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Matters relating to finance
Matters relating to the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement

Veredas Dialogue on the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement

Report by the co-chairs

Summary

This report contains information on activities conducted under the Veredas Dialogue on the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement in 2026. It also contains recommendations of the co-chairs of the Veredas Dialogue.

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Abbreviations and acronyms

CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
GHG	greenhouse gas
MDB	multilateral development bank
NAP	national adaptation plan
NDC	nationally determined contribution

I. Introduction

A. Mandate

1. CMA 7 decided to hold deliberations under the Veredas Dialogue on the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement, building on 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 and taking into account the concerns and safeguards outlined in paragraph 3 of decision 11/CMA.7.[1]

2. CMA 7 acknowledged various concerns and the need for safeguards raised by Parties in the context of the implementation of Article[2] 2, paragraph 1(c), including:[3]

(a) The need to pursue all three long-term goals of the Paris Agreement together, so that implementation of Article 2, paragraph 1(c), will facilitate the collective achievement of the goals articulated in Article 2, paragraph 1(a–b);

(b) That Article 2, paragraph 1(c), is complementary to and no substitute for the provision and mobilization of financial support for developing countries under Article 9;

(c) That efforts for making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development are nationally determined, taking into account country-driven strategies and the bottom-up nature of the Paris Agreement, respecting national sovereignty and taking into account different national circumstances, time frames and approaches of Parties, in particular developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change;

(d) The need to ensure that collective efforts for and deliberations on implementing Article 2, paragraph 1(c), are undertaken in a facilitative, enabling, non-punitive and non-prescriptive manner;

(e) The need to ensure transparency and to avoid creating an additional burden for Parties, including with regard to reporting and implementation.

3. CMA 7 recognized the efforts already being made by Parties, in a nationally determined manner, for making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.[4]

4. CMA 7 decided that at least one meeting per year under the Veredas Dialogue will be held, in conjunction with the first regular sessions of the subsidiary bodies of the year.[5]

5. CMA 7 requested the Presidency of the CMA to convene the Xingu Finance Talks under the Veredas Dialogue and in consultation with the co-chairs thereof as an annual high-level round table with a view to facilitating a cooperative exchange of views among all interested Parties and non-Party stakeholders, in particular academia, international financial institutions and the private sector, on practical solutions that address the challenges and opportunities in the implementation of Article 2, paragraph 1(c), and its complementarity with Article 9.[6]

6. CMA 7 also requested the Presidency of the CMA, at each of its sessions and in consultation with the respective constituencies, to appoint two co-chairs for the Veredas Dialogue, one from a developed country Party and one from a developing country Party, each for a period of one year.[7] It further requested the co-chairs to prepare an annual report on

[1] Decision 11/CMA.7, para. 10.
[2] Articles referred to in this report are Articles of the Paris Agreement.
[3] Decision 11/CMA.7, para. 3.
[4] Decision 11/CMA.7, para. 7.
[5] Decision 11/CMA.7, para. 12.
[6] Decision 11/CMA.7, para. 13.
[7] Decision 11/CMA.7, para. 14.

deliberations under the Veredas Dialogue, including the annual high-level round table referred to in paragraph 4 above, during the respective year, for consideration by the CMA.[8]

7. CMA 7 resolved that the Veredas Dialogue and the consideration by the CMA of matters related to the implementation of Article 2, paragraph 1(c), and its complementarity with Article 9 should aim towards progressing support for Parties in their efforts to implement Article 2, paragraph 1(c), in a nationally determined and facilitative manner and to contribute to other ongoing work and processes under the CMA, as appropriate.[9]

B. Scope

8. This report summarizes the activities and deliberations under the Veredas Dialogue, including the Xingu Finance Talks, in 2026 (see chap. II below) and contains recommendations of the co-chairs of the Dialogue for consideration by the CMA (see chap. II below).

C. Possible action by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement

9. CMA 8 may wish to consider this report and the recommendations of the co-chairs of the Veredas Dialogue and take any action it deems appropriate.

II. Work under the Veredas Dialogue in 2026

A. Organization of work

10. In a letter dated 19 March 2026,[10] the President of CMA 7, following consultation with the respective constituencies, appointed Ralien Bekkers (Kingdom of the Netherlands) and Debra-Lee Swanepoel (South Africa) as co-chairs of the Veredas Dialogue for 2026.

11. In a message to Parties and non-Party stakeholders dated 2 April 2026,[11] the co-chairs of the Veredas Dialogue shared their aims for its organization in 2026, including to conduct the deliberations in an inclusive, open, transparent and predictable manner and to convene virtual consultations with Parties, observers and other stakeholders in order to elicit further views on its organization.

12. Building on the deliberations under the Sharm el-Sheikh dialogue and taking into account the views expressed via the call for submissions on the organization of the Veredas Dialogue issued at CMA 7, to which 14 Parties and 18 non-Party stakeholders responded,[12] and the virtual consultations with Parties and non-Party stakeholders, the co-chairs prepared a workplan for 2026.[13]

13. Financial support for conducting activities under the Veredas Dialogue in 2026 was provided by the Government of Norway. Further support for activities under the Dialogue was provided by the Government of Brazil, the World Bank Group and the organizers of the Bangkok Climate Action Week.

[8] Decision 11/CMA.7, para. 15.
[9] Decision 11/CMA.7, paras. 16 and 20.
[10] Available at https://unfccc.int/documents/656096.
[11] Available at https://unfccc.int/documents/656291.
[12] See decision 11/CMA.7, para. 19. The submissions are available at https://unfccc.int/topics/climate-finance/workstreams/veredas-dialogue#Submissions.
[13] Available at https://unfccc.int/documents/657308.

B. First meeting under the Veredas Dialogue

1. Proceedings

14. The first meeting under the Veredas Dialogue was held in Bonn from 9 to 10 June 2026 in conjunction with the sixty-fourth sessions of the subsidiary bodies. The provisional programme was published before the meeting on the Veredas Dialogue web page.[14] The meeting, held in hybrid format, was open to all interested Parties, observers and other stakeholders and was attended by more than 280 participants.

15. The meeting consisted of three sessions, each including case study presentations and facilitated breakout group discussions, on the following topics:

(a) Nationally determined approaches to implementing Article 2, paragraph 1(c), and its complementarity with Article 9, with a focus on policies and instruments;

(b) Nationally determined approaches to implementing Article 2, paragraph 1(c), and its complementarity with Article 9, with a focus on the financial system and climate resilience;

(c) International dimensions of implementing Article 2, paragraph 1(c), and its complementarity with Article 9, covering global financial policies and scaling investments.

16. Following the meeting, the co-chairs of the Veredas Dialogue prepared an informal summary note.[15]

2. Summary of deliberations

17. The discussions at the first meeting under the Veredas Dialogue highlighted that a wide range of efforts are being made by governments and public and private financial sector stakeholders, both domestically and through international cooperation, with the aim of making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development. Participants acknowledged that there are a variety of approaches to implementing Article 2, paragraph 1(c).

18. The discussions also highlighted that policy, regulatory and institutional coherence is essential to enabling countries to drive effective, inclusive implementation of Article 2, paragraph 1(c), and its complementarity with Article 9. In this regard, participants stressed the importance of whole-of-government and whole-of-economy approaches to implementation that bring together all relevant public financial sector actors as well as private financial and non-financial sector actors, and actors from civil society and academia. They underscored the role of ministries of finance, financial regulators and other relevant ministries in mainstreaming climate change considerations in financial decision-making.

