Submission on behalf of YOUNGO for the Sharm el-Sheikh dialogue on Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement

The Sharm el-Sheikh (SeS) Dialogues 1 and 2 provided a good introduction to the matter. However, we now need to allocate more time for discussion to reach common understanding among participants by reducing the duration of the panels. The structure of TEDs could serve as an example. Additionally, we must ensure a shared legal interpretation of Article 2.1(c). Like the other clauses within Article 2