Framework Convention on Climate Change

SES/2025/WS1/SummaryReport

04 September 2025

First workshop in 2025 under the Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement

Summary report

I. Introduction

A. Mandate

1. The Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA), at its fourth session, decided to launch the Sharm el-Sheikh dialogue between Parties, relevant organizations and stakeholders to exchange views on and enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement.[1]

2. CMA 5 decided to continue and strengthen the Sharm el-Sheikh dialogue referred to in decision 1/CMA.4, paragraph 68, including with regard to the operationalization and implementation of Article 2, paragraph 1(c), of the Paris Agreement, in 2024–2025. It also decided that the dialogue is to be facilitated by two co-chairs, one from a developed country and one from a developing country, appointed, in consultation with the respective constituencies, by the President of CMA 5.[2]

3. CMA 5 requested the secretariat, under the guidance of the co-chairs of the dialogue, to organize at least two workshops per year with a view to engaging a broad range of relevant stakeholders and to prepare a report on each workshop. It invited Parties, constituted bodies under the Convention and the Paris Agreement, the operating entities of the Financial Mechanism, climate finance institutions, observers and observer organizations, and other stakeholders, particularly from the private sector, to submit views on the issues to be addressed during the workshops.[3]

4. It requested the co-chairs, in convening the workshops, to take into consideration the submissions and the reports on previous workshops referred to in paragraph 3 above.[4]

5. CMA 5 also requested the co-chairs to prepare a report on the deliberations under the Sharm el-Sheikh dialogue in 2024 and 2025 for consideration at CMA 6 and CMA 7 respectively and to prepare, as part of the report in 2025, a synthesis of all work undertaken under the dialogue for consideration at CMA 7 with a view to CMA 7 deciding on a way forward with regard to its deliberations on this matter.[5]

[1] Decision 1/CMA.4, para. 68.
[2] Decision 9/CMA.5, paras. 8–9.
[3] Decision 9/CMA.5, paras. 10–11.
[4] Decision 9/CMA.5, para. 12.
[5] Decision 9/CMA.5, paras. 13–14.

6. CMA 6 welcomed with appreciation the efforts of the co-chairs Sharm el-Sheikh dialogue in 2024, including to facilitate constructive and open discussions and exchange of views and information among Parties, relevant organizations and other stakeholders at the workshops held under the dialogue in 2024. It encouraged the co-chairs to continue enhancing their efforts to organize and conduct the workshops to be held under the dialogue in 2025 in an inclusive, open and transparent manner, including with regard to ensuring participatory representativeness, facilitating the engagement of Parties and non-Party stakeholders and aiming to have content relevant to all Parties.[6]

7. CMA 6 invited Parties, the constituted bodies, the operating entities of the Financial Mechanism, climate finance institutions, observers and observer organizations, and other stakeholders, particularly from the private sector, to submit via the submission portal by 1 March 2025 views on the issues to be addressed during the workshops to be held under the dialogue in 2025.[7]

B. Workshop details and objective

8. The first workshop in 2025 under the Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement was held from 17 to 19 June 2025 in conjunction with the sixty-second sessions of the subsidiary bodies.

9. The workshop explored the theme of different approaches to Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement in diverse contexts, providing an opportunity to exchange views and identify forward-looking solutions on:

(a) Building capacities for nationally determined financial sector development: case studies on adaptation and climate resilience in diverse contexts;

(b) Transition planning for low greenhouse gas (GHG) emission and climate-resilient development pathways and for financing just transition pathways in diverse contexts;

(c) Opportunities to support implementation of the new collective quantified goal on climate finance (NCQG) through Article 2, paragraph 1(c), of the Paris Agreement.

C. Preparatory activities

10. The co-chairs of the Sharm el-Sheikh dialogue, Gabriela Blatter and Mohamed Nasr, issued a message[8] to Parties and other stakeholders reiterating the invitation of CMA 6 to submit views on issues to be addressed during the workshops,[9] with guiding questions included.

11. In addition, the co-chairs indicated their availability for bilateral consultations, upon request, with interested Parties or groups of Parties to listen to their views on and expectations for the Sharm el-Sheikh dialogue.

[6] Decision 14/CMA.6, paras. 1 and 4.
[7] Decision 14/CMA.6, para. 5.
[8] Available at https://unfccc.int/documents/645800.
[9] As footnote 7 above.

12. In a subsequent message,[10] the co-chairs communicated the main themes and topics for discussion during the workshops in 2025, based on the views expressed by Parties and non-Party stakeholders over the course of 2023 and 2025, including through the call for submissions. The co-chairs shared the theme of the first workshop[11] and announced that the second workshop will be themed around Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement, after 10 years of the Paris Agreement and 3 years of the Sharm el-Sheikh dialogue, covering a stocktake of actions at the domestic and global level aimed at implementing Article 2, paragraph 1(c), of the Paris Agreement and ensuring complementarity with Article 9 of the Paris Agreement, as well as reflections on the Sharm el-Sheikh dialogue in 2023–2025 and looking forward to CMA 7.