19. Several Parties and non-Party stakeholders highlighted the value of sharing experience and deepening understanding of how nationally determined implementation efforts support the overall achievement of Article 2, paragraph 1(c), as a long-term goal of the Paris Agreement, in the context of its complementarity with Article 9. Further progress in this area could support greater coherence, policy effectiveness, peer learning and understanding in relation to approaches across countries and stakeholders.

20. The coordination of relevant fiscal, financial and economic policies, regulations, and voluntary or non-market approaches to implementing Article 2, paragraph 1(c), was noted by many participants as beneficial for providing climate and financial policy signals that provide orientation for financial market actors and finance flows towards low GHG emission and climate-resilient development pathways, or as beneficial for reviewing and/or reforming existing policies, financial incentives and finance flows that run counter to climate and development goals. Participants mentioned a wide range of instruments, policies and

[14] Information on all meetings and events under the Veredas Dialogue, including presentations and webcast recordings, where applicable, is available at https://unfccc.int/topics/climate-finance/workstreams/veredas-dialogue#Meetings.

[15] Available at https://unfccc.int/documents/659854.

measures to support the implementation of Article 2, paragraph 1(c), the suitability of which depends on the national, institutional, economic and financial context, including:

(a) Green, sustainability and sustainability-linked bonds, including blue bonds;

(b) Green or sustainable finance taxonomies, including enhanced comparability and interoperability thereof between countries and regions;

(c) Sustainability-related financial and non-financial disclosure frameworks informed by international standards;

(d) Green public financial management and climate budget tagging;

(e) Carbon pricing, emissions trading systems and carbon markets;

(f) Climate investment planning (national and sectoral) linked to NDC targets and NAP priorities, including country-led coordination mechanisms for mobilizing public and private finance;

(g) Climate stress testing and scenario analysis of climate risks (physical and transition-related), as well as their measurement, management and integration into financial decision-making;

(h) Disaster risk management and financing strategies;

(i) Promotion of the role and expertise of regional, national and subnational public development banks in supporting national and local sustainable finance markets;

(j) Reforms of public expenditure and incentives, including the repurposing or phasing out of inefficient subsidies and fiscal incentives that are inconsistent with low GHG emission and climate-resilient development pathways, in a nationally determined manner, taking into account social, economic and development objectives and the impacts of reforms on these objectives;

(k) Taxation and levies with environmental, climate or social objectives, such as green taxes, global solidarity levies, wealth taxes and tourism levies;

(l) International public financial support for climate measures, including grant-based and concessional finance, and technology transfer, capacity-building and technical assistance for strengthening the ability of countries to mobilize finance and direct it towards climate-consistent development pathways.

21. Participants stressed that, in order to be effective, such financial instruments, policies and measures need to be tailored to national circumstances.

22. Participants emphasized that Article 2, paragraph 1(c), is complementary to and no substitute for providing and mobilizing financial support for developing countries under Article 9. Diverse examples were provided of how progress in implementing Article 2, paragraph 1(c), in developing countries can be enabled through provision and mobilization of scaled-up, predictable financial support under Article 9. Participants highlighted that financial policies or reforms associated with the implementation of Article 2, paragraph 1(c), at both the domestic and the international level could enable greater access for countries to public and private climate finance. Examples include:

(a) Supporting the establishment of domestic sustainable financial sectors and public financial management systems that enhance the capacity of countries and financial actors to absorb public climate finance and attract private finance;

(b) Structuring and issuing green, sustainability and sustainability-linked bonds and other financial instruments;

(c) Structuring and scaling up blended finance mechanisms and risk-sharing instruments to mobilize private sector investment;

(d) Supporting the development of domestic insurance markets and regional risk pools for climate-related risks and improving the affordability of insurance premiums.

23. The discussions highlighted the importance of an inclusive, facilitative and bottom-up approach to implementing Article 2, paragraph 1(c), taking into account its

complementarity with Article 9. Participants stressed that implementation and achievement of the long-term goal in Article 2, paragraph 1(c), should be in line with the other goals and principles of the Paris Agreement and take into account the impacts of implementing the goal on different countries, economic sectors and segments of society. Ways of fostering inclusive and participatory implementation approaches suggested by participants include:

(a) Conducting impact assessments and implementing support measures such as social protection schemes;

(b) Supporting the establishment of just transition pathways, including through just transition policies and climate-related transition planning frameworks, to ensure the integration of just transition considerations into policymaking and financial decisions;

(c) Introducing participatory stakeholder consultation processes at an early stage of financial and economic policymaking and project development so as to take into account the specific needs of local actors and communities, vulnerable groups, Indigenous Peoples and other segments of society such as youth, women and the elderly, and foster their access to finance;

(d) Expanding inclusive financial systems and microfinance mechanisms at the national, subnational and local level, including those serving households, communities and micro, small and medium-sized enterprises;

(e) Embedding safeguards in public and private sector approaches to implementing Article 2, paragraph 1(c), to ensure context-specific factors are considered in these approaches.

24. Participants highlighted challenges and barriers to scaling up finance flows towards low GHG emission and climate-resilient development pathways, including:

(a) Limited financial resources and institutional capacity for developing pipelines of bankable projects, including a lack of well-resourced project preparation facilities;

(b) Constrained capacity in financial structuring and investment planning in both the public and private financial sector, including with regard to the integration of climate-related considerations and data therein;

(c) Limited fiscal space and high levels of public debt that constrain public investment and the ability to provide fiscal incentives or de-risk private investment;

(d) The high cost of capital and elevated risk perceptions, particularly in developing countries;

(e) Limited access to grants and affordable long-term finance, including constraints in domestic capital markets and lack of availability of appropriate financial instruments.

25. Participants emphasized that when implementing Article 2, paragraph 1(c), equal attention should be given to finance flows towards climate-resilient development pathways and towards low GHG emission development pathways. They noted the underinvestment in adaptation and climate resilience that needs to be addressed, and that both the cost of inaction and the benefit of resilience-building are inadequately incorporated into financial market practices. Participants, in particular those representing central banks, financial regulators, ministries of finance and academic institutions, stressed the ‘macro-critical’ importance of both adaptation and mitigation investment and making the financial system resilient to climate change impacts for reducing economic output losses, enhancing the resilience of public infrastructure and services and private business operations, and improving debt sustainability. Noting the range of barriers in financial markets that limit the allocation of finance to adaptation and resilience-building, participants stressed the need for financial system stakeholders to, inter alia:

(a) Value resilience dividends (macroeconomic and social dividends, as well as avoided losses) in financial decision-making, thereby recognizing the cost of inaction and enhancing the bankability of adaptation projects;

(b) Improve data, metrics and methodologies relevant to adaptation and climate resilience-building as the foundation for enhancing integration of climate considerations in economic and financial decision-making.

26. While participants acknowledged the range of ongoing public and private sector efforts to mainstream climate-resilience considerations in financial systems, they noted that these efforts continue to fall short of financial needs for climate adaptation, including in developing countries and particularly for communities and economic sectors that are vulnerable to the adverse effects of climate change. To scale up finance flows for adaptation and resilience-building, participants emphasized the need for Parties and other stakeholders to:

(a) Develop and expand investment models in sectors with high adaptation needs, that is beyond energy, buildings and commercial agriculture to include water, public services, education, health, biodiversity and smallholder farming, and incentivize public–private partnerships and collaboration;

(b) Consider the socioeconomic co-benefits of adaptation in financial decision-making, especially in the case of sectors or on activities that have less revenue-generating potential but are essential for ensuring well-being and protecting livelihoods;

(c) Recognize that local climate vulnerabilities and corresponding needs differ, in order to enhance local-level access to adaptation finance and steer the allocation of capital towards adaptation investment and climate-resilient development pathways.

