



Second 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 and background

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 other stakeholders to exchange views on and enhance understanding of the scope of Article¹ 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement.²

2. The CMA, at its fifth session, 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), 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 5.³

3. CMA 5 requested the secretariat to organize, under the guidance of those co-chairs, at least two workshops per year under the dialogue 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 other stakeholders, particularly from the private sector, to submit views on the issues to be addressed during the workshops.⁴ Further, it requested the co-chairs, in convening the workshops, to take into consideration those submissions and the reports on the previous workshops.⁵

4. 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 7 respectively, including, as part of the 2025 report, a synthesis of all work conducted 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.⁶

5. 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 exchanges 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

¹ Articles referred to in this report are Articles of the Paris Agreement.

² Decision 1/CMA.4, para. 68.

³ Decision 9/CMA.5, paras. 8–9.

⁴ Decision 9/CMA.5, paras. 10–11.

⁵ Decision 9/CMA.5, para. 12.

⁶ Decision 9/CMA.5, paras. 13–14.

enhancing their efforts to organize and conduct the workshops 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.⁷

6. CMA 6 invited Parties, the constituted bodies, the operating entities of the Financial Mechanism, climate finance institutions, observers and other stakeholders, particularly from the private sector, to submit views on the issues to be addressed during the workshops under the dialogue in 2025.⁸

B. Workshop details and objective

7. The second workshop held in 2025 under the Sharm el-Sheikh dialogue took place from 6 to 7 June in Rome at the headquarters of the Food and Agriculture Organization of the United Nations, with 102 in-person and 26 remote participants.

8. The workshop explored the theme of “Article 2, paragraph 1(c) of the Paris Agreement and its complementarity with Article 9 after 10 years of the Paris Agreement and 3 years of the Sharm el-Sheikh dialogue”, providing participants with the opportunity to exchange views on the following topics:

(a) Stocktake of actions at the domestic and global level to implement Article 2, paragraph 1(c) of the Paris Agreement and its complementarity with Article 9;

(b) Reflections on the Sharm el-Sheikh dialogue in 2023–2025 and looking forward to CMA 7.

C. Workshop preparations

9. In February 2025, the co-chairs of the Sharm el-Sheikh dialogue, Gabriela Blatter and Mohamed Nasr, issued a message⁹ to Parties and non-Party stakeholders reiterating the invitation of CMA 6 to submit views on the issues to be addressed during the workshops under the dialogue in 2025,¹⁰ with guiding questions included.

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

11. In a subsequent message,¹¹ the co-chairs communicated the main themes and topics for discussion for the workshops in 2025, which were decided on the basis of the views expressed by Parties and non-Party stakeholders over the course of the dialogue, including in responding to the calls for submissions.

12. The co-chairs issued a message to Parties and non-Party stakeholders on the second workshop in 2025¹² and the workshop programme was published on the event web page¹³ in advance of the workshop.

⁷ Decision 14/CMA.6, paras. 1 and 4.

⁸ Decision 14/CMA.6, para. 5.

⁹ Available at <https://unfccc.int/documents/645800>.

¹⁰ As footnote 8 above.

¹¹ Available at <https://unfccc.int/documents/646640>.

¹² Available at <https://unfccc.int/documents/648878>.

¹³ <https://unfccc.int/event/second-workshop-in-2025-under-the-sharm-el-sheikh-dialogue-on-article-2-paragraph-1c-of-the-paris>.

D. Workshop proceedings

13. The workshop was opened by the co-chairs of the Sharm el-Sheikh dialogue, who took stock of the work conducted under the dialogue thus far and provided an overview of the workshop programme. In addition, opening remarks were delivered by Kaveh Zahedi, Director of the Office of Climate Change, Biodiversity and Environment at the Food and Agriculture Organization of the United Nations, and Ulfat Machanov, representative of the Presidency of the Conference of the Parties (COP) at its twenty-ninth session.

14. Subsequently, three presentations were delivered, which took into account the following guiding questions:

(a) What progress has been made in domestic actions to implement Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9?

(b) What progress has been made in international actions to implement Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9?

(c) What are key takeaways related to Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 from three years of discussions under the Sharm el-Sheikh dialogue?

