



United Nations

FCCC/CP/2022/8/Add.3–FCCC/PA/CMA/2022/7/Add.3



Framework Convention on
Climate Change

Distr.: General
28 October 2022

English only

Conference of the Parties**Twenty-seventh session**

Sharm el-Sheikh, 6–18 November 2022

Item 8(b) of the provisional agenda

Matters relating to finance

**Matters relating to the Standing Committee on
Finance**

**Conference of the Parties serving as the meeting
of the Parties to the Paris Agreement****Fourth session**

Sharm el-Sheikh, 6–18 November 2022

Item 8(a) of the provisional agenda

Matters relating to finance

Matters relating to the Standing Committee on Finance

Report of the Standing Committee on Finance

Addendum

Synthesis of views regarding ways to implement Article 2, paragraph 1(c), of the Paris Agreement

Summary

This document synthesizes the views submitted by Party and non-Party stakeholders in 2022 on ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation, in accordance with decision 10/CMA.3, paragraph 2. It has been prepared for consideration by the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement at its fourth session.



Abbreviations and acronyms

AILAC	Independent Association for Latin America and the Caribbean
CMA	Conference of the Parties serving as the meeting of the Parties to the Paris Agreement
DFI	development finance institution
EIG	Environmental Integrity Group
EU	European Union
G20	Group of 20
GHG	greenhouse gas
GIZ	German Agency for International Cooperation
LDC	least developed country
MDB	multilateral development bank
NDC	nationally determined contribution
SCF	Standing Committee on Finance
YOUNGO constituency	children and youth constituency

I. Introduction

A. Mandate

1. CMA 3 invited Parties, the operating entities of the Financial Mechanism, international financial institutions and other stakeholders in the financial sector to submit views regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation, by 30 April 2022 and requested the SCF to submit a synthesis for consideration at CMA 4.¹

2. Article 2, paragraph 1, of the Paris Agreement states that the Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by, as specified in paragraph 1(c), making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.

B. Scope

3. A total of 14 submissions were received in response to the invitation referred to in paragraph 1 above: 11 from Parties or groups of Parties and 3 from non-Party stakeholders (see the annex for a list of the submissions).²

4. This synthesis is limited to reflecting the views submitted and may not reflect the full range of views of the operating entities of the Financial Mechanism, international financial institutions and other stakeholders in the financial sector on ways to implement Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation.

5. Chapter II below provides an overview of the information in the submissions and chapter III below contains the synthesis.

II. Overview

6. Almost all Parties noted in their submissions the **absence of an agreed definition or common understanding of the scope** of Article 2, paragraph 1(c), of the Paris Agreement. Discussion of its scope relates to several dimensions of finance flows, including their consistency with low GHG emission and climate-resilient development pathways; the specific goal of Article 2, paragraph 1(c), and the related goals of Article 2 and the Paris Agreement more broadly; the scale of finance associated with Article 2, paragraph 1(c), and the associated responsibilities of actors, in particular the role of the private sector.

7. The **relevance of public and private, and domestic and international finance flows** was recognized by almost all Parties, which also acknowledged the large scale of finance involved in achieving the goal articulated in Article 2, paragraph 1(c). Parties' views differed regarding the respective roles of public and private actors in contributing to the achievement of the goal, as well as whether these roles are different in developed and developing country Parties. With varying emphasis, most Parties noted the need to consider, when exploring approaches to implementing Article 2, paragraph 1(c), country-specific development pathways, national circumstances and capacities, the principle of common but differentiated responsibilities and respective capabilities, and a just and equitable transition.

8. Almost all Parties made a reference to the **relationship between Article 2, paragraph 1(c), and Article 9** of the Paris Agreement on the provision and mobilization of

¹ Decision 10/CMA.3, para. 2.

² Throughout this document, "submissions" refers to the submissions from Parties and groups of Parties. When the submissions from non-Party stakeholders are being referred to, they are noted as such.

financial support to developing countries. In many submissions, the importance of continued and increased support for implementing Article 2, paragraph 1(c), was noted and the view that such support should not substitute for or diminish existing obligations under Article 9 was expressed. Many Parties acknowledged that climate finance flows under Article 9 contribute to, are included in and reinforce the alignment of finance flows under Article 2, paragraph 1(c). However, some Parties expressed the contrasting views that finance flows under Article 2, paragraph 1(c), are separate from or separate from but complementary to climate finance flows.

