Sharm el-Sheikh Dialogue, Workshop 2 of 2025

6-7 September, Rome

Note-taker: Natalie Jones, IISD

Day 1: Stocktake of actions at the domestic and global level to implement art 2.1(c) and its complementarity with Article 9

Opening

Kaveh Zahedi, Director, Office of Climate Change, Biodiversity and Environment, Food and Agriculture Organization

- Dialogue gives us an opportunity to think about pathways that encapsulate the agri-food sector. Italy is an agricultural country, and the changes happening here are profound.
- SCF forum, the focus will be on climate finance for agrifood systems
- Agriculture is a sector that holds many solutions for tackling climate change, reducing emissions, improving resilience. But it has been on the margins of climate finance

Ulfat Machanov, representative of COP29 Presidency

- The outcome of the first Global Stocktake in 2023 at COP28 highlighted major gaps in climate finance and adaptation efforts, especially for developing countries. World not on track to limit GW to 1.5C. Need for bold action, committed to accelerate efforts during this critical decade to keep 1.5C within reach.

- USD 6 trillion need in climate finance by 2030 for developing countries to implement their NDCs. USD 5-7 trillion estimated by SCF. Costed needs from NAPs USD 650billion in total. Current ? USD ? in 2023. This falls far short of the 1.3T target being discussed under the NCQG, leaving a financing gap of more than 6 times the current level. The scale of the challenge ahead is immense, the figures already show a significant gap. More ambitious round of NDCs due very soon, the need for climate finance is expected to grow even further. To address this we must utilise every possible avenue. We must align financial flows with low emissions climate resilient development while also fulfilling our shared responsibility to support one another in mitigation and adaptation.

- These workshops offer valuable platforms for dialogue, addressing pressing issues. The outcomes of the discussions inform key decisions, e.g. the decision on NCQG.

- NCQG agreed at COP29. NCQG came as the largest financial commitment ever produced through UN climate negotiations.

- Conclusion of Art 6 opens new horizons. USD 1 trillion per year by 2050. These are historic decisions that will be remembered as the “Baku breakthrough”.

- B2B Roadmap to 1.3T - reference point for global financial reform agenda. Call for submissions issued in February, series of consultations including at Bonn and in July. Across regions and viewpoints there is a clear shared recognition of the urgency of the climate challenge and the magnitude of the action required to meet it. Submission deadline

10 September. Strongly encourage further participation to ensure the process benefits from a diverse range of experiences. Roadmap will be launched at a dedicated high level event at CMA. Published Oct 27?? (not sure if I heard that correct)

- This dialogue is crucial for keeping our understanding of the scope of Art 2.1c and its complementarity.

Presentations

Guiding questions:

- What progress has been made in domestic actions to implement art 2.1(c)?
- What progress has been made in international actions to implement art 2.1(c)?
- What are key takeaways from the Sharm el-Sheikh dialogue?

Apollonia Miola and Diann Black-Layne, Co-Chairs of the Standing Committee on Finance

- Mandates and deliverables
    - 2018 analysis overview of climate finance flows, chapter 1 methodological issues related to transparency of climate finance, chapter 2, chapter 3 (climate finance in the context providing a larger picture of other financial flows). BA.
    - COP24 decided that every four years the BA would cover an additional chapter, mapping of information related to art 2.1(c) including relation to art 9.
    - COP26 instructed SCF to conduct further work on mapping available information on art 2.1(c).
    - SCF provided input to first GST, which included the information related to art 2.1(c).
    - Sixth BA (2024)
- Approach
    - No common vision yet on what is “relevant” for Art 2.1(c)
    - SCF mapping reflects how different financial actors describe their own actions in relation to art 2.1(c)
    - An actor-specific approach – focuses on public, private, regulatory, market actors, as well as civil society and research bodies. Also captures policies, critiques, and complementary actions needed to assess the consistency of finance flows.
- Recommendations – Sixth Biennial Assessment
    - “Recognizes the importance of making finance flows consistent with a pathway towards low GHG emissions and climate resilient development and that ther eis no common interpretation of the scope of art 2.1C, or the manner of its implementation and encourage Parties to continue constructive engagement on this issue, where relevant, including under the strengthened SES Dialogue, with a view to identifying the way forward at CMA 7.
    - Encourages
        - Parties and relevant actors to enhance their reporting on elements relevant to art 2.1c, including on climate adaptation and resilience

        - Parties to explore opportunities for, and enhance their understanding of challenges related to, their respective implementation of art 2.1c, and recognize the importance of knowledge exchange and capacity building in this regard
        - Parties to engage with private sector actors in a nationally determined manner on opportunities for implementing art 2.1c
        - All financial actors to adequately account for the different national pathways in developing countries as it relates to climate action in their interactions with developing country parties, recognizing that according to the IPCC, effective policy packages would be comprehensive, consistent, balanced across objectives and tailored to national circumstances.
    - Art 2.1c is a politically charged issue. Farmers need access to finance, especially climate finance, need certainty, need policy guidance

Charlene Watson

- Every second BA includes a mapping of information related to art 2.1c. The BA6 does this in the absence of an agreed scope, and therefore based on stakeholder views of how their actions are relevant to climate action.
- Since 2022, we find that a number of public finance initiatives have continued to expand their geographic scope, including CFMCA, NGFS, Sustainable Banking and Finance Network, the Sustainable Stock Exchanges Initiative, and Financial Centres for Sustainability.
- Various multilateral and governmental initiatives have been established to seek international coordination of relevant action, e.g. Bridgetown Initiative, Nairobi Declaration on Climate Change and Call to Action, Summit for a New Global Financing Pact, Finance in Common Summit.
- Over 11 jurisdictions have green or sustainable finance regulations and policies, a 40% increase since 2020. 38% originated from developing and emerging economies and 62% from developed countries. Regulatory and supervisory authorities increasingly mandate climate risk disclosure.
- Governments are applying fiscal policies and public expenditure, such as through budget allocations, pricing or non-pricing mechanisms and policies such as taxes and subsidies or investment incentives.
- More countries have established climate finance tracking systems (10% increase since 2022). 16 jurisdictions tag budgets, while a further 32 track climate relevant expenditure (at least 12 including international climate finance). Aims and methods vary, few include environmentally harmful spending is rarely tracked, and there remains little available data to assess long-term impact.
- Green and sustainable finance taxonomies have proliferated in recent years: 21 jurisdictions have published or are using taxonomies, while another 38 taxonomies are in development, a 75% increase since 2022.
    - All taxonomies cover mitigation, 12 include adaptation or have included activities that can be considered adaptation-relevant.

- Private finance actors, including asset owners, asset managers and investors, and banking and insurance companies, show increased engagement in relevant international initiatives and alliances. Engagement is focussed on climate risk disclosure, adoption of net zero commitments, transition plans and financing targets, sustainable finance policies and principles.
- Growth has slowed in terms of assets under management or market cap, but geographical coverage has expanded (although remains concentrated in Europe and North America).
- Synergies between art 2.1c and art 9 might be considered in activities, including
    - Efforts by private finance initiatives and individual financial institutions ot increase investments in developing countries
- BA6 insights
    - A shift is seen from high level commitments towards transition and implementation planning
    - Adaptation and resilience remain under represented, but this is acknowledged especially by pubic actors and initiatives
    - Relevant initiatives have a global footprint, but private initiatives in particular have HQ concentrated in North America and Europe
    - Very few mapped actions are framed in the context of art 2.1c, instead in the context of contribution to the Paris Agreement goals
    - The need identified for global cooperation, collaboration, learning and sharing of expertise, and regional, sectoral and nationally appropriate approaches and methods.
    - There remain barriers to implementation and progress tracking, including, method and data gaps, risks of fragmentation of approaches, transition costs, and concerns for lack of transparency, credibility and real economy impact.

Celine Tan, University of Warwick

- Case study on large-scale investment programmes at domestic level (JETPs)
- Leading a project looking at JETPs as a modality for mobilising and delivering climate finance to developing countries. Looking at processes and practices across the JETP countries but focusing on South Africa and Indonesia, with the objective of looking at intersection between ? and domestic legal policies and regulatory frameworks
- The JETP is a country platform that is increasingly gaining popularity as a way to integrate climate risks and action with national strategies and coordinate mobilisation of finance. Meant to be a coordinating mechanism. When it was first launched in South Africa it was meant to facilitate an international partners group (IPG) comprised of the major donors. US withdrew in 2025.
- Key findings: these platforms are meant to facilitate national ownership, cooperation on climate finance and to provide a coherent way of mobilising … A lot of the promises of the JETPs haven't been realised, they remain very much a donor driven platform that can undermine national priorities. The way the financing instruments are structured have undermined national development ownership. A lot of the promises for consultation and CSO participation haven't been realised. Has opened up a market led green transition that has enabled reforms that paradoxically constrain the fiscal, policy and regulatory space for countries to undertake nationally-owned just energy transitions. This could impact on the long-term sustainability of some of the financing.