13. A message on the first workshop was issued to Parties and non-Party stakeholders in advance of the workshop,[12] and the workshop programme was published on the event web page.[13]

D. Proceedings

14. The workshop was opened by the co-chairs of the Sharm el-Sheikh dialogue, who took stock of the work undertaken under the dialogue thus far, including the 2024 annual report by the co-chairs.[14] The co-chairs also presented an overview of the organization of the dialogue in 2025, outlining the overall approach to the organization of the workshops and providing an overview of the programme for the first workshop. In addition, opening remarks were delivered by Elmaddin Mehdiyev, representing the Presidency of the Conference of the Parties (COP) at its twenty-ninth session, and Daniele Violetti of the secretariat.

15. A panel of four experts and practitioners on the topic of building capacities for nationally determined financial sector development presented case studies from diverse contexts and on adaptation and climate resilience, taking into account the following guiding questions:

(a) What are key support needs and solutions for building national capacities for the development of financial systems which foster low GHG emission and climate-resilient development?

(b) What are specific needs associated with the inclusion of adaptation and climate resilience in this context?

(c) How are capacity-building needs different for national public and private financial sector actors?

16. The panellists discussed, among other topics, the following:

(a) Nina Fenton, Head of Section, External Fora and Positioning, Sustainability Hub at the Bundesbank, presented the collective efforts undertaken by central banks and financial supervisors within the Network for Greening the Financial System (NGFS) for peer learning, knowledge-sharing and developing

[10] Available at https://unfccc.int/documents/646640.
[11] See para. 7 above.
[12] Available at https://unfccc.int/documents/647046.
[13] https://unfccc.int/event/first-workshop-in-2025-under-the-sharm-el-sheikh-dialogue-on-article-2-paragraph-1c-of-the-paris.
[14] FCCC/PA/CMA/2024/11.

climate-related modelling and supervisory capacities. She highlighted as a concrete example of climate-related capacity-building the development by central banks, in collaboration with climate scientists and academia, of the NGFS climate scenarios, which enable supervisors to assess and manage potential climate-related risks within the financial system, for both microprudential and macroprudential supervision. Successful capacity-building efforts thereby result in tangible, policy-relevant insights for central banks, including the quantified costs of delayed climate inaction (in terms of gross domestic product losses with sizeable regional variations) and material climate-related risks for financial institutions. Lastly, she pointed to limits on central banks' capacities to steer the alignment of financial systems with climate goals, which also necessitates ambitious climate policy signals and action by governments, and emission reductions and resilience-building efforts by real economy actors;

(b) Marjorie Kauffmann, Secretary of State for Environment and Infrastructure of the State of Rio Grande do Sul in Brazil and Vice-President of ICLEI – Local Governments for Sustainability, shared Rio Grande do Sul's efforts to respond to physical climate impacts, including through the formulation of subnational adaptation and resilience plans and accompanying data and financing strategies. With a particular focus on the agricultural sector, she showcased how the State Government and local municipalities established data platforms to assess climate risks, map public climate initiatives and identify required financial resources. In the case of Rio Grande do Sul, many municipalities face capacity challenges related to engaging in comprehensive planning owing to their small scale, and small-scale local farmers have limited capacities to attract loans and other financial products from commercial capital markets;

(c) Simon Thompson, Managing Director of the Global Capacity Building Coalition, provided an overview of the convening role of the coalition's initiative, providing access to and connecting more than 100 public and private financial organizations that are engaged in climate-related capacity-building for the financial sector. He emphasized the need for enhanced support and capacity-building for capacity-builders and that successful long-term capacity-building efforts necessitate fostering national and local capacities and expertise in developing countries or underdeveloped financial markets, shifting away from a traditional 'fly-in, fly-out' model of training programmes and workshops;

(d) Sinja Buri of the United Nations University Institute for Environment and Human Security, who is also team lead of the Munich Climate Insurance Initiative Climate Risk Finance Solutions team, provided an overview of available risk transfer and insurance solutions at the macro, meso and micro level, with case studies such as regional risk pools in all world regions and insurance schemes that provide backstops for social protection systems. Public–private partnerships also included programmes that engage with local insurance institutions in the Caribbean region to strengthen their financial and institutional capacities, including through policy engagement for the development of a regulatory environment for the insurance market where it is absent or nascent.

17. To facilitate interactive discussions after the panel discussion, participants were divided into five breakout groups, each of which included one moderator and one panel speaker, to exchange views and share best practices and lessons learned in response to the panel discussion and the guiding questions.

18. In a subsequent reflection session, the moderators of each breakout group provided short reflections in plenary on the views expressed, and participants were

invited to provide further reflections. The co-chairs closed the first day of the workshop by providing the outlook for the second day.

19. The second day of the workshop opened with welcoming remarks by the co-chairs, who provided a brief overview of the programme for the day.

20. A panel of five experts and financial sector practitioners discussed the topic of transition planning for low GHG emission and climate-resilient development pathways and for financing just transition pathways in diverse contexts, taking into account the following guiding questions:

(a) What are financial and policy levers to incentivize consistency of finance flows towards low GHG emission and climate-resilient pathways and support just transitions in emission-intensive sectors and in diverse contexts?

(b) What are approaches to minimize unintended social and economic consequences and to ensure adaptation and climate resilience are adequately represented in transition planning?

