

Article 2, paragraph 1(c), of the Paris Agreement: background and work done to date

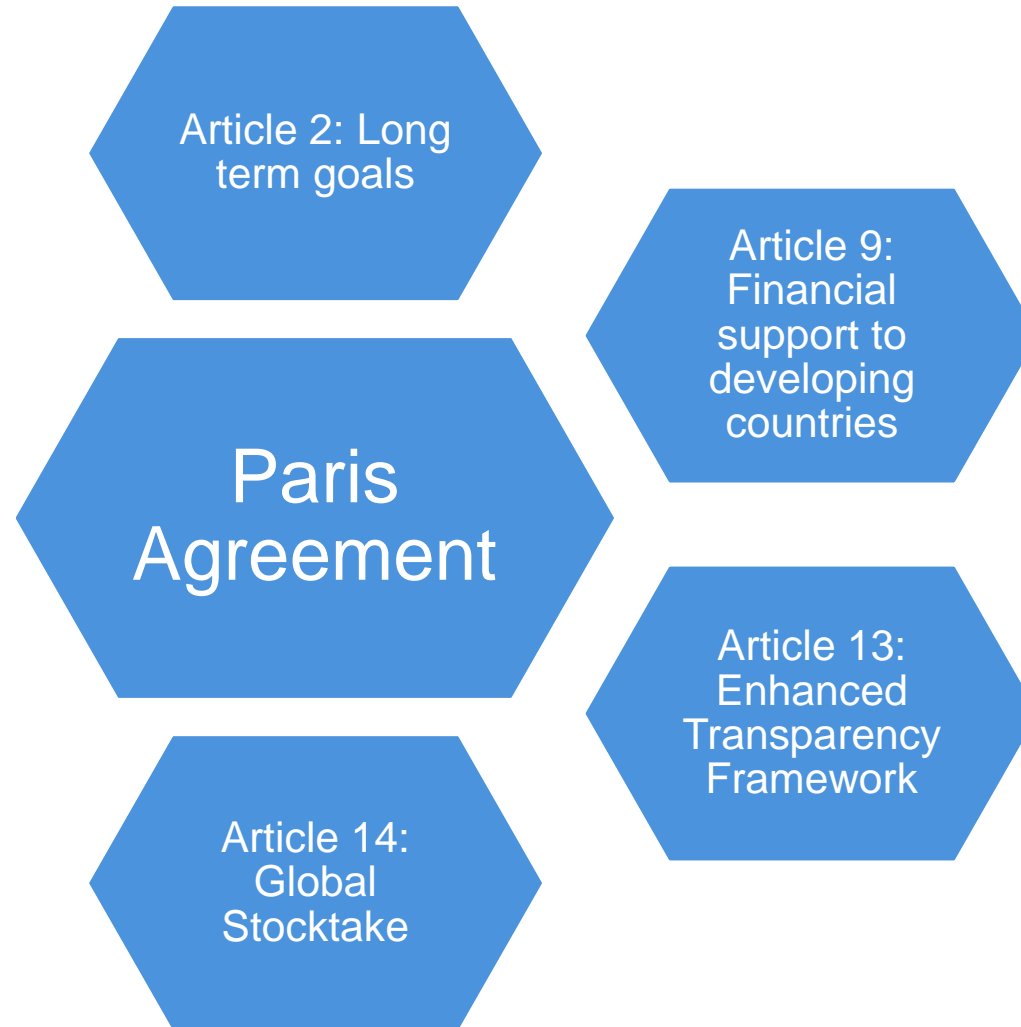
Paris Agreement Article 2.1c. Implementation Workshop

Coalition of Finance Ministers for Climate Action

Friday 6 October 2023



Paris Agreement architecture emphasizes finance across multiple aspects



Party decisions, processes and the work of the Standing Committee on Finance

2015
Paris
Agreement



Inter-sessional processes

Outputs of the
Standing Committee on Finance



Paris Agreement, Article 2

1. This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:
 - a) Holding the increase in the global average temperature to well below 2° C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5° C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;
 - b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and
 - c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.
2. This Agreement will be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.



Party decisions, processes and the work of the Standing Committee on Finance

2015
Paris
Agreement

2018
COP24 /
CMA1
Katowice

Inter-sessional processes

Outputs of the
Standing Committee on Finance



Global Stocktake

Also decides that the sources of input for the global stocktake will consider information at a collective level on: 'the finance flows, including the information referred to in Article 2, paragraph 1(c), and means of implementation and support and mobilization and provision of support...