9. A number of options, focus areas and principles related to **further operationalizing Article 2, paragraph 1(c)**, were identified in the submissions, including:

(a) Establishing a new dedicated and separate space for discussing matters related to Article 2, paragraph 1(c), as part of the UNFCCC process or specifically under the CMA, conducting further work under the CMA or the SCF, or developing a workplan in a reasonable time frame, given the urgency of responding to climate change;

(b) Identifying potential elements for the implementation of Article 2, paragraph 1(c), such as a global framework under which the consistency of finance flows could be determined and assessed, focusing on transparency and the real-economy impact of financial sector commitments and efforts, mapping information on methodologies and approaches in use and on solutions to challenges faced in implementing Article 2, paragraph 1(c), outlining public policy levers governments have available with regard to private and public finance flows, and defining the overarching direction for private and public sector actors;

(c) Considering the principles embedded in the Paris Agreement and wider UNFCCC process, such as those relating to respective national capabilities and national circumstances, equity and just transition, and differing regional and national socioeconomic contexts, in the common effort to implement Article 2, paragraph 1(c), while avoiding unintended consequences and taking into account the financial and economic risks of making finance flows consistent with a pathway towards low GHG emission, climate-resilient development, such as stranded assets;

(d) Formulating guiding principles or a reporting framework for tracking progress in achieving the goal of Article 2, paragraph 1(c), given the absence of a common understanding of its goal, scope and implications and given the limited availability of methods and approaches for assessing the consistency of finance flows in both the private and the public sector. In the submissions, the reporting and tracking of elements such as global finance flows, Parties' policies and commitments, indicators for collective progress, and the relative size of fossil and non-fossil-fuel investments in specific regions was proposed. Expanding the current reporting practices in the enhanced transparency framework under the Paris Agreement to incorporate an assessment of progress in implementing Article 2, paragraph 1(c), was also proposed;

(e) Considering the role of the SCF in the further operationalization and implementation of Article 2, paragraph 1(c), and in facilitating a common understanding of its scope;

(f) Implementing a structured approach to engaging non-Party stakeholders in reporting progress made towards achieving Article 2, paragraph 1(c), and sharing best practices.

10. In the submissions, **potential linkages with other relevant Paris Agreement processes**, including how further work may contribute to the ad hoc work programme on the new collective quantified goal on climate finance and assessment of collective progress through the global stocktake, were identified. It was noted both that work related to Article 2, paragraph 1(c), could contribute to these processes and that these processes could inform work related to Article 2, paragraph 1(c), including tracking and assessing the consistency of finance flows.

11. Many Parties identified **policies, approaches and methodologies for implementing Article 2, paragraph 1(c)**, including those related to fiscal, macroeconomic and regulatory policy levers and incentives, financial instruments, voluntary standards and orientation of

investments. Specific initiatives mentioned that may inform policies, approaches and methodologies for the assessment of consistency of finance flows and implementation of Article 2, paragraph 1(c), include the Coalition of Finance Ministers for Climate Action, Glasgow Financial Alliance for Net Zero, International Sustainability Standards Board, Marrakech Pledge, Network for Greening the Financial System, Organisation for Economic Co-operation and Development (including its Research Collaborative on Tracking Finance for Climate Action), Paris Agreement Capital Transition Assessment, Partnership for Carbon Accounting Financials, Powering Past Coal Alliance (and its Finance Principles), Science Based Targets initiative, Task Force on Climate-related Financial Disclosures and United Nations Environment Programme Finance Initiative.

III. Synthesis

A. Scope of Article 2, paragraph 1(c), of the Paris Agreement

12. Almost all submissions referred to the **absence of an agreed upon definition or common understanding of the scope and implications of Article 2, paragraph 1(c)**. The discussion of the scope of Article 2, paragraph 1(c), covers several dimensions of finance flows, including sources, objectives, related goals, scale, and associated responsibilities of actors for aligning them which are discussed in paragraphs 13–23 below.

1. Sources of finance flows

13. Many submissions noted the relevance of all finance flows, from both public and private sources, to Article 2, paragraph 1(c), without distinguishing between domestic and international sources. Some Parties distinguished finance as “green” or “brown” flows or noted flows as being international or domestic, while others highlighted particular subflow types, such as those in which public–private partnerships are involved and those that provide support to cottage, micro, small and medium-sized enterprises. One Party took a broader view, understanding progress towards implementing Article 2, paragraph 1(c), as made up of the combined effects of governments, climate finance, the private sector and civil society. In some submissions, the importance of providing climate finance was highlighted, and in others, the view that broader finance flows extend beyond the scope of climate finance was expressed. One Party differentiated considerations of finance flows under Article 2, paragraph 1(c), into finance flows within and between developed countries, and finance flows from developed to developing countries which may include flows within and between developing countries.