15. Diann Black-Layne and Apollonia Miola, Co-Chairs of the Standing Committee on Finance (SCF), provided an overview of relevant work undertaken by the SCF related to Article 2, paragraph 1(c), and Article 9. The SCF has compiled technical information and synthesized views of Parties and non-Party stakeholders related to Article 2, paragraph 1(c), in various reports since 2018, but has faced challenges when gathering relevant information in determining what can be considered within the scope of the Article. In its reports that map information, it has thus employed an actor-specific approach that reflects the respective actions taken or language used by different public and private financial sector actors in relation to making finance flows consistent with climate goals. As part of its latest (sixth) Biennial Assessment and Overview of Climate Finance Flows¹⁴, the SCF issued several recommendations relevant to Article 2, paragraph 1(c), including recognizing the importance of making finance flows consistent with a pathway toward low GHG emissions and climate resilient development; encouraging Parties to the Paris Agreement to continue constructive engagement on the issue, including under the Sharm el-Sheikh dialogue; encouraging Parties and relevant actors to enhance their reporting on elements relevant to Article 2, paragraph 1(c); encouraging Parties to explore opportunities for, and enhance their understanding of challenges related to, the implementation of Article 2, paragraph 1(c); encouraging Parties to engage with private sector actors in a nationally determined manner on opportunities for implementing Article 2, paragraph 1(c); and encouraging all financial actors to adequately account for the different national pathways in developing countries as it relates to climate action.

16. Charlene Watson, an independent consultant, shared an overview of the latest available information and data on domestic and international action related to Article 2, paragraph 1(c) of the Paris Agreement including its reference to Article 9 thereof. Insights from a chapter that maps relevant information in the technical report of the sixth Biennial Assessment and Overview of Climate Finance Flows of the SCF¹⁵ include, among others, that domestic and international implementation of Article 2, paragraph 1(c), are under way, as demonstrated by the notable increase in policymaking on sustainable finance by

¹⁴ Available at <https://unfccc.int/topics/climate-finance/resources/biennial-assessment-and-overview-of-climate-finance-flows>.

¹⁵ As footnote 14 above.

governments and financial regulators, and the increasing membership of climate-related private financial sector alliances, although participation therein remains more common among European and North American financial institutions. The report notes various synergies in approaches to implementing Article 2, paragraph 1(c), and Article 9 and includes insights on the shift away from climate target-setting towards transition planning and financing. It acknowledges that investment in adaptation and resilience-building is underrepresented in methodologies for making finance flows consistent with climate goals, and that global cooperation, knowledge-sharing and the development of region-, nation- and sector-appropriate pathways will be needed to foster equitable implementation of the goal in Article 2, paragraph 1(c), in diverse country contexts and by financial actors with different capacities and starting points.

17. Celine Tan, a professor at the University of Warwick, elaborated on findings and lessons learned from large-scale investment programmes at the domestic level, using case studies from the Just Energy Transition Partnerships. While Just Transition Partnerships are designed to coordinate engagement of national Governments and private sector and civil society actors with international financiers and donors, there are a number of challenges in translating commitments and ambition into implementation on the ground. These included insights about the use of different financial instruments, de-risking approaches, and linkages with fiscal space limitations as well as financial and legal risk implications. In addition, Professor Tan highlighted the importance of social and environmental considerations and civil society engagement in Just Energy Transition Partnerships. She concluded that country platforms have potential for scaling up clean energy investments in line with nationally determined contributions (NDCs) and other climate plans, but recommended a stronger focus on national ownership, non-debt-creating finance, local community participation and just transition considerations.

18. A short question and answer session and plenary discussion followed the presentations, moderated by the co-chairs of the Sharm el-Sheikh dialogue.

19. In addition, the co-chairs of the Sharm el-Sheikh dialogue delivered a brief presentation to the guiding question of “what are key takeaways related to Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9, from three years of discussions under the Sharm el-Sheikh dialogue.¹⁶ The co-chairs’ presentation was well received by participants as it outlined key takeaways related to Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 in the areas of scope of Article 2, paragraph 1(c), systemic transformation of financial systems, access to information, supporting the delivery of climate commitments and complementarity with Article 9, as well as it included a number of key challenges and opportunities in the implementation of Article 2, paragraph 1(c) and its complementarity with Article 9.

