Youth Climate Leaders' submission to the United Nations Framework Convention on Climate Change on the Sharm El-Sheik Dialogue on Article 2.1(c) on the Paris Agreement and its complementarity with Article 9 of the Paris Agreement

29th March 2024

Youth Climate Leaders (YCL) is an organization founded in Brazil and Portugal to equip young people with the needed tools to build and lead solutions to the climate crisis. We are an ecosystem that offers solutions to promote the employability of young professionals in climate and sustainability, acting through 3 pillars: education, networked climate action, and opportunities.

In a message to Parties and Observers on 7 March 2024, the co-chairs of the Sharm El-Sheik Dialogue invited Parties, constituted bodies under the Convention and the Paris Agreement, the operating entities of the Financial Mechanism, climate finance institutions, observers and observer organizations, and other stakeholders, particularly from the private sector, to submit via the submission portal by 31 March 2024 their views on the issues to be addressed during the workshops.

Youth Climate Leaders (YCL), as an official civil society observer of the UNFCCC, welcomes the opportunity to share views on issues to be addressed during the next workshop of the Sharm el-Sheikh dialogue.

Context of Article 2.1(c) and Article 9 of the PA

Primarily, we would like to highlight the importance of sustainable climate finance cooperation among diverse stakeholders from both public and private sectors, including North-South and South-South flows, as crucial towards climate resilient societies and a sustainable development that leaves no one behind.

Article 2.1 of the Paris Agreement sets 3 goals to achieve the main objective of “strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty”. Articles 2.1(a) and 2.1(b) phrase the importance of limiting the increase of the global average temperature to well below 2ºC and increasing the ability to adapt to the already inevitable impacts of climate change, as well as fostering low greenhouse gas emissions development, respectively.

Article 2.1(c) raises the necessity of a reform in the economy as imperative to raise ambition in the entire agreement. It states that finance flows need to be in line with the pathway towards low greenhouse gas emissions and climate-resilient development. However, for a complete and fair understanding of the objective set in Article 2.1(c), it needs to be interpreted in light of what is mentioned in 2.1(a) and 2.1(b), as well as Article 2.2, which refers to the implementation of the agreement to reflect equity and the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC).

Hence, Article 2 phases the needed global effort to face climate change, including financing, and the different responsibilities that developing (non-Annex 1 of the Convention) and developed (Annex 1 of the Convention) countries have in this pathway.

In complementarity, Article 9 of the Paris Agreement states that developed country Parties shall assist developing country Parties by providing financial resources and taking the lead in mobilizing climate finance from a variety of sources for both adaptation and mitigation strategies. It also takes into consideration the importance of public and grant-based resources for adaptation, based on the priorities and needs of developing country Parties.

Additionally, is important to recall the concept of historical responsibility, noted in the preamble of the Convention, which affirms “that the largest share of historical and current global emissions of greenhouse gases has originated in developed countries, that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs.”

Thus, Article 2.1(c) and its vision for more sustainable financial flows can not be interpreted solely, avoiding the unification of measurement policies that will not consider countries' different contexts, necessities, and limits. Apart from Article 9 and its calling for financial assistance from developed to developing countries, the principle of CBDR-RC (also reflected in Article 3.1 of the UNFCCC) is present throughout the entire agreement, namely in Article 4.1, recognizing that the peaking of greenhouse gasses will take longer for developing countries, and the rapid necessary reduction of emissions based on the best available science should also happen “on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty”.

Youth Climate Leaders’ Vision

Taking into consideration the two guiding questions provided by the co-chairs

- *How could the Sharm el-Sheikh Dialogue be strengthened in your view?*
- *Which topics do you see as most relevant and helpful to be discussed in the context of the workshops as part of the dialogue?*

we would like to highlight the following in terms of both the content and format of the workshops.

Content:

It is imperative to have a transparent, constant, and strict mechanism to monitor and report on the global finance flows, keeping in mind what was agreed in Article 2.1(c). However, taking into consideration the principle of CBDR-RC and the responsibility of developed country Parties to support developing countries with financial resources (Article 9) - as well as with technology development and transfer (Article 10), and capacity building (Article 11) - Article 2.1(c) can not be interpreted with a top-down approach that ignores the different contexts and responsibilities of Parties. Hence, finance flows in line with the Paris

Agreement means, ultimately, financing adaptation, mitigation, and loss and damage based on country-led necessities as the main strategy to globally confront the climate crisis.