27. In summary, participants emphasized that investing in climate resilience is prudent financial and economic policy and requires scaled-up public and private finance flows, including by recognizing climate vulnerability and local needs as well as increasing grant-based and concessional finance in support of adaptation and resilience measures.

28. Participants discussed data and information needs, expressing diverse views thereon. They referred to the safeguards outlined in paragraph 3 of decision 11/CMA.7, such as the need to ensure transparency and avoid creating an additional burden for Parties, including with regard to reporting on and implementing Article 2, paragraph 1(c). Many participants, including financial sector experts, stressed that better data and evidence on finance flows are foundational for implementing Article 2, paragraph 1(c), and its complementarity with Article 9, and highlighted the need to improve methodologies and indicators for understanding progress towards the goal and identifying areas for further action in an evidence-based manner.

29. Climate and financial data were viewed as essential for identifying investment needs, developing project pipelines and improving the assessment of climate-related and financial risks and opportunities. Participants from several countries from various regions and with varying levels of economic development demonstrated how the monitoring of finance flows can support evidence-based policymaking at the national level for incentivizing public and private climate finance flows and the identification of public expenditure, tax incentives or subsidies that are considered, in the respective national context, inconsistent with climate, environmental or development goals. In addition to sharing national experience of practical implementation approaches to implementing Article 2, paragraph 1(c), and relevant progress, countries recognized that improved data and information on Article 2, paragraph 1(c), can help to both broaden and deepen knowledge of approaches that are effective in different contexts and strengthen shared understanding of advancing progress towards the goals of the Paris Agreement, while avoiding reporting burden.

30. With regard to scaling up climate finance flows, many participants were of the view that greater availability of climate-related and financial data can unlock financing opportunities and reduce investment barriers, particularly in developing countries, for a range of actors, including governments, national and subnational public development banks, cities and municipalities, and private financial institutions and real-economy corporations. Data-sharing initiatives such as the Global Emerging Markets Risk Database were highlighted as useful for improving financial risk assessments of the private sector in developing countries. Participants noted that sustained international support, including concessional finance and technical assistance, has a role in enhancing national capacities for data collection and

reporting. They stressed that greater transparency in relation to finance flows and the integration of climate-related risks into financial decision-making, including in credit rating and debt sustainability assessments, should not lead to the increased cost of capital or limit financial market access, a key concern for developing countries, especially those most vulnerable to the adverse impacts of climate change.

31. Participants highlighted that a substantial mismatch exists between the collective ambition articulated in Article 2, paragraph 1(c), and its complementarity with Article 9, and the reality of global finance flows. Participants noted persistent barriers to more global finance flowing towards low GHG emission and climate-resilient development pathways, including the high cost of capital and technology, misaligned market incentives arising from economic and financial policies and regulations, and limited accounting for environmental externalities in financial decision-making. Participants also noted that risk perception in financial markets often exceeds the actual risk of investment for climate and developmental purposes, particularly in developing countries, and highlighted the high debt burden and limited fiscal space faced by many developing countries.

32. In this context, participants pointed to the link between international and domestic efforts in implementing Article 2, paragraph 1(c). They highlighted various systemic barriers in the international financial architecture that can constrain countries in implementing Article 2, paragraph 1(c), in a nationally determined manner, including:

(a) International financial regulatory and market frameworks that insufficiently integrate climate-related risks and opportunities for transition, thereby potentially inhibiting cross-border investment flows;

(b) Credit rating and debt sustainability assessment methodologies that may inadequately reflect countries' climate vulnerabilities and sustainable development investment needs, thereby potentially contributing to higher borrowing costs and impeding access to finance, including in cases where ambitious climate action may be associated with adverse impacts on credit rating and debt sustainability assessments;

(c) Development finance in support of low GHG emission and climate-resilient development pathways that is insufficient in scale and effectiveness, including limited mobilization of private capital and limited risk-bearing capacity of international financial institutions;

(d) Underpricing of climate and related social externalities in financial and economic systems;

(e) Financial or trade-related measures that may have disproportionate or unintended impacts on third countries;

(f) Investor–State dispute settlement mechanisms that some pointed to as constraining the national policy space for achieving ambitious climate action, while others underscored the need for reliable legal frameworks for international investment;

(g) Currency and foreign exchange risks, including exchange rate volatility, currency mismatches and the high cost or limited availability of currency hedging instruments, that increase the cost of capital and limit the affordability and predictability of long-term investment.

33. Participants considered that international coordination and fostering an open and inclusive international financial and economic system are enabling conditions for implementing Article 2, paragraph 1(c), and can be achieved via avenues such as cooperation on national sustainable finance frameworks, tools and instruments, including climate-related disclosure frameworks, national implementation and investment plans, transition planning, taxonomies and green bonds. They stressed that efforts to enhance comparability and interoperability of implementation approaches must respect and take into account nationally determined low GHG emission and climate-resilient development pathways and national sovereignty. As well as highlighting the need to reflect different national circumstances in a globalized financial system, many participants stressed that approaches to implementing Article 2, paragraph 1(c), should not lead to conditionalities for accessing finance, particularly for developing countries.

34. Participants underscored the critical role of public finance, international public financial support, blended finance and risk-sharing mechanisms in supporting domestic implementation of Article 2, paragraph 1(c), particularly in developing countries. International public financial support, next to strengthened domestic enabling environments, was noted as key for supporting countries' policy, institutional, economic and development foundations; de-risking investments that are not commercially viable; providing long-tenor financing for investments in climate action and resilience-building; and 'crowding in' private finance to meet the scale of climate investment needs. While stressing that public finance remains essential for meeting public priorities, such as climate and development goals, de-risking investments and mobilizing private finance flows, participants acknowledged that the sharing of the risks and rewards of climate investments between public and private financial actors is equally as important for ensuring sustained public and private partnerships.

35. Diverse views were expressed regarding the role of private financial sector actors in implementing the goal set out in Article 2, paragraph 1(c). Participants noted that private finance flows are unevenly distributed globally, being concentrated in certain regions and sectors, and that finance flows are limited in adaptation-relevant sectors and in countries that are capacity-constrained, have small economies, are affected by conflict or have a low level of development. Given the size of the private financial sector and the scale of global climate investment needs, many participants identified opportunities for strengthening the engagement of private financial sector actors in climate investment and solutions for shifting private finance flows towards low GHG emission and climate-resilient development pathways, including:

(a) Aggregating small projects into marketable portfolios;

(b) Improving risk-return profiles of climate investment through public interventions;

(c) Implementing regulatory reforms for cross-border investment and for public guarantees and other risk-sharing instruments;

(d) Enhancing relevant data- and information-sharing initiatives;

(e) Designing climate and development projects and structuring financial participation according to the different characteristics of private sector actors.

36. Noting the link between public policies and private financial markets, participants highlighted that collaborative efforts between governments, financial regulators and private financial sector actors are needed at the national and international level to make private finance flows consistent with a pathway towards low GHG emissions and climate-resilient development and to scale up climate investments, particularly in developing countries and for adaptation.