14. Two definitions of finance flows were suggested in non-Party stakeholder submissions: “[finance] encompassing public and private funds as well as international and domestic financial flows, in accordance with the Addis Ababa Action Agenda” and “finance provided by public or private investors in or financiers of public or private enterprise where it is used to fund activities that are aligned with the Paris Pathway and the use by public or private enterprises of their own funds in support of their activities to the extent those are aligned with the Paris Pathway”.

2. Objectives and characteristics

15. While making finance flows consistent with low GHG emission, climate-resilient development is the stated goal of Article 2, paragraph 1(c), as many Parties noted, some submissions also mentioned other objectives or purposes, including promoting finance flows that are consistent with decarbonization and resilience; shifting finance flows to enable mitigation and adaptation goals to be reached or low-emission, climate-resilient pathways to be followed; holistically transforming the financial system to make it consistent with climate action; mobilizing finance from all channels and sources to accelerate climate action; strengthening enabling environments; addressing adaptation and loss and damage; and promoting sustainable investments in priority sectors.

16. Submissions mentioned the potential characteristics of finance flows under the scope of Article 2, paragraph 1(c). These include flows that avoid the lock-in of emission-intensive

investments; promote sustainable investments; address adaptation and loss and damage; and encompass the consistent and inconsistent components of finance. Some submissions focus on just transition considerations and asset classes related to fossil fuels or the identification of flows that will need to be redirected to achieve the purpose and goals of the Paris Agreement. One Party highlighted that a characteristic of consistent finance flows may be differentiating between the cessation or continuation of investments in fossil fuels on the basis of whether the recipient Party is a developed or developing country.

17. One non-Party stakeholder expressed the view that consistency refers also to the financial entity and financial system level, not just the level of economic activities, and that it will be important to consider such an extended view when evaluating how finance reduces negative and increases positive impacts in relation to realizing the Paris Agreement purpose and goals.

3. Goals associated with Article 2, paragraph 1(c), of the Paris Agreement

18. In many submissions, sustainable development and the eradication of poverty, which are included as part of the overarching goal of Article 2, paragraph 1, were explicitly mentioned. Most Parties, with varying emphasis, noted the need to take into due consideration country-specific development pathways, national circumstances and capacities, the principle of common but differentiated responsibilities and respective capabilities, and a just and equitable transition when developing approaches to implementing Article 2, paragraph 1(c).

4. Scale of finance flows

19. All submissions reflected the view that finance flows under the scope of Article 2, paragraph 1(c), are highly significant in volume. Submissions used various means to illustrate the scale of the challenge to shift finance flows, for example country case studies or estimates of investment needs up until 2030 for the energy sector for pathways aligned with the Paris Agreement. One submission contained a comparison of finance flows under Article 2, paragraph 1(c), with the goal of mobilizing jointly USD 100 billion in climate finance to address the needs and priorities of developing countries in the context of meaningful mitigation action and transparency in implementation, concluding that the latter goal constitutes a subset of overall finance flows under the scope of Article 2, paragraph 1(c). While some Parties highlighted that in principle, sufficient capital and liquidity in financial markets is available, they also noted the lack of incentives and policy levers for private sector finance actors. Others noted that the large volume of available finance in the financial sector has not yet been mobilized and that there is a corresponding need to close the climate-related investment gap, in particular in developing countries.

5. Relevant actors and their responsibilities for implementation

20. All Parties referred to the domestic and international level when discussing the implementation of Article 2, paragraph 1(c), and in some cases referred to specific relevant actors. However, Parties differ in the responsibilities they accord to various actors and actor groups. In some submissions, Parties expressed the need for action by countries at the global level or at all stages of development and national circumstances, while in other submissions, Parties underlined the key role of governments, in particular in the case of developing countries. Further, some Parties conceive the principal role of governments in providing incentives for or steering the alignment of financial systems and the private sector with implementation of Article 2, paragraph 1(c), as being realized through a whole-of-society approach. One Party expressed the view that Article 2, paragraph 1(c), seen in conjunction with other provisions of the Paris Agreement and the Convention, imposes different categories of and responsibilities for action for developed and developing countries. Table 1 shows the various actors considered to be involved in achieving the goal of Article 2, paragraph 1(c).

