



Making finance flows consistent with the Paris Agreement: Opportunities and challenges for implementing Article 2.1c

Online Seminar, 26th October 2021

Presented by:



With support from:



1. Introduction

CFAS, GIZ and guest speaker Dr. Chantal Naidoo

2. Fourth Biennial Assessment and Overview of Climate Finance Flows: mapping information relevant to Article 2.1c

Dr. Chantal Naidoo (Consultant for the Biennial Assessment and Overview of Climate Finance Flows)

3. CFAS Policy Brief: opportunities and challenges for implementing Article 2.1c

CFAS

4. Q&A



1 | Introduction



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Climate Finance Advisory Service (CFAS)

- launched in 2013; a consortium of climate finance experts from developed and developing countries:



- Objective:** build up the capacity of negotiators, Board members, advisors and other delegates helping them to effectively participate in the complex global climate finance negotiations ► focus on LDCs, SIDS and African States
- Activities:**
 - ✓ Technical support to strategic partner countries
 - ✓ Real time support to additional negotiators and Board/Committee members ("Friends of CFAS")
 - ✓ Meeting summaries of the Green Climate Fund (GCF) and the Standing Committee on Finance (SCF)
 - ✓ Analysis of finance related themes ahead of international climate change negotiations (CFAS Policy Briefs – supported by GIZ)



2 | Fourth BA: mapping information relevant to Article 2.1c



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3 | CFAS Policy Brief: opportunities and challenges around Article 2.1c



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Long-term goal of the Paris Agreement

At the 21st Conference of the Parties (COP21) in Paris, Parties agreed to **three long-term goals**. One of them highlights the role of finance flows in achieving climate objectives and is defined in Article 2.1c of the Paris Agreement:

“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:

[...]

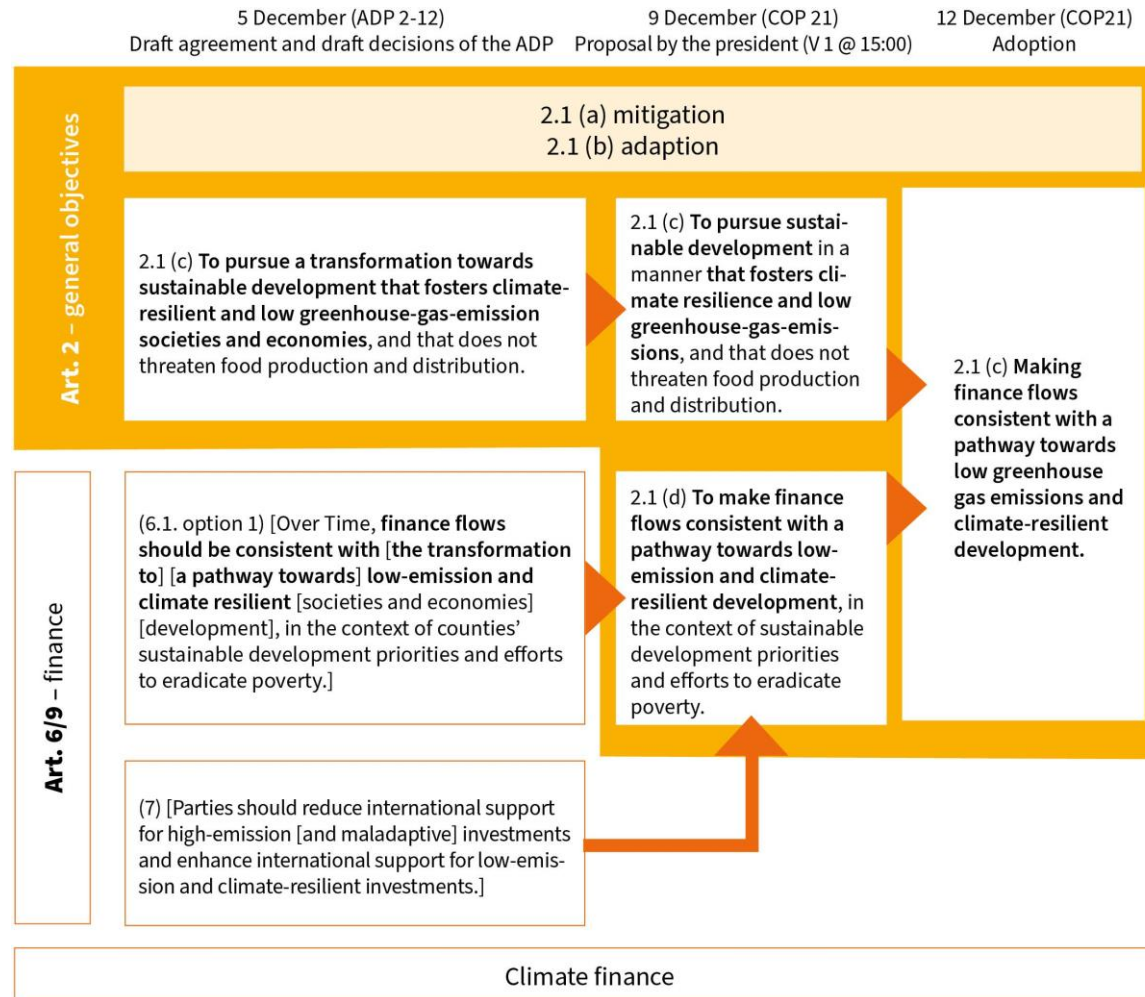
c. Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”