- Pledges vs amount needed for the transition are pretty small in comparison. USD 12.8 billion pledged in South Africa representing around 13% of the USD 98.7 billion required to finance South Africa's JETp investment plan. In Indonesia it's about 12%.
- There is an overreliance on debt instruments, including loans guarantees and sovereign bonds, to finance the transition. Grants are about 4-6%.
- A key feature of the country platforms has been a focus on creating environments within national domestic economic planning to enable mobilising private capital, e.g. blended finance. This has risks
- There are questions over whether the financing committed by the IPG is new and additional. A significant proportion are for pre-existing projects. A significant proportion of the funds comes from ODA. There is a use of guarantees that are predicated on the identification of viable projects - if projects do not materialise, the funding does not flow. Additional concerns over the allocation of grants where a significant amount goes to external organisations and less to local organisations.
- A great deal of the finance committed by IPG is conditional on host state adopting regulatory and policy reforms. Question marks over what constitutes an enabling environment and the risks for developing countries.
- Transition risks are narrowly framed
- Country platforms such as JETPs extend beyond the transfer of financial resources and involve legal, regulatory and policy reforms in developing countries. The conditions of these financing may attract other risks and liabilities for JETP states. The relatively small amounts of public finance committed contrast with the extensive policy reforms that are required.
- Commercial financing instruments increase the state's debt risks: they form contingent liabilities on the state if backed by state guarantees or funded through blended finance instruments; the contractual terms of these arrangements may stipulate high financial exit costs; they heighten the state's exposure to volatility in international financial markets.
- Impact on policy reforms that have accompanied these JETP financing, and the regulatory risks from these investments under existing investment regimes. International investment regime problematic in terms of ISDS and high damages that can arise. Investment regime as a barrier to divestment from fossil fuels, compensation from early retirement of coal/fossil fuels. What we are worried about is that key policy reforms under JETP are setting up potential liabilities in the future that mirror the investment/fossil fuel risks. In case the state needs to then re-regulate some sectors or change some regulations as national circumstances change, this may create some potential liabilities if complex contracts in the energy sector are not well designed. Regulatory chill: the inability of states to reform, make policy changes to respond to changing climatic public interest energy circumstances because of threat of potential lawsuits from investors.
- Incompatibility with multilateral climate regime - remains a donor dominated initiative, is unsustainable because the commitments are on the side of the host state to say we will provide a predictable environment for climate investments, but there is no similar commitment on the part of the IPG or the private investors (e.g. exit of US, decline of ODA in developed countries). Some of these policy commitments may constitute mitigation through the back door, compatibility with CBDR without requisite financing. E.g. South Africa reform of electricity pricing.

Q&A and plenary discussion

- Ricardo, Barbados: If you are going to deal with mitigation related projects, you always have the first component which tells you of the feasibility. If it is not grant financing, it will be very difficult to recover if the project is not feasible, so there is desire to use the grant component for the feasibility component, so then the money leaves the country. Is there another pathway to approach that

- Tunisia: role of private sector – Africa?
- Bangladesh: If we still do not have a consensus of the interpretation or scope of art 2.1c, what is the way forward
- Iraq – most grant funding to private sector,
- Zaheer South Africa – we have good intentions, but we always end up with the same problems, whether it is JETPs or anything else. We find that always the pledges are insufficient in terms of the needs, pledges are often never fulfilled, lack of predictability, always conditionalities that force some form of structural or political changes, repackaging, lack of common way of accounting or defining, cobenefits are often accrued to the giver rather than the receiver and often ignoring the social and developmental dimensions. Always a great amount of political aspiration but never the political will to see it through.
- Celine (response)
  - Significant amount of funding in terms of grants going to external organisations, consultants, DFIs… Project-based approach, part of that grant finance could go to private sector. Also a transparency issue. We find that yes capacity issues may be an issue, but South Africa and Indonesia have great local organisations, so why is the funding not going to them?
  - The grants are only 4-6% of the total amount pledged. There is very little… this should primarily go to upskilling, mitigating the social transition risks. That social risk part is also going to external consultants.
- Charlene
  - We made a mistake and missed out Africa from our graphic, that graphic should total 57 and not 52, therefore there are 5 institutions in Africa.
- Julia New Zealand: Question for Charlene, interested to see insights from BA6 that identified need for learning and sharing expertise as well as nationally appropriate methods. From your perspective, what would be the most helpful from parties in terms of providing meaningful information that would help you paint a more fulsome picture of mapping financial flows as well as an assessment of progress in the second GST?
- Saudi Arabia: Certain conditionalities and regulatory approaches can actually undermine efforts towards sustainable development and poverty eradication. To what extent can art 2.1c and complementarity with Article 9….
- Canada: how to ensure all sources are under country leadership? What would be a mix of instruments and country-led governance that would blend all sources while also safeguarding fiscal scape?
- Italy: Strong interest from developing countries to engage in country platforms, seems this idea is helping to build bottom up action on the ground. What would be your recommendation for further experience in the future in order to address the main challenges?
- Celine (response)
  - We need to bring it back to the fact that the jurisdictions that are designing these taxonomies are problematic in the sense that they are conducted in spaces that are not within these open transparent spaces that you have in multilateral climate negotiations. A lot of the financial standards are developed in a jurisdiction that is quite closed, we don't know how they are being developed. They are being

developed by a lot of proprietary institutions. We all know the problems with credit rating agencies. We are seeing the same problem with climate risk assessments and climate taxonomies.
    - Country platforms are not new, we have for instance the highly indebted poor countries initiative. Recommendation to go and look at lessons learned from other multi donor support systems that have gone before in other sustainable development sectors.
    - What is the equity aspect and justice aspect, how do we ensure that it is being met. What that grant-based finance is being used for. Grant and concessional to derisk. The justice element also means what public financing is available to mitigate these risks for the local communities that are facing the sharp end of climate risks.
- Charlene (response)
    - What would be really useful from Parties to start thinking about how we get from a mapping chapter towards something that can do more of an assessment about progress. Part of that is clarity in the scope of what we want to map. That is what these dialogues are hoping to get towards. Could imagine a GGA list of objectives that we want to achieve. The GGA also has process indicators, these could include things around justice or ensuring the best use of public finance.
    - Public initiatives are incredibly diverse at a national level and are hard to aggregate.
    - With greater clarity on the scope, even if it remains at a level of broad objectives and principles, would help us map how financial flows and stocks shift, and then how they influence art 2 outcomes. In doing that, in clarifying the scope even at a high level, we can see that in national implementation through NDCs, NAPs how finance is going to be shifted and we can potentially measure that in BTRs, including additional guidance … and then collectively we can also assess that in the second GST. Then we have a national perspective on what we need to do.
    - Need to avoid the BA chapter getting longer and longer, a bit of a framework to put these points around would be helpful.
- SCF Co-Chairs
    - Domestic political will is translated … voluntary tools… if you have domestic political will the instruments at the national level … manage actors like the private sector but also international community. Important to stress that this mapping has identified domestic political will to make the international system or some sectors more attractive and other sectors less attractive. This is a keystone for managing the transition.
    - Agree that JETP is a good example of why we need art 2.1c. When we are trying to transition from one technology … Some would say JETP could have been better / was a bolder move because it was going after the energy sector which is tough. There is significant political risk, the transition cost is high. Art 2.1c is a good way of looking at the entire financial sector and managing risk across the sector.

Presentation by co-chairs: Key takeaways related to art 2.1c and its complementarity with Article 9, from three years of discussions under the SES Dialogue

Mohamed Nasr & Gabriela Blatter

- Timeline - journey so far - COP27 Presidency report, COP 28 co-chairs annual report, we have now had 6 workshops, 41 in person and 251 virtual participants, 61 submissions. It has been very informative, complementing the work of the SCF
- Key topics discussed over the 5 workshops
    - Scope and complementarity of art 2.1c and art 9, how do these two articles stand in relation to each other.
    - Discussion of intended and unintended consequences and actors involved in implementation.
    - Making finance flows consistent with adaptation and climate resilience objectives
    - Linking climate consistent and scaled-up finance flows with broader sustainable development objectives - how to link these different national and global objectives with each other and make sure they are mutually supportive.
    - Evolution of the financial system, also being discussed in other forums, what can the UNFCCC process add to that
    - Metrics, methodologies and approaches for tracking progress
    - Avoidance of greenwashing and maladaptation
    - Building capacities for nationally determined financial sector development; transition planning for low GHG emissions and climate resilient development pathways in diverse national contexts
    - Opportunities to support NCQG implementation through implementation of art 2.1c
- Key takeaways
    - Scope applies to public and private flows, across domestic and international contexts; country-specific implementation allowing for nationally determined approaches and timelines; mitigation as well as adaptation and resilience
    - Convergence on need for systemic transformation of financial systems to achieve long term goals of PA, engaging all actors as needed to ensure investments support climate goals and do not undermine them
    - Implementation of art 2.1c and art 9 should support the delivery of climate commitments
    - Access to information is crucial for art 2.1c implementation, e.g. models, data and scenarios.
    - Complementarity with Article 9
        - Support provided and mobilized under art 9 can and should contribute to country-driven efforts to pursue Art 2, including through support for approaches to implement art 2.1c

        - No dilution or replacement of commitments under art 9
        - Enhance equity, support just transitions, build capacity, consider unintended consequences

- Challenges and opportunities
    - Challenges: different understandings and variety of definitions in use; data and methodology gaps; limited information available; significant geographic, regional and sectoral differences in benefitting from global climate finance flows; management of real vs perceived risk; greenwashing and credibility of voluntary commitments; fragmentation and lack of coordination between actors within and across jurisdictions.
    - Opportunities: collaboration, knowledge sharing and capacity building, enhanced transparency including through interoperable standards, enhanced policy coherence through whole of government approaches, promoting inclusive and just transitions aligned with SDGs and poverty eradication; unlocking and aligning investments with national priorities through more clarity for private sector collaboration.