(c) What are best practice examples for nationally determined transition planning and finance in various geographic contexts? How do they differ depending on national circumstances?

21. The panellists discussed, among other topics, the following:

(a) Andrea Santos of the Federal University of Rio de Janeiro, Brazil, showcased transformative finance models for sustainable transport transformation in Brazil. These include electric vehicle procurement models that provide low-cost financing for municipalities and subsidize the cost difference between conventional and low-emission technologies; the use of parking revenue to cover high capital costs of electric vehicles and charging infrastructure; and sector-coupling initiatives that promote green industry innovation for transport solutions, including pilot projects for developing policy and regulatory frameworks for green hydrogen. Lastly, the speaker noted the investment ecosystem approach of the Brazil Investment Platform, facilitating coordination among federal Government, domestic public development banks and industries with international financial actors, including philanthropies, the Green Climate Fund and private investors;

(b) Jacques Morris, Head of the International Transition Plan Network, shared the work of the International Transition Plan Network to support the development of norms for private sector transition plans and strengthen the link of transition planning with national pathways. He provided an overview of the concept of transition plans as a tool for use by private financial or non-financial sector entities to attract finance flows for the transition towards low-emission and climate-resilient business models and highlighted the role of such plans for defining concrete implementation actions and ensuring the accountability of non-State actors through reporting mechanisms. To inform private sector transition plans, the guiding role of global climate goals and of national and sector-specific pathways was underlined to ensure that climate action by public and private sector actors is linked. In parallel, private sector transition plans may usefully inform national policies and ambition levels, such as those expressed in nationally determined contributions (NDCs), and the benefits of international convergence of transition plan frameworks and disclosures, which reduces cross-border transaction costs and facilitates global climate finance flows, were also highlighted;

(c) Muhammed Sayed, a specialist in climate and environment finance at the Development Bank of Southern Africa, shared the perspective of a public

development bank for financing and supporting just transition efforts in the southern African region. He underlined the benefit of using country platforms and programmatic approaches for aligning countries' climate ambitions and needs with different public and private financial actors while enabling inclusive stakeholder participation and consultation. Examples of best practice for transition financing in the region included a renewable energy power producer programme that enabled the standardization of the terms of renewable energy financing in South Africa, thereby promoting other socio-developmental goals of the country, such as energy security and access, as well as similar public–private partnership models in the water sector to promote standardization and replication of water-related investments. Finally, he underlined the role of public development banks as key financial intermediaries between international and domestic financial markets, and for the development of climate programmes and projects that are aligned with national and local circumstances and development priorities;

(d) John Beard, of the Port Arthur Community Action Network, provided an overview of the requirements of local communities for low-carbon and climate-resilient transition pathways and highlighted the importance of including local-level communities and voices of marginalized groups in society for ensuring just transition pathways. He noted that low-emission transition in the energy sector is lagging behind in many world regions, with continued exploration, commercialization, export and financing of fossil fuels, which are associated with environmental damage, pollution and negative health consequences for local communities and, by extension, for the global population. In this context, he called for global leadership by industrialized countries and multinational financial institutions and corporations in phasing out fossil fuels and associated financing and investment in order to promote just and equitable transition pathways;

(e) Anjali Viswamohanan, Director of Policy at the Asia Investor Group on Climate Change, highlighted the efforts that private financial institutions are undertaking to assess and finance climate adaptation and resilience actions in Asian countries in exchange with governments and public, private and civil society organizations. One example is the engagement of investors with governments on mobilizing finance for Asian countries' national adaptation plans (NAPs), as many financial institutions now recognize that there are material physical climate risks and that there are significant business opportunities for resilience-building in sectors such as food security, energy and water, as well as for building broader business and community resilience and for biodiversity interventions. She showcased best practices for the scale-up of adaptation and resilience investment in the region, such as increased climate awareness in the financial sector and the development of physical risk data platforms by five Asian countries. Challenges persist for translating national plans into concrete financing strategies and project pipelines that could mobilize private finance, and gaps remain for granular climate data at the regional, national, subnational and asset level, including with regard to the quantification of climate impacts and vulnerabilities of local businesses and communities.

22. Subsequently, moderated breakout group discussions and reflection sessions were held in plenary, following the same model used for the first day of the workshop.

23. In the third session of the workshop, a panel of six financial sector experts discussed the topic of opportunities to support NCQG implementation through Article 2, paragraph 1(c), of the Paris Agreement, taking into account the following guiding questions:

(a) How does the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement support the implementation of decision 1/CMA.6[15] on the NCQG?

(b) What opportunities could be pursued at the national level and by which actors in this context to support the NCQG outcome?

(c) What opportunities could be pursued at the international level and by which actors in this context to support the NCQG outcome?