- complex goal which has evolved during the COP21 negotiations to accommodate interests of different negotiation groups
- means for achieving the long-term mitigation and adaptation goals
- refers to all public and private financial flows
- offers transformational potential



United Nations
Framework Convention on
Climate Change

Relevance of Article 2.1c to other Paris Agreement and UNFCCC processes



Source: CFAS

Interpretations of Article 2.1c

- Apart from its phrasing in the Paris Agreement, there is currently no dedicated work stream within international climate change negotiations on how to arrive at an official, **more detailed description or how to approach its assessment.**
- Respective scopes of **Article 2.1c-related finance and climate finance tracking:**

Scope of climate finance tracking	Finance to activities aimed to contribute to climate objectives	Scope of Article 2.1c-related finance tracking
	Finance to activities with climate-related co-benefits	
Finance to activities with no particular climate-related impact		
Finance to activities that undermine climate objectives		

Source: Based on OECD 2019

- **Lines of discussion:**
 - actors and activities
 - work under the UNFCCC (i.e. SCF) and by non-Party stakeholders

Potential implications of implementing Article 2.1

To identify potential implications of implementing Article 2.1c, especially due to uncertainties regarding its interpretation, CFAS organised a virtual **Chatham House Rule roundtable discussion** among negotiators from both developed and developing country constituencies. The issues identified are:

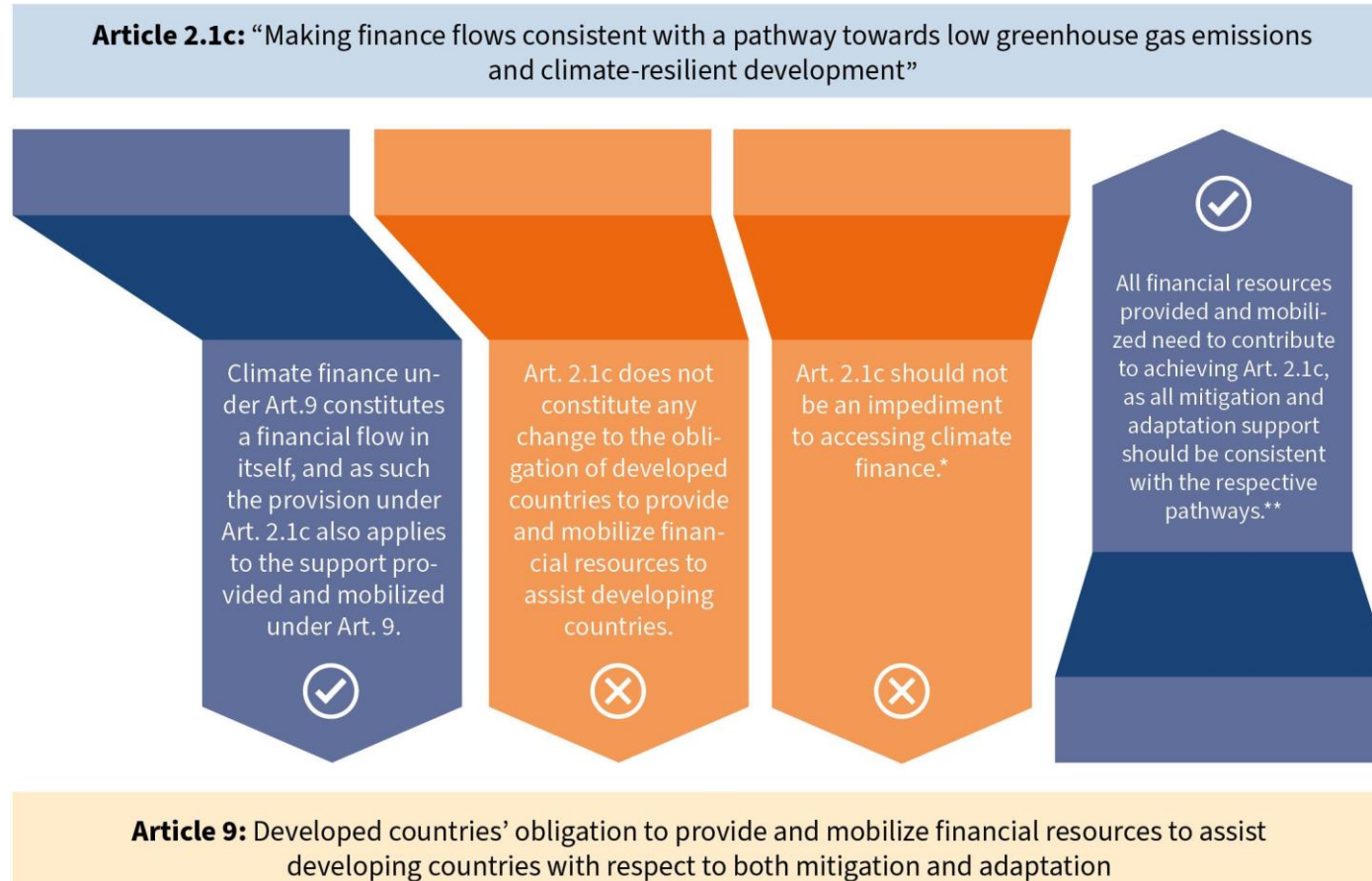
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Defining Article 2.1c