Enhanced Transparency Framework

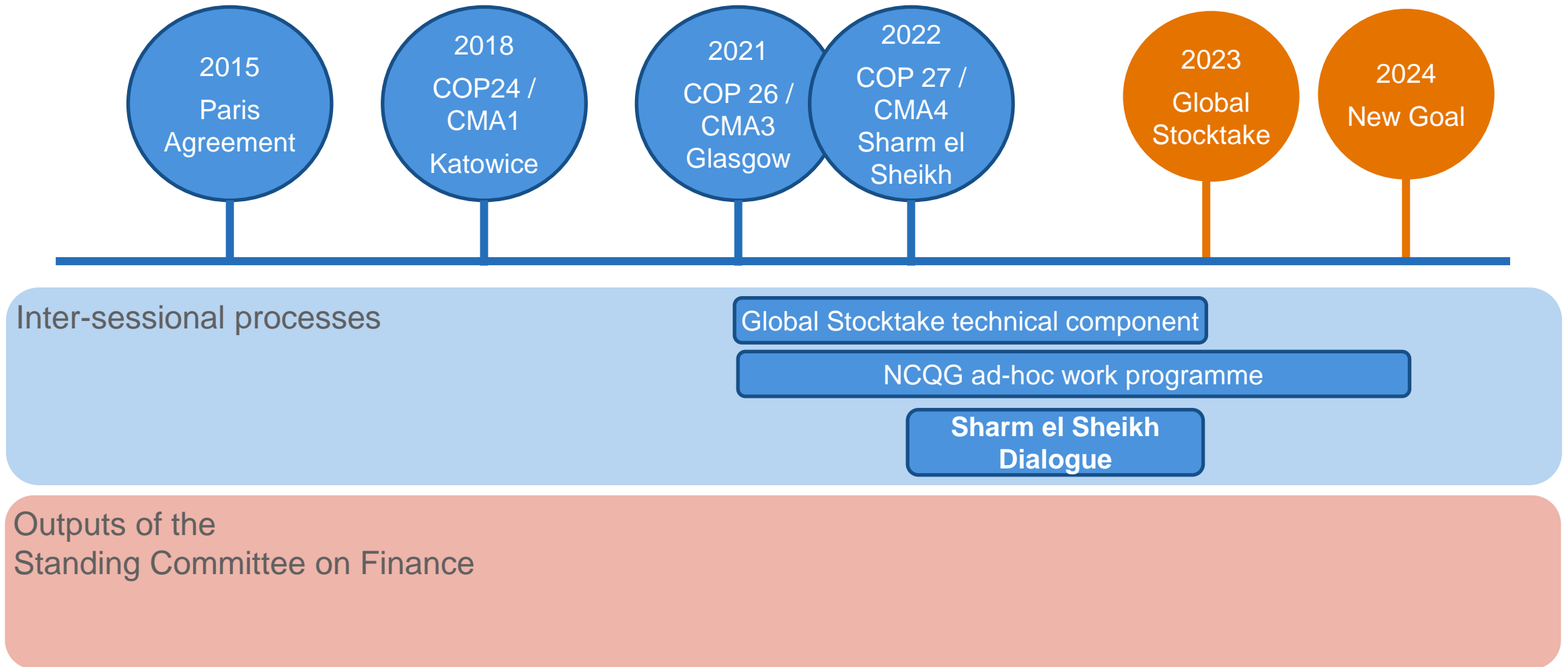
This includes information on how the developed country Party, "seeks to ensure that support provided and mobilized through public interventions is in line with the long-term goals of the Paris Agreement"