20. To facilitate interactive discussions after the presentations, participants were divided into four breakout groups, each guided by a moderator, to exchange views on the topic and guiding questions for the session. In a subsequent session, the moderators of each breakout group provided short reflections in plenary on the views expressed and participants were invited to provide further reflections.

21. Three further presentations were delivered by representatives from outside the UNFCCC process, reflecting on the following guiding questions:

(a) What progress has been made to implement Article 2, paragraph 1(c) of the Paris Agreement and its complementarity with Article 9?

¹⁶ Available at https://unfccc.int/sites/default/files/resource/clean_CCs_Reflections_on_key_takeaways_Comments_Gabriela_Mo_revised.pdf.

(b) What was the influence of the UNFCCC process for actions taken?

(c) How, if at all, could the UNFCCC process facilitate and guide further action to make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development?

22. Nicolas Picchiottino, Head of the International Development Finance Club and Making Finance Work for Climate coalition, presented on how the UNFCCC process, including the goal relevant to financial flows in Article 2, paragraph 1(c), has provided an important reference point for creating a large financial sector coalition, namely Making Finance Work for Climate, that includes over 5,000 public development banks and commercial financial institutions from developing and developed countries. These public and private financial institutions are seeking to increase the volume of climate finance flows and make more efficient use of concessional public funding, while also promoting the concept of ‘transformational finance’ as a way of providing funding, capacity-building and technical assistance to support systemic interventions for financial systems at the national and international levels that cover, among others, sustainable finance policies, financial sector development and public–private financing frameworks. He noted that the UNFCCC process on Article 2.1(c) including the Sharm el-Sheikh dialogue provides the opportunity to incentivize action to align public and private finance flows with low greenhouse gas emission and climate-resilient development pathways, in a context where the financial sector has to address three main challenges: addressing vulnerable contexts and underserved climate priorities, fostering alignment of finance flows with meeting climate objectives by avoiding actions with negative climate impacts, and promoting systemic whole-of-economy transformations in line with national pathways and countries’ priorities.

23. Samson Mbewe, from SouthSouthNorth, shared insights on the progress in and challenges of operationalizing Article 2, paragraph 1(c), in Africa, drawing on case studies from the region. He summarized that operationalization of the goal therein involves ensuring that public and private finance flows are consistent with meeting mitigation, adaptation and resilience goals. For African countries it is important that the alignment of finance flows is context-specific and people-centred to avoid stranded assets and detrimental impacts on progress towards the Sustainable Development Goals. Lessons learned from case studies in the region include that adaptation and resilience considerations are often in the background while initial focus of investment is on emission reduction initiatives, and that financial support for countries’ efforts in aligning investment with meeting climate goals and phasing out emission-intensive activities remains limited. However, he noted that for many countries, to achieve consistency of finance flows with low greenhouse gas emission and climate-resilient development pathways, it is necessary to diversify their economies and enhance the resilience and future-proof the well-being of their societies. While the UNFCCC process and the Sharm el-Sheikh dialogue have played a valuable role in raising awareness of different approaches and opportunities but also challenges in making finance flows consistent with meeting climate goals, four potential avenues for how the UNFCCC could facilitate and guide further action were identified: focusing on establishing adequate financial structures and instruments; supporting complementarity with Article 9 and local ownership thereof; fostering transparency and equitable alignment of finance flows with low greenhouse gas emission and climate-resilient development pathways; and facilitating systemic coordination between the climate process and international financial institutions and forums, including regarding debt sustainability and approaches to ensuring equitable, people-centred and community-driven implementation of Article 2, paragraph 1(c).

