



Submission by Belgium and the European Commission on behalf of the European Union and its Member States

Brussels, 02/04/2024

Subject:

EU's views on the issues to be discussed during the workshops of the strengthened Sharm el-Sheikh dialogue between Parties, relevant organisations and stakeholders to exchange views on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement.

The EU and its Member States welcome decision 9/CMA.5 to continue and strengthen the Sharm el-Sheikh (SeS) dialogue 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 referred to in decision 1/CMA.4, paragraph 68, including with regard to the operationalization and implementation of Article 2, paragraph 1(c).

We look forward to engaging actively with Parties and relevant stakeholders on this issue throughout 2024 and 2025, with a view to further advance in the operationalization and implementation of Article 2.1(c),

Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development is key to the implementation of the Paris Agreement as a whole. Meeting the climate mitigation and adaptation goals requires a holistic economic and financial strategy, bringing about a fundamental transformation of all economies and a major shift in the structure of the global economy, financial markets, and investments, mainstreaming climate change into economic and financial decisions domestically and globally, as well as into national budgets, the development finance system and the international financial architecture in general. Pursuing the objective of Article 2.1(c) is an integral part of pursuing ambition under the Paris Agreement. **Without decisive action and progress within this critical decade, it won't be possible to keep 1.5°C within reach.**

This global effort requires revising all domestic and international policies, actions, strategies, incentives and regulations that directly or indirectly impact finance flows. It is a key enabler and condition to mobilize finance at the scale needed to fully deliver a pathway towards low greenhouse gas emissions and climate-resilient development. Taking steps towards making all finance flows consistent with a pathway towards low greenhouse gas emissions



and climate-resilient development would need to include: 1) using fiscal and economic levers to shift and mobilise finance; 2) mainstreaming climate considerations into investment decisions, national budgets and fiscal and macro-economic policies and development cooperation; 3) mobilizing additional finance from all sources; 4) reforming the development finance system; 5) reforming the international financial architecture and regulations.

Mainstreaming reducing emissions to net-zero while increasing our resilience to climate change into economic and financial decisions domestically and internationally is the key principle to making progress to reach the objective of Article 2.1(c).

Putting a price on carbon and removing fossil fuels subsidies are key to reach the Article 2.1(c) goal, as well as implementing regulations that create the conditions to guide the private and financial sectors and improve transparency and accountability of the private sector, eliminating misleading environmental messaging across markets and addressing greenwashing and maladaptation. At international level, this objective also requires international cooperation, including for accelerating the reform of the International Financial Institutions and the international financial architecture.

Strengthening the SeS Dialogue

The dialogue in 2023 showed that a wide range of initiatives and actions implementing Article 2.1(c) is already happening, with associated opportunities and challenges, within the different country contexts. It also contributed to a better understanding of the potential role of the UNFCCC to promote further progress, e.g. through signaling effective options for policy action to domestic and international actors, and providing a platform for knowledge and experience exchange among Parties and other relevant stakeholders on progressing towards the implementation of Article 2.1(c). The renewed mandate from decision 9/CMA.5 already refers to some aspects which strengthen the dialogue – mandates that should be followed up:

- The dialogue will be chaired by two co-chairs instead of just one. This improves the ownership of results by all Parties participating in the dialogue;
- The dialogue shall also focus on “the **operationalization and implementation of Article 2.1(c)**”, beyond exchanging views and enhancing understanding of the scope of Article 2.1(c) and beyond its complementarity with Article 9.

The EU and its Member States believe that the SeS dialogue should be strengthened offering a multilateral forum of dialogue to making progress on technical discussions on implementing Article 2.1(c) actions.

Further, it should allow the identification of challenges and opportunities for both state and non-state actors, both domestic and international, and a discussion about innovation, collaboration and continuous improvement for making finance flows consistent with the Paris Agreement with a view to strengthen the global response to climate change in the context of sustainable development and efforts to eradicate poverty.



Topics for the workshops

The EU and its Member States look forward to hearing the views of Parties, relevant organizations and stakeholders on the issues to be discussed during the workshops.

In the EU's view, the strengthened SeS Dialogue should have two main workstreams, both of which support the operationalization and implementation of Article 2.1(c).

The **first workstream** should focus on 1) domestic practices (public and private), to re-orient domestic and attract international finance towards low greenhouse gas emissions and climate-resilient development pathways; 2) international initiatives whose aim is to contribute to the reform of the international finance landscape (transnational initiatives, G20 etc).

The **second workstream** should focus on the complementarity with Article 9, in the operationalization and implementation of the levers to achieve Article 2.1(c). This workstream should aim to consider initiatives scaling up the mobilisation of resources through the alignment/reorientation/reallocation of capital towards climate investments in developing countries, considering barriers and opportunities and capturing their differing national circumstances and evolving needs, paying specific attention to particularly vulnerable and highly indebted countries and to the dependence on fossil fuel consumption and production by the latter. It could also consider how better aligned financial flows benefit developing countries, while discussing relevant enabling frameworks.

Both workstreams should allow to share views and experience on:

1. Domestic/national measures to promote investments coherent with a pathway towards low greenhouse gas emissions and climate-resilient development and redirecting flows away from non-Paris aligned activities.
2. Collaboration between developed and developing countries: collaborative efforts to support capacity-building, technology transfer, and knowledge sharing in the field of finance, aiming to empower all countries to address climate challenges effectively, incl. on making the international financial architecture fit for purpose supporting the implementation of the Paris Agreement.
3. Transparency and reporting to ensure accountability on the implementation of Article 2.1(c), including taking stock of existing efforts, methodologies and modalities to report on consistent and non-consistent finance flows; how those modalities can inform the ongoing processes under the UNFCCC; how the enhanced transparency framework can benefit from tracking actions and measures to implement art. 2.1(c); how to avoid greenwashing and maladaptation.

The SeS dialogue should be in synergy with and might support, as appropriate, the UAE Dialogue on Implementing the GST outcomes (as per decision 1/CMA.5, paragraph 97), as well as discussions on the new collective quantified goal on climate finance, taking an integrated approach.



Format of the workshops

The format of the workshops should ensure open and inclusive participation of all types of actors. To ensure the greatest added value of the workshops, and the SeS Dialogue in general, we invite the co-chairs to identify:

- 1) Convergences in the wide range of initiatives and actions discussed in the SeS dialogue of 2023;
- 2) Elements in common with the different current international initiatives that could feed into the first workstream such as the Coalition of Finance Ministers for Climate Action, G7, G20 Task Force on Global Mobilization for Climate Action, the reform of MDBs, the Bridgetown Initiative, the summit on a new Global Financing Pact, the Task Force on International Taxation, and the Nairobi Declaration stemming from the Africa Climate Summit.

Finally, in order to have clarity on what will be discussed when, we invite the co-chairs to propose a programme for the workshops in 2024, including proposals on topics for each workshop, so Parties know that all topics will be discussed in due course. This will allow for a constructive discussion at each workshop and a meaningful outcome of the strengthened SeS Dialogue by CMA 6. We also suggest inviting new keynote speakers, moderators and panelists with respect to last year.