C. Xingu Finance Talks

37. At the first meeting under the Veredas Dialogue, the CMA 7 Presidency suggested ideas for organizing the inaugural Xingu Finance Talks, including the proposed topics. In a message to Parties and observers dated 3 August 2026,[16] the CMA 7 Presidency shared the aims for the organization of the Xingu Finance Talks in 2026, including to conduct two engagement webinars on 3 September 2026 to elicit the views of Parties and non-Party stakeholders on their expectations for the Talks. The topics for discussion proposed by the CMA 7 Presidency were expanding fiscal space for climate investment and reducing the cost of capital through risk-sharing and guarantees.

38. Prior to the high-level round table, a preparatory workshop on practical solutions for addressing challenges and opportunities in implementing Article 2, paragraph 1(c), and its complementarity with Article 9 was held on 11 October 2026 in Bangkok in conjunction with the Bangkok Climate Action Week. The workshop was open to all interested Parties, observers and other stakeholders for in-person participation. Balanced geographical

[16] Available at https://unfccc.int/documents/659989.

representation of Parties and groups of Parties was ensured through a nomination process. The provisional programme was published before the workshop on the Veredas Dialogue web page.

39. The high-level round table was held in Bangkok on 13 October 2026 on the margins of the 2026 Annual Meetings of the International Monetary Fund and the World Bank Group. It was attended by 44 high-level participants, comprising 19 participants from Parties to the Paris Agreement, including from ministries of finance and other branches of government, 7 from MDBs and other development finance institutions, 7 from international organizations, including within the United Nations system and representing other multilateral initiatives relevant to the financial system, 6 from academia and civil society, 3 from central banks and financial supervisory bodies, and 2 from the private financial sector. The event was webcast to enable other interested Parties and other stakeholders to follow the deliberations. However, the CMA 7 President noted that not all those who were interested in participating in the Talks were able to attend. The provisional programme was published before the round table on the Veredas Dialogue web page.

40. The Xingu Finance Talks provided a valuable space for Parties to the Paris Agreement to engage with high-level representatives from the international financial system and the private financial sector, as well as academia and civil society, in particular on the integration of climate considerations into financial decision-making.

41. Following the Xingu Finance Talks, the CMA 7 Presidency prepared an informal summary report on the discussions, which is contained in the annex.

D. Outreach and engagement

1. Technical sessions

42. As part of the engagement and outreach activities under the Veredas Dialogue, three technical online sessions were convened with invited public and private financial sector stakeholders from 14 to 17 September 2026, open to Parties and non-Party stakeholders.[17]

(a) Technical session 1: public financial sector – ministries of finance and central banks

43. Participants highlighted that ministries of finance and central banks are key domestic public financial actors for making finance flows consistent with low GHG emission and climate-resilient development pathways. Technical experts from finance ministries and central banks reflected on the challenges faced by many countries in scaling up climate investments, assessing physical climate risks and building resilience, including capacity constraints, data gaps, policy uncertainty, limited fiscal space, competing priorities for budgetary spending, high cost of capital and barriers to accessing climate finance.

44. Further, participants highlighted that global financial markets are insufficiently consistent with climate and development objectives, noting the need for continued policy and supervisory efforts to integrate both climate-related risks and investment opportunities into financial decision-making and capital markets. Many representatives of central banks and financial supervisors explained that they are taking steps at the national level to assess the financial implications of the transition to a low GHG emission pathway and the exposure of financial and real-economy actors to climate-related physical risks, including by conducting climate stress testing and scenario analysis and introducing climate-related financial disclosure and transition planning requirements for financial institutions. Representatives of ministries of finance shared information on their efforts to assess the macroeconomic, fiscal and budgetary implications of climate change impacts and economy-wide transitions towards low GHG emission pathways, including by implementing climate-related financial disclosure frameworks, mainstreaming climate considerations in public financial management, establishing climate budget tagging systems and deploying climate and environmental impact assessments of public spending, subsidies and incentives. In addition, monetary policy tools

[17] Information on and concept notes for the sessions are available on the Veredas Dialogue web page.

are being implemented, such as targeted central bank lending to commercial banks and green collateral frameworks.

45. It was highlighted that whole-of-government coordination is beneficial to ensuring the development of coherent economic, fiscal and financial policy packages in support of climate and development objectives and in incorporating NDCs and NAPs into investment planning and budgetary frameworks. Participants noted the importance of international cooperation, peer-to-peer exchange and capacity-building networks to improving the interoperability and comparability of sustainable finance approaches and regulations, thereby facilitating the cross-border flow of finance towards meeting sustainability objectives. Participants stressed that the banking sector often has capacity to finance the transition towards low GHG emission and climate-resilient development pathways, but the bottleneck is a lack of demand from the real economy, for instance due to limited adoption of transition or decarbonization plans by private sector entities. Carbon pricing measures and emissions trading systems were recognized as a set of policy instruments for creating investment demand and providing policy certainty. Participants highlighted complementarity with Article 9 as an important lever in supporting domestic efforts to implement Article 2, paragraph 1(c), for example in relation to providing and mobilizing financial support in sectors that do not yet attract sufficient private finance, and de-risking and lowering the cost of capital in developing countries. They also highlighted the role of Article 9 in providing capacity-building and technical assistance for implementing Article 2, paragraph 1(c), including in relation to sustainable finance policies, climate-related disclosure frameworks and climate-related databases for use by financial market actors.

(b) Technical session 2: public financial sector – multilateral development banks

46. Session 2 focused on the efforts being made by MDBs to implement Article 2, paragraph 1(c), and its complementarity with Article 9. Representatives of MDBs explained several approaches to implementation, including those under the joint MDB methodological principles for assessment of Paris Agreement alignment, which ensures that all MDB financing operations are consistent with countries' low GHG emission and climate-resilient development pathways, NDCs and NAPs. Under the framework, projects are screened for alignment with country-specific pathways with the aim of avoiding the potential lock-in of emission-intensive activities and physical climate risks are assessed to ensure that adequate adaptation and resilience-building measures are implemented.

47. MDBs follow a system-wide approach to supporting countries in transforming their economic and financial systems and translating climate-related goals and objectives into concrete investment plans, project pipelines and sectoral policies aimed at strengthening the policy frameworks and domestic financial ecosystems required for scaling up climate investments.

48. Other approaches to implementation involve country platforms, policy-based lending, and technical assistance and capacity-building support, including for public financial authorities, national development banks and private financial institutions. Participants highlighted that a system-wide approach ensures that implementation of Article 2, paragraph 1(c), is viewed in the context of Article 2 as a whole. Basic development interventions are often essential for creating the enabling environment needed to attract climate investment and sustainable finance; participants noted the co-benefits from transforming financial systems for achieving other climate, social and other sustainability objectives, such as for financing resilient infrastructure, housing and public service provision.

49. The provision and mobilization of climate finance from MDBs to developing countries, in line with financial trajectories communicated by MDBs, was highlighted as another core contribution to implementing Article 2, paragraph 1(c), and its complementarity with Article 9. Participants emphasized the importance of coordination among MDBs, as well as with client countries, bilateral finance providers, development finance institutions and private sector counterparts, for ensuring optimal use of public concessional capital in strengthening national systems and country ownership, developing local capital markets, reducing foreign exchange risks, and de-risking and 'crowding in' private finance. Opportunities to address the fragmentation of the international development finance architecture were identified, including enhancing the coherence of approaches to providing

and mobilizing climate finance and of the 'Paris Alignment' approaches of multilateral and bilateral finance institutions so that client countries and financial actors in developing countries are better able to navigate channels for accessing finance and meet relevant institutional requirements.