Considering the diverse set of contributions to achieve Article 2.1(c) and respect the CBDR-RC principle, as mentioned above, Parties must agree on stopping financing fossil fuels, raising ambition on what was historically agreed on in the UEA Consensus at COP28. “Moving away from fossil fuels” is the first step in line with a new International Finance Architecture that supports the pathway towards low greenhouse gas emissions and climate-resilient development. Failure to stop fossil fuels subsidies and the continuous lack of funds for a green and just energy transition around the globe means failure with what was agreed in Article 2.1(c).

Additionally, referring to a report from Oxfam, Fernando Haddad, Brazilian Ministry of Economy, stated during the G20 meeting in February 2024 that nowadays the richest 1% of the globe own 43% of the world's financial assets and emit the same amount of carbon as the poorest two-thirds of humanity.[1] Thus, to fulfill the CBDR-RC principle and also guarantee that the finance flows are in line with the Paris Agreement, the poorest portion of the world can not keep paying for the consequences of a crisis that did not start with them.

Regarding that, according to the Global Tax Evasion Report 2024 by the EU Tax Observatory, the implementation of a global minimum tax on billionaires, equal to 2% of their wealth, would raise close to $250 billion (from less than 3,000 individuals) annually.[2] Moreover, the Report of the Independent High-Level Expert Group on Climate Finance from November 2022 estimated that developing countries will need substantial investments in the energy sector to progress on development objectives such as achieving universal access to energy. This implies that “a large part of the investment requirements in sustainable infrastructure for the *clean energy transition* are already embodied in the investment requirements in sustainable infrastructure for *development,* and only around $500-600 billion of the $1.3-1.7 trillion total annual financing needs for the energy transformation by 2030 will be additional investment.”[3] Hence, half of what is estimated as additional funds for developing countries to achieve low greenhouse gas emissions development (Article 2.1(c)) can be raised by taxing 2% of the wealth of 3.000 individuals.

In this context, recalling the 78/230 General Assembly resolution that emphasized the need for a “United Nations framework convention on international tax cooperation in order to strengthen international tax cooperation and make it fully inclusive and more effective” and also recognized that it will “help in accelerating the implementation of the Addis Ababa Action Agenda on Financing for Development and the 2030 Agenda for Sustainable Development”, Parties must unite in support of the implementation of this new framework convention, that will support the pathway for more sustainable climate finance flows.

Therefore, acknowledging the role of fairly taxing the richest 1% of the globe as a real strategy to mobilize funds for climate action, the implementation of a common framework for international tax cooperation is a crucial mechanism to raise funds and distribute it fairly to

[1] Oxfam Report ahead of the World Economic Forum 2024
[2] Global Tax Evasion Report
[3] Report of the Independent High-Level Expert Group on Climate Finance

the most needed sectors. We advocate that the implementation of this new convention and its role in facilitating the taxation of the richest 1% (and biggest emitters) is an important step in line with both Article 2.1(c) and Article 9 in terms of those most responsible for the climate crisis supporting and financing its solution.

Finally, we understand that a common definition of “climate finance” under the Convention is also crucial to guarantee common ground and better ways to measure the quality and quantity of sustainable climate finance flows.

Format:

Engaging non-party stakeholders, including but not limited to civil society organizations and the private sector is crucial for a better understanding and implementation of best practices related to Article 2.1(c) in complementary with Article 9. There should be space for these different stakeholders to share their views and perspectives on both how they are working to foster sustainable climate finance and how they view parties should address it - as the ones responsible for leading the way.

As a way to meaningfully engage different representatives, the workshops should aim to have small groups with guiding questions and the facilitation should work to make sure all stakeholders can interact in the discussion. The group division should consider regional and gender balance - and intergenerational equity should be taken into consideration throughout the entire workshop.

The dates and location of the workshops should be released as soon as possible considering the challenges that non-party stakeholders face with logistics and funds to attend events and conferences happening worldwide.

In conclusion, we would like to highlight that the delivery of Article 2.1(c) does not substitute in any way the delivery of Article 9 and that the workshops should aim for cooperation among Parties and non-parties stakeholders in order to rapidly start implementing policies that integrate the goals of both articles and aim for a new international finance architecture.

Youth Climate Leaders thanks the co-chairs for the invitation to share views on the workshops and look forward to seeing the best and most ambitious results on the next climate finance negotiations.