- Definition process could be a challenge (e.g. open process on a common definition of climate finance)
 - *Are there alternative / flexible approaches for more guidance on Art. 2.1c?*
- Debate on Art. 2.1c-compatible activities influenced by different economic and social circumstances of countries
 - *Can Parties build upon lessons learned from other processes? (e.g. EU taxonomy)*
- Question on the role of non-UNFCCC actors
 - *What platform to engage with a wider group of actors?*

2 Impacts on international (climate) finance flows

- Relation between Article 9 and Article 2.1c is unclear
 - *Assessment and clarification on the synergies and potential negative effects and how they can be addressed (see next slide for more details) to increase support for the implementation of Article 2.1c*
- Implementation of Article 2.1c can affect access to climate finance (e.g. re-accreditation processes)
 - *How can finance flows from climate funds be better used to accelerate the transition towards Article 2.1c (supporting countries in their transition towards making finance flows consistent with the Paris Agreement)?*
- *Transparency on climate risks can impact international investment flows to crises-prone countries (climate, debt, COVID-19)*
 - *International support by public institutions to climate-vulnerable countries in crisis becomes even more critical*



* As long as the entity displays a plan to make its portfolio progressively consistent with low GHG emissions and climate-resilient development pathway.

** This also entails resources that indirectly contribute to achieving Article 2.1c, by e.g. supporting the greening of the financial sector.