6. Role of the private sector and assessment of the status of financial systems

21. Most Parties in their submissions emphasized the essential role of non-Party stakeholders, including the private sector, in implementing Article 2, paragraph 1(c), owing

to the scale of investments required, while in one submission it was noted that private sector actors are not Parties to the Paris Agreement. In some submissions, Parties stated that the implementation of Article 2, paragraph 1(c), requires the involvement of all private sector financial market participants and the use of public policy incentives, levers, guidelines and information instruments. One submission reflected the view that it is imperative to request enhanced action by the private sector with regard to reducing its climate change impacts and increasing its positive contribution to sustainable development and the climate transition.

22. A few submissions highlighted the view that limited capacities and development of the financial sector in developing countries or dependence on carbon-intensive and fossil fuel intensive economic activities in the public and private sector in some countries or regions will necessitate just transition financing approaches to work towards achieving Article 2, paragraph 1(c), while avoiding the unintended consequences and reducing the risks of making finance flows consistent, such as stranded assets.

23. One stakeholder submission highlighted the legal nature of private finance operators that are bound to operate within the confines of their legal mandates and therefore suggested seeking clarity on the extent to which the purpose and goals of the Paris Agreement and policymakers in general are compatible with the mandates of private financial corporations.

Table 1

Actors involved in achieving the goal of Article 2, paragraph 1(c), of the Paris Agreement, as identified in the submissions

<i>Submission</i>	<i>Actors</i>
African Group	Parties, operating entities of the Financial Mechanism, international financial institutions and other stakeholders in the financial sector, institutional investors (e.g. banking sector, pension funds, insurance sector)
AILAC	Governments (including city and local governments), DFIs, commercial financial institutions (including private equity, venture capital, infrastructure funds), institutional investors, corporate actors (banks, asset managers, pension funds, insurers, credit rating agencies, accounting firms, shareholder advisory services, enterprises, project developers), households
Australia	Governments, financial regulators, treasuries, central banks, international collaboration platforms, G20, MDBs, finance initiatives, financial sector, investors
Canada	Public and private sector actors, with inputs from civil society actors (including indigenous peoples), academic community, MDBs, DFIs, export credit agencies
David Rouch (individual)	Institutional investors and other private finance operators, governments, financial sector initiatives including net zero alliances), corporations
EIG	Financial sector, governments and policymakers, climate finance providers, financial sector initiatives
EU	Governments, climate finance, private sector, civil society, public and private financial sector (including final consumers), capital markets, voluntary initiatives of the private sector, MDBs, DFIs, subnational government and agencies, cities, multi-stakeholder dialogue platforms with members from the real economy, financial sector, civil society, academia, United Nations agencies, national treasuries, central banks, financial supervisory bodies, commercial banks, intergovernmental sustainable finance platforms, corporations, think tanks
GIZ	All actors, including the whole economy, public sector, households, financial sector
India	Developed countries, developing countries, private sector, industrial sector
Kenya	Parties, non-Party stakeholders
LDCs	Governments and non-State actors, including the financial sector as a whole, cottage, micro, small and medium-sized enterprises, public–private partnerships
Norway	Public and private sources, governments, public–private cooperation, financial sector, economic sector, companies
Vanuatu	Parties and non-Party stakeholders

<i>Submission</i>	<i>Actors</i>
YOUNGO constituency	All international community actors, such as companies (private sector), international organizations, governments, financial institutions, corporations, civil society organizations, individuals, MDBs, fossil fuel industries, low-carbon industries

B. Relationship of Article 2, paragraph 1(c), with Article 9 of the Paris Agreement

24. In their submissions, all Parties made reference to or indicated they saw a relationship between Article 2, paragraph 1(c), and other elements of the Paris Agreement, in particular Article 9, which was either directly mentioned or indirectly referred to by Parties in the discussion on the provision of climate finance. Many submissions emphasized the need for continued and increased financial, technology and capacity-building support to be provided by developed countries to developing countries in the context of implementing Article 2, paragraph 1(c), with some Parties making a connection between climate finance and just transition finance and highlighting public finance in the form of new and additional, and predictable, grant and concessional finance.