New collective quantified goal

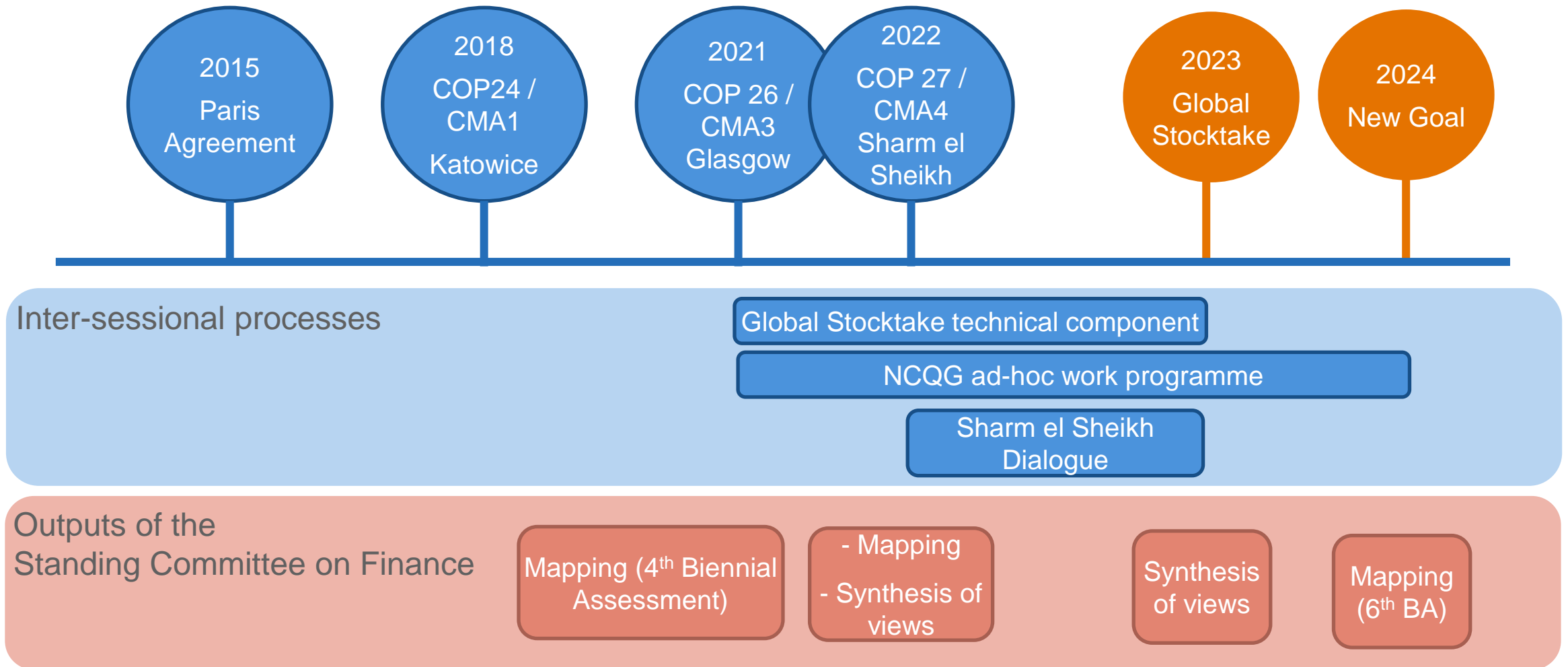
Agrees to consider, in its deliberations... the aim to strengthen the global response to the threat of climate change in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.



Party decisions, processes and the work of the Standing Committee on Finance



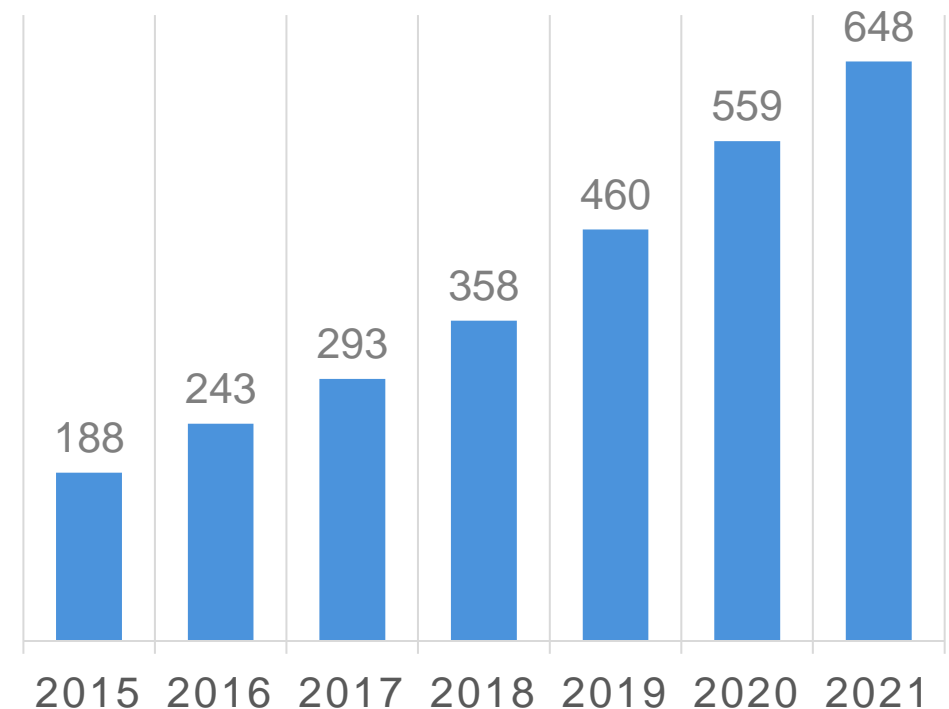
Party decisions, processes and the work of the Standing Committee on Finance