Source: CFAS

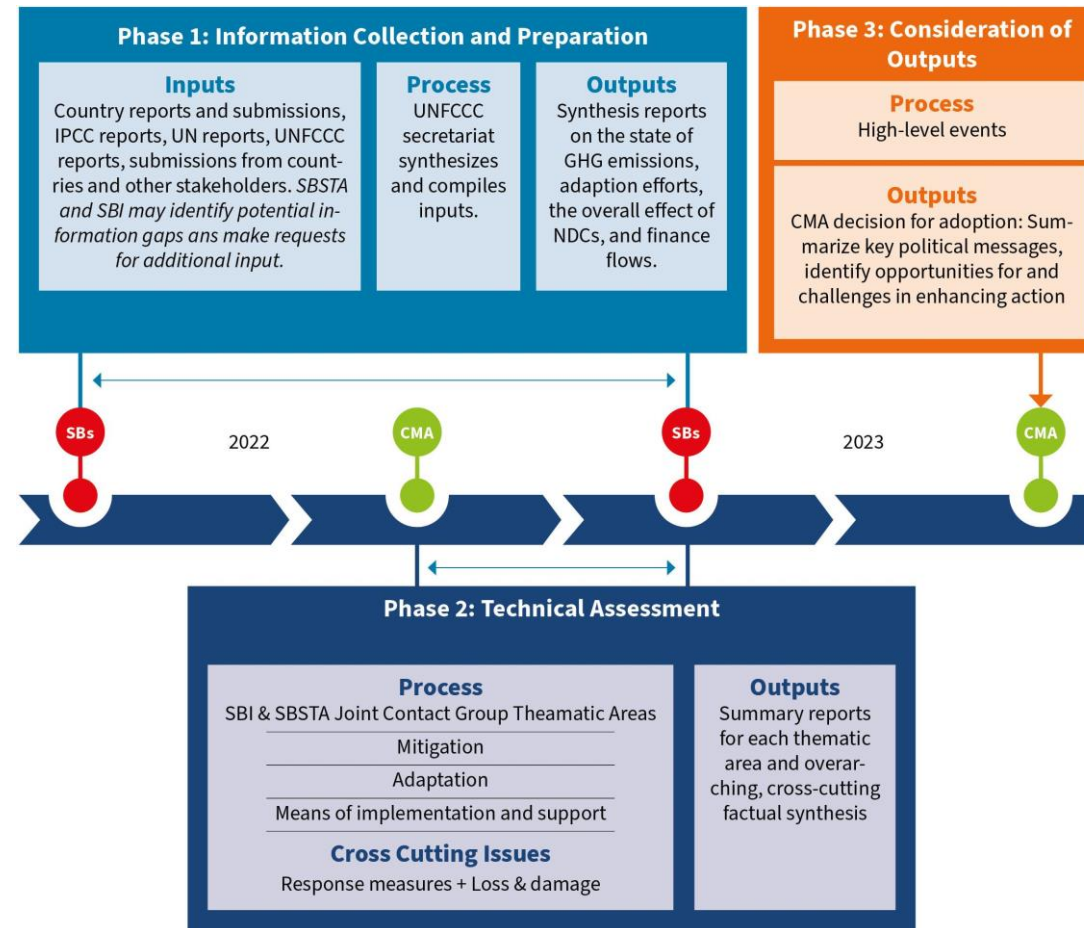
3 Pathways

- Debate on what constitutes an appropriate pathway
 - *Various pathways can be used as basis to derive benchmarks, exclusion lists etc.*
 - *1.5°C-degree pathways for countries as basis*
- Acknowledging different country-contexts (CBDR-RC)
 - *Different responsibilities for countries impact their pathways (e.g. net-zero dates)*
 - *Dependence on fossil fuel rents and jobs can inhibit action*
 - *Subsidies cover the costs of fossil fuel and make the transition seem more expensive*
 - *Redirecting finance flows to buffer impacts of dependency*

4 Tracking progress towards 2.1c

- The first GST in 2023 marks the event, where progress on implementing Article 2.1c, among the other objectives of the Paris Agreement, shall be presented and discussed.
 - *It is yet to be defined how reporting could be framed in relation to Article 2.1c*
- There is a lack of guidance in relation to which types of sources will be considered relevant information.
 - *SCF has been put into the position of delivering an initial mapping of relevant information on Article 2.1c. However, this has not been labelled as the official starting point for data collection for the GST (i.e. no mandate).*
- The decision on that matter shall be resolved in the first phases of the GST (Information Collection and Preparation, Technical Assessment).
 - *How can the Co-Facilitators for information on Art. 2.1c act on this process?*

Phases and timeline for the first GST in 2023



Source: Based on WRI n.d

General recommendations on a way forward for Article 2.1c

Leadership on interpreting Art. 2.1c

Parties eager to advance work on Art. 2.1c need to take the lead in suggesting potential **fora and elements** (e.g. actors, activities) to come to a joint interpretation of Art. 2.1c.

Involving non-Party stakeholders

As non-Party stakeholders also play a crucial role in the implementation of Art. 2.1c Parties should decide whether to **include these actors in a more structured way** (e.g. an open platform).

Assessing the relationship between Art. 9 and Art. 2.1c

While climate finance (Art. 9) contributes to Art. 2.1c, an alignment of financial sources should **not have negative implications on the volume and channels of direct support for climate actions** provided to the most vulnerable countries.

Increasing support for the implementation of Art. 2.1c

Support to activities contributing to the implementation of Art. 2.1c (e.g. **measures that then foster investments** in mitigation and adaptation actions) as well as on **tracking and reporting** progress towards it should be expanded.

Recommendation on Article 2.1c for COP26 negotiations

Art. 2.1c under the SCF agenda item

Under this agenda item, if adopted, **Parties** could reflect upon the mapping by the SCF in its Fourth BA report. Parties could consider **adding a mandate to the SCF** to work on guidance of Article 2.1c's interpretation.

Introducing a separate agenda item for Art. 2.1c

Instead of mandating the SCF, Parties could also decide on **initiating a separate agenda item on Article 2.1** to enable a broader discussion on surrounding questions (e.g. under CMA and "Matters relating to finance").

Clarifying the relationship between the post-2025 target and Art. 2.1c

Parties should reach a common understanding as soon as possible that **obligations under Article 9 prevail** and are not touched by Article 2.1c.

Preparations of the first GST

The **co-facilitators** of the technical assessment component of the GST could play a **leading role in further steering the organisation of tracking Article 2.1c**.



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Many thanks for your participation!

The policy brief will be published on the CFAS website: <https://www.cfas.info/en>

Presented by:



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