25. Parties had various views on how different finance flows relate to each other: some acknowledged that climate finance flows under Article 9 form one constituent part of the sum of financial flows under Article 2, paragraph 1(c); some took the view that financial support under Article 9 reinforces the alignment of wider finance flows with Article 2, paragraph 1(c); some asserted that in the absence of an explicit link between Article 2, paragraph 1(c), and Article 9, finance flows under Article 2, paragraph 1(c), are separate but complementary, and not mutually exclusive, to climate finance flows; and some stated that finance flows imply a systemic perspective that extends beyond the provision of climate finance. In some submissions it was highlighted that implementing or operationalizing Article 2, paragraph 1(c), is not a substitute for meeting existing obligations under Article 9 and should not diminish and constrain, or negatively impact, the direct provision of support for climate action. Other submissions recommend explicitly a separate consideration of Article 2, paragraph 1(c), and Article 9. In this context, some submissions reflected the view that the absence of a common definition of climate finance complicates the development of an understanding of Article 2, paragraph 1(c).

26. Two stakeholder submissions discussed Article 2, paragraph 1(c), in relation to Article 9. The views expressed therein were that (1) there is a need to ensure the continued provision of support to developing countries and to consider efforts made in implementing Article 2, paragraph 1(c), separately from efforts made in relation to Article 9 and (2) while climate finance flows form a part of all finance flows under Article 2, paragraph 1(c), the scope of Article 2, paragraph 1(c), is much wider and extends beyond the provision of international public climate finance.

C. Operationalizing Article 2, paragraph 1(c), of the Paris Agreement as part of the intergovernmental process

27. All Parties emphasized the role of the UNFCCC process and the CMA in facilitating a common understanding and operationalization of Article 2, paragraph 1(c). Submissions contained suggestions for establishing, inter alia, a new dedicated and separate space related to Article 2, paragraph 1(c); a coherent process for further work; a global framework for climate consistency of finance flows; the format where further work could be undertaken or a process established, referring to the CMA and the Conference of the Parties, or the UNFCCC process more generally. In the submissions, several operational and procedural aspects of implementing and operationalizing Article 2, paragraph 1(c), were raised. These are discussed in paragraphs 28–38 below.

1. Scope and content

28. The views on the scope and content of a suggested process or further work to be undertaken for implementing Article 2, paragraph 1(c), varied across the submissions. Views

encompassed mapping information such as methodologies and approaches to facilitate efforts in making finance flows consistent with a pathway towards low GHG emission, climate-resilient development; focusing on challenges and solutions as they differ across regions and sectors; achieving complementarity with and supporting the achievement of the USD 100 billion finance target; promoting enabling environments for private and public investments; providing guidance on sources considered as relevant information; and agreeing on what qualifies as finance and discussing the quality of and access to finance. Proposed scope and content focus areas also relate to the role of private and public actors, such as focusing on public policy levers available to governments for both private and public finance flows; and defining the overarching direction for private sector actors and the purpose for public action.

29. The need to recognize respective national capabilities and specific national circumstances as a principle to be reflected in expectations of transition timelines or options and progress towards achieving the goal of Article 2, paragraph 1(c), across developing country Parties was noted in some submissions. In some submissions it was further noted that proposed approaches to and guidelines for implementing Article 2, paragraph 1(c), should be mindful of, centralize or prioritize a just transition and equity considerations.

30. Some Parties articulated the need to address carbon-intensive asset classes and foster low-carbon asset development to minimize the risk of stranded assets, and they highlighted that implementation of Article 2, paragraph 1(c), could have potential unintended consequences for financial systems and real economies, in particular in developing countries. These Parties thus recommend that the implementation of Article 2, paragraph 1(c), should avoid approaches that encourage abrupt divestments from fossil fuels and should entail a component that links climate finance flows with support for just transition pathways.

31. Other Parties noted that the implementation process should facilitate the enhancement of accuracy, comparability, consistency and predictability of support, leading to improved national planning processes for developing countries, or outline how NDCs, national adaptation plans and integrated national financing frameworks can mobilize finance.

2. Accounting and reporting modalities

32. In almost all submissions, efforts to advance accounting and reporting modalities of Article 2, paragraph 1(c), in the context of an intergovernmental process were referred to. In many submissions it was noted that currently, limited possibilities exist to measure and consider progress towards achieving Article 2, paragraph 1(c), under the Paris Agreement and, as noted in some submissions, through the global stocktake in particular.