24. Ahmed Medhat, from the Regional Center for Renewable Energy and Energy Efficiency, shared his perspective on the evolution of global climate-related disclosures, where a trend towards the mandatory adoption of climate risk disclosure by private financial

sector actors in their respective national jurisdictions can be observed. While the disclosure of climate-related risks and opportunities is useful in his view for enhancing the evidence base on the status of financial systems and its exposure to climate change, the provision of information so far has not yet led to systemic transformation of finance flows, since a large climate finance gap of several trillions of United States dollars remains. Reflecting on the influence of the UNFCCC and international climate agreements on financial sector development at the national and private sector level through the indication of overarching direction for global climate policy and targets, he suggested that the UNFCCC could facilitate the systemic transformation of finance flows using a stepwise approach, such as through technical working groups and capacity-building efforts, and by integrating disclosures into national reporting systems and enhancing tracking of efforts relevant to Article 2, paragraph 1(c), which over the long term could facilitate global coordination of the relevant implementation approaches, standards and principles, and accountability frameworks for the goal.

25. The presentations were followed by a short question and answer session and plenary discussion, moderated by the co-chairs of the Sharm el-Sheikh dialogue. Afterwards, the co-chairs closed the first day of the workshop by briefly reflecting on the discussions and sharing the schedule for the second day.

26. 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.

27. A panel of seven Party delegates, comprising Isatou Camara (Gambia), Emilie Mariendal (Denmark), Elena Pereira (Honduras), Isobel Bartholomew (United Kingdom of Great Britain and Northern Ireland), Tamim Alothimin (Saudi Arabia), Ghazal Zazai (Canada) and Debra-Lee Swanepoel (South Africa), shared their reflections on the Sharm el-Sheikh dialogue in 2023–2025 and looking forward to CMA 7 taking into account the following guiding questions:

(a) What are key takeaways related to Article 2, paragraph 1(c), and its complementarity with Article 9 from three years of discussions under the Sharm el-Sheikh dialogue?

(b) What are areas that require further work with regard to the implementation of Article 2, paragraph 1(c), and its complementarity with Article 9?

(c) What are your expectations for the co-chair's annual report to be considered at CMA 7, including with regard to informing CMA 7 deliberations on a way forward on the matter?

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

29. In their closing remarks, the co-chairs outlined the next steps for the Sharm el-Sheikh dialogue in 2025, which include preparing the summary report on the second workshop in 2025 and preparing the annual report for 2025, for consideration at CMA 7, which will include a synthesis of all work conducted under the dialogue in 2023–2025. In addition, closing remarks were delivered by Davi de Oliveira Paiva Bonavides, representative of the incoming COP 30 Presidency, and Sophie De Coninck, representative of the secretariat. Both closing remarks highlighted that Article 2, paragraph 1(c), constitutes a fundamental pillar of the financial architecture of the Paris Agreement, alongside Article 9, and that both Articles can usefully work together for scaling up climate finance and supporting a sustainable transformation of domestic and international financial systems to enable achievement of the mitigation and adaptation goals of the Paris Agreement in Article 2, paragraph 1(a–b).

30. The workshop programme, presentation slides and recordings are available on the workshop web page.¹⁷

II. Summary of discussions

A. Stocktake of actions at the domestic and global level to implement Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9

31. Case studies and examples shared by participants demonstrate that **domestic actions** in the public and private financial sectors are being taken to implement Article 2, paragraph 1(c), ranging from adopting sustainable finance policy frameworks and policies such as green bonds, climate budget tagging, taxonomies, climate risk analysis and financial sector regulations, including disclosures, to establishing public and private investment programmes, country platforms and approaches to aligning investments with climate goals. Governments and financial sector actors are thus addressing a wide range of finance flows across all economic sectors. Many participants highlighted the benefits of coordinated whole-of-government approaches to guiding finance flows in line with desired climate objectives.

32. Participants were in broad agreement that the domestic implementation of Article 2, paragraph 1(c), through policies, regulations and financial sector efforts is diverse and can differ according to nationally determined low greenhouse gas emission and climate-resilient development pathways. Domestic reference points, such as NDCs, national adaptation plans and long-term low-emission development strategies, as well as region-, technology- or sector-specific pathways and choices, were noted to highlight that approaches to implementing Article 2, paragraph 1(c), are tailored to respective contexts in order to ensure just and inclusive transformations of financial and economic systems. In this context, some participants stressed that current approaches to aligning finance flows with low greenhouse gas emission and climate-resilient development pathways, in particular those applied by international or private sector financial actors, often lack consideration of developmental priorities such as energy security and how to engage and support local communities in the transition, such as by mitigating adverse effects such as loss of jobs or reduction of incomes.