(c) Technical session 3: private financial sector

50. During session 3, participants discussed the role of private financial sector stakeholders in implementing Article 2, paragraph 1(c), and its complementarity with Article 9. Private financial sector stakeholders emphasized that they understand implementation of Article 2, paragraph 1(c), as aiming at a system-wide transformation of financial systems that complements Article 9. Representatives of investors, banks, insurers, stock exchanges and ratings agencies stressed that achieving climate and sustainability goals and managing climate risks is increasingly integral to long-term fiduciary duty, economic profitability and competitiveness and the financial stability of countries and, as such, is considered a driver of economic development. A recurring theme was that financial institutions are seeking to support climate-related transitions not in isolation from real-economy actors and policymakers but through client engagement and policy dialogue that provides long-term visibility for investment decisions. Acknowledging a global climate investment gap, private sector representatives identified several investment barriers, including a limited number of climate projects to invest in; the high cost of capital; perceived and actual risks, in particular in developing countries and for nascent green technologies in hard-to-abate sectors; limited opportunities for investing in adaptation; and data gaps and lack of methodologies for making finance flows consistent with low GHG emission and climate-resilient development pathways.

51. Participants noted that private investment will flow more readily when clear climate policy environments, climate transition pathways (including sector-level pathways) and viable business models and revenue streams exist. Projects relating to emerging clean technologies and to adaptation often struggle to attract financing owing to uncertain returns and limited bankability. Solutions proposed include greater use of concessional capital and public finance to absorb non-commercial and political risks; expanded guarantees and risk-sharing mechanisms from MDBs and development finance institutions; adoption of climate-related financial disclosure frameworks, and national and regional sustainable finance taxonomies; enhanced project preparation support, including through facilities specifically for this purpose; and standardized and replicable blended finance structures. Financial market actors noted the growth of innovative financial instruments such as green and transition equity designations; green, social and sustainability-linked bonds; catastrophe insurance; and blended finance vehicles. These financial instruments help to expand country- and region-specific identification of sustainable investment opportunities within different financial, economic and development contexts.

52. Participants noted several areas where policy and financial system reforms could be implemented in order to scale up climate investment, including by converting climate commitments, such as those defined in NDCs and NAPs, into sectoral transition pathways and investment-ready project pipelines, using country platforms, and integrating sustainability considerations into core financial decision-making and credit processes. Governments were encouraged to continue developing and supporting climate and fiscal standards and incentives and sustainable finance tools with a view to improving investment conditions and long-term economic planning. Participants also noted the scope for financial regulatory reforms, including to amend capital requirements that constrain international cross-border investments, especially those to developing countries. Representatives of the private sector stressed that private investment cannot be a substitute for international public and concessional climate finance, and that implementing Article 2, paragraph 1(c), entails a systemic effort to strengthen complementarity between public and private sources of finance, ensuring that climate considerations are integrated systematically into all financial decision-making processes while taking into account the need for just and equitable development pathways in line with national circumstances and economic contexts.

2. Additional inputs

53. In line with the workplan for 2026 for the Veredas Dialogue, the co-chairs made themselves available throughout the year for receiving relevant inputs regarding the Dialogue and for conducting informal exchanges and bilateral consultations with Parties or regional groups of Parties and non-Party stakeholders.

54. The inputs received include research papers, reports, policy briefs, assessments, meeting summaries and case studies on the implementation of Article 2, paragraph 1(c).[18] They vary in terms of focus and topics, which include assessments of the consistency of the financial system, including its actors and institutions, as well as finance flows, with a pathway towards low GHG emissions and climate-resilient development; regional and national approaches to implementing Article 2, paragraph 1(c); issue- and actor-specific reforms in the financial system, such as integrating climate and sustainable development considerations into credit ratings; challenges and opportunities for scaling up investment in adaptation and climate resilience; efforts of central banks to implement Article 2, paragraph 1(c); and the role of subnational and local governments in the climate and development finance landscape.

55. The breadth of additional inputs received and the high level of technical engagement of Parties and other stakeholders from the public and private financial systems, academia and civil society under the Veredas Dialogue in 2026 adds to the collective understanding and action in relation to the implementation of Article 2, paragraph 1(c).

E. Insights

56. This subchapter summarizes the key insights and messages from the Veredas Dialogue in 2026.

57. Parties and non-Party stakeholders emphasized the value of the Veredas Dialogue as a solution- and implementation-oriented platform for mutual, open and collaborative exchange. The Veredas Dialogue, including the Xingu Finance Talks, was viewed by many as a useful space for fostering the engagement of Parties and efforts under the UNFCCC process more broadly with external financial system actors who will be instrumental for making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.

58. The discussions under the Veredas Dialogue have highlighted opportunities and benefits resulting from making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development. A toolbox of implementation approaches was presented, which vary across countries, institutions and public and private sector actors. Further scaling up of domestic and international efforts for the implementation of Article 2, paragraph 1(c), is needed to reach the long-term goals of the Paris Agreement, recognizing the enabling role of international public finance under Article 9 of the Paris Agreement. Opportunities exist for strengthening domestic policy frameworks and country-driven solutions, such as national sustainable finance taxonomies, NDC investment planning and sustainable finance strategies, country platforms, green budgeting, issuance of green and sustainability-linked bonds and implementation of climate-related disclosure frameworks, as well as advancing structural reforms in the international financial system, increasing private sector investment and deploying risk-sharing mechanisms, while ensuring that nationally determined implementation pathways remain central reference points.

59. Participants stressed the importance of policy coherence and the beneficial role of cross-ministerial coordination and whole-of-government approaches in ensuring integrated financial, fiscal, economic and climate policymaking, noting the strong interest expressed by ministries of finance, public financial supervisors and central banks in engaging with climate policymakers for making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.

60. Many participants stressed the beneficial role of climate-related data and information, disclosure frameworks and national monitoring and reporting systems in assessing the status

[18] All additional inputs are available on the Veredas Dialogue web page.

of finance flows and informing and scaling up climate investment and sustainable finance approaches. However, important resource and methodological constraints exist in expanding data availability, with corresponding opportunities to strengthen existing forums, initiatives and networks that provide technical assistance and capacity-building support for collecting and using climate-related data across public and private financial systems.

61. The discussions highlighted that making finance flows consistent with climate-resilient development pathways will require strengthened efforts within the public and private financial sectors in order to increase adaptation investment. However, awareness is increasing in the financial sector regarding physical climate risks and the importance of adaptation for building macroeconomic and financial resilience. Simultaneously, many participants reaffirmed that rapidly scaling up mitigation finance remains key to driving the global transition towards low GHG emission economies and limiting the severity and cost of future physical climate risks. Opportunities outlined by participants include aligning financing models and tenors with the extended time-horizons of adaptation benefits, formulating climate-resilient policies and infrastructure standards and developing adaptation finance frameworks or taxonomies to incentivize investment. A key point for further discussion is how finance flows can be directed more efficiently and at greater scale towards countries, regions and sectors that are at highest risk from climate change impacts, given that traditional financial risk management approaches seek to price in and reduce risk exposure.

62. Participants acknowledged that robust domestic policies are essential for implementing Article 2, paragraph 1(c), and establishing the policy and regulatory certainty and providing clear market signals necessary to unlock and redirect private finance flows towards low GHG emission and climate-resilient development pathways. However, domestic implementation of Article 2, paragraph 1(c), is often linked to the structural conditions of global financial markets. The discussions under the Dialogue and additional inputs received highlight a substantial gap between the collective ambition of implementing Article 2, paragraph 1(c), and its complementarity with Article 9 and the reality of global finance flows, which integrate climate and sustainable development considerations only to a limited extent. Many participants expressed a corresponding need to enhance engagement between the UNFCCC process and international financial institutions, as well as with other relevant public and private financial sector actors, on issues that require international coordination, such as fiscal space, debt sustainability, financial market access and cost of capital for climate investment.

