planning, infrastructure, and regional carbon markets, they are essential for accelerating decarbonisation and climate adaptation. Institutionalising their

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[2] World Bank Group. Carbon Pricing Dashboard. (2025) https://carbonpricingdashboard.worldbank.org/compliance/instrument-detail

[3] OECD. 2022. "Subnational Government Climate Expenditure and Revenue Tracking in OECD and EU Countries." Paris: OECD. https://doi.org/10.1787/1e8016d4-en.

[4] The Climate Group. 2023. "Without Climate Finance for States and Regions There Can Be No Net Zero, Warns Climate Group." 2023. https://www.theclimategroup.org/our-work/press/without-climate-finance-states-and-regions-there-can-be-no-net-zero-warns-climate

participation would ensure better alignment of finance, policies, and implementation across all levels of governance, strengthening global climate efforts.

5. Explore subnational and private sector partnerships in key sectors

Stronger partnerships between subnational governments and the private sector in key sectors like energy, industry, and waste management are essential for accelerating climate action. The devolution of responsibility to subnational governments on areas such as waste management, security and transport policy gives subnationals a critical role in policy implementation and infrastructure development. Private sector investment and innovation can drive scalable solutions, particularly in reducing methane emissions, rolling out low emission transport and decarbonising heavy industry by using government policy and purchasing powers.

(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?

To ensure barriers are addressed and finance flows effectively, COP30 should incorporate lessons from leading subnational climate initiatives:

1. Subnational contributions to international climate finance gap

Many subnational governments are already making contributions towards addressing the international climate finance gap. Either through direct allocation of resources or through innovative mechanisms such as carbon market revenue.

Many Under2 members have carbon pricing instruments in place generating revenue for domestic climate action e.g. British Columbia, Catalonia, California, Queretaro, Washington, Wallonia, to name a few. Even more impressive, is the governments who have dedicated revenue from these sources to international climate finance.

Québec:

'*Québec has directed an appreciable share of its carbon market revenues toward supporting developing countries most vulnerable to climate change. To date, Québec has contributed over **100 million Canadian dollars** through initiatives such as the International Climate Cooperation Program and the Global Adaptation Fund.*[5] *More recently, Quebec also became the first subnational government to contribute to the new Global Biodiversity Framework Fund (2M$CAD)*[6] *established to help developing countries to achieve the Kunming-Montréal Global Biodiversity Framework*.'

Scotland:

'Scotland has demonstrated leadership in addressing climate-induced loss and damage (L&D), becoming the first developed government to commit dedicated funding to this cause. At COP26 in 2021, Scotland pledged £2 million, which

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[5] Adaptation Fund. (2025). https://www.adaptation-fund.org/about/resource-mobilization/contributors/canada-government-of-quebec/

[6] Global Environment Facility. (2024). https://www.thegef.org/newsroom/press-releases/boost-nature-governments-announce-163-million-new-pledges-global

catalysed global discussions on L&D financing.[7] *Building on this momentum, at COP27 in 2022, Scotland announced an additional £5 million. At New York climate week 2023 and COP28, Scotland announced further funding, bringing its total to* ***£10 million****. These funds have been channelled through the Climate Justice Fund,*[8] *supporting community-led initiatives in vulnerable nations to address both immediate and long-term climate impacts. By focusing on locally driven solutions*[9]*, Scotland's approach has not only provided essential resources for resilience and recovery but has also set a precedent, inspiring other nations and regions to contribute to global L&D efforts. It is also leading the way for more action to address Non-Economic Loss and damage, through its dedicated programme.'*

The roadmap should ensure that an enabling environment is provided for subnational climate finance initiatives to share their experiences that can be scaled. The above are key examples. In addition, Québec also implemented a cap-and-trade system in 2013 and linked it with California's program in 2014, demonstrating ten years of effective collaboration.

Finally, it is important to recognise subnational work on Green Bonds. In California, the State Treasurer's Office has been at the forefront of promoting green bonds to fund various environmental initiatives. In 2024, the state invested $150 million in a World Bank 5-year green bond, underscoring its dedication to sustainable infrastructure and environmental projects internationally.[10]

2. Separately pooled funding

Like the Scotland example above, Pacific Island states and Bangladesh have pioneered locally managed adaptation funds that bypass national bureaucracy, ensuring funds reach vulnerable communities faster.

In the Pacific, countries like Fiji and the Solomon Islands have established community-based adaptation trusts that allow local governments and civil society organisations to implement climate resilience projects tailored to their specific vulnerabilities.[11]

Similarly, in Bangladesh, the Local Climate Adaptive Living Facility (LoCAL) channels international climate finance directly to local governments, funding projects such as flood-resistant housing, early warning systems, and climate-resilient agriculture.

These models provide valuable lessons for scaling subnational climate finance globally, ensuring that adaptation resources are effectively channelled at the right level of government.[12]

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[7] Bakhtaoui, I., & Shawoo, Z. (2023). *How Small and Locally Led Grants Can Address Loss and Damage: Early Lessons from the Scottish Government's 2021 Funding Commitment.* Contributing authors: Diallo, A. A., Barua, A., Dinshaw, A., Twongirwe, I., Nkhoma, L., Waqavonovono, M., Kourabas, M., Shahjahan, M., Bainteiti, I. R., & Soqo, S. SEI Report. Stockholm Environment Institute. https://doi.org/10.51414/sei2023.061

[8] Scottish Government. Climate Justice Fund. 2025. https://www.gov.scot/policies/international-development/climate-justice-fund/

[9] Give Directly. 2024. Climate loss & damage as direct cash transfers: evidence from Malawi. https://www.givedirectly.org/scotland_climate/#:~:text=This%20year%2C%20GiveDirectly%20and%20the,address%20climate%20loss%20%26%20damage%20globally.

[10] World Bank. 2024. https://www.worldbank.org/en/news/press-release/2024/04/09/state-of-california-invests-in-world-bank-5-year-green-bond

[11] https://www.greenclimate.fund/project/fp259

[12] https://www.uncdf.org/local?trk=public_post-text#:~:text=The%20Local%20Climate%20Adaptive%20Living,to%20local%20governments%20for%20climate

3. State-level climate budgeting

Alongside requesting for better access to climate finance at the subnational level, it is important that potential recipients are adequately prepared on how to implement climate projects. Climate Group has two key initiatives on this vein:

1. Mobilising green investments in Brazilian states. This project aims to enhance climate finance capacities and planning across three Brazilian states – Mato Grosso, Pernambuco, and Sao Paulo – who are long-standing members of the Under2 Coalition. The work strengthens the technical capabilities of government officials and helps develop bankable concepts on priority projects, aligned to national climate policies. Intention is to then replicate successful projects to a wider community of practice in Brazil.

2. Next Generation Budgets. Next Generation Budgets is a project led by Climate Group, in partnership with the Government of North Rhine Westphalia and funded by Stiftung Mercator. Building on the unique insights provided by Finance Fit for Change, it aims to align public budgeting with climate neutrality goals and help unlock financing, building on and informed by technical training and international best practice. Next Generation Budgets works with eleven states and regions from Europe and North America, each one with ambitious net zero emissions targets.

Green budgeting initiatives at the state level can help drive action rapidly once funds flow. Engaging and recognising this level of government can also facilitate state to city level collaboration, scaling climate action. For instance, Minas Gerais has 850 cities in its jurisdiction and unlocking work at the state level therefore has huge scalability potential.