33. Many participants noted that knowledge-sharing and capacity-building initiatives and networks play an important role in supporting the domestic implementation of Article 2, paragraph 1(c), for example for finance ministries, regulatory authorities and private financial institutions and real-economy actors, including with regard to collecting and utilizing climate-related data, information and disclosures.

34. Many participants highlighted financial support under Article 9 of the Paris Agreement and means of implementation more broadly as essential for developing countries to take climate action, enabling implementation of NDCs, national adaptation plans and other climate strategies, and enhancing capacity for implementing efforts and policies for making finance flows consistent with low greenhouse gas emission and climate-resilient development pathways. Complementarity or synergies between Article 2, paragraph 1(c), and Article 9 were noted by other participants, who provided examples of how international financial support flows under Article 9 are used to foster domestic policies that enhance the enabling environment for developing financial markets and private sector investment in climate-positive outcomes and away from activities that are incompatible with climate goals.

¹⁷ As footnote 13 above.

35. Participants acknowledged that also at the **international level** multiple efforts to align finance flows with climate goals are under way, through for example the increasing integration of climate considerations into investment decisions by multilateral development banks and globally active commercial financial institutions, climate-related physical and transition risk assessments in credit ratings, and the large number of governments, supervisory authorities and private financial sector actors active in international climate-related networks.

36. While noting the continued progress of international-level action on implementing Article 2, paragraph 1(c), participants were in broad agreement that international finance flows and the international financial system are not yet consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, particularly when considering the large gaps in financing for climate action in all world regions and particularly in developing countries. Some participants noted with concern the large volume of finance flows and stocks directed to activities that are considered not consistent with international climate mitigation and adaptation goals, including fossil fuel investments and subsidies. Many participants therefore underscored the need for systemic transformation of the international financial system and its architecture to better serve climate and sustainable development goals.

37. Reflecting on the nationally determined implementation of Article 2, paragraph 1(c), many participants noted a strong interconnection between domestic actions and international financial and economic systems, pointing to systemic barriers that undermine climate action and the financing thereof. As well as the needs for international financial support, capacity-building and knowledge-exchange referred to in paragraphs 34–32 above, participants noted, among other interconnections, the link between domestic approaches to implementing Article 2, paragraph 1(c), and global reference points for finance flows that are consistent with climate ambition and low greenhouse gas emission and climate-resilient development pathways; the dependency of many governments on access to global capital markets; the high costs of capital, limited fiscal space and unsustainable debt burden faced by developing countries; emerging global standards for climate-related disclosure frameworks; the potential negative impacts of domestic or unilateral climate and trade policies on other countries; and that many domestic financial systems are reliant on external decision-making processes by international financial institutions and globally active commercial financial actors.

38. Many participants provided views on **whether or how the UNFCCC process could facilitate and guide further action** on making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. Many participants were of the view that enhanced international cooperation on Article 2, paragraph 1(c) by Parties, and increased engagement of the UNFCCC process with financial sector actors, would be beneficial in influencing international financial markets, including for promoting guidelines and safeguards for the implementation of Article 2, paragraph 1(c), that are in line with the principles of the Paris Agreement and different national circumstances. Some participants provided examples of how public and private financial institutions are influenced by the UNFCCC process and the goals of the Paris Agreement, noting signalling effects from the climate targets and from CMA decisions relevant to finance or economic sectors. Some participants noted a potential role for the UNFCCC in convening other United Nations agencies and engaging further with other multilateral governance forums such as the World Trade Organization on the nexus of climate, finance, investments and trade. Other participants, however, were of the view that global coordination of approaches could impinge on the nationally determined nature of approaches to implementing Article 2, paragraph 1(c). Many participants expressed the objective of avoiding globally prescriptive or top-down standard-setting in relation to implementation of Article 2, paragraph 1(c), through the UNFCCC process, but noted that convergence among Parties on common or interoperable

approaches could support collective implementation by the various public and private sector actors involved.

