Submission from Norway on Article 2.1c of the Paris Agreement

Introduction

Norway welcomes the opportunity to provide our views in accordance with the call for submission. We note the outcome from CMA4, including "The Sharm el-Sheikh dialogue in 2023 between Parties, relevant organizations and stakeholders to exchange views on and enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement". We would like to refer to our previous submission on Article 2.1c from June 2022, which provides a more comprehensive view of this issue.

In this submission, we would like to highlight some of the roles and responsibilities different actors can play to achieve article 2.1c, but also give input to the scope and focus under The Sharm el-Sheikh dialogue.

Achieving article 2.1c

Norway sees Article 2.1c as a key enabler for article 2.1a and 2.1b 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. 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, including to avoid maladaptation.

For the public sector we highlight the need to deploy policy levers and create enabling environments:

- **The mobilisation and redirection of finance flows will need to be driven by increased climate ambition and supporting policies.**
- **Strong political signals backed by economic instruments, such as implementing carbon pricing, will make greener solutions more profitable and incentivize investments in mitigation measures.**
- **Eliminate harmful fossil fuel subsidies that hamper the shift to low-emission solutions, while addressing social issues and just transition.**
- **The G20 Sustainable Finance Working Group has called for better and more comparable information on finance sector performance. Governments have an important role in promoting international sustainable finance standards, engaging in formulating guidance and methods for measuring climate impacts and risks and set requirements for sustainability reporting, including climate related disclosures.**

The private sector plays an important role in mobilising and reallocating capital:

- **The financial sector has a key role in identifying the economic risks of climate change, and in mobilising investments in activities consistent with a low emission and climate resilient future.**

- **The financial sector can set climate commitments and publish transition plans, assess climate risks and join coalitions and initiatives that drive the transition.**
- **The financial sector should identify and can limit high-emission assets and activities and support capital allocation towards activities that support net-zero transition.**
- **Improved disclosure and reporting of climate impacts and risks is essential.**
- **Together with public and civil society actors, the financial sector should further develop robust and comparable metrics to better understand and monitor financial institutions' progress in implementing commitments.**
- **The sector can contribute to the mobilization of financial resources by developing new financial products, such as transition bonds, that can be scaled up.**
- **In particular, there is a need to improve the understanding and the alignment of investment mandates with climate resilient goals.**

Further work under the UNFCCC

The UNFCCC has the potential to increase and enhance its work on Article 2.1c this year through The Sharm el-Sheikh dialogue ('The 2.1c dialogue'). The dialogue should enable parties to discuss ways to promote and implement article 2.1c, exchange views and lessons learned. We should avoid to frame article 2.1c as a top-down approach to national policy setting, but rather deliberate further how to respond to the evidence base that shows that significantly scaled up efforts are required to meet the Paris Agreement and its long term goals. The work should have a specific focus on addressing and identifying barriers and lack of incentives for achieving article 2.1c, as well as exploring the possibilities for further action in the different regions and sectors globally.

We need tools and methodologies to measure the alignment of financial flows with the goals of the Paris Agreement. The Global Stocktake (GST) this year is a key opportunity to address needs with regard to methodologies, data and indicators in order to track progress towards Article 2.1c. The 2.1c dialogue is also an opportunity to discuss ways to track progress related to the article.

Given the nature of the 2.1c goal, the discussions on achieving 2.1c should complement and support the discussions on article 9. The scope of article 2.1c is wide and extends beyond the provision of international climate finance. However, continued and increased support under Article 9 is also part of achieving Article 2.1c. 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.

It is our expectation that the 2.1c dialogue this year will be followed by a dedicated agenda item for CMA5 that enables parties to continue the discussions on ways to implement article 2.1c.