Breakout group (Room Philippines)

- France: we have started implementing actions at the domestic level in 2015 already, lots of engagement with private financial institutions. Green budgeting exercises, we have expanded to look at adaptation as well as mitigation. Risk management, ... Information to investors over the long term. It is a package of measures implemented over time. There is a lot of engagement with the private sector.
- South Africa: we have been doing quite a bit in terms of the financial sector as well as the prudential authority and on the fiscal side. We published a technical paper in 2020 named Financing a Sustinable Economy which recognises that climate is a financial risk. This provided the basis for ongoing work over the subsequent five years. Green Taxonomy published in 2021. Interoperability with EU Green Taxonomy. Principles, do no significant harm and comply with minimum social safeguards, are quite challenging to implement. Now reviewing those two key elements to make them more sensitive to national circumstances. Prudentail authority has embarked on a number of different initiatives, published 4 climate guidance notices which really seek to provide ? and promote transparency in the financial institutions. Our stock exchange has also done quite a bit, they have launched ? climate change disclosure guidance. Budget tagging system - complexities around agreement on an assistance methodology that is easy to implement across the different levels of government. Tags and indicators need to be simple enough to be applied at all three levels of government. The last thing to mention is that we are busy with a budget process review and a climate fiscal review, to ensure budget is climate sensitive, track the allocation of finance but also that it guides future decisions on financial allocations.

- Arab Group (Saudi Arabia). In Arab region a lot of progress. Public private partnerships. National green financing frameworks developed. Linked to NDCs of individual countries. E.g. in Saudi Arabia we launched the green financing framework - technologies that are suitable for domestic priorities such as CCS. Our green bonds were oversubscribed by 10x. We would like to reaffirm that these finance flows should be going to NDCs and NAPs, and reoriented the different actions we are taking. Also one of the challenges we face is how when different countries apply their domestic applications of 2.1c they have unintended consequences on different countries. Certain measures and applications of 2.1c has been going to unintended consequences to our region. A position we have always been taking is the application of 2.1c should be linked with art 9, especially art 9.1. Should not be a replacement, but complementary.
- Gambia: focus on adaptation and resilience building, agriculture is a priority sector for our economy. Strengthen climate resilience and disaster, working with global shield secretariat, new instruments that need to be put in place, insurance regulation by central bank integrated disaster risk, working with private sector entities for them to come up with instruments for our farmers, pilot crop insurance with support from afrika risk capacity, working with insurance development forum, reform measures with the IMF, ensuring that all that we do aligns with development needs
- Felipe (Spain?): question for South Africa and Gambia, question about how the actions are framed within the NDC context. Part of the NDC action plan or not?
- South Africa: we did look at the needs we outlined in our NDCs, and then say from our financial sector perspective, what do we need to put in place to contribute to implementation of NDC.
- Jordan: what Jordan has been doing in the past few years. Started an exercise mapping what has been spent on climate action, there was no climate tagging before that. It started last year. Sustainable bonds, green bonds with help of IFC. country has been incorporating green economy vision in its LTS
- RMI: Fund to ensure long term sustainable financing of multiyear projects aligned with adaptation priorities, including those set out in NAP.
- India: complementarity with art 9, so the question should be directed towards developed countries. Action in most developing countries is financed by its own domestic resources, e.g. in India 75%. India has implemented many things in this area, such as a framework of sovereign bonds, green deposit and also sustainability guidelines. India is also now adopting a taxonomy which is right now out for public consultation. India has also brought policy and regulatory measures and have introduced guidelines for CCDS.. We can’t have a one size fits all approach, they have to be grounded in different countries’ different status of regulatory development, respecting national circumstances and approaches. Need to strike a balance between national sovereignthy
- Natalie: report on two areas of progress
    - CETP: Launched at COP26, comprises 40 countries and public finance institutions

    - Commitment to End their international public finance for overseas fossil fuel energy sector, and instead fully prioritize their international public finance for clean energy
    - Forthcoming research by IISD OCI and FOE US shows that CETP countries have reduced their fossil fuel financing by up to 86% (USD 18 billion) in 2024, compared with the years before the CETP was agreed.

    - Fossil fuel subsidies: Fossil fuel subsidies are a serious barrier to a just energy transition. They artificially enhance the competitiveness of fossil fuels encouraging wasteful consumption, divert investment from renewables and energy efficiency, undermine energy security, and lock in carbon-intensive energy systems for the coming decades. From a broader sustainable development perspective, fossil fuel subsidies take up a large proportion of fiscal space, diverting investment from pressing development needs such as healthcare and education. Moreover, such subsidies tend to be regressive in nature, as the rich use much more energy than the poor, destabilising arguments that they are the right tool for poverty alleviation. As such, phasing out fossil fuel subsidies remains a prerequisite for any serious attempt to dismantle the fossil fuel economy and accelerate the clean energy transition. At the same time, it represents a huge opportunity to redirect this money for the benefit of people and the planet. It is a chance to increase fiscal space for climate finance as well as other public priorities.
    - Fossil fuel subsidies globally amounted to USD 1.7 trillion in 2022 (an all-time high), and USD 1.1 trillion in 2023.
    - COFFIS
- Tunisia, on behalf of AGN, we all know the challenges and developing countries, not only mitigation but how to align capital with climate action, not only amount of finance but how to spend it,

- UK: transition planning and transition finance, we are currently in consultation on mandatory transition planning, working with stakeholders. WE have been working with groups such as Transition Finance Council, National Wealth Fund, key sectors such as pension investors. We have the government commissioned transition finance market review which developed a comprehensive set of policy recommendations for how to accelerate the growth of transition finance with integrity. On the more international side, we established the EMDE investment taskforce being led by industry. Also wanting to flag the CETP which has been having a measurable impact on its goal.

- RMI: Coalition on Phasing Out Fossil Fuel Incentives Including Subsidies, 17 countries, proven to be a very helpful forum on taking forward a really key aspect of the mitigation related transformation we need to see in the global financial architecture. Eliminating fossil fuel subsidies is not always straightforward, it has challenges, but it is important that there are initiatives like COFFIS that are established to take it forward. There has recently been a civil society established COFFIS observatory to track implementation of commitments taken on by members.

- Arab Group: we have a regional approach to tackle certain issues, e.g. the Middle East Green Initiative, a coalition of different countries. Private sector, underscore challenge that many private sector finance flows goes to mitigation element, this is concerning for our region in terms of adaptation needs. Private initiatives and standards, there is an issue that comes with these international standards, e.g. undermining CBDR and national circumstances. Unilateral measures in the application of 2.1c, need to address these, there is a reverse flow that happens from these towards developed countries. On takeaways of the dialogue, it is apparent that there is no one size fits all approach. Adaptation and mitigation imbalance.
- Federico for ENGOs: the big issue that we have is that we don't have a clear roadmap of what to do with finance, and that is what is leading to the situation we are in. Although there is lots of work being done, there is no clear goal/timelines. Countries are locked out of leading industrial policies due to having to prioritise debt repayment. The discussion here should take into account the international financial architecture and the financial system as a whole. Some institutions hold a lot of power e.g. IMF, World Bank, Financial Stability Board. Some countries have a lot of voting power in these institutions, and these institutions are unaffected currently by the UNFCCC.
- France: shift from bottom up approaches, no information available on final trajectory, national approaches being developed, take into account national circumstances, one key, raise the JET aspect
- UK: have noticed can't think of a single party that is not doing something. We need to take into account when we are looking at takeaways and next steps. Whilst we all have our domestic circumstances there is a bit of a vacuum at the international level, what that looks like and how we are delivering against the goals of the PA. Need to strike a balance between the two, there is no one size fits all. What are the different pathways to achieving our climate directives, there is potential to look at how we can use the strengths of the PA and the nationally determined mechanism to see how we can implement art 2.1c in a way that respects our domestic circumstances. When we are thinking about opportunities and using work that is already going on and progressing it in a way that works across different jurisdictions
- South Africa: MDBs becoming Paris aligned, have been doing a lot of work to ensure their operations are Paris aligned. The NGFS has also done quite a lot of work in trying to support central banks and regulators in terms of how do you incorporate risks and provide disclosures, etc. Then moving over to key takeaways, it has become very clear that there is no one size fits all, different countries and jurisdictions have different pathways. The question that has not been clearly addressed in our discussions is how do we take account of the pathway approach in art 2.1c. If we have a very blunt implementation of certain regulations it might have unintended consequences, we have not properly addressed that question. There is a very clear understanding now that all countries are undertaking actions. All developing countries are taking very strong actions at a national level. We haven't discussed about the safeguards in terms of how we implement or apply CBDR in terms of when we implement 2.1c how will it be implemented within the context of CBDR

and equity. What kinds of safeguards can be put in place to ensure we won't see capital flight from developing countries, e.g. disclosure requirements. What do we need in countries to be able to implement art 2.1c? We did touch on it slightly in the previous dialogue around capacities, but what kind of finance is required for that implementation and capacity building. The bulk of the finance is in loans, and we cannot take loans for technical assistance and capacity building. We need to start speaking about the complementarity of art 9. How do we draw that link between art 9 and art 2.1c and how do we actually structure projects that bring in article 9 in terms of the provision of finance to be able to mobilise private sector finance. There are still some pockets of discussion that we need to have. Also agree on the mitigation and adaptation split, most instruments that are available are geared towards mitigation. Lots of discussion on adaptation, but it hasn't become clear how we can structure instruments to really channel finance towards adaptation projects.