39. Furthermore, some participants highlighted the limit on the influence of the UNFCCC process on decision-making by international financial institutions and bodies. Some participants noted that mandates of multilateral development banks are decided upon by respective shareholders and boards and that private financial sector actors are not Parties to the Paris Agreement and therefore not accountable to it, but are guided by the policies and regulations in their respective jurisdictions.

40. A variety of views were expressed on the role of the UNFCCC process in monitoring and tracking progress towards the achievement of the goal in Article 2, paragraph 1(c). Several participants noted the limited possibilities that currently exist for assessing progress towards the goal within UNFCCC processes, notably as part of the global stocktake and under the SCF, as well as for tracking global private and public finance flows more generally. Participants mentioned opportunities for the UNFCCC process to enhance monitoring of relevant actions and progress, including by providing more clarity on the scope of Article 2, paragraph 1(c), which would facilitate the collection of information and data on domestic and international finance flows. Some participants supported increasing integration of reporting on aspects related to Article 2, paragraph 1(c), into the ambition cycle of the Paris Agreement, such as embedding information related to Article 2, paragraph 1(c) into the formulation of NDCs and national adaptation plans, reporting in the context of biennial transparency reports under the enhanced transparency framework, and the assessment of collective progress under the global stocktake. Other participants noted with concern that the existing reporting burden for developing countries under the UNFCCC should not be increased, highlighting that the obligations for reporting on finance flows already agreed under the enhanced transparency framework for developed and developing countries respectively are sufficient. Finally, divergent views were expressed regarding reporting on aspects related to Article 2, paragraph 1(c), in biennial communications pursuant to Article 9, paragraph 5.

B. Reflections on the Sharm el-Sheikh dialogue in 2023–2025 and looking forward to the seventh session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

41. A number of **key takeaways** related to Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 from three years of discussions under the Sharm el-Sheikh dialogue were shared:

(a) Many participants reflected on the **scope** of Article 2, paragraph 1(c), as providing an overarching objective of making all finance flows, domestic and international, and public and private, consistent with climate goals. Some participants also stated and that it is to be implemented, in accordance with Article 2, in the context of sustainable development and poverty eradication, guided by the principles of equity and common but differentiated responsibilities and respective capacities in the light of different national circumstances. Many participants noted that, given the complexity of global finance flows and financial systems, a variety of actors have to be involved in a collective effort in this regard, while acknowledging different country contexts, capabilities and starting points;

(b) Most participants noted the importance of **adaptation and climate-resilient development pathways** to achieving the goal in Article 2, paragraph 1(c), as a key insight from the dialogue. Many observed that existing approaches to implementing Article 2, paragraph 1(c), in the public and private financial sectors are focused on efforts for supporting emission reductions, while existing approaches relevant to building climate

resilience are largely centred on identifying climate risks rather than actively promoting investment in adaptation to support socioeconomic and financial resilience;

(c) Reflecting on the broad scope of Article 2, paragraph 1(c), and the diversity of efforts and approaches to implement the goal therein, many participants underscored the need for **enhanced capacity-building and knowledge-sharing in this context within financial systems and among financial actors** at the local, national and international level, particularly for developing countries and less developed capital markets. Many participants noted the value of the dialogue for sharing best practices, methodologies and lessons learned from implementing Article 2, paragraph 1(c), which are relevant for governments, financial regulators and public and private financial institutions;

(d) As referred to in paragraph 36 above, participants were in broad agreement that the **international financial system** can be enhanced to better support climate action across all regions and foster the availability of finance for pursuing low greenhouse gas emission and climate-resilient development pathways across all economic sectors and segments of society. Many participants were of the view that ambitious reforms of the international financial architecture are required, including to institutions and actors such as multilateral development banks, the International Monetary Fund and credit rating agencies, as well as to international financial governance processes regarding the management of sovereign debt, climate-related disclosure frameworks, and mandates and regulations for private finance actors. Furthermore, many participants highlighted that increased international cooperation and coordination in relation to domestic policy, regulatory and financial responses to Article 2, paragraph 1(c), and private financial sector practices would be beneficial in enhancing the comparability and interoperability of approaches and support the scaling up of cross-border finance flows for climate action. Other participants highlighted ‘disenablers’ for investment to developing countries at the international financial system level, for example high costs of capital or climate-related risk disclosures, and noted with concern potential unintended cross-border impacts of finance- and trade-related climate policies, which could negatively affect the ability of developing countries to access global capital and economic markets;

