

Submission by the International Chamber of Commerce on behalf of UNFCCC Business and Industry Constituency

Sharm el-Sheikh Dialogue on the scope of Article 2, paragraph 1(c) and its complementarity with Article 9 of the Paris Agreement

The International Chamber of Commerce (ICC) is the institutional representative of 45 million companies, of all sizes and sectors and in 170 countries. ICC is deeply committed to the objectives of the Paris Agreement and has been mobilising business behind the goal of limiting global warming to 1.5 degrees Celsius and achieving net zero emissions by 2050.¹

ICC has served as the United Nations Framework Convention on Climate Change (UNFCCC) Focal Point for Business and Industry NGOs Constituency (BINGO) since the early 90s, providing technical expertise and real economy insights to the negotiations, but also exchanging with governments and all non-State-actors on opportunities and challenges to implement the Convention and the Paris Agreement, taking learnings into their local contexts and informing the development of strategies to achieve net zero.

ICC and BINGO applauded respective decisions 1/CMA.4, paragraph 68 and 9/CMA.5, paragraph 8 on the Sharm el-Sheikh Dialogue between Parties, relevant organisations 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. We welcome the appointment of Ambassador Mohamed Nasr and Gabriela Blatter as co-chairs of the Dialogue for 2024 and 2025 and extend our full support for successful deliberations.

In response to the call for submissions from the co-chairs on the scope of Article 2, paragraph 1(c), and its complementarity with Article 9 of the Paris Agreement in accordance with decision 10/CMA.5, paragraph 9, we are pleased to provide the following reflections and suggestions.

1. How could the Sharm el-Sheikh Dialogue be strengthened in your view?

ICC and BINGO recognise the significant scale of investments needed to keep the global average temperature increase to 1.5°C above pre-industrial levels², and to adapt to the adverse impacts of climate change and foster climate-resilient and low greenhouse gas

¹ This commitment was reaffirmed in the ICC Centenary Declaration in 2019, endorsing the Intergovernmental Panel on Climate Change findings on the urgent need to keep the global temperature increase below 1.5 degrees Celsius and making action on climate a central pillar of ICC's Global Strategy for this century.

² IEA, according to its Net Zero Roadmap estimates that clean energy investment from all sources needs to reach \$ 4.5 trillion per year by 2030 to limit warming to 1.5°C <https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach/executive-summary>

emission (GHG) development, including in the context of sustainable development and efforts to eradicate poverty. The Intergovernmental Panel on Climate Change (IPCC) explains in its AR6 Synthesis Report³: “There is sufficient global capital to close the global investment gaps but there are barriers to redirecting capital to climate action.”

In this context, deliberations and work conducted last year under the Sharm el-Sheikh Dialogue are an encouraging start with important key messages and elements⁴ that should be built upon with a view to further advance in the operationalisation and implementation of Article 2.1(c), and making all finance flows consistent with the Paris Agreement goals. In addition, we see an opportunity to strengthen the Sharm el-Sheikh Dialogue and broaden the discussion on different key areas, looking in particular at the following three priority issues:

- **Bringing further clarity and building common understanding**

ICC acknowledges that paragraphs 90 to 92 in decision CMA.5: (i) recognise the importance of making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development for the achievement of Article 2 of the Paris Agreement and that this goal is complementary to, and no substitute for, Article 9 of the Paris Agreement, which remains essential for achieving mitigation and adaptation goals in developing countries, (ii) recognise the need for further understanding of Article 2.1(c), including its complementarity with Article 9, and notes the limited progress towards making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, and (iii) decide to continue and strengthen the Sharm el-Sheikh dialogue between Parties, relevant organizations and stakeholders to exchange views on and enhance understanding of the scope of Article 2.1(c) and its complementarity with Article 9.

We emphasise the importance for the Sharm el-Sheikh Dialogue to advance discussions and work on this area and create a common understanding amongst all Parties and stakeholders. For business and industry, clarification and common understanding as to the scope of Article 2.1(c) and its interrelationship with Article 9 is essential. Building on the deliberations at the two workshops under the dialogue in 2023⁵, we encourage further discussions on whether or not Article 2.1(c) includes all finance flows, i.e., private as well as sovereign and development. The benefits of

³ IPCC, 2023: Summary for Policymakers. In: Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [Core Writing Team, H. Lee and J. Romero (eds.)] [IPCC_AR6_SYR_SPM.pdf](https://www.ipcc.ch/report/ar6/syr/spm/)

⁴ UNFCCC, Revised report by the secretariat, Sharm el-Sheikh dialogue (November 2023) https://unfccc.int/sites/default/files/resource/cma2023_07r01.pdf

⁵ UNFCCC, Revised report by the secretariat, Sharm el-Sheikh dialogue (November 2023) https://unfccc.int/sites/default/files/resource/cma2023_07r01.pdf

aligning all finance flows pursuant to Article 2.1(c), and how this complements and supports Article 9 should also be considered.