63. Participants noted the value of and opportunities arising from existing international coordination initiatives that seek to integrate climate considerations into core financial decision-making, including, but not limited to, the Climate Vulnerable Forum and Vulnerable Twenty Group of Finance Ministers, the Coalition of Finance Ministers for Climate Action, the International Platform on Sustainable Finance, the Network for Greening the Financial System, the Principles for Responsible Investment and associated private sector initiatives, the Sustainable Banking and Finance Network and the United Nations Environment Programme Finance Initiative. Participants highlighted the opportunities presented by international coordination with issue-based forums such as the International Sustainability Standards Board for applying climate-related disclosure frameworks, and coordination forums related to international trade and investment regimes.

64. Concerning implementation of Article 2, paragraph 1(c), at both the national and the international level, participants emphasized the importance of the safeguards referred to in paragraph 3 of decision 11/CMA.7. Parties expressed an interest in exploring how domestic and international public and private financial sector actors concretely take these safeguards into account in their respective efforts to make finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.

65. Further, participants affirmed the complementarity of Article 2, paragraph 1(c), and Article 9 and illustrated how this complementarity is reflected in approaches to implementing Article 2, paragraph 1(c). Many examples were described of financial and capacity-building support provided to developing countries to promote the development of national sustainable financial systems, thereby supporting implementation of Article 2, paragraph 1(c). Opportunities for leveraging grant-based and concessional public finance, including through standardized risk-sharing mechanisms, guarantee platforms and local currency financing

solutions, were noted as a means of scaling up private finance flows for climate action in developing countries. Many case studies highlighted how domestic and international implementation of Article 2, paragraph 1(c), such as establishing sustainable finance policy frameworks and removing climate investment barriers or misaligned incentives, can enable scaled-up climate finance flows towards developing countries and enhance the absorption capacity of local financial markets and institutions.

66. Views converged on the dual climate and developmental opportunities arising from implementing Article 2, paragraph 1(c), across financial systems. Participants situated Article 2, paragraph 1(c), within the broader context of Article 2 as a whole, pointing to the clear sustainable development and macroeconomic benefits of investment in climate mitigation and resilience, noting that just and equitable implementation of Article 2, paragraph 1(c), should therefore support social and developmental objectives.

III. Recommendations of the co-chairs of the Veredas Dialogue

67. Reflecting on the deliberations and work undertaken in 2026 under the Veredas Dialogue, the co-chairs wish to make the following recommendations.

68. Relating to the effective and inclusive organization of work, the CMA may wish to:

(a) Encourage the Presidency of the CMA at each of its sessions to appoint the two co-chairs for the Veredas Dialogue, in line with paragraph 14 of decision 11/CMA.7, for the forthcoming year as soon as possible after each session, and no later than 1 January of the subsequent year, to ensure timely organization of the activities and deliberations to be conducted under the Veredas Dialogue;

(b) Request the co-chairs to explore further, virtual or in-person, engagement opportunities, including by continuing the series of webinars, with a view to strengthening the support provided to Parties for implementing Article 2, paragraph 1(c), in a nationally determined and facilitative manner and for interacting with public and private financial sector actors and practitioners, particularly those in developing countries, at the international and regional level. The collaboration with relevant regional and international organizations for this purpose may be considered to benefit from existing peer-learning mechanisms for context-specific implementation approaches;

(c) Encourage the incoming co-chairs to draw on themes and topics proposed by Parties in the first year of the Dialogue, alongside implementation experience to date, including practical challenges and barriers to implementation, in selecting targeted focus areas for meetings under the Veredas Dialogue to strengthen knowledge exchange and support Parties in their efforts to implement Article 2, paragraph 1(c), in a nationally determined and facilitative manner, as well as to contribute to other ongoing work and processes under the CMA, as appropriate. Potential focus areas may include emerging insights on the impact and effectiveness of implementation approaches; transition finance and planning and approaches for supporting just transition pathways, including for high-emitting sectors; unlocking institutional capital for low GHG emission and climate-resilient development pathways, including consideration of implications of evolving financial frameworks for nationally determined implementation approaches; and data and information needs for implementing Article 2, paragraph 1(c), and its complementarity with Article 9 and assessing collective progress.

69. Relating to supporting Parties in the implementation of Article 2, paragraph 1(c), and its complementarity with Article 9, the CMA may wish to:

(a) Invite Parties and non-Party stakeholders to reflect on the range of approaches for implementing Article 2, paragraph 1(c), communicated in this report, in particular the key insights identified in chapter EII.E above, and take follow-up actions to advance implementation of Article 2, paragraph 1(c), as appropriate and in accordance with their respective national circumstances or institutional contexts and mandates;

(b) Encourage the incoming co-chairs of the Veredas Dialogue as well as Parties and non-Party stakeholders to consider ways of facilitating the engagement under the Veredas

Dialogue with the existing landscape of international cooperation and capacity-building networks and initiatives on sustainable finance, including the Global Climate Action Agenda, with a view to leveraging the convening power of the UNFCCC process and supporting Parties in their nationally determined implementation of Article 2, paragraph 1(c), and its complementarity with Article 9;

(c) Invite Parties and non-Party stakeholders to share information on their nationally determined approaches to implementing Article 2, paragraph 1(c), and its complementarity with Article 9 via the annual call for submissions under the Dialogue with a view to enhancing the visibility and raising awareness of practical implementation approaches while avoiding an additional reporting burden, in accordance with the concerns and safeguards outlined in paragraph 3 of decision 11/CMA.7. Such voluntary submissions may cover various nationally determined implementation tools and instruments, including relating to real-economy investment, public fiscal policy and consistency of the financial sector with a pathway towards low GHG emissions and climate-resilient development. Parties may also consider how the information shared relates to the collective achievement of the goals in Article 2, paragraph 1(a–b), and other ongoing work and processes under the CMA, as appropriate;

(d) Invite the secretariat to compile these submissions and make them available on the Veredas Dialogue web page as an illustrative, non-prescriptive resource, and encourage the incoming co-chairs to take these submissions into account for informing the work under the Veredas Dialogue;

(e) Encourage the incoming co-chairs of the Veredas Dialogue to engage with the Standing Committee on Finance to support preparations for forthcoming Biennial Assessment and Overview of Climate Finance Flows, in particular the mapping of information relevant to Article 2, paragraph 1(c), of the Paris Agreement and its reference to Article 9 thereof.

70. Relating to the Xingu Finance Talks under the Veredas Dialogue, the CMA may wish to:

(a) Invite future CMA Presidencies to strengthen the participation of ministries of finance in the Xingu Finance Talks and encourage broad participation of international financial institutions and other relevant public and private financial sector actors with a view to enhancing the exchange of views between actors within the UNFCCC process and the broader financial system on practical solutions to implementing Article 2, paragraph 1(c);

(b) Invite future CMA Presidencies, in close coordination with the co-chairs of the Veredas Dialogue, to organize preparatory activities for the Xingu Finance Talks on practical solutions that address challenges and opportunities in the implementation of Article 2, paragraph 1(c), and its complementarity with Article 9 well in advance of the high-level round table, and in a hybrid, inclusive and participatory format;

(c) On the basis of chapter II.C above and the informal summary report by the CMA 7 Presidency on the Xingu Finance Talks in 2026, advise on key challenges and opportunities that could be addressed by Parties and non-Party stakeholders at future Xingu Finance Talks, for example as they relate to sharing progress in implementing practical solutions identified during the previous Xingu Finance Talks, and other topics such as integrating climate considerations into international financial regulations; enhancing the complementary roles of public and private concessional and non-concessional finance flows in achieving the goals of the Paris Agreement; and strengthening international cooperation on establishing policies and financial incentives for making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.