- Ilaria, unctad: still not enough investment in such instruments, one of the main points is it's not about access and cost but it's about the profit. Some sectors e.g. private sector is driven by the profit not so much by the cost of different instruments. Lots of silver linings and positive progress, but it seems a bit disconnected from challenges in terms of climate, development, ODA cuts. Side issue of additionality. NDCs are quite late, so difficult for countries to be ambitious when they don't know what kind of finance will be available. Developed countries are watering down their targets or leaving the PA altogether which also needs to be discussed. Domestic situation and domestic enabling environment for the private sector - but we also need an international enabling environment that enables countries to survive in terms of debt crisis. Data on private sector role, there is a lot of regression. Global fund managers now invest twice as much in FFs than low carbon energy supply. Biggest fossil fuel financiers are in developed countries. When it comes to commitments, most of them are voluntary, e.g. GFANZ, NZBA. Difficult for art 9 discussion to be seen all together, also when it comes to just transition.
- Tunisia: access is an issue, especially for local communities. We are working to transform the debt relief, this is very important for our country. Give life to the declarations and initiatives made by Presidencies, many of them have nothing. Transform ? into synergies between public and private, constituted bodies and parties, NGOs and parties
- India: the international actions have not been very sufficient. Public finance is limited, art 9.1. NCQG is 300 billion, without consideration of factors like inflation and the level of need of developing countries. Many of my colleagues here have already highlighted that there are compliance costs of developing countries to implement. Greenwashing of development finance. Cost of private capital is very high. Question regarding sovereign debt ratings. There has been no consensus in last 3 years, Vienna Convention on the Law of Treaties says every article must be read in conjunction with its preceding and following articles, so we need to talk about art 2.1c in the context of art 2.1b or a? Which mentions CBDR-RC.
- Gambia: group of finance ministers, 70 countries are now members of that group. LTSs and NDCs, bringing these together to address development challenges in an integrated manner. In those prosperity plans, one of the key areas included in those plans is a pipeline of ?

which our partners have been saying is something that is lacking in most of our plans. Trying to link ? between countries and investors. Capacity needs that are required in ministries of finance, ministries of development.

- Arab Group: process and way forward. For us we have formulated a position, we saw that from these discussions it is very apparent that a lot of implementation of 2.1c is happening around the world and in that regard we don't see it necessary to continue with this dialogue because we see this dialogue as already nationally implemented. The only continuation we need to see is clear indications that this article should be to the benefit of developing countries, as it stands the dialogue has not demonstrated why we need to continue work on this article. We already have the GST every 5 years. Further work will have no bearing on implementation at all. In fact, currently, we are implementing art 2.1c in line with our national circumstances.
- Ghana: Tax Convention negotiations - should be noted as progress. African Group has identified this as an innovative source of finance.
- Germany: there is a lot of progress on access, but on other hand we still see large challenges that require long term collaborative work. Benefit in international cooperation. Inspires and encourages us to think outside of the box. We come to a different conclusion in terms of looking forward, namely that this dialogue should be only the beginning of the process not the end of it.
- Federico ENGOs: We need bold action and thinking what is the role of the financial supervisors, e.g. surveillance policies. We have a long way to go to take 2.1c as seriously as we take 2.1a. How this can be done under CBDR should be the focus of the discussion.

Presentations

Guiding questions:

- What progress has been made to implement art 2.1c?
- What was the influence of the UNFCCC process for actions taken?
- How, if at all, could the UNFCCC process facilitate and guide further action to make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development?

Nicolas Picchiottino, Head of the IDFC Secretariat and Making Finance Work Coalition

- Making finance work for climate initiative: Transformational finance for climate
- 27 development banks from all over the world, mainly national and regional.
- Making Finance Work for Climate – launched since COP29
- IDFC, PRI, Mainstreaming Climate in Financial Institutions< Financing in Common, and GCF, UNEPFI. 40% of global financial assets, 500+ public development banks, 5000+ financial institutions from developing, emerging and developed markets – 80 countries
- Context – financing gap
    - Need to address vulnerable contexts and unserved/underserved climate priorities, while avoiding action with negative climate effects, and act at a systemic level for

whole-of-economy shifts, beyond project/investment-level direct impacts. Need for systemic transformation of financial system. Need to think better how to use public money.

- Theory of change: quality/efficiency of finance for climate is essential to unlock deep catalytic change, commensurate with magnitude of challenges & urgency to act.
- Advocate for finance that enables or enhances effects regarding transformational climate effects beyond project/transaction/incremental levels (e.g. sustainable transofmration of entire systems, catalytic effects on mobilizing/reotienting financial flows.
- Promote a more strategic and collaborative use of, in particular, limited na dpublic and concessional finance, towards such transformational climate effects.
- Specific role of public development banks as platforms, enablers, catalyzers, arrangers, providers of capacity support, etc.
- Examples of transformational finance for climate:
    - Support to country-driven LTSs, NDCS with higher ambition, policies, regulations, action plans
    - Enabling environments/removal of market barriers
    - Development of financeable investment project pipelines
    - Introduction of technical innovation/technology transfer
    - Investments with direct benefits at scale; alignment of value chains and actors – e.g. support to design and implement climate strategies of companies, financial institutions, local authorities and other stakeholders
    - Strengthening of catalytic role of PDBs, including national and sub-national PDBs
    - Support to the design and implementation of activities with systemic scope
- Roadmap for 2025

Samson Mbewe, SouthSouthNorth

- Operationalising 2.1c in Africa: Progress, challenges and opportunities
- Art 2.1c is an enabler – it determines how capital flows – whether finance flows into the problem or the solution. For Africa, alignment must be context-specific, equity-driven and people-centred to avoid stranded assets, financial shocks, and setbacks to development goals. Operationalising it ensures that pubic and private finance advance mitigation, adaptation and resilience.
- Uneven progress: current efforts are too mitigation-heavy, overly focused on financial markets, and not enough on resilience or justice. Complementarity with art 9 is lagging: alignment of flows is outpacing the delivery of promised support. Private finance remains opaque, and much funding goes to projects not aligned with resilience or equity.
- Case study: South Africa: over 90% of electricity comes from coal, and pension funds and banks are heavily exposed to FF assets. Without alignment, the country risks locking in a high-carbon future and financial instability. Alignment here is not only a climate necessity but an economic imperative for competitiveness and resilience.
- Case study, Ethiopia: more than half the population lacks electricity, and clean cooking access is limited. Alignment is about ensuring households gain affordable, clean energy rather than simply shifting from fossil fuels.
- Influence of the UNFCCC process on actions taken

- SES dialogues created space for evidence sharing and context-specific debate
- Limits of influence: most real-world changes are driven by national necessity (financial risks, energy access gaps), not UNFCCC alone
- Harmonisation and transparency of finance reporting remain weak, especially for private flows
- Civil society influence is limited where guidance is inaccessible, reducing the likelihood that finance reaches vulnerable communities
- Dialogue workshops must produce concrete guidance with measurable outcomes, not just discussions
- Workshops should be structured and time-bound, clarifying scope, metrics, and safeguards.
- Explicit connection to article 9 financing is essential
- Art 2.1c must not shift responsibility onto developing countries

Ahmed Medhat, Regional Center for Renewable Energy and Energy Efficiency

- Climate disclosure evolution: from TCFD to IFRS
- TCFD created at COP21 to support art 2.1c implementation. Final achievements as of 2023: nearly 5,000 organizations representing USD 27 trillion market capitalization, 100+ jurisdictions supporting it. But only 4% of companies disclosed in line with all 11 recommendations. 58% aligned with at least 5 recommendations. Voluntary nature limited comprehensive adoption.
- IFRS transition: voluntary to mandatory in adopting jurisdictions. UK: mandatory for 1,300+ largest companies by 2025. EU: CSRD incorporating IFRS elements. Global: multiple jurisdictions moving towards mandatory adoption.

Q&A and plenary discussion

- ?: IDFC is focused on greater ambition, what kind of ambition? Mitigation or does it also include enhancing resilience, dealing with NAPS?
- Bangladesh: Nicolas, we have been hearing about proliferations of platforms, clubs, etc, but where is the money for action on the ground? Need to reduce indebtedness and promote climate justice. How about harmonization of international taxation policies, with innovative finances, what are the sources you are thinking of for innovative sources – but majority for example of "innovative financing" in blended forms come in form of loans
- Nicolas (response): in terms of what is an ambitious NDC, we don't want to substitute quality from the numbers, but if we talk only about the numbers we lose the quality of finance. Ambitious NDC is based on long-term strategy, about development. Reform of international financial architecture is a critical topic – jus tbefore FfD we saw a strong push for better work on the system – debt reform. Within FICS coalition we are working specifically on CRDCs (climate-resilient debt clauses).
- Barbados: Climate change is a systems failure and we need to see it in this lens to make progress. UNFCCC has provided the space through COP for the broader issues to be broached – Bridgetown Initiative was put on the table in this context. UNFCCC has tremendous impact, in integrating the MDBs, IFIs, private finance in the space, but now need to take that extra step, how do panelists see that?