24. The panellists discussed, among other topics, the following:

(a) Ulrich Volz, Professor of Economics at the School of Oriental and African Studies, presented three key ways in which, in his view, the implementation of Article 2, paragraph 1(c), of the Paris Agreement can support NCQG implementation. Firstly, he noted the phaseout of emission-intensive finance and subsidies, which can be redirected towards climate action, and suggested more stringent financial regulation by supervisory authorities to align financial incentives with climate goals. Secondly, he emphasized the strengthening of domestic resource mobilization through financial sector development and local currency financing in developing countries to enhance country ownership of climate finance and manage foreign exchange and currency risks. Thirdly, he underlined the scale-up of international public climate finance as a key lever to support NCQG implementation, noting significant opportunities for multilateral climate funds and multilateral development banks (MDBs) to scale up low-cost and concessional finance by leveraging their excellent creditworthiness in international capital markets;

(b) Esmyra Javier, Senior Climate Finance Expert at the Asian Development Bank, provided a brief introduction to the MDBs' Paris alignment approach, which is a response to Article 2, paragraph 1(c), of the Paris Agreement, and showcased how the Asian Development Bank conducts policy and programmatic lending and supports programmes to enhance fiscal resilience and low-emission development in Asian partner countries. Policy-based loans, such as those associated with the climate-resilient inclusive development programme in Bangladesh and the Accelerating Climate Investment Program in Mongolia, are designed to improve countries' ability to mobilize domestic or international finance and align it with NAP and NDC priorities, while private sector mobilization initiatives include upstream capacity and market development targeted at public authorities, midstream project preparation and advisory, and downstream climate-related capacity-building for private financial institutions. Furthermore, the Asian Development Bank engages with Asian ministries of finance in a fiscal resilience initiative to promote climate risk informed decision-making across three dimensions of risk assessment, climate fiscal risk management tools and the mobilization of public and private finance for adaptation and resilience-building;

(c) Mariam Allam, Adaptation Agenda Lead of the United Nations High-Level Champions team, showcased ongoing private sector efforts to scale up adaptation investment, and observed that, as a first step, private sector actors are increasingly conducting physical climate risk assessments. She noted that best practices explored under the Sharm el-Sheikh Adaptation Agenda include the translation of NAPs into investable financing strategies, highlighting a case study for Nepal and guidance by the World Business Council for Sustainable Development to align investments with NAPs. On external pressure for greater

[15] Available at https://unfccc.int/documents/644937.

resilience in business operations through regulations, increasing valuation and market risks, and insurance premiums, Mariam Allam concluded that it has become imperative for private sector actors to adapt to climate change, which also presents a promising growth market for adaptation and resilience solutions, exemplified by the proliferation of adaptation taxonomies, methodological frameworks and guidance documents. She also noted that further work will be needed to unlock sufficient adaptation and resilience finance flows, stating that public sector actors can enhance data access, local technical capacities and overarching policy guidance, such as through NAP formulation, while private sector actors have room to improve the quantification of business cases for adaptation and make better use of financial instruments, such as blended finance, credit enhancements and first-loss guarantees, and insurance to adjust risk–return expectations;

(d) Juliane Van Voorst, Investment and Climate Finance Specialist at the United Nations Industrial Development Organization, provided an overview of the large financing gap for sustainable industries in developing countries, citing needs of up to USD 2.5 trillion annually for climate-related investments by 2030 and noting that these needs are not yet translated into investment projects owing to market and technology barriers, insufficient policies and demand for low-emission industrial products, and the long lifetime of existing emission-intensive assets. Juliane Van Voorst noted opportunities for Article 2, paragraph 1(c), of the Paris Agreement to focus on the transition of hard-to-abate industries through decarbonization projects and managed phaseout support. She showcased how the United Nations Industrial Development Organization works with countries and industry partners for mobilizing finance for industrial decarbonization in Brazil, Kenya and Sri Lanka, including through enabling policy frameworks, the development of sectoral road maps and project pipelines, and the use of blended finance models that combine public and private concessional and non-concessional finance. For implementing Article 2, paragraph 1(c), of the Paris Agreement in mitigation sectors, she advocated for a shift towards financing of countrywide transition plans and formulated domestic level opportunities to develop nationally determined transition plans with clear policies, project pipelines for industrial decarbonization and managed emission phaseout, as well as international level opportunities for developed country Parties to provide grant and grant-equivalent financial support for covering phaseout costs, including for worker compensation and reskilling, and catalytic and de-risking capital for low-emission industrial projects;

(e) Wendy Walford and Erich Cripton, Net Zero Asset Owner Alliance Policy Track co-leads, provided insights into institutional investors' efforts to align their financial portfolios and investments with the Paris Agreement temperature target, including by setting decarbonization targets and implementing investment strategies that reduce emission intensity over time. They highlighted the key role that clear and ambitious climate policies, regulatory environments and real-economy decarbonization play for aligning investments with low-carbon and climate-resilient development pathways, and noted increasing efforts for adaptation and resilience financing by investors;

(f) Natalia Alayza, Climate Finance Manager at the World Resources Institute, presented the institute's framework for government options to align and increase finance flows for climate action, part of its resource hub for climate finance. The whole-of-government approach covers the stages of climate-related planning, including financial cost estimates, and implementation options, such as aligning finances through fossil fuel subsidy reform, increasing climate finance through

sustainability-linked bonds, and mobilizing required transition finance in industrial sectors through green loan guarantees. At the monitoring stage, many countries have established monitoring and reporting systems for climate-related finance flows, such as the Peruvian financial administration information system for climate change. She also noted complementarities of Article 2, paragraph 1(c), of the Paris Agreement with Article 9 of the Paris Agreement for different financial sources and Parties, within the dimensions of alignment of finance flows, and mobilization and provision of finance.