(e) With regard to **international cooperation on and coordination** of the implementation of Article 2, paragraph 1(c), participants underlined the importance of striking a balance between ensuring the nationally driven implementation of Article 2, paragraph 1(c), which avoids policy-prescriptive approaches at the global level, and establishing some common ground for principles, guardrails, approaches or reference points that can support public and private financial sector actors in adopting context-specific approaches and methodologies for implementing Article 2, paragraph 1(c), in line with the goals and objectives of the Paris Agreement. Diverse views were expressed on the extent to which the UNFCCC process can or should foster international coordination of the implementation of Article 2, paragraph 1(c), between Parties and among external financial sector actors;

(f) Participants underlined the **importance of providing and mobilizing financial support for developing countries under Article 9** for enabling climate action and achieving the goals of the Paris Agreement, including that in Article 2, paragraph 1(c). Many participants noted synergies between financial support provided and mobilized to developing countries for pursuing low greenhouse gas emission and climate-resilient development pathways and for supporting their capacity to create sustainable financial systems. Many participants stressed in this regard the importance of public, grant-based and concessional finance for enabling climate action by public and private sector actors in developing countries. Many participants noted that the implementation of sustainable finance policies, frameworks and practices in line with Article 2, paragraph 1(c), can serve as an important lever for increasing the volume and quality of climate finance flows at the global level as well as in and towards developing countries. As such, participants underscored that efforts towards

achieving the goal in Article 2, paragraph 1(c), are complementary to, and not a substitute for, climate finance flows under Article 9. Some participants noted a link between Article 2, paragraph 1(c), and the new collective quantified goal on climate finance, including the “Baku to Belém Roadmap to USD 1.3 trillion”, with a view to address systemic issues that limit the volume of and access to climate finance and investments towards developing countries;

(g) Many participants pointed out the limited **transparency of and information on progress towards Article 2, paragraph 1(c)**. They pointed out data gaps and the lack of agreed methodologies for assessing domestic and international finance flows with regard to their consistency with climate objectives. Participants acknowledged the multiple efforts by governments, public financial sector actors and regulators, as well as by private financial institutions, financial service providers and civil society organizations, to enhance transparency and data availability on finance flows, but noted that aggregate assessments of progress and credibility of implementation efforts are hindered by the diversity of approaches. In this regard, many participants highlighted concerns about greenwashing, financing of maladaptation and backsliding of voluntary climate commitments in the private financial sector.

42. Drawing on the key takeaways and lessons learned, participants noted various **areas for further work** with regard to the implementation of Article 2, paragraph 1(c), and its complementarity with Article 9:

(a) Strengthening the integration of the consideration of climate-resilient development pathways and adaptation into the implementation of Article 2, paragraph 1(c);

(b) Identifying and exchanging information and best practices regarding domestic policies, actions and enabling environments for the implementation of Article 2, paragraph 1(c), in a country- and context-driven manner, and ensuring policy coherence of implementation efforts;

(c) Strengthening the link and further exploring the complementarity between Article 2, paragraph 1(c), and Article 9, including considering the new collective quantified goal on climate finance, and how financial support can facilitate development of sustainable financial systems and access to finance in developing countries;

(d) Supporting capacity-building and knowledge exchange for the development of sustainable public and private financial systems, in particular in developing countries and countries that are particularly vulnerable to the adverse effects of climate change;

(e) Establishing suitable financing models and instruments for implementing low greenhouse gas emission and climate-resilient development pathways, including understanding the role of concessional and non-debt-creating instruments;

(f) Enhancing international cooperation on and coordination of the implementation of Article 2, paragraph 1(c), to foster comparability and interoperability of implementation approaches and facilitate cross-border investments, while avoiding top-down or globally prescriptive approaches to Article 2, paragraph 1(c).

