Submission by Norway on Article 2.1.c

Introduction and summary

In accordance with the call for submissions, Norway welcomes the opportunity to provide our view on ways to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, as expressed in Article 2, paragraph 1(c), of the Paris Agreement.

We would like to highlight that:

- **Article 2.1.c is a key enabler for article 2.1.a and 2.1.b of the Paris Agreement, which will need enhanced ambitions and policies together with an extensive mobilization of financial resources from both public and private sources.**

- **There is sufficient capital and liquidity to close global investment gaps, but there are barriers and lack of economic incentives to redirect capital to climate action.**

- **The UNFCCC has the potential to increase and enhance its impact by exploring solutions, methods, and tools to accelerate the mobilization of finance flows in line with the Paris Agreement.**

- **Norway suggest that there should be a space under the UNFCCC for discussing article 2.1.c. The nature and content of further work should be discussed in, or in relation to, the next Conference of the Parties.**

Achieving article 2.1.c

As the findings of the 6th Assessment Report of the IPCC clearly shows, we are not on track to reach the goals in article 2 of the Paris Agreement. There is an urgent need for increased action and for Parties to revisit and strengthen the 2030 targets in their nationally determined contributions as necessary to align with the Paris Agreement temperature goal by the end of 2022, taking into account different national circumstances. Limiting global warming in accordance with the Paris Agreement temperature goals demands major system transformations in all aspects of life, including in energy production and use, transportation, agriculture, and industry. Adaptation to climate change will be required everywhere, and adaptation efforts will need to increase strongly. Major challenges face the most vulnerable people with the fewest resources to cope with climate change.

Article 2.1.c is a key enabler for article 2.1.a and 2.1.b of the Paris Agreement. Backed by enhanced ambition and policies on mitigation and adaption action across all regions and sectors, we will need an extensive mobilization of financial resources from both public and private sources. Inter alia, the global response will need a widespread and strong redirecting of capital flows from emission-intensive to low-emission solutions, and planning and investing in climate resilience to avoid maladaptation.

Redirection of finance flows will need to be driven by increased ambition and supporting policies. Strong political signals backed by economic instruments, such as carbon pricing, will make greener solutions more profitable and incentivize investments in mitigation measures. Favoring investments in low-emission technologies and adaptation action are key. Collectively, we must revisit and strengthen our NDCs, work on our long-term planning and implement climate policies that can foster low-carbon development and resilience. This includes policies to reduce fossil fuels subsidies that hamper the shift to low- emission solutions, while addressing social issues and equity.

There is sufficient capital and liquidity to close global investment gaps, but there are barriers and lack of economic incentives to redirect capital to climate action. Addressing and identifying barriers and lack of incentives, as well as exploring the possibilities that climate action can provide in the different regions and sectors globally, will be important. We need approaches that accelerate climate action, while avoiding lock-in of emission intensive infrastructure and maladaptation.

While barriers exist across all regions, the challenge of closing the investment gaps is largest in developing countries. Addressing these barriers through international financial cooperation will be important in reaching the goals in article 2 in the Paris Agreement. This includes mechanisms to reduce risk and leverage private capital flows, and increased public-private cooperation.

Achieving 2.1.c also includes continued action to provide support to developing countries through public finance, and mobilized private finance, as expressed in the 100 bn USD goal.

Fortunately, accelerated climate action in mitigating and adapting can foster sustainable development. Ensuring access to affordable, reliable, sustainable, and modern energy for all, as well as reduced air pollution, increase economic activity and employment are all potential synergies from climate action.

Approaches and guidelines for implementation

We appreciate the work done by The Standing Committee on Finance (SCF) in mapping available information to date relevant to making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.

Going forward, we see a need for an approach that considers the breadth of levers that governments can deploy across financial policies and regulation, fiscal policy, public finance, and information instruments. We also acknowledge that there are several activities and actions that the private sector can undertake to contribute to this goal.

We would like to highlight that for the global financial system to be fully able to redirect more capital to low-emission and climate resilient infrastructure, increased awareness on disclosure and reporting of climate impacts and risks are essential. This can enable a broader shift in the financial system towards alignment with the Paris Agreement.

Norway is a supporter of the TCFD guidelines for climate risk disclosures. The Norwegian government expects that all large Norwegian companies report accordingly, disclose how their business impacts the environment, and how climate change impacts their business model. Improved disclosure on climate impacts and risks can help support the transition and avoid lock-in of high emissions.

In addition, we need tools and methodologies to measure the alignment of financial flows with the goals of the Paris Agreement. In 2021 the Norwegian finance sector participated in a voluntary study of the alignment of the financial sector using the Paris Agreement Capital Transition Assessment (PACTA) - methodology. In terms of assets under management, a majority of the Norwegian financial sector participated. Participating institutions received individual result while an aggregated assessment was made for the sector as a whole. Developing common international guidance and methods to measure climate risks and impacts of investments would make comparison between companies and portfolios easier and facilitate assessments of financial flows alignment with climate targets.

Going forward, we in particular see value in carrying out more studies on sectors across countries, including e.g. understanding better carbon leakage effects. We also see a need to test the development of simpler, timely and less resource intensive indicators for measuring and guiding Paris Alignment approaches. There is a particular challenge regarding mapping consistency towards climate resilience, as there are fewer indicators readily available here.

Further work under the UNFCCC

The UNFCCC has the potential to increase and enhance its impact by exploring solutions, methods, and tools to accelerate the mobilization of finance flows in line with the Paris Agreement. While UNFCCC already is an arena for such discussions, the scope and nature of the work can be enhanced. Giving the nature of the 2.1.c goal, the discussions on achieving 2.1.c should be complementary and support the discussions on achieving the 100 bn USD climate finance target. Norway suggest that the nature and content of further work should be discussed in, or in relation to, the next Conference of the Parties. The work could be linked to i.a. the mandated work of the Standing Committee on Finance, or through a work program with similar arrangement as the Nairobi Work Program. The work should have a specific focus on solutions and challenges, including how these differ between regions and sectors.