Annex

2026 Xingu Finance Talks under the Veredas Dialogue: informal summary report by the Presidency of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its seventh session*

I. Mandate

1. At the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) at its seventh session, Parties requested the CMA Presidency to convene the Xingu Finance Talks under the Veredas Dialogue and in consultation with the co-chairs thereof, as an annual high-level round table with a view to facilitating a cooperative exchange of views among all interested Parties and non-Party stakeholders, in particular academia, international financial institutions and the private sector, on practical solutions that address the challenges and opportunities in the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement.[1]

II. Organization of the first cycle of the Xingu Finance Talks

2. The Xingu Finance Talks high-level roundtable was held on 13 October 2026 in Bangkok, Thailand, at the sidelines of the 2026 Annual Meetings of the International Monetary Fund and the World Bank Group. 44 high-level representatives attended the roundtable, including 19 representatives of Parties to the CMA, ministries of finance and other branches of governments, 7 representatives of multilateral development banks (MDBs) and other development finance institutions (DFIs), 3 representatives of central banks and financial supervisory bodies, 7 representatives of international organizations including the United Nations (UN) system and multilateral initiatives relevant to the financial sector, 2 representatives of the private financial sector, and 6 representatives from academia and civil society. In addition, 40 observers attended the roundtable, which was also webcast virtually.[2]

3. For the inaugural Xingu Finance Talks, the Presidency of the 30th Conference of the Parties (COP 30) proposed tackling two topics identified as priorities: i) Expanding fiscal space for climate investment and ii) Reducing the cost of capital through risk-sharing and guarantees.

4. A preparatory Workshop on Practical Solutions was held on 11 October 2026 also in Bangkok, Thailand, with a view to informing the High-level roundtable. It was attended by 80 participants who engaged in interactive discussions and solutions labs which aimed to bring about practical examples of how Article 2, paragraph1(c), and its complementarity with Article 9, is being implemented in practice by countries and stakeholders. In preparation for both events, the COP 30 Presidency engaged with Parties and non-Party stakeholders through two webinars held on 3 September 2026.[3]

5. The President of COP 30 noted that not all Parties and stakeholders interested to participate were able to attend the Xingu Finance Talks events.

* Not formally edited or formatted.

[1] Decision 11/CMA.7, para 13.

[2] All information is available at https://unfccc.int/event/xingu-finance-talks-annual-high-level-roundtable.

[3] All information is available at https://unfccc.int/event/xingu-finance-talks-workshop-on-practical-solutions.

III. Summary

6. This informal summary aims to capture solutions discussed during the Xingu Finance Talks, and is non-exhaustive, informal and has no status. The Xingu Finance Talks is a facilitative space for exchange of views among Parties and non-Party stakeholders, taking into account the concerns and safeguards outlined in paragraph 3 of Decision 11/CMA.7. It does not constitute a negotiation process nor is intended to create new obligations.

1. Expanding fiscal space for climate investment

7. High-level representatives and technical experts discussed a range of potential solutions to expand fiscal space for climate investment. Participants widely acknowledged that governments, in particular in developing countries, face significant challenges with investing in climate resilience and low GHG emissions development pathways while facing high debt burdens and limited fiscal space.

8. The complementarity with Article 9 of the Paris Agreement was affirmed as an important safeguard for the implementation of Article 2, paragraph 1(c). Many participants stressed that sustained public international climate finance, including on grant- and concessional basis, in line with international commitments and obligations under Article 9 of the Paris Agreement, remains a cornerstone for supporting climate action in developing countries.

9. High-level representatives and technical experts highlighted key issue areas to focus efforts for expanding fiscal space for climate investment:

10. **Key Message 1.1: Treat low GHG emissions and climate resilience investments as investments, not costs**.

11. Participants stressed that investments in renewable energies, other low-GHG emissions technologies and for adaptation have clear benefits for macro-economic growth, energy security and fiscal resilience in the face of climate and economic shocks. Therefore, participants converged on maintaining momentum for integrating climate-related considerations into financial decision-making processes. Practical solutions included, inter alia:

(a) Supporting the implementation of ongoing revisions to Debt Sustainability Analyses (DSA), including the Debt Sustainability Framework for Low-Income Countries, so that climate investments receive acknowledgement as risk-reducing and sustainable growth-enhancing investments, rather than financial costs;

(b) Strengthening methodological efforts for integrating climate vulnerability, resilience benefits, and avoided future losses into debt assessments and broader financial decision-making;

(c) Considering the extension of DSA reforms beyond low-income countries to all climate-vulnerable countries, including higher income countries that currently do not qualify for concessional support;

(d) Reviewing sovereign credit rating methodologies, which many participants argued systematically overestimate risks in developing countries, particularly in Africa and Small Island Developing States and Least Developed Countries, and integrating climate-related risks and opportunities more strongly into commercial rating methodologies.

12. **Key message 1.2: Existing debt-related instruments are promising tools but require further expansion in scale and adoption across financial market actors, to more effectively support countries with limited fiscal space for closing the climate and development investment gap**.

13. Suggested solutions included, inter alia:

(a) Expanding Climate-Resilient Debt Clauses across sovereign lending;

(b) Broadening the adoption of climate-resilient debt pause clauses across all MDBs, DFIs, bilateral creditors, and commercial lenders, and identifying barriers that impede uptake in commercial markets in particular;

(c) Reviewing access requirements of international financial institutions for debt-for-climate, -resilience or -nature swaps, with a view to increasing scope to all debt-distressed and climate-vulnerable countries, regardless of income classifications;

(d) Strengthening international coordination of debt sustainability discussions with a view to avoiding a "vicious circle" of rising climate impacts and debt constraints, including through existing initiatives such as the Borrowers Platform, Paris Club, the Sevilla Forum on Debt as well as the UN working group on responsible sovereign borrowing and lending principles.

14. **Key message 1.3: All countries must be supported in nationally determined climate and financial policy efforts and reforms that can generate fiscal space for climate investment and development priorities**.

15. Suggested solutions included, inter alia:

(a) Developing sustainable finance frameworks and tools, including taxonomies, climate-related disclosure frameworks, green bonds, and public financial management frameworks such as climate budget tagging and tracking;

(b) Supporting the translation of NDCs, NAPs and other climate plans into investment planning, sectoral roadmaps and project pipelines that can mobilize additional public and private finance;

(c) Complementing international public finance commitments, strengthening domestic resource mobilization efforts, including improved tax systems and other revenue enhancing measures, were highlighted, for example:

(i) Considering, on a voluntary basis, nationally determined approaches to carbon pricing with a view to providing market incentives for scaled-up investment in low GHG emission and climate-resilient development pathways;

(ii) Repurposing and reducing inefficient subsidies, in particular those not consistent with climate and environmental objectives, in a socially acceptable way and according to national circumstances;

(iii) Exploring innovative sources of finance at domestic and/or international levels including international solidarity levies, taxation for high-emitting sectors and similar approaches, with targeted revenue recycling for climate and development priorities.

