EIG Submission on views regarding ways to achieve Article 2, paragraph 1(c), of the Paris Agreement, including options for approaches and guidelines for implementation

The Environmental Integrity Group (EIG) comprising Georgia, Liechtenstein, Mexico, Monaco, the Republic of Korea and Switzerland hereby would like to share its views in line with the call for submissions in paragraph 2 of Decision 10/CMA3.

The EIG believes that the **implementation of the entire Article 2, paragraph 1** of the Paris Agreement is critical and that it will be essential to make financial flows consistent with a pathways towards low-emission and climate resilient development pathways (i.e. implementation of Art. 2.1c)), if we want to meet the global temperature goal and the global goal on adaptation.

To achieve Article 2.1c) we will have **to shift public and private investments** towards a low-emission and climate resilient development pathway. The most effective instrument to achieve this, is to **establish an ambitious and enabling climate and investment policy environment**, using instruments such as e.g. carbon pricing mechanisms or policies which provide enhanced investment security (e.g. feed-in tariffs). Policies, which destabilize the investment environment or drive investments towards high-emission technologies and infrastructure, such as **fossil fuel subsidies, will have to be phased-out as soon as possible**. It is also essential to encourage relevant climate finance providers to continue their work on enabling environments and increase collaboration with financial institutions to scale up private climate finance (e.g. through blended finance, capacity building, de-risking, etc.). This should include innovative solutions to finance adaptation.

We believe it is crucial that we **request enhanced action from the financial sector** driving and managing the majority of the global private capital by not only demanding an integration of climate risks in all investment decisions, but also requesting a significant reduction of the environment and in particular the climate impact of the global financial sector, and its positive contribution to sustainable development and the climate transition.

Promoting comparable transparency will be key to incentivize financial institutions to play their part in the climate transition. Now that an increasing number of financial institutions is announcing climate commitments, the focus will need to move toward ensuring comparable and verifiable transparency on impactful commitments, interim targets, and concrete internal processes underway. Such transparency is needed to assess the credibility and ambition of individual institutions, as well as to monitor their progress and level of alignment with the goals of the Paris Agreement. An international platform that compiles all the information in one place and makes it freely accessible would be a useful public good. Ideally such a platform would also require a minimum set of criteria for climate commitments of financial institutions and require minimal reporting and transparency standards (including comparable indicators to measure progress on implementation). The recently launched initiative for a global platform for transparency and accountability under the Glasgow Financial Alliance for Net-Zero could provide the starting point for such a global public good.

Financial institutions have a key role to play in promoting climate-aligned behaviors by engaging with their clients and the companies that they invest in. Providing clients with more forward-looking transparent and comparable information on the climate alignment and impact of their investments, will help clients take decisions with the climate in mind. Developing a common framework on what constitutes best practice transparency at the product level and that takes the entire economy into account will be key to ensure comparability. Financial institutions should also set clear expectations on environmental performance to investee companies by defining robust engagement strategies.

The EIG is of the strong opinion that **we will need a space to discuss the implementation and tracking progress towards the implementation of Article 2.1c) under the CMA and will therefore request a designated agenda item under the CMA** on Art. 2.1c). There are a lot of agenda items under the CMA, the COP and the CMP focusing on climate finance and the Financial Mechanism. But there is no agenda item to discuss the overarching goal of making all financial flows consistent with a low-emission and climate-resilient development pathway. The last Biennial Assessment of Climate Finance Flows of the Standing Committee on Finance showed that there is a lot of space for harmonization and a need to arrive at a common understanding on Art. 2.1c) and its implementation. We need a space to discuss the many open questions, such as: What would be the most suitable parameters and indicators to track our collective progress? How could we create a collective enabling environment for ambitious, comparable and verifiable climate commitments from the financial sector? What is needed to create the necessary global investment securities to drive the climate transition? How can we create policy environments, which drive and mobilize public and private investments for a low-emission and climate resilient development pathway? How can we ensure all countries benefit from such investments? Lastly, we also believe that the discussions under a new agenda item on the implementation Art. 2.1c) could provide an input into the deliberations of the new collective quantified goal for climate finance.