25. An open plenary discussion followed during the third session.

26. Finally, in their closing remarks, the co-chairs outlined the next steps for the Sharm el-Sheikh dialogue in 2025, which include preparing a summary report on the discussions at the first workshop and preparing for the second workshop. In addition, closing remarks were delivered by Elchin Allahverdiyev on behalf of the COP 29 Presidency and by Túlio César Mourthé de Alvim Andrade on behalf of the incoming COP 30 Presidency.

27. The workshop programme, presentation slides and video recordings are available on the dedicated workshop web page.[16]

II. Summary of discussions

A. Building capacities for nationally determined financial sector development in diverse contexts and for adaptation and climate resilience

28. Participants discussed multiple elements related to nationally determined financial sector development in diverse contexts, including with a focus on adaptation and climate resilience, as described below.

29. With regard to **capacity-building needs**, participants recognized that a response to climate change and increase of climate-related investment necessitates enhanced, system-wide capacity-building in the financial sector to take climate considerations into account and adequately understand the risks and opportunities associated with climate impacts and low-carbon, climate-resilient development pathways.

30. Most participants stressed that climate-related capacity-building needs are evident in all countries and among both public and private financial actors. For systematic transformation of financial systems, many participants found it necessary to consider not only governments, central banks and large public and private financial institutions, but also local financial institutions such as community banks, sector-specific or local-level cooperatives, and small- and medium-sized enterprises, and to promote financial literacy and access for individuals. Panel experts and participants noted that climate-related financial capacities are often built through collaborative and network-based approaches, allowing peer learning, exchange of best practices, and engagement with non-financial actors, including actors in science and academia, policymakers, and civil society and real-economy stakeholders. Available forums and programmes for climate- and finance-related capacity-building include NGFS, the Coalition of Finance Ministers for Climate Action,

[16] As footnote 15 above.

ICLEI – Local Governments for Sustainability, the Global Capacity Building Coalition, various capacity-building programmes under the UNFCCC, the operating entities of the Financial Mechanism, other multilateral climate funds, MDBs and networks of public development banks, and the NDC Partnership.

31. Support needs for capacity-building for sustainable financial sector development were identified in particular in less developed, small or nascent financial markets, including in many developing countries. Many participants highlighted climate-related information and data as an essential requirement for climate mainstreaming into financial decision-making, noting that such information and data remain scarce in many world regions, at country and subnational level, and that available methodologies such as climate scenario modelling and climate risk assessments are complex. Their application by public and private financial institutions and actors in developing countries, including by ministries of finance and supervisors, private financial institutions and corporations, requires additional capacity-building support, according to many participants. Further, some participants highlighted political and technical challenges in designing market-shaping policies for sustainable finance flows, as well as for revenue-neutral taxation measures that can ensure redistribution from high-emitting activities and high-income groups of society towards low-emission activities and low-income groups or those most impacted by climate change.

32. In this context, many participants noted opportunities for localizing climate-related financial expertise and enhancing the knowledge base for sustainable finance in many developing countries and in less developed financial markets. These participants pointed to potential benefits from enhancing domestic climate-related financial capacities in developing countries, including strengthened country ownership and alignment of financial flows and instruments with relevant needs and country contexts, or the reduction of perceived investment risks through greater data availability. Several participants also noted that domestic actors' experience in assessing local risks and opportunities can be leveraged for low-emission and climate-resilient finance flows from international and domestic markets by, for example, strengthening the role of national and subnational public development banks and local commercial financial institutions and through the inclusion of local community and Indigenous Peoples' knowledge.

33. The interlinkage of national capacities and domestic financial actors with the systemic governance of the international financial system was stressed by many participants. Many participants noted that domestic public financial authorities and private financial actors are often dependent on global financial market dynamics and international regulations and do not have the capacity to influence decision-making in favour of a more sustainable financial system; for example, for measures to enhance fiscal space for climate actions or for shifting incentives and pricing mechanisms to the benefit of low-emission activities and investments. Many participants also pointed to a role of major economies in influencing international policy processes and institutions in favour of directing finance towards climate and development objectives.

34. With regard to **adaptation and climate-resilient financial system development**, participants exchanged views on the integration of adaptation considerations into financial decision-making processes and the development of climate-resilient financial systems.

35. Participants noted that increasing climate-related impacts affect financial institutions and financial systems at the national and global level. Examples were

cited, such as the adverse impact of accelerated climate change on global, national and subnational economic output in specific sectors, such as agriculture, and on specific financial metrics, including headline inflation, credit and market risks and probability of default. Most participants concluded that the monitoring and assessment of physical climate risks become imperative for climate-resilient financial sectors, and that such assessment will support the identification of exposed or vulnerable communities, businesses and economic sectors.