(g) Encouraging a transformation of the international financial system in line with climate objectives and sustainable development;

(h) Unlocking and aligning investments with national priorities through providing clarity for private sector engagement;

(i) Promoting nationally determined implementation of Article 2, paragraph 1(c), including by considering safeguards such as avoiding unintended consequences from finance- and trade-related climate policies in relation to Article 2, paragraph 1(c), and taking

into account just transition considerations and context-specific approaches for making finance flows consistent with low greenhouse gas emission and climate-resilient development pathways;

(j) Ensuring transparency of and assessing progress in the implementation of Article 2, paragraph 1(c), including enhancing data availability on finance flows, effectiveness of policies and measures taken, and ensuring credibility of efforts to avoid greenwashing and maladaptation;

(k) Further exploring the role of the UNFCCC process in supporting and providing orientation for the implementation of Article 2, paragraph 1(c), in the financial sector, and the UNFCCC's role in relation to other international governance mechanisms related to climate, finance and investments;

(l) Addressing finance flows that are inconsistent with climate goals and sustainable development.

43. Finally, participants shared their **expectations for the annual report by the co-chairs of the Sharm el-Sheikh dialogue** to be considered at CMA 7, including with regard to informing the deliberations at CMA 7 on a way forward on the matter. Participants expected the expectation that the annual report, including the synthesis therein, to reflect the key takeaways and lessons learned, and challenges and opportunities in implementing Article 2, paragraph 1(c) and its complementarity with Article 9, as well as potential areas for future work identified by Parties and non-Party stakeholders during the three years of the dialogue.

44. Many participants encouraged the co-chairs to include in the annual report insights on the overarching scope, objectives and context of Article 2, paragraph 1(c), referring in particular to the context and principles expressed under Article 2. Some participants specified that the inclusion of recommendations by the co-chairs to CMA 7 could be helpful in supporting a stepwise and country-driven implementation of Article 2, paragraph 1(c) and its complementarity with Article 9.

45. Many participants expressed views on **how to take forward the implementation of Article 2, paragraph 1(c), beyond CMA 7**, which marks the end of the mandate for the Sharm el-Sheikh dialogue. Potential ways forward that were mentioned include:

(a) Continuing the Sharm el-Sheikh dialogue or a similar dialogue process between Parties and non-Party stakeholders under the CMA on Article 2, paragraph 1(c), with the same or a revised mandate and objectives;

(b) Establishing a work programme on Article 2, paragraph 1(c), covering identified areas for future work (see para. 4242 above);

(c) Establishing technical working groups and capacity-building initiatives with the participation of Parties and non-Party stakeholders on specified topics to advance understanding and implementation of Article 2, paragraph 1(c);

(d) Conduct of work by the SCF and/or Parties to the CMA regarding information and data collection, and transparency and assessment of progress in relation to Article 2, paragraph 1(c);

(e) Creating a process under the UNFCCC on Article 9 and its complementarity with Article 2, paragraph 1(c);

(f) Creating a process to enable continued engagement of Parties with external institutions and stakeholders relevant to the international financial system with the objective of facilitating and enhancing coordination of the implementation of Article 2, paragraph 1(c);

(g) No new mandates related to Article 2, paragraph 1(c), focusing instead on the nationally determined implementation of Article 2, paragraph 1(c), by Parties as well as the delivery of Article 9.

46. Most participants agreed that any modality for further work in relation to Article 2, paragraph 1(c), should be designed with clear objectives, timelines, engagement modalities and conception of how outputs should be captured. Some participants encouraged to take into account lessons learned from existing UNFCCC processes, such as in relation to the global goal on adaptation, the Sharm el-Sheikh mitigation ambition and implementation work programme and the United Arab Emirates just transition work programme, in designing suitable modalities for discussing global goals that are to be implemented in a context-specific and nationally determined manner.

47. Some participants highlighted that due to a large body of domestic nationally determined work no future additional work on the global level would be necessary. However they would be open to future work given that future approaches for implementing Article 2, paragraph 1(c) and guidance provided would recognize the equitable, country-driven and nationally determined nature of the implementation of Article 2, paragraph 1(c), and ensuring complementarity with Article 9.
