YOUNGO
FINANCE & MARKETS WORKING GROUP

Matters relating to the SCF – ways to achieve Article 2.1(c) of the Paris Agreement (FCCC/PA/CMA/2021/L.11, Para. 2)

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In relation to Article 2.1(c) of the Paris Agreement which emphasizes on making finance flows consistent with the pathway towards low Greenhouse Gas emissions and climate resilient development. Solutions to facilitate the realization of Article 2, Paragraph 1(c) can include but are not limited to;

1. There is currently not a clear nor shared understanding among actors of what Articles 2.1c means for climate policy development and/or implementation. This nods to its complexity and every-evolving nature. However, this also raises questions as to its implementation and evaluation in the lead up to the GST in 2023. As such, there is a need to more thoroughly address the term “financial flows”, which actors this applies to. As states are parties to the Paris Agreement, Article 2.1c indicates a need to engage a broader class of agents in its implementation, and this should be clearly and explicitly defined.

2. Additionally, there is a need to describe which activities by said agents are relevant to the implementation of Article 2.1c, taking into account regional, and contextual factors while taking care to ensure consistency across the board. Co-facilitators of the work relating to Article 2.1c should prepare their stakeholder engagement plans and activities with the stakeholders in questions, in due time, and with sufficient resourcing.

3. In the lead up to the GST, the baseline, and framework for defining said baseline of measuring progress should be clearly outlined. There is a need to monitor the financial flows but also to measure the distance to targets. Until now there has been no formal approach available for financial institutions to understand, measure, and set targets for how much “green” finance is required for mitigation, or how “brown” finance might need to be limited.

4. Once the nature of the article is defined, its potential implications on all financial flows should be investigated to avoid duplication, and enhance synergies.

5. Additionally, it is of great concern for developing countries to have Article 2.1c’s efforts separate from that of Article 9. Of further concern to developing countries is the potential for countries with high climate risk indices to bear the burden of mitigating climate risk.

6. Promoting climate related disclosure policies for big business, investors, financial institutions and other corporate bodies while pursuing efforts to mandate disclosure policies in a way that compels big business to disclose climate related risks and how it affects returns on investments, general business operations, general welfare of shareholders and other corporate stakeholders be they external or internal.

7. A set of approved climate related disclosure frameworks should be agreed upon such that there is no discrepancy in the data being provided. Examples include but are not limited to TCFD. Institutions like the Science-Based Targets Initiative should establish rules and methodologies to govern such issues, like accounting across asset classes and setting institution level targets.

8. In accordance with Article 2, paragraph 1(c), of the Paris Agreement, it is necessary to take into account international cooperation so that financial flows are effective, efficient and sustainable. For this reason, the effort and participation of all the actors of the international community are needed, such as companies (private sector), international organizations, not only States. An example could be South-South cooperation where developing countries come together to achieve common goals. This could help countries with similar problems to reduce greenhouse gas emissions more quickly and achieve more resilient development. against climate change. Also through triangular cooperation.

9. To add to the above, in harmony with Article 2 Paragraph 1(c) of the Paris Agreement, pursue efforts to champion sustainability and sustainable investments in order to divert finance flows from fossil fuel industries to low carbon industries while taking into consideration the volatility of markets and protection of returns on investments.

10. Furthermore, persuade countries to align finance flows in their future NDCs and foster a transparency framework to allow countries report on their progress in the sectors of channeling finance flows to the enactment and enforcement of climate-resilient fiscal policies aiming at decarbonizing economies on a national and in the medium term, global level. Decarbonize investment portfolios and encourage financial institutions, corporations, civil society organizations and individuals to mount pressure on their governments in delivering on their pledges to prioritize climate-resilient development in national budgets.

11. There needs to be an absolute degree of agreement among Parties so that public finance will be enough. Announcement by the European Investment Bank (EIB) has declared that doubling 50% of share of sustainable financing is not sufficient, therefore, investments from private sector is needed.

12. Agriculture, forestry, and other land uses (AFOLU) is still missing in the reporting on Article 2.1(c) in regards to the country reporting method on the consistent finance flows. AFOLU is linked to the economic value of the carbon stored. National indicators should

be implemented so the actions can be taken and opportunities be highlighted to bridge the gaps. This is essential to be incorporated into the Global Stocktake.

13. We would request the SCF to share the working documents related to Article 2.1c prior to the meetings. During the past three SCF meetings, YOUNGO representatives have received last minute meeting invites and documents being discussed during the meetings are not shared in advance. As such, this results in a lack of contribution from the youth stakeholders.