33. In the absence of a common understanding and a tracking framework, many Parties in their submissions identified challenges in developing approaches to – and ensuring data availability for – assessing the consistency of public and private sector actors’ finance flows and efforts, in some cases underlining the particular challenge of assessing financial sector commitments and targets or climate resilience. Parties suggested developing indicators for tracking collective progress; formulating international guidance and methods for measuring climate impacts and risks; establishing a space dedicated to reporting and tracking of both global finance flows and Parties’ policies, commitments and initiatives; and introducing possible distinctions between public and private and between domestic and international finance flows. Another submission suggested measuring the net increase of investments in non-fossil-fuel infrastructure over fossil fuel infrastructure in developed countries, as well as reporting on general fossil fuel investments in developed countries.

34. Some submissions contained references to existing transparency arrangements under the CMA and the Conference of the Parties that could, inter alia, provide for enhanced transparency of support provided and mobilized under Article 2, paragraph 1(c); enable tracking of climate finance consistency or ensure the consistency of finance under Article 2, paragraph 1(c), in the context of the common tabular format, as well as adopt ways to track whether support provided and mobilized is in line with the long-term goals of the Paris Agreement through the enhanced transparency framework on the basis of paragraph 121(q) of the modalities, procedures and guidelines.³

³ Annex to decision 18/CMA.1.

35. All stakeholders in their submissions noted the absence of a guiding process on Article 2, paragraph 1(c), in the UNFCCC context and noted the need to formulate guiding principles or establish reporting frameworks for tracking progress towards achieving the goal of Article 2, paragraph 1(c). Reporting and tracking the consistency of finance flows related to the agriculture, forestry and other land use sector by Parties under the CMA is an additional nuance noted in one stakeholder submission. Another stakeholder proposed several ways to assess and track finance flow consistency with the Paris Agreement, by, inter alia, assessing quantitatively and qualitatively how finance operators have engaged in various financial sector alignment initiatives relating to the Paris Agreement, improving the climate-related disclosures of real-economy actors and providing a framework for measuring the impact of financial actors' actions on third parties.

3. Role of non-Party stakeholders

36. Almost all Parties in their submissions emphasized the important role of non-Party stakeholders in informing the intergovernmental process on options for approaches to and guidelines for implementing Article 2, paragraph 1(c), as well as in facilitating the implementation. The structured inclusion of non-Party stakeholders in this process was suggested to take the form of putting in place mechanisms to enhance their participation, and the reporting of their actions, including the consideration and inclusion of indigenous peoples, and focusing attention on existing options and measures to shift finance flows to enable learning from best practices in the private and non-governmental sector, or to conduct sector-specific studies or examine in particular the role of institutional investors in aligning finance flows. One Party highlighted in its submission the importance of increased transparency regarding financial sector commitments and suggested the development of an international platform with a set of minimum reporting criteria for evaluating implementation as well as the development of a common framework for fostering real-economy impacts.

4. Linkages

37. Linkages between the implementation of Article 2, paragraph 1(c), and other work under the CMA were identified in all submissions, which contained several mentions of the potential implications of work related to Article 2, paragraph 1(c), for the political process, technical workstreams and formulation of outcomes of the ad hoc work programme on the new collective quantified goal on climate finance and the global stocktake. The potential for using existing processes to inform the development of guidelines and approaches to facilitate implementation of Article 2, paragraph 1(c), was also noted. Linkages with the post-2020 global biodiversity framework developed under the Convention on Biological Diversity and the United Nations Convention to Combat Desertification were identified in one submission.

5. Role of the Standing Committee on Finance

38. Most Parties highlighted in their submissions the role of the SCF in facilitating the development of a common understanding of Article 2, paragraph 1(c), within the UNFCCC process. Many Parties noted that the ongoing work of the SCF related to Article 2, paragraph 1(c), including its mapping exercise and this synthesis of submissions, can provide the basis for initiating further work under the CMA or the Conference of the Parties or shed light on appropriate methodologies, criteria and approaches to be developed further.

D. Implementation policies and approaches

39. Many Parties put forward **policies, approaches or methodologies** for implementing Article 2, paragraph 1(c). In these submissions, the Parties concerned stated that they include measures relating to both public and private sector actors, combining fiscal, macroeconomic and regulatory policy levers or incentives with the application of financial instruments, voluntary standards and orientation of investments. Some Parties noted that, in the absence of common guidelines or frameworks, private sector methodologies for implementation have grown, which has led to a heterogeneity of approaches. Table 2 provides an overview of the policies, approaches and methodologies discussed in the submissions.