- South Africa: how do you define the quality of finance, especially within the context of debt and what kinds of loans would you classify as concessional? Often we see concessional finance being grants and loans put together, whereas I think we should separate them. How do you think we can scale up finance for adaptation, which is underfinanced? If we try and redirect flows in a very quick unconsidered way, ESKOM in South Africa is our electricity utility and provides about 80% of SA's electricity. If it stops working tomorrow SA's economy would be in blackout. Its total debt at this stage is about 430b rand (20b USD), about 8% of our total debt. Of that debt, more than 50% of it is guaranteed by government, so essentially government would need to step in and pay off that debt. Debt is 75% of GDP. Need to take this redirection of financial flows in a very structured way otherwise we will flatten economies. To Ahmed, to what extent can we embed any of the principles of equity and CBDR in disclosure requirements? To what extent can we require financiers to invest in specific jurisdictions or in developing economies?
- Nepal: This dialogue has given us space not to talk to parties but also different actors. Question to Nicolas, you talked about the policy incentives, LTSs, NAPs. Countries do get technical assistance in putting these instruments in place. To go forward, what kind of incentives are you actually looking into? Need to dig deep into adaptation and resilience part, who do those 15-20% go to? Who is benefitting, specific countries or sectors? How do you operationalise the equity and justice angle into that?
- Nicolas (response): We don't treat climate change as a systemic failure when it should be, right now climate finance is more of a transaction and on a project by project basis. Role of UNFCCC is crucial – finance cannot do everything by itself; create incentives for financiers to move more efficiently.

Day 2

Panel discussion

Guiding questions:

- What are key takeaways related to Art 2.1c from three years of discussions under the SeS dialogue?
- What are areas that require further work with regard to the implementation of art 2.1c?
- What are your expectations for the co-chairs' annual report to be considered at CMA 7, including with regard to informing CMA 7 deliberations on a way forward on the matter?

Isatou Camara (Gambia)

- It has been noted that many countries if not all countries are doing some actions related to implementing 2.1c. So many insights have been discussed. For me, the first one has been the evident that when it comes to implementing 2.1c this cannot be treated as a one size fits all approach. Too often it has been framed that way. But that approach ignores reality on the ground. Priorities and capacities differ so widely; those differences must be taken into account for strategies and execution. If 2.1c is to be complementary to article 9 it must build into these differences.
- Secondly, differences between development levels, path and stepwise approach is fundamental. Principles of CBDR. Actions would differ from one country to another

depending on level of development. Given debt crises, impact is different in different regions and poses challenges to countries capacity to implement 2.1c.

- Finally, broad agreement that effective implementation of 2.1c is essential for achieving sustainable prosperity/sustainable development.
- Next question, so many countries are doing a lot, developing climate taxonomies etc, but there are significant challenges that still remain. For us chief among them is the biased credit rating systems which we have been talking about. Cost of capital, lock out private sector participation in climate vulnerable developing countries. LDCs real default rate is 6.3% while perceived is 14.2% - this distortion raises borrowing costs and penalises countries unfairly. Unless structural issues are corrected, 2.1c will remain inequitable.
- Third question: report should outline actionable recommendations stepwise while emphasising complementarity with article 9. If done right report can have roadmap for enhancing implementation.

Emilie Mariendal (Denmark)

- The train has left the station and is picking up speed already on implementation of article 2.1c. By engaging on this topic we can influence the space. Have provide examples of progress, from parties and non party stakeholders. As UNFCCC we need to catch up and have more space to address these challenges, both addressing the barriers and taking advantage of the opportunities. UNFCCC clearly holds convening power, it has an authoritative voice on this topic. We can fill a void in the space of 2.1c.
- SeS dialogue has been filling a vacuum by developing a common vocabulary on alignment of finance flows. Proposing a set of principles and objectives these have emerged through rich discussions over the years. While actions on alignment of finance flows is an end and means to enable climate action, needs to be pursued in a nationally determined manner, but also ensuring just transition placing people at the centre of climate action. Means of support is critical to support implementation of art 2.1c but also as an end in itself.
- 2.1c is to be pursued in the context of equity and CBDR-RC, national circumstances. Complementary to objectives of sustainable development and poverty eradication.
- Inability to track implementation currently is a hurdle in the collective process. 2.1c by and large is a direction, we kind of know what needs to be done but it requires a complex set of actions, nationally determined manner, there is no one size fits all. A challenge that Denmark is facing is a methodological one, which I think multiple countries are facing, is on phasing out fossil fuel subsidies. While direct subsidies are more than less easier identified, many indirect subsidies play different roles, have not been set up for the sake of the fossil fuel itself but for socioeconomic reasons, just transition. Overcoming the hurdles this presents requires cooperation. The UNFCCC is the ideal space for that. Including for example in this case identifying how principles of a just transition can be ensured in parallel to phasing out fossil fuel subsidies.
- Dialogue have fostered a space where key principles, guidance has been identified. We are looking forward for recommendations on how to take this conversation forward.

Elena Pereira (Honduras)

- 2.1c means different things for different countries and it is already being implemented in countries' own national contexts and capacities. That is one of the main takeaways we have seen for the last three years of discussions. Countries are implementing 2.1c in their own contexts, national economies, to the extent that their circumstances allow that to happen. We are all starting from different starting points. What is working in one country might not necessarily work for others in any particular scenario. To really enshrine that implementation of art 2.1c is very nationally determined and art 9 for developing countries plays a critical role to enabling and supporting developing countries' implementation of art 2.1c actions at a domestic level. So art 9 will continue a very important part for that to happen in our countries.
- Important that we continue to look at how the international financial architecture should continue to be reformed to allow finance flows to reach to enable implementation of art 2.1c. Non-party stakeholders are ... backtracking of actions that were happening ... We must continue to push forward for that. Non-party stakeholders need to continue their initiatives. We need to send more signals for reform of international architecture to address disenablers. E.g. cost of capital, debt levels, transaction costs, etc. That is a big part of the problem and that systemic failure that Ricardo mentioned yesterday.
- What needs to continue to focus on is both domestic and international levels is when we talk about enabling environments, a lot of that has to happen nationally in developing countries for sure, but a lot of that comes from enabling environments that developed countries also have to do and policies to enable flows out to developing countries as well.
- When we define how article 9 allows .... More work needs to be done under that.
- What we expect you as co-chairs to put in your annual report, stocktake of key takeaways, what countries have been doing in their different capacities, and then it is important to capture the challenges that have been faced by all countries, developed developing and non-party stakeholders. Framing should continue to be very important. Given conversations we will be having here today in how different ? take the conversation forward within the process capturing that would also be very important in the report.

Isobel Bartholomew (UK)

- Speak primarily to the first two guiding questions

- Key takeaways, we discussed a lot over the last three years and the co-chairs have done a good job by looking at lessons learned, challenges and opportunities. Understandably we raised a lot of challenges and they are very complex. I agree with those that were raised by the co-chairs yesterday. Wanted to emphasise the point that art 2.1c must not be used to avoid action on art 9. That is why it is useful that SeS dialogue has focused on complementarity between the two. **Must not increase burdens on developing countries. Private finance does not speak to priorities we have been hearing from developing countries** eg adaptation finance. Impacts on sovereign decision making.

- Agree with the points raised by developing countries raised yesterday, there is a lot of agreement on the extent of action that is already taking place from all of us and there is no one size fits all approach. Discussions have recognised that action is already happening and it is a question of how across diverse national contexts. In that context I think we also need to recognise what the lack of clarity at this level is resulting in. there is a vacuum at the UNFCCC to fill in terms of setting standards ... what is needed is a systemic response. Developing and developed stakeholders should all be having a voice. When we are thinking about areas that ... need to take this into account.

- Next step is to channel our work to something more tangible. Country-driven approach to 2.1c, more clearer definition within UNFCCC. Through this approach we would be able to build on strengths of nationally determined nature of Paris Agreement, but also be able to address concerns raised through this process. This isn't something we'd be able to complete this year, it is a longer term workstream. Turn conversation to underlying principles, challenges, objectives. Associated principles, e.g. should help not hinder development goals, complementarity with art 9. Need space to engage in depth on this.

- The only final thing I will say is that is all in context that art 2.1c is the last part of PA to be delivered through the UNFCCC. National circumstances need to be taken into account.