36. However, many participants also noted with great concern that a traditional financial risk management approach to climate change could lead to decreased access to capital markets, or even to divestment and uninsurability of areas and communities that are most vulnerable to climate change, referencing climate risk integration into disclosure frameworks, debt sustainability analyses and credit rating methodologies. Some participants warned that climate-related risks may increase existing debt vulnerabilities and limited fiscal space in developing countries, and that maintaining access to public and private finance remains a key enabler for taking climate action while achieving development priorities and economic growth in developing countries.

37. In response, most participants noted that proactive adaptation and resilience investments will be required to make financial systems climate resilient at the national and global level, and that such investments will have to significantly increase in scale compared with current levels. Many participants provided specific examples of climate-related exposure and vulnerability faced by households, small to medium-sized and large enterprises and microenterprises, smallholder farmers and specific groups of society, such as youth and women, Indigenous Peoples and minority groups, all of which will require forward-looking adaptation and resilience finance and access to affordable insurance.

38. Some participants highlighted best practices for identifying climate-related risks while supporting adaptation and resilience investment, such as climate-resilient debt clauses adopted by MDBs and bilateral development agencies, debt-for-resilience or debt-for-nature operations that serve as useful liquidity management tools for enhancing fiscal space, and adaptation finance targets used by public and private financial institutions.

39. Participants also stressed that national, subnational and local adaptation planning processes are under way in many countries, although capacities for their development are often constrained, particularly at the local level and for the development of accompanying cost estimates and investment strategies. In this context, opportunities for capacity-building support were mentioned by many participants regarding the development of integrated adaptation planning and financing strategies, both at government level and in the private sector.

B. Transition planning for low greenhouse gas emission and climate-resilient development pathways and for financing just transition pathways in diverse contexts

40. When discussing **transition planning and transition finance**, participants engaged in rich discussions regarding planning and financing the transition to low GHG emission and climate-resilient development pathways, and how to ensure just and socially equitable transitions in this process. Through sharing experience and best practices from a diversity of country contexts and institutional perspectives,

participants acknowledged that transition planning and financing efforts are being undertaken by countries across the globe, and by a variety of financial sector and real-economy actors according to context- or sector-specific approaches. Discussions covered a range of topics, as summarized below.

41. Participants noted a **diversity of financial policies and levers** for incentivizing consistency with low GHG emission development pathways, employed by public and private actors according to their national, sectoral or institutional contexts. These included national-, sectoral- or corporate-level transition plans and investment strategies; macroeconomic and sectoral policies such as renewable energy off-taker agreements; tax incentives; green bonds; development and expansion of domestic capital markets; sustainable finance taxonomies; climate-related disclosures; international public finance, including grants and concessional finance for projects and programmatic approaches, as well as for the development of project pipelines and technical assistance; carbon pricing with revenue recycling for climate-related purposes and social protection systems; fossil fuel subsidy reforms; climate-related reforms of investment treaties and investor-State dispute settlement regimes; and international initiatives for the consistency of specific finance flows, such as the Clean Energy Transition Partnership.

42. **Country platforms** were mentioned by many participants as a promising model for nationally determined transition planning. Such platforms can mobilize climate investments at scale through public and private financial actors, which pool domestic and international capital, while ensuring country ownership, government oversight and local-level inclusion for communities, the workforce and other civil society stakeholders affected by the transition to low-carbon economies. Many participants highlighted the opportunities afforded by country platforms for moving away from a project finance approach, prevalent in the current development finance landscape, and towards programmatic, whole-of-economy and whole-of-society approaches. Many participants were of the view that country platforms could ensure more coordinated planning for economic and social impacts of the transition, as well as better identification of suitable financial instruments and required financial interventions, including expenditures for social protection, education and reskilling or upskilling. In particular, participants noted the ability of country or sector platforms to mobilize and direct finance at scale towards low-emission and climate-resilient transition pathways by identifying a larger portfolio of suitable projects, designing appropriate policy and regulatory frameworks, and deploying a range of commercial and concessional financial instruments to implement real-economy transitions.

43. However, some participants noted that lessons can be learned from the initial set of country platforms, such as the Just Energy Transition Partnerships, including in relation to the long lead times from policy development to project pipeline identification and actual financing and implementation; complex interministerial and international coordination processes between consortiums of public and private sector actors; and the desirability of more inclusive stakeholder consultation processes that enable local communities, women, youth, workers, Indigenous Peoples, small businesses and other groups of society to effectively participate in decision-making.

44. **Transition plans** were discussed by many participants as a useful tool for setting ambition levels and ensuring the implementation of low GHG emission and climate-resilient development pathways. It was notable during the workshop that participants applied the concept of transition plans and transition planning in

different contexts, including for national-level climate plans such as NDCs and NAPs, sector-level transition strategies and the private sector, for entity-level transition plans covering real-economy corporates and/or financial institutions. For the private sector, some participants pointed to an emerging landscape of transition planning guidance and frameworks, designed to ensure that private entities engage in strategic and long-term climate transition efforts, backed up by short- and near-term implementation measures, and accurate measurement, reporting and verification through disclosures of progress indicators.

45. **Transition planning for climate adaptation and resilience** was noted as equally important as decarbonization, although existing processes and methodologies such as NAPs and transition plans for financial institutions and corporates are more nascent compared with existing frameworks for mitigation.