MAPPING: Growth in public sector initiatives, actions relevant to Article 2.1c

- Governments, financial supervisory authorities and central banks are active on the national, regional and global level to foster a more sustainable financial system
- **16%** increase in the number of policy and regulatory measures on green finance.
- **33%** increase in membership of Coalition of finance ministers for climate action
- **20%** increase in membership of the Network for Greening the Financial System

Growth in cumulative green finance policy and regulatory measures

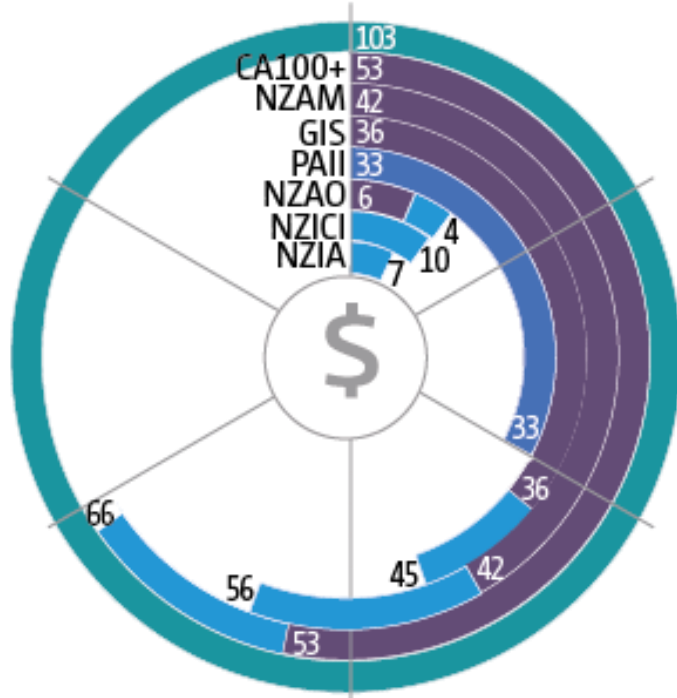


MAPPING: Growth in initiatives and actions relevant to Article 2.1c

Investor initiatives +25-60% since 2020; Banking +76%; Corporate +65%

Investor initiatives

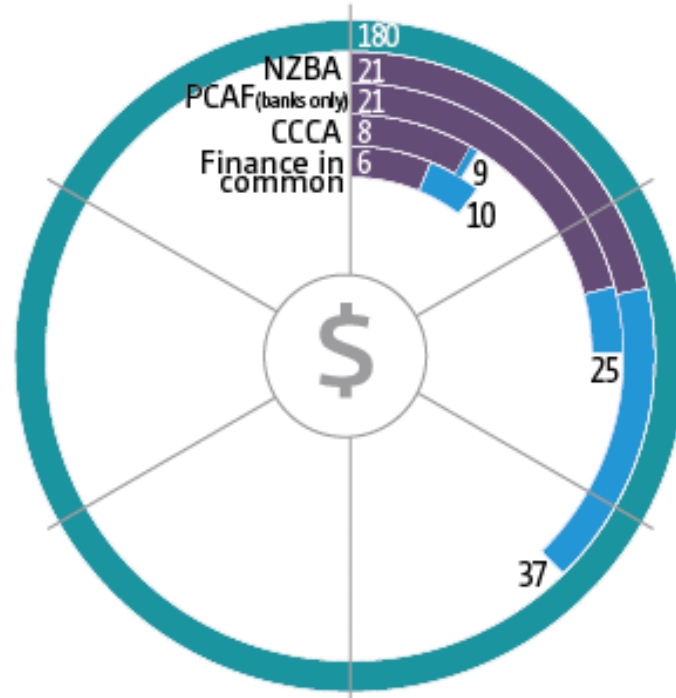
Assets under management (USD trillion)