Tamim Alothimin (Saudi Arabia)

- Previous discussion, decision that there is no common interpretation of 2.1c. No one size fits all approach. Developed countries have attempted to do things in this regard.
- In terms of the takewaways, we see that there are principles that the implementation of 2.1c. It must be implemented in line with art 2.2 which highlights CBDR and equity. In terms of national determination, it is really good that we see also an emphasis on national determination and also for our group we see national determination throughout this dialogue. Call on developed countries to support national approaches in developing countries implementing 2.1c.
- We see some top down implementation of 2.1c happening. We suggest that implementation of top down approaches would be inconsistent with PA nationally determined nature.
- Many developing countries have stressed the adaptation mitigation balance and we think there should be an explicit ? to adaptation as part of 2.1c. Need to address the adaptation component.
- One of the key takeaways that has been taken throughout these dialogues and expressed by many developing countries is the issue of unilateral trade measures and how it is introducing flows to developed countries. Dialogues have been very useful to express these concerns.
- Second question, we recognise there is a divergence between interpretations of 2.1c, but more work needs to be done having adaptation as an integral component. Need to see an explicit recognition of 2.1c as contingent upon the developed countries upholding their obligation under art 9.1. it is crucial that we see this as mainstreamed in the discussions under 2.1c. Also top-down approaches, we heard examples such as carbon pricing, conditionalities, that increase costs in developing countries. Prescriptive approaches that are harmful to developing countries and goes against the nature of the PA being bottom up.
- We need to see an explicit ? of the differentiation between developed and developing countries, empahsisng that the reflection between the capacities, different countries have different starting points.

- Third question, annual report, we think complementarity with art 9 sholud be emphasised further upholding the principles of the UNFCCC, CBDR in line with art 2.2 and we would like to request the co-chair to visit the recommendations from the BA6. In terms of how we move forward on the process and looking ahead, we had a Arab Group constituency meeting and thought about this question and did our own internal stocktake and came to the understanding that in order for us to move forward with the discussions we need to have the safeguards to continue such a communication. Already each and every country is doing its best to implement 2.1c. We have already closed the PA rulebook. Now we are under the implementation. We will not be as a group in a position to continue work on 2.1c because we already have parties implementing it in a nationally determined manner. We do not agree with suggestions of dialogue or work programme, we need to be fully assured in a concrete manner that the safeguards are not punitive, facilitative, and nationally determined. We see art 2.1c as already implemented, we do not see further deliberations as needed.
- We are giving international financial architecture and art 2.1c too much weight. It will not be the make or break of the international financial architecture, we understand there are reforms that are needed.
- We hear some discussions of 2.1c as a source of financing, we reject that as the Arab Group. We do not see 2.1c as a source of finance. But we see it as a nationally determined approach.

Ghazal Zazai (Canada)

- One of the clear convergences is that action is already happening; and need for approaches to be nationally determined.
- Also reached a shared understanding that 2.1c is not separate but complementary to art 9, and that public finance will never be sufficient to drive systematic trnasofrmation to achieve paris goals, private finance will be required.
- 2.1c is not only about enabling environments of countries but international too.
- Recognition that ? differ ... the challenge is not the diversity in the action but that efforts are uncoordinated.
- Some dimensions of 2.1c are less understood, adaptation and resilience, and how 2.1c can ease fiscal and economic constraints through some of the opportunities that we could leverage.
- Need to move to action, rich technical discussion
- Need to continue addressing areas – one of the barriers is information and transparency, requires knowledge sharing and capacity building. Also need real efforts by all actors to share data. This is about collaboration.
- Ability to track progress on 2.1c, this so far has just been a mapping exercise. Lack of common methodologies and benchmarks. If we don’t have a common framework we cannot assess whether global financial flows are indeed shifting.
- Adaptation is even more specific to national and local contexts, yet we were able to reach a global framework while recognising that each country’s path will differ.
- Without a common frameowkr difficult to identify gaps. Steering coherence and reducing fragmentation, sending clear signals to all actors in the broader economy.

- Need a shared understanding what constitutes Paris alignment, ensuring considersations of sustainable development and poverty eradication are in actions that are taken so that 2.1c delivers climate and development benefits.
- Key takeaways and gaps speak to what we expect from the co-chairs report. The report should link to other processes and articles within CMA, e.g. BTRs, GST, recognising that that ? significant role to play. We heard some of the speakers talk about the GST and we heard that yesterday's panel as well, that link is really important. NCQG is another aspect, there are overlaps in some ways. That link we would like to see explored further in the report.

Debbie Swanepoel (South Africa)

- Nationally driven approaches very important
- Need to remain engaged to ensure we influence the scope and principles of how art 2.1c is implemented is also important.
- The common vocabulary point is really interesting and a good takeaway for us here.
- We have developed a better understanding of the role of different actors inside and outside the PA. On the areas that require further work, through this discussion it really isn't clear in terms of the link between art 9 and art 2.1c. we have been focusing on how countries are implementing, but we haven't really discussed the link in terms of the catalytic nature that art 9 has in order to be able to implement art 2.1c. We also need a discussion on some of the global disenablers. Reform of IFA is something that is referred to many times in these discussions but we haven't had a full discussion about what it actually needs to look at, haven't had a dedicated session to say what is wrong with it and what do we think it should look like. Each of these institutions has their own mandates and their own governance structures but it may be useful to give some kind of signal from our side to say what the situation is.
- Disenablers – cost of capital, big issue during NCQG deliberations. What can be done to address this challenge in a tangible way and give some signals to stakeholders. What kind of financial instruments can be considered that prevent debt. Need to drill down to real world solutions and bring the conversation down from a high-level hypothetical level.
- Climate and trade nexus. Unilateral trade measures and their consequences intended and unintended. Need a clear understanding of the impact these policies have in developing countries, impact on sustainable development, economic stability and climate action. Unintended consequences might be severe. We haven't had a discussion to say what the numbers say from developing country regions and how these consequences can be addressed or mitigated.
- Discussion about what we have seen currently within the development space on the reprioritisation of development finance within developed countries, budgets redirected from ODA to defence. What kind of impact will that have on climate action. For developing countries it makes it really difficult to engage with 91 different climate funds. The transaction costs for developing countries are immense. We need to start having some of these very real discussions. Additionality of climate funds, how is it additional to ODA commitments and how does that start supporting developing countries to implement 2.1c.

- It remains unclear to me in terms of how 2.1c can be implemented within the context of the principles of the UNFCCC, equity CDDR-RC. What safeguards can we put in place ot ensure these principles are safeguarded? We don't have control over asset managers, over international funds, pension funds, what safeguards do we put in place to ensure that a blunt implementation of 2.1c does not lead to capital flight or disinvestment from developing countries?
- It is also not clear in terms of how 2.1c would be implemented in a way that accommodates just transition pathways. One of the key takeaways is that countries are at different points of development, but how will we implement art 2.1c in a way that still allows for developing countries to undertake just transitions. That has not been clarified.
- We speak a lot about incentives. If developing countries create enabling environments and provide the necessary incentives finance will flow. Also need to think about what kinds of measures are required in developed countries to meet their legally binding climate finance commitments. An example is measures to reduce risk such as tax incentives for private investors to engage in projects abroad. What onus is there on developed countries within their policy space to push climate finance towards developing countries.
- How do we ensure that finance goes to projects that are not deemed to be bankable? Countries have constrained budgets. How do we ensure that adaptation receives funding? Is it about how the different instruments are layered? How the projects are structured? What measures can we put in place.
- On the annual report, I think it would be really important to provide a really clear overview of what has been discussed, to recognise that developing countries have been undertaking concrete steps to implement 2.1c at the domestic level and recognize that 2.1c should not be conditional for the flow of finance especially public finance and should not be implemented in a top-down manner. We need to also have a bit of a gap assessment. The challenges and opportunities could be further expanded from our conversation today. An overview of the role of the UNFCCC in promoting fairness and equity for actors outside of the Convention and how this could be done.

Second round of interventions

Honduras

- A key role that we can play in the UNFCCC besides the fact that we can speak to ourselves as parties. Conversations that we can continue to have, a lot of things we don't know the answers to and signals we can continue to send to the outside world from within our UNFCCC bubble. We cannot mandate outside actors but we can have conversations with outside stakeholders.
- We are not at the stage where UNFCCC can work from a top down approach, there is no common ground for any standards or targets, we are nowhere near that. Precisely because countries are implementing 2.1c, having a common framework we are nowhere near that.
- Refining more what the relationship with article 9 is, article 9 has a critical role to unlock within our own UNFCCC process.
- Need to look more indepth at the adaptation aspect

Gambia

- Role of the UNFCCC, for me it is very important for the UNFCCC to continue providing a space where we have the opportunity to have the dialogue that is needed to enhance understanding of 2.1c, define the scope, challenges with regard to implementing. Long term workstream is needed to further deliberate on this topic, quite significant gaps
- Least developed countries depenednet on MDBs and IFIs and they are implementing 2.1c. For us we can't avoid implementing 2.1c
- Catalytic role that art 9 would play in implementing 2.1c. Art 9 is an enabler for implementing 2.1c. this cannot be overemphasised. For our countries we are trying to mobilise domestic resources, create climate that attracts private investments, adaptation finance is still seen as very risky, it will take time to have private sector really investing in our countries especially when it comes to resilience. We think public and concessional finance still has to do the heavy lifting for the short term while we work on the enabling environment.

UK

- We need to have the space to dialogue and improve understanding, but also work on how ot address challenges. Dialogue has been useful to understand challenges and that action is already taking place.
- If we spent the last three years identifying that we need something more tangible going forward and that is where the UNFCCC can step in. there is no common ground for a top down approach but in terms of we have a process for 2.1a and 2.1b and there is space to think about what that looks like for 2.1c. Global financial architecture, think about how we can give major actors space to comment on what it is they are doing and look at existing processes we have within the UNFCCC and how link to that.
- There is space to have conversation around objectives, principles and framework, but Debbie's points on gaps are important and we can continue having those discussions as well.
- Recognising the work developing countries have been doing does not mean it's only about what developing countries are doing.