2. Reducing the cost of capital through risk-sharing and guarantees

16. High-level representatives and technical experts discussed a range of potential solutions to reduce the cost of capital through risk-sharing and guarantees, and highlighted key issue areas to focus joint efforts:

17. **Key message 2.1**: **The expansion of guarantees and risk-sharing instruments can support more effective use of public finance and catalyze successive investments, but further standardization, product innovation, market diffusion and better data is required to reach scale.** Participants highlighted that guarantees and other risk-sharing instruments already work, but remain too bespoke, expensive, and difficult to scale across markets.

18. Proposed solutions included, inter alia:

(a) Deploying guarantees more systematically through MDBs and DFIs rather than using them selectively, for example through portfolio guarantees and expanding existing co-guarantee arrangements, that bring together multilateral, bilateral and local public financial institutions to de-risk private capital;

(b) Supporting the creation of pooled multi-guarantor arrangements and regional guarantee mechanisms, that can incentivize participation of different financial institutions with varying risk appetites and investment mandates;

(c) Targeting the use of guarantees to support first-of-a-kind projects and nascent financial markets and technologies, to facilitate an "investor confidence effect" over time. Participants noted that guarantees and highly concessional finance is often needed to establish first successful investment cases, after which risk perceptions and cost of capital decrease;

(d) Rolling out standardized guarantee structures and term sheets to reduce transaction costs for financial institutions and recipients, while remaining cognizant of country contexts;

(e) Improving the availability of data on the performance of guarantees, to strengthen the evidence base for their prudential treatment. Participants noted that where guarantees transfer risk, it is not always reflected in the capital that financial institutions are required to hold, which limits their effect on the cost of capital. Concrete proposals and initiatives included:

(f) MDBs, DFIs, and other stakeholders to make available, where possible, anonymized transaction-level evidence on the materiality and performance of guarantee structures, covering among others, effect on capital pricing, default and recovery data, claims payment experience, and examples of inconsistent implementation across jurisdictions, to inform prudential treatment of guarantees;

(g) A guarantee directory being established by the Green Guarantee Group in collaboration with the Government of Barbados;

(h) Accompanying risk-sharing and guarantee instruments by technical assistance and institutional capacity building.

19. **Key message 2.2: A key component for reducing the cost of capital will include strengthening local currency financing, local capital markets and risk-sharing instruments that are tailored to country circumstances, policy environments and regional contexts**.

20. Solutions identified included, inter alia:

(a) Expanding local currency financing to reduce currency risk, with dual benefits for reducing the cost of capital and reducing exposure to global financial cycles;

(b) Developing local currency guarantee structures and first-loss facilities;

(c) Developing country- or regional-specific approaches to risk-sharing and capital stacking, including through strengthened in-country support for translating NDCs and NAPs into investment planning, sectoral roadmaps, and country-platform approaches.

3. Crosscutting opportunities

21. Across both topics, several overarching opportunities were identified, to overcome existing challenges and support accelerated implementation of Article 2, paragraph 1(c) and its complementarity with Article 9.

22. **Opportunity 1: Working together as a system is required to scale-up investment across the financial system and make finance flows consistent with a pathway towards low GHG emissions and climate resilient development**.

23. Participants stressed that enhanced coordination of governments, including ministries of finance, financial regulators and central banks, with MDBs and other DFIs, private financial sector, academia and civil society can help to foster synergies and align investment approaches with respective risk appetites, investment mandates and institutional capacities.

24. Practical solutions identified included, inter alia:

(a) Continuing the implementation of the MDB reform agenda and recommendations of the capital adequacy framework review;

(b) Making MDB balance sheets more responsive to global economic shocks and climate-related impacts, as well as supporting the development of fiscal buffers and disaster-risk financing frameworks;

(c) Expanding concessional public finance and offer longer maturities;

(d) Moving from project-by-project financing to programmatic, sectoral and country-platform approaches, which facilitate alignment with country priorities and greater participation of public and private pools of capital;

(e) Supporting ongoing coordination efforts among MDBs, multilateral climate and environmental funds, and regional and national development banks as a system;

(f) Strengthening MDB and DFI policy-based lending linked to climate reforms and the identification of sustainable infrastructure pipelines;

(g) Supporting and strengthening the establishment of regional, national and subnational DFIs or national climate funds, which can act as important intermediaries for international climate finance and investment.

25. The emphasis was not on creating new institutions but on making existing institutions work together more effectively.

26. **Opportunity 2: Better, accessible data and climate-related financial information is essential for addressing cost of capital and assessing the risks and opportunities of climate investment**.

27. A shared message was that collaborative efforts to enhance the availability of financial data, in particular in developing countries, and of information on physical climate risks and low emissions pathways, can address elevated perceptions, unlock private sector investment and support the transformation towards sustainable financial systems. Concrete proposals included, inter alia;

(a) Expanding data collection initiatives such as the Global Emerging Markets Risk Database (GEMs consortium), and deepening data points to create a larger evidence base on default and recovery rates, spread statistics, localized and private sector data, physical climate risks, climate-resilience benefits and investment performance;

(b) Improving the transparency on the performance of guarantees and risk-sharing instruments, including through enhanced provision of anonymized transaction-level data (see key message 2.1 above for further detail);

(c) Supporting greater use and application of financial and climate-related data in commercial investment decisions and credit rating assessments, which may help reduce investment uncertainty and lower the cost of capital for country-level investment in developing countries;

(d) Working towards comparability and interoperability of climate disclosures, reporting standards and sustainable finance frameworks such as taxonomies to support cross-border financing while taking into account nationally determined approaches and circumstances;

(e) Maintaining momentum on enhanced data collection and methodological developments to assess physical climate risks and evaluate the macro-economic and financial benefits of adaptation investment for sovereign, sub-sovereign and private financial sector actors;

(f) Bringing these efforts together in an international ecosystem for investment performance and physical climate risk data, building on existing initiatives, to improve data availability, accessibility, comparability and use in investment decisions.

28. **Opportunity 3: Capacity-building for sustainable finance approaches and support for developing project pipelines must be strengthened, including through targeted use of public concessional finance and technical assistance**.

29. Practical solutions included, inter alia:

(a) Targeted use of international public finance from bilateral and multilateral sources, including grants and highly concessional finance, to support project preparation and pipeline development, sectoral roadmaps and sustainable financial policymaking, to catalyze private sector finance by lowering policy, legal, and project risks;

(b) Making better use of readiness programs to help target fiscal interventions more effectively;

(c) Strengthening technical assistance and capacity-building efforts by multilateral and bilateral DFIs, as well as by peer-learning networks such as the Coalition of Finance Ministers for Climate Action or the Network for Greening the Financial System, with a view to building domestic institutional capabilities and reducing long-term reliance on external experts;

(d) Supporting programmatic and country-led or regional platform approaches, which have a greater potential to institutionalize domestic knowledge and capabilities.

IV. Conclusion

30. The inaugural Xingu Finance Talks marked the first time the UNFCCC process was formally mandated to engage with relevant financial institutions and actors to exchange on practical solutions that address the challenges and opportunities in the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement. The technical quality of discussions and strong engagement by governments, public and private financial institutions, civil society and academia demonstrated the value of this new format, facilitating the practical exchange of views between the climate and financial community.

31. The COP 30 Presidency calls for the opportunities and practical solutions identified to be carried forward in future sessions and considered under the Veredas Dialogue, so that the momentum generated by this first edition translates into concrete action.