Table 2
Policies, approaches and methodologies relevant to implementing Article 2, paragraph 1(c), of the Paris Agreement, as identified in Party submissions

<i>Policy/approach/methodology</i>	<i>Lead actor group (if explicitly indicated)</i>	<i>Source (submission)</i>
Coherent domestic and international climate policy	Public sector	Australia, EU
Aligning policies with NDCs, long-term low-emission development strategies and national adaptation plans or integrating them into national planning	Governments	AILAC, Australia, LDCs, Norway
Carbon pricing (emissions trading scheme, carbon border adjustment mechanism), determined according to national circumstances with subnational flexibility	Public and private sector, DFIs	AILAC, Canada, EIG, EU, Norway
Carbon offset mechanisms	Governments	Australia
Taxation (on energy and fossil fuels)	Public sector	EU
Pricing incentives	–	Canada, EIG
Public procurement	Public sector	AILAC, EU
Public investment	Public sector	African Group
Public–private partnerships	Public and private sector	LDCs, Norway
Supporting cottage, micro, small and medium-sized enterprises	Public sector	LDCs
Establishing just transition funds	Governments	AILAC
Investing in renewable energy	Governments	AILAC, Australia, EU, Norway
Increasing investments in research and development of low-carbon technologies	Governments	AILAC, Australia, Norway
Increasing investments in climate resilience and adaptation	–	Australia, Norway
Building national capacity to implement and financing for climate resilience measures, and fiscal buffers for shocks, including natural disasters	Governments	AILAC
Policies for enabling environments	Governments	African Group, AILAC, Canada, EIG, LDCs, Norway
Phasing out or reducing inefficient fossil fuel subsidies	Public sector	Canada, EIG, Norway
Halting fossil fuel finance between and within developed countries and increasing finance towards non-fossil-fuel infrastructure	Public and private sector	India
Investing in non-fossil-fuel and fossil fuel infrastructure in accordance with NDCs	Public and private sector	India
Fossil fuel divestment and diversification	Private and public sector, corporate actors	AILAC, Canada, EU
Avoiding approaches for abrupt divestment of fossil fuels		African Group
Expenditure orientations of regional development banks	Public sector	AILAC
Issuing alignment mandates to State-owned enterprises and export credit agencies	Governments	AILAC

<i>Policy/approach/methodology</i>	<i>Lead actor group (if explicitly indicated)</i>	<i>Source (submission)</i>
Alignment, guidance and mandates of fiscal policy	Public sector	AILAC, EU
Green budgeting and expenditure systems (EU Green Budgeting Reference Framework, national measurement, reporting and verification systems)	Public sector	AILAC, EU
Sustainable finance policy plans	Public sector	Australia, EU
International sustainable finance standards	Public sector, specifically International Platform on Sustainable Finance, Common Ground Taxonomy, G20	Australia, EU
Green and sustainable finance taxonomies	Public sector	AILAC, Australia, EU
Green and blue bonds, including sovereign bonds	Public and private sector	AILAC, Canada, EU
New asset classes for clean investments, innovative finance mechanisms and innovative solutions to finance adaptation	Public and private sector	African Group, Australia, EIG
Nature-based solutions, and support of broader environmental objectives	Public and private sector	Australia
Climate risk insurance	Public and private sector	EU
Climate-related disclosures (e.g. EU Sustainable Finance Disclosures Regulation, EU Corporate Sustainability Reporting Directive, Task Force on Climate-related Financial Disclosures), mandatory or voluntary	Public sector	Australia, Canada, EU, Norway
Climate benchmarks (EU Climate transition benchmark and EU Paris-aligned benchmark)	Public sector	EU
Information instruments	Governments	African Group, AILAC, Norway
Monetary policy alignment	Governments, regulatory actors, central banks	African Group, AILAC, EU
Integrating climate change risks into financial systems	Governments, regulatory actors, central banks	AILAC, Australia, EU
Carbon footprinting of portfolios	Regulatory actors, central banks	EU
Climate stress testing	Regulatory actors, central banks	EU
Collateral valuation	Regulatory actors, central banks	EU
Providing climate-related official development assistance, including by MDBs	Public sector, MDBs, DFIs	African Group, AILAC, EU
International financial cooperation	Public sector	Norway
Public climate finance flows from developed to developing countries	Public sector	African Group, AILAC, Australia, EU, India, Kenya, LDCs, Norway, Vanuatu
Climate finance for just transition pathways, in particular for unconditional NDCs	Governments	African Group