— Total AuM 2020
— As at 2020
— Growth in 2021 & 2022

Banking initiatives

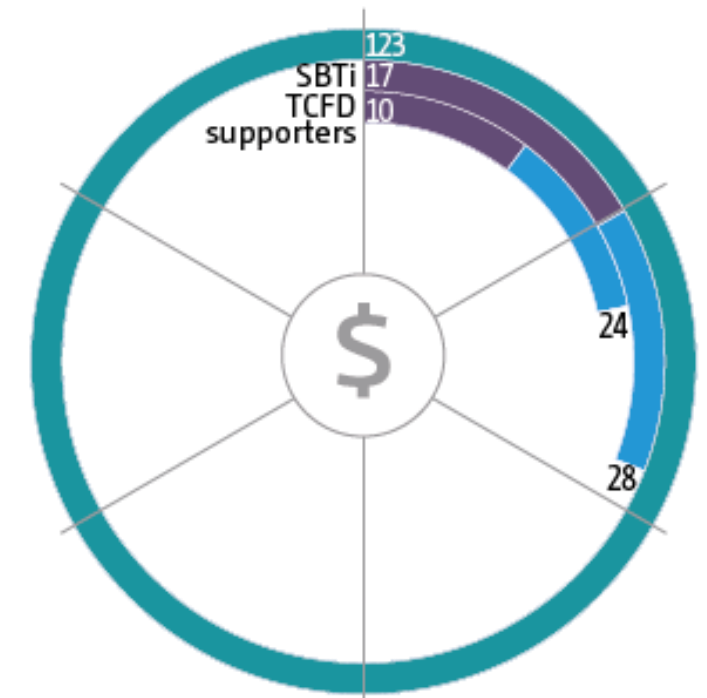
Financial assets (USD trillion)



— Total banking assets 2020
— As at 2020
— Growth in 2021 & 2022

Corporate initiatives

Market capitalization (USD trillion)



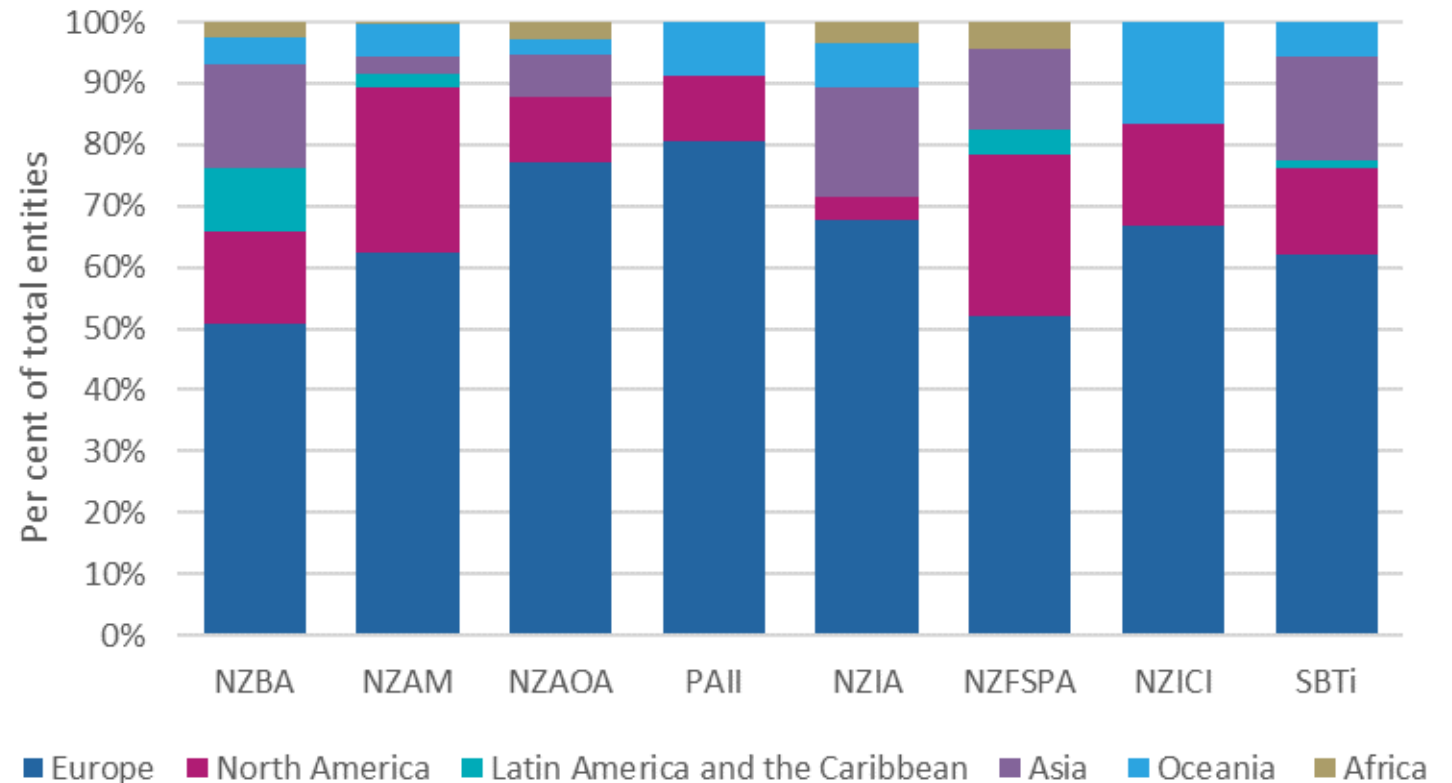
— Total domestic market capitalization 2021
— As at 2020
— Growth in 2021 & 2022