46. Many participants noted that increased climate resilience will be instrumental for all countries for engaging in sustained low-carbon emission pathways, as economic and societal resilience to climate change will positively affect the ability of public budgets, households and large and small businesses to shift towards low-carbon economies, across sectors such as energy, transport, industry and agriculture, and for ensuring the maintenance of essential social protection, education and health systems.

47. Several participants provided examples of how adaptation and resilience aspects are being integrated into approaches related to Article 2, paragraph 1(c), of the Paris Agreement, including as building block 2 of the MDB Paris alignment approach, with a context-specific characterization of adaptation finance, and guidance notes for banks and investors on how climate risks can be assessed and addressed through investments at portfolio and asset level, as well as examples of how international financial institutions and development finance institutions support financial authorities of countries (ministries of finance and economy, as well as central banks and supervisors) to assess climate-related risks in domestic financial systems and to design climate-responsive budgets and financial policies, including for disaster risk management strategies and contingency finance.

48. In a similar way to session 1 in the context of climate-resilient financial systems (see para. A.36 above), many participants were concerned about potential adverse consequences of the integration of physical climate risks into financial decision-making processes, including credit-rating methodologies, bond pricing and the calculation of risk-adjusted returns for investment. Concerns were raised in the context of access to affordable finance and insurance for governments and subnational public actors, households and businesses in regions most exposed and vulnerable to climate impacts, particularly in developing countries, including small island developing States and the least developed countries. It was also noted by some participants that this financial market issue has to be addressed in all world regions, independent of income or development level, as banking and insurance markets have experienced similar pressures in response to climate-related impacts in North America and Europe. Several participants highlighted a need to find novel ways to incentivize the collection and disclosure of information on physical climate-related risks for accurate financial decision-making, all while safeguarding financial access and resilience-building investment, rather than seeing financial flows moving away from geographical areas and economic sectors where physical climate risks are elevated.

49. On **financing just transition pathways**, participants underlined the importance of ensuring that countries and economic actors engage in just and

equitable low-carbon and climate-resilient development pathways that include considerations of socioeconomic transition impacts at the global, national and local level. Participants noted that just transition pathways, and adequate financing thereof, are highly relevant for emission-intensive sectors and industries, which still form the backbone of many economies and support livelihoods and communities. Some participants cited best practices for just transition financing, such as the Just Energy Transition Partnerships (see paras. 42–43 above, also noting the opportunities for further improvements), social and sustainability-linked bonds and impact investments with key performance indicators related to social outcomes linked to employment or income levels, and transition finance taxonomies that support investment in economic activities that are not yet green but seek to align with climate goals through a defined pathway over time. Many participants also encouraged the use of social and environmental safeguards, due diligence requirements and disclosures to ensure just transitions, while also noting the need for these to be tailored to local and national contexts and avoid placing additional burdens on implementing actors.

50. However, many participants noted that just transition financing instruments remain a niche in the broader finance landscape and require further innovation, including for community-level investment; for financing for supporting the workforce and reskilling; and for the phase-down and shift away from emission-intensive activities in the energy sector. Many participants were of the view that financing just transition pathways in developing countries would require a mix of financial instruments and sources, including international public finance and support, grants and grant-equivalent finance, in addition to domestic public finance and private capital from domestic and international sources. The positive role of local currency financing for promoting just transition pathways in developing countries was highlighted by several financial sector experts, with the potential to enhance predictability of returns, reduce foreign exchange risks for governments, investors and creditors, and ultimately improve macroeconomic stability of countries for climate and development action. Many participants acknowledged that fit-for-purpose financial interventions would need to respond to the specific national and sectoral context and include the needs of affected communities, vulnerable groups in society, women, youth and Indigenous Peoples, where applicable. Some examples for this reasoning were provided, including different policy frameworks for the energy sector in countries where public and private utilities and grid operators interact in various ways and may therefore require different financial instruments, as well as cases of emission-intensive industries and transport sectors that require large-scale innovation funding, which may be provided through a blend of concessional and market-based equity and debt financing.

51. Some participants also discussed cross-border finance- and trade-related aspects of just transition pathways and highlighted a need to ensure that climate policies and measures to incentivize decarbonization of industries do not adversely affect global trade and access to low-carbon technologies and do not unduly constrain public finances and the ability of emission-intensive industries to engage in progressive decarbonization efforts. Several participants highlighted the role of international cooperation for climate action, and several participants were of the opinion that the principle of equity and common but differentiated responsibilities and respective capacities in the light of different national circumstances should be considered when countries and non-State actors design climate-related financial or economic measures with multi-jurisdictional reach. However, other participants mentioned initial evidence of positive climate outcomes from trade-related climate policies such as carbon pricing and border adjustment mechanisms or from portfolio

alignment strategies by private financial institutions. Other participants pointed to the large emission reduction potential of reforming investment treaties and dispute settlements to withdraw existing investment protections that benefit emission-intensive investments, and instead ensuring that countries can conduct climate-positive policy changes and support low-emission technologies without incurring financial disadvantages through outdated investment protection regimes.