<i>Policy/approach/methodology</i>	<i>Lead actor group (if explicitly indicated)</i>	<i>Source (submission)</i>
Mobilizing private sources of climate finance and blended finance	Governments	African Group, AILAC, Australia, EIG
Strengthening enabling environments through relevant climate finance providers	Climate finance providers	EIG
Aligning official development assistance with the purpose and goals of the Paris Agreement, such as ending financing for unabated fossil fuel projects	Public sector	EU
Adopting definitions for Paris alignment at the systemic level	DFIs (including MDBs)	AILAC, Canada
Increasing the availability of grants and concessional loans and finance	Governments, DFIs	African Group, AILAC, India, LDCs
Developing instruments for private sector actor participation (i.e. guarantees, capital and loans in domestic currency, debt swaps, concessional financing, blended finance)	DFIs	AILAC
Investing towards carbon neutrality	Private sector, institutional investors	AILAC, EU
Green or sustainable finance initiatives	Private sector	AILAC, Canada
Climate scenario models	Commercial financial institutions	AILAC, EU
Data and analytics for borrower-level risk analysis	Commercial financial institutions	AILAC
Transition risk assessments	Commercial financial institutions	AILAC
Methodologies for portfolio impact analysis	Commercial financial institutions	AILAC, Norway
Developing products and investments with lower GHG profile	Institutional investors	AILAC
Integrating environmental, social and governance principles into decision-making	Institutional investors	AILAC
Integrating climate factors into capital allocation	Institutional investors	AILAC
Engaging in policy dialogue for reforms to correct market failures	Institutional investors	AILAC
Corporate transition plans, including just transition considerations	Corporate actors	AILAC, EU
Adaptation measures in respective industries	Corporate actors	AILAC
Land-use and transport strategies and plans for financing infrastructure	Subnational governments	AILAC
Aligning national and local financing regulation	Subnational governments	AILAC
Fostering climate-related capacity and analysis at the local level	Subnational governments	AILAC

40. The **approaches, methodologies and policies that were noted in the stakeholder submissions** are reflected exhaustively in Table 2 (which contains information from Party submissions), with the exception of a stakeholder focus on technical assistance and multi-stakeholder development assistance programmes in the areas of formulating national climate change mitigation and adaptation plans, financial systems, knowledge management, South–South cooperation, climate engagement and stewardship in the financial sector, climate risk

management and market studies on best practices regarding alignment of financial flows with the Paris Agreement.

41. In many submissions, Parties mentioned or cross-referenced **initiatives from both Party and non-Party stakeholders outside the UNFCCC context** that address the implementation of Article 2, paragraph 1(c), through the development of approaches and methodologies or by the setting of actions and targets. These initiatives include the Climate Finance Advisory Service, Coalition of Finance Ministers for Climate Action, G20 Sustainable Finance Working Group, Glasgow Financial Alliance for Net Zero, International Sustainability Standards Board, Network for Greening the Financial System, Paris Agreement Capital Transition Assessment, Paris Aligned Investment Initiative, Partnership for Carbon Accounting Financials, Powering Past Coal Alliance (and its Finance Principles), Science Based Targets initiative, Sustainability Accounting Standards Board, Task Force on Climate-related Financial Disclosures, Taskforce on Nature-related Financial Disclosures, Marrakech Pledge, Organisation for Economic Co-operation and Development (including its Research Collaborative on Tracking Finance for Climate Action) and United Nations Environment Programme Finance Initiative.

Annex

Submissions received on ways to achieve Article 2, paragraph 1(c), of the Paris Agreement

The table below lists Parties, groups of Parties and non-Party stakeholders that submitted views on ways to achieve the goal of Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation.¹ The submissions are available on the SCF information repository.²

<i>Submission</i>	<i>Date</i>
Australia	12 August 2022
Canada	13 May 2022
Care About Climate on behalf of the YOUNGO constituency	27 April 2022
Chile on behalf of AILAC	29 April 2022
David Rouch (individual)	28 July 2022
France on behalf of the EU and its member States	2 May 2022
GIZ	30 April 2022
India	26 July 2022
Kenya	2 May 2022
Norway	3 June 2022
Senegal on behalf of the LDCs	3 June 2022
Switzerland on behalf of EIG	16 June 2022
Vanuatu	30 April 2022
Zambia on behalf of the African Group	1 June 2022

¹ As per decision 10/CMA.3, para. 2.

² Available at <https://unfccc.int/topics/climate-finance/resources/standing-committee-on-finance-info-repository> (section titled “Ways to achieve Article 2.1(c), of the Paris Agreement, including options for approaches and guidelines for implementation”).