MAPPING: Geographical distribution of initiatives

- Private financial sector initiatives have a footprint in every world region, but concentrated within Europe and North America
- Public sector initiatives have broader global coverage with increasing participation of developing countries in recent years

Regional composition (share) of private finance initiatives, as at July 2022



MAPPING: Insights from the mapping

A number of **insights** as well as **efforts, possible challenges and opportunities** have been identified by financial sector actors to implement Article 2.1(c):

- **Net-zero target setting** and commitments need approaches, methods and indicators to meet them
 - **Transparency**: In response, ensuring the robustness, credibility and transparency of financial sector targets and commitments is an emerging field of activity and initiatives
 - **Fewer initiatives towards consistency of finance flows with climate-resilient pathways** are registered and related methodologies are at earlier stages of development
 - Persistent **climate-related data gaps** at country, sector, entity and asset level continue to prove an obstacle for the development of transition and physical risk assessments and decarbonization alignment methods
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KEY FINDINGS: Synthesis of views regarding ways to achieve Article 2.1c

14 submissions received in 2022 (11 Parties, 3 non-Party stakeholders)

- Type of finance and actors identified that might be relevant, particularly [asset managers, banks, and governments and supervisory authorities](#)
 - Almost all submissions recognized it can include both [public and private finance flows, and in domestic and international contexts](#)
 - Many Parties put forward methodologies, policies and approaches to implement Article 2.1(c), including [fiscal, macroeconomic and regulatory policy levers or incentives](#), with the application of financial instruments, voluntary standards and orientation of investments
 - Complementarity: Almost all Parties make reference to or [see relationships between Article 2.1\(c\) and Article 9 of the Paris Agreement](#) on the provision and mobilization of financial support to developing countries
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KEY FINDINGS: Synthesis of views regards ways to achieve Article 2.1c

A variety of views were expressed on **further operationalizing Article 2.1(c)**, relating amongst others to:

- The role of the CMA, the COP or the broader UNFCCC process, and the role of the SCF
 - The respective roles of the private financial sector and of governments
 - Consideration of the national context and circumstances, equity and just transition, in efforts to implement Article 2.1(c), including to avoid unintended consequences and to take into account the risk of stranded assets
 - Tracking and reporting modalities or guiding frameworks for assessing consistency of finance flows and relevant policies
 - Inclusion of Non-Party stakeholders in reporting progress made towards achieving Article 2.1(c) and the sharing of best practices
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Thank you for your attention