52. In the context of safeguarding just transition pathways that are tailored to specific national, subnational and sectoral contexts, many participants mentioned that measures for achieving Article 2, paragraph 1(c), of the Paris Agreement should not follow global or unified standards but respond to and afford flexibility for the diversity of nationally appropriate mitigation and adaptation pathways. Examples were provided by participants of investment strategies that can be tailored to country- and sector-level decarbonization pathways, and of differentiated climate-related disclosure frameworks that account for limited capacities of MSEMs in comparison with large, listed corporations; or, under the adaptation theme, examples of financing approaches and indicators which account for the diversity of context-specific resilience needs and priorities. Some other participants were of the view that a minimum degree of international interoperability of climate and sustainability standards will nevertheless be required to enable climate finance to flow at a scale and pace commensurate with the goals of the Paris Agreement and the Sustainable Development Goals. Some participants noted the benefits for governments and globally active financial institutions of standardized principles for sustainable finance taxonomies, green bonds and blended finance, as well as disclosure and transition plan frameworks.

53. Finally, many participants were of the view that the distribution of financial risks and returns between public and private actors should be adequately balanced for the financing of just low-emission and climate-resilient development pathways. Many participants noted that public investment and concessional finance can incentivize private finance flows at scale by reducing the cost of capital and improving the risk-adjusted return profile of climate investments for the private sector, including through blended finance vehicles, junior debt and equity, or public procurement and budgets. However, other participants noted that public actors, governments and, eventually, taxpayers should not act only as risk-takers but also receive appropriate financial returns from climate investment.

C. Opportunities to support implementation of the new collective quantified goal on climate finance through Article 2, paragraph 1(c), of the Paris Agreement

54. Across all three sessions of the workshop, participants exchanged views on the role of Article 2, paragraph 1(c), of the Paris Agreement in relation to mobilization of climate finance towards developing countries, means of implementation and support for developing countries and complementarity with Article 9 of the Paris Agreement. In the third session of the workshop, this topic was addressed specifically in relation to decision 1/CMA.6 on the NCQG, although the session focused primarily on the expert and practitioner panel, since there were time constraints for extended interactive exchange among all participants. Accordingly, the summary in this section draws from the inputs of experts and participants throughout all sessions of the workshop, where relevant to the topic.

55. **Opportunities to support implementation of Article 2, paragraph 1(c), of the Paris Agreement in developing countries through means of implementation, including financial support**. In both interactive breakout discussions during the first and second sessions, as well as in the panel of the third session, many participants highlighted opportunities for international public and private finance to support the development of sustainable finance capacities in developing countries and for directly supporting low-emission and climate-resilient development pathways and just transitions by mobilizing financial resources. Such support could come from a variety of sources and instruments, although many participants highlighted the importance of grants, highly concessional and non-debt-inducing financial instruments, in particular for adaptation, as well as the importance of scaling up the financial outflows from the operating entities of the Financial Mechanism and other multilateral climate funds, in reference to specific paragraphs of decision 1/CMA.6.

56. **Article 2, paragraph 1(c), of the Paris Agreement as a lever to incentivize the financial system response to implementation of the NCQG**. Further, many participants were of the view that to achieve global climate goals and mobilize the required climate investment in developing countries, including for implementing their NDCs and NAPs, financial systems at the domestic and international level need to be better aligned to incentivize climate action. Some participants referred to systemic and structural barriers that impede the flow of international and domestic public and private capital towards climate projects, including limited return opportunities and elevated cost of capital for low-emission and adaptation investment, limited internalization of the costs of carbon in financial decision-making, and disadvantageous policy and regulatory frameworks at the international and domestic level for financial sector and real-economy actors, including supervisory practices, prudential frameworks and investment mandates. Some participants referred to enhancing access of public and private actors in developing countries to global capital markets and to financial support mechanisms, including by improving debt sustainability and fiscal space, and by simplifying or harmonizing cumbersome access procedures for international public finance and for compliance with sustainable finance disclosure standards.

National-level opportunities from Article 2, paragraph 1(c), of the Paris Agreement for implementation of the NCQG. Many participants were of the view that domestic, nationally determined implementation of Article 2, paragraph 1(c), of the Paris Agreement could promote the mobilization of finance flows for climate action from all actors towards developing countries. Some participants highlighted the role that ambitious domestic climate policies and signals, as well as enabling environments for sustainable finance in all countries, can play for the mobilization of private finance from domestic and international sources. Some participants highlighted the role of regional, national and subnational public development banks in facilitating the matchmaking of international finance with national and local financial actors, supporting the identification of suitable project pipelines and enhancing local-level capacities for implementation and monitoring of climate projects, as well as reporting and verification. Furthermore, some participants underlined the role that domestic implementation of Article 2, paragraph 1(c), of the Paris Agreement by developed countries through financial policies and regulation could play in scaling up the level of climate finance flows towards developing countries. Some participants highlighted, among other things, opportunities for developed countries to reform domestic fossil fuel investment and subsidy regimes to increase international public support directed towards developing countries, address financial regulatory and prudential frameworks at the domestic and

international level that pose a barrier to private finance flows towards developing countries, and improve financial access to enhance financial investments for the transfer, development and deployment of low-carbon technologies.