Saudi Arabia

- Emphasise our position as Arab Group we don't see any further work as needed on 2.1c. There is a lot of implementation happening. Discussions over past three years have shown that. All countries are implementing. Further work is needed on other elements such as Art 9.1.

- Don't understand where this could lead without being top down and prescriptive. We see discussions and points coordinated efforts but do not understand how these global standards would not be a top down approach. If we are going to have further work how do we go on that path without resulting to be top down. Our conclusion is that no further work is needed. The Paris rulebook has been completed. We also need safeguards.

Canada

- When we look at mitigation we have common reference points, same for adaptation GGA, it doesn't tell parties what to do but guides them if they want to do something about it depending on their own context.
- We need something more tangible, a concrete reference point to guide collaboration across actors.
- Transparency and assessment of global progress, as we heard yesterday this has been a real challenge. These are the roles and there is limitations of all of them.
- 2.1c actions ignoring realities on the ground and safeguards and so on, what are the safeguards and principles that we need to take into consideration, this is why we need to make sure CMA continues to hold authority in this space.
- Issues of reform of IFA, don't think it's true that CMA doesn't hold much authority, we have seen international financial institutions respond to calls from CMA and increase their Paris alignment. Influence of UNFCCC in the wider system, there are things happening.
- 2.1c gives us that hook to ensure that climate is considered, credit issues, cost of capital, need to integrate climate risk and opportunities in conversations that are happening in different places.
- We need to continue to unpack how we can move forward

Debbie

- UNFCCC has great convening power to bring different stakeholders together, different MDBs for example. We need to also start thinking about which other bodies within the UN system might need to be brought into this discussion. Potentially UNDP and other UN bodies might have an important role to play. How can the UNFCCC have that convening power to bring those actors together
- The signals that come out of the UNFCCC are really important and are being taken up in the international space. Signalling is important and we need to be clear about the signals that we provide. From our perspective in this space we are not at the stage to agree to specific standards or targets. We still have so many outstanding questions. How do you ensure it doesn't become a top-down.
- Reporting and transparency – important not to duplicate transparency and reporting efforts, we already have reporting under art 9.5. This should include art 2.1c reporting.

Denmark

- Some of the more systemic challenges that we must cooperate to overcome, I do recognise that there are different sensitivities that we must take into consideration in how we want to define our role as the UNFCCC in this space, including aligning flows being seen as a process, it needs to be respectful as a nationally determined process and we are advancing towards implementation, we are not there tomorrow. As also mentioned in our previous intervention the thing is with our role in it is unless we engage we will not have a say we do have convening power and a voice that is being listened to.
- Guidance on objectives, coherence and avoiding fragmentation, going back to principles mentioned, identifying principles and enhancing global collaboration on disenablers, cost of capital, transaction costs, also enablers.
- Safeguards and key principles including those against greenwashing.

- Cross-cutting feature: means of support is critical enabler of climate action. Complementarity to art 2.1c. 2.1c doesn't alter any existing obligation.
- 2.1c is a clear direction, not a source of finance.

South Africa

- Resolve some of the issues we see between institutions (WTO and UNFCCC, discussions of CBAM). In WTO they say it should be discussed in UNFCCC, in UNFCCC they say it should be discussed in WTO. How do we get alignment between key institutions in global governance framework.

Saudi Arabia

- If you want to discuss reporting element we have art 9.5. Do not want to duplicate.

Break-out group (plenary room)

St Kitts and Nevis

- We have a problem with top down terminology, don't want to be quoted as saying top down. Are in favour of nationally determined language.
- However we are struggling, we need guidance. That is the opportunity refine the top down language. UNFCCC approved models of what works.

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- Takeaway is real notion that there is real need for further work. A lot is happening at the national level, regional level, international level, but there is still a disconnect between the language and the work within the UNFCCC and the wider stakeholder population outside.
- No one outside UNFCCC knows what 2.1c is
- Need something to bridge that so that people can make the connection, they don't know what alignment is, and where it is aligned to, 2.1c 9.1 etc
- Further work - have to be cogniscant that you do not want to put additional reporting burden on developing countries, but there is still need for documentation of some of these actions that are taking place. Need stocktaking documentation. What I really think there could be some documentation of some of these best practice that we recommend. Without the fear of the reporting burden.
- In the co-chairs report it could attempt to make that connection between inside the process and outside. The process is owned by the parties. The UNFCCC has the greatest comparative advantage is the convening power, nobody else has this in terms of bringing party stakeholders, non-party stakeholders etc. Co-chairs could attempt a recommendation in their report around this.

Apollonia, EU

- There are many countries in the world that are trying to implement art 2.1c, we need to work together a a lot on implementation. We have done a lot of mapping but does not mean these numbers are sufficient.
- Future work within UNFCCC, a dialogue is not sufficient. Need dialogue with external stakeholders. We need something that is able to ? set up a process to allow the parties to work together to create the common direction. Discuss together what can be a shared goal for the art 2.1c implementation. A decision under this should also legitimise the reform demands at the national level which does not mean that there should be top down goals or indicators, just the fact that parties are discussing within UNFCCC these topics legitimises the fact that this is ongoing.
- This process within UNFCCC should set accountability frameworks. I agree we don't need additional burden on reports, but can be embedded in the current system. Bridge between national and international action. Parties reflecting their domestic priorities within UNFCCC negotiations build consensus for a powerful driver for international G20, MDBs reform. Should be a bridge between national implementation and international action. Needs to be a process within UNFCCC and not just a dialogue with stakeholders.
- Likes co-chairs list of opportunities and challenges, but this is just a summary. Additional effort for the report would be communication of recommendations for a future process within the UNFCCC.

Tunisia

- For further work, we need to ensure more inclusivity of all stakeholders.
- Need more transparency
- Don't need to repeat ourselves. The report must be more tangible. On the way forward, there is no clarity about the other steps
- Linkages with other workstreams, e.g. agriculture, loss and damage

Uganda

- Takeaways - a lot of effort is happening at national level. The subject of complementarity with art 9, we are not seeing commensurate effort on this. Where is the complementarity? We must see how art 9 can take shape in domestic efforts. We are not seeing 9 enabling 2.1c. When we make reforms some of these do not have additional support from financing under art 9. Must not be diluted with this conversation of financial flows, must continue to ensure that art 9 is happening. But you all know the trend, the grant levels going down. If we continue to have this conversation on 2.1c we are not seeing real ground actions we are departing from the principles of the Convention.

- Further work - we should be asking a question of what further action can be undertaken under art 9, not art 2.1c alone.
- CMA 7 report for SeS is presented, should have a continuation. If we can have a further separate process emphasising an art 9 process within the UNFCCC it would be okay.

Costa Rica

- UNFCCC has been instrumental in putting hte issue of finance consistency on the global agenda. It has been assessed in relation to the different climate goals in different ? has created a multilateral space where developing countries can express their concerns e.g. on cost of capital. Has also influenced othe rinternational processes like MDB reform agenda. Has also generated technical workstreams and has reinforced hte principle of CBDR-RC. Transformation of finance flows must account for climat ejustice. Has also reflected how developing countries have been driven by national capacity and putting their effort into art 2.1c with their own understanding and reflected efforts taken outside the UNFCCC framework.
- Contributions of the UNFCCC by modifying existing transparency and accountability frameworks, ensuring contributions under art 2.1c are adequately tracked and monitored also to include the actions from external actors. The implementation also requires actions from all actors, this process can provide guidance to external actors like MDBs IFIs. Can promote environmental nad social safeguards, ensure climate finance respects human rights.
- Also can facilitate knowledge sharing and capacity building helping countries strengthen their ? systems … international markets … It has been said by many of my colleagues to ensure coherence between art 2.1c and art 9. Clear linkages between 2.1c and CMA architecture for instance the GST, the NCQG, BTRs.
- Elements to be included in the report - stocktake of opportunities challenges and actions, lessons learned from three years of dialogue. Useful to have key conceptual aspects e.g. consistency of alignment with financial flows with principles of convention in particular CBDR-RC. Also to have a clear part on the perspective of developing countries such as barriers faced like high cost of capital. Importance of the different role of parties and non party actors, this could be reflected according to CBDR-RC principle. Reflecting the developed countries how they should fulfil art 9 and focus on debt sustainability
- Systematic organisation of issues discussed by scope, some are national and some are international.
- Looking to the future, dialogue not enough, the framing is very important, needs to be interpreted in the ?

RMI

- Agree on the need for further work on this item. It is important to connect to other workstreams such as loss and damage and energy.
- Being careful about what we mean when we say we need to avoid top down implementation. There is still a really important role for international cooperation and models of successful implementation and assistance to developing countries in implementing it.
- See the UNFCCC as being a very important voice in IFA reform, an important convenor. Particularly for SIDS who are not necessarily involved in some of the other conversations on IFA reform.

Bangladesh

- We have some clarity about 2.1c because it is an aspirational goal. But article 9 reflects the obligations of parties. 9.1 obligatory responsibility. Both 2.1c and 9 complement each other. 2.1c involves national and international processes and actions, both public and private finance. This captures the scope of art 2.1c. For the developing countries, the whole problem of climate change from the historical contributions of the developed countries, art 2.1c ? international dimension. Art 9, submission of NDCs and NAPs, we have conditional and unconditional aspects. Support is needed, less capacity to mitigate or adapt. The injustice of the global financial architecture is that those who are least responsible pay the highest price.
- Report must include recommendations for reforms of the IFA.
- UNFCCC has 196 parties, only 26 attended the ? to reform the World Bank and IMF
- Reforming credit rating agencies, most impacted countries lose development initiatives by climate disaster so their credit rating goes down and down.
- Task force on international taxation, summit on global financing pact in 2023, there are lots of initiatives where UNFCCC can influence in those processes. Money talks, that is why the World Bank is the most influential, but the UNFCCC has convening power and motivating other international actors that climate change is existential.
- We need to think of mobilization of resources and public finance will never be sufficient, need to think of mobilizing funds to global task forces - task force on solidarity levies - need solidarity levies - art 3.5 prescribes to promote the market system under the Convention neoclassical economics. We don’t call it polluter pays principle but we call it solidarity levies. Need to have in the report these kinds of recommendations.
- Capacity building. Happy that Bonn SB62 focused on capacity building of ministries of finance and other regulators. Need much more investment in CB at the national level, if we want to implement 2.1c at the national level we need lots of capacity to promote public policies that can shape the private sector. Need stronger public policies, cannot leave it to private sector alone. To shape the market forces. Money does not flow to where it is needed most. Direct investments to productive development promoting interventions.

India

- Takeaways - no common understanding established in these discussions. Complementarity with 9 is missing. National actions are being taken. But actions from developed countries have not been that significant. Developing countries are facing a lot of challenges, e.g. soveriegn debt ratings which affects cost of capital. Sustainable development and poverty eradication, CBDR and national circumstances have not been taken into account in these discussions. Standards ? increase compliance cost with respect to developing countries.
- Areas that require further work - as national actions are already happening and would have been there if this dialogue had not been there. The implementation of this dialogue ?
- Annual reporting - we require more clarity on what would be in the annual report. There is no consensus of definitions principles or complementarity with art 9.1. More clarity would be required on what aspects the report would focus on.

Federico for ENGOs

- Incredibly important that we have an agreement on art 2.1c. IMF, FSB only prioritise financial stability mostly in the short term and that is at odds with climate sustainable development and with equity. It is even worse in the context of institutions that are so imbalanced. A huge discussion that needs to be had is what are we going to do with this contradiction in the mandates and the governance of these institutions.

It is only international agreement that dared to set a clear objective for the financial system

Underinvestment in productive projects, short termism, governments prioritising repayments to bondholders over long-term sustainable development

But we are still far away of fulfilling 2.1c....

Areas that require further work:

The financial system is governed by other institutions, that have other mandates and are undemocratic like the IMF, Paris Club, FSB, BCBS

have they been fulfilling 2.1c under CBDR, equity, sustainable development, poverty eradication?

- IMF surveillance covers this but on short-term macro stability... but who covers this for Article 2.1c?

Areas that require further work:

There should be a dialogue and strong signals to these institutions, and recognise there are conflicting mandates and horizons

- What’s the impact of monetary policy decisions in big financial centers?

Ongoing discussion under UNFCCC that discusses this, that provides more understanding

Ghana

- Energy sector, relevant conversation to have for art 2.1c
- Different levels of capacity and different starting points. No one size fits all. Importance of art 9.
- Outcomes of this dialogue should not lead to conditionalities from IFIs
- Need for developed countries to show transparency art 2.1c under art 9.5

Natalie

- Importance of initiatives to increase fiscal space for climate action
- COFFIS
- CTEP
- Further work: these initiatives could be better integrated in work under art 2.1c

Bangladesh

- The processes that I have mentioned that have common purpose with UNFCCC, UNFCCC can have a coordinating role and furthermore based on that UNFCCC can produce reports for example what are the actions taken. These are the activities which are very much in common with the UNFCCC ?

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- Trying to think how we make this implementable, the language and how we structure language different things mean different things to different stakeholder groups. Take net zero for example, it means different things to public sector and private sector. In the report may be somewhere in some form we need to harmonise language. We don't want a definition
- There is a disconnect between inside the UNFCCC process and outside

EU

- We need to understand terminology. BA report has a chapter on art 2.1c including complementarity with art 9, it is already doing this work. Problem is it is not connected with a political process. How can we translate this technical work done in the last 5 years into a political process? 5 years of work done in the context of Sharm el Sheikh dialogue and next BA needs a political process within the UNFCCC. It is time to talk about process because process shapes outcomes.

Iran

- Operationalising the principle of CBDR, we must avoid any interpretation that places an equal burden on nations with vastly different economic capacities and risks. Unilateral coercive measures. Some countries a critical area of urgent attention is the impact of unilateral coercive measures, it affects on ability to access climate finance, technology transfer, and renewable energy. Major systematic barrier to implementation effectively blocking financial flows and making us incapable of international projects and investment. UNFCCC process must formally recognise and work to mitigate the severe effect of such measures.
- Balancing mitigation and adaptation finance. Further work is needed. And to simplify access procedure for adaptation projects. Need capacity building and technology transfer. Many developing countries need and require significant capacity building support and access to technologies.

Uganda

- How 9 is evolving, we are seeing more emergence of structures like country platforms, coalitions, taskforces, forums. There is a new outfit being designed that if you are not seated within ministries of finance you may not see it. If the trend goes like that at some point we will find something has changed. So just to draw attention let's look at how the evolution has happened. These structures have been outside the UNFCCC process.

Closing session

Co-Chairs

- Very rich and inspiring discussion in the last two days. This will be reflected in the upcoming documentation of the work in 2025. We will have a clear task, some homework to do. We will report back on the discussions we have had here, report from the Secretariat in the form of a workshop summary that will be shared and published online asap.
- Then we will work on the big task of the annual report for consideration at the CMA and as per the mandate will cover the full scope of the dialogue over three years. We will also provide a suggestion on the way forward having heard your views as well as submissions. We will draw on everything that was shared throughout the dialogue.
- As we come to a close of the two years of this mandate and three years of SeS dialogue, moment to express our gratitude to all participants, experts, parties non party representatives. Look forward to building on lessons learned and progress achieved and

will ensure this informs the work ahead including upcoming CMA 7 deliberations. Since the first workshop we have moved quite far. We started in different places and have come closer together. The dialogue has delivered what it was meant to in bringing us closer together. Appreciate all your efforts.

Davi de Oliveira Paiva Bonavides – representative of COP30 Presidency

- As we conclude this final workshop, it is time to look ahead and collectively determine the most effectively implement art 2.1c and its complementarity with art 9. Align financial flows with objective of the PA is not a distant aspiration, it is a cornerstone for achieving our long-term goals on mitigation and adaptation. Its placement in art 2 is deliberate and meaningful. It must reflect equity and CBDR-RC
- Also a critical lever for the future of climate finance, by recognising that finance is the engine of climate action – accelerate the transition to a climate resilient future.
- NCQG – importance of quality of finance and the need to address the enablers and disenablers to financing climate action in developing countries. Article 2.1c can play an important role in shaping the ? of the future of climate finance.
- Will not be possible to achieve our mitigation and resilience goals without aligning finance flows. This includes addressing the high cost of capital for developing countries. It means that the cost of inaction must be incorporate din our risk assessments. Our efforts must be guided by the need to eradicate poverty, by equity and CBDR. UNFCCC process must also speak to the outside world. Transformative potential of art 2.1c as a driver of sustainable development. Move from dialogue to delivery.

Sophie De Coninck – UNFCCC Secretariat

- As we conclude this second workshop I would like to sincerely express appreciation for the constructive engagements that have taken place so far. The dialogue has provided a practical space for parties and stakeholders to deepen understanding of 2.1c and how it complements art 9. Making finance consistent with climate resilient low carbon pathways is not only a long term goal but a precondition for climate action enabler for achieving our mitigation and adaptation goals.
- During the course of our dialogue there is increasing recognition that aligning finance will be crucial for climate action and to manage risks and that equal attention is needed to mitigation and adaptation. Integration in work of finance ministries, central banks, supervisors, reforms of international financial architecture ongoing
- On the side of private finance, climate related disclosure frameworks have developed and expanded beyond mitigation to also include adaptation
- Scaling up finance in all regions of the world is essential
- Finance continues to flow to areas that are not compatible with low carbon climate resilient development
- Resilience and transition planning
- Explored how art 2.1c can support the implementation of the NCQG. These discussions have reaffirmed the importance of context specific approaches and need to strengthen enabling environments for climate consistent investment.
- Dialogue has underscored that implementation is already happening. Must be inclusive, reflecting different national circumstances and priorities.
- Pillars of IFA - can meaningfully contribute …
- Decisions at CMA 7 will be pivotal in informing the future work on these issues

- Opportunities identified during this dialogue for achieving art 2.1c goal, in service of achieving mitigation and adaptation goals
- Use the convening power of UNFCCC to address challenges you have identified together. Invite strong signals and messages to the outside world so that various actors all play their part.

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