In this regard, the UN Convention on Biological Diversity Kunming-Montreal Biodiversity Framework⁶ Target 14, expressly recognises the need to: “[...] *progressively aligning all relevant public and private activities, and fiscal and financial flows with the goals and targets of this framework.*” Ultimately all finance flows, public (sovereign and development) and private, should align with low GHG emissions and climate-resilient development, in the context of sustainable development and efforts to eradicate poverty. Private sector and private finance should align in accordance with policies based on Parties’ Nationally Determined Contributions. Business and industry needs certainty as to scope and intent, and to see clear signals that move from the agreement of scope towards implementing policy to align financial flows in order to take their own necessary steps towards alignment.

This also requires formalisation and clear definitions of the concepts of “finance flows”, “climate finance” and “climate finance flows” for adoption in practice at international and domestic levels. Discussion and agreement on broader principles would provide a helpful foundation.

- **Increasing transparency of international and national (climate) finance flows**

In order to make all finance flows consistent with low GHG emissions and climate-resilient development, Parties and stakeholders also need transparency as to existing finance flows that currently do not align with the Article 2 goals, while taking into account those seeking to achieve a just transition. The Sharm el Sheikh Dialogue could be greatly enhanced by commissioning and publishing a mapping of financial flows across the whole global financial system, not just climate flows. That data can then support a targeted and measurable framework or principles to achieve their consistency with the goals of Article 2.

Parties should be able to assess finance flows across all government and public sector spending, including procurement, subsidies, fiscal policy, in order to explore alignment with NDCs and Article 2. National transition plans linked to the implementation of their NDCs could further assist to achieve alignment and pathways consistent with Article 2. We further see an opportunity for the Sharm el Sheikh Dialogue to contribute to and support discussions under the UAE Dialogue on Implementing the first Global Stocktake (GST) outcomes, in particular as countries prepare and implement their next NDCs, including through enabling policies and effective economic and financial mechanisms.

⁶ Kunming-Montreal Global Biodiversity Framework [15/4. Kunming-Montreal Global Biodiversity Framework \(cbd.int\)](https://www.cbd.int/15/4)

- **Considering the role of central banks, international financial institutions and regulators**

The broader international context and perspective on climate finance, beyond the UNFCCC process, including initiatives to transform the global financial architecture, must be taken into account. Building on the 2023 Sharm el Sheikh Dialogue and the UAE Consensus, we consider it valuable to focus on the role of Parties using their influence over central banks, Multilateral Development Banks and financial regulators in creating the necessary policy and regulatory enabling environment and incentives to support the alignment of financial flows with a pathway towards low GHG emissions and climate-resilient development, ultimately seeking to embed Parties' and stakeholders' common understanding within the international financial system.

The global business community, including the financial sector, is crucial in helping countries to understand existing opportunities and barriers for private investment in achieving Article 2 and Paris Agreement goals, including policies to attract the necessary investment to transform economies and achieve just energy transition, leaving no one behind, globally.

2. Which topics do you see as most relevant and helpful to be discussed in the context of the workshops as part of the dialogue

Based on the reflections presented above, the 2024 workshops should begin with a focus on:

- (i) clearly defining the scope of Article 2.1(c), that all finance flows, public and private finance, at the domestic and international level should progressively align with a pathway towards low greenhouse gas emissions and climate-resilient development, as well as the interrelationship of Article 2.1(c) with Article 9; and
- (ii) fully understanding the potential and key priorities for successful implementation and operationalisation of Article 2.1(c).

There should be a clear link to the work programme for the NCQG this year, with an aim to identify how the NCQG could act as a bridge towards achieving the Article 2 goals. Work under the Sharm el Sheikh Dialogue should also consider synergies, where appropriated, with the UAE Dialogue on Implementing the GST outcomes (as per decision 1/CMA.5, paragraph 97).

With regards to format, workshops should ensure open and inclusive participation of Parties and non-Party-stakeholders. The private and financial sector is particularly well placed to advance implementation of the Paris Agreement, bringing real-world expertise and experiences that can inform on opportunities and barriers for scaling climate finance, existing and innovative financing instruments. We therefore encourage the enhanced



engagement of business and financial experts in the 2024 workshops and stand ready to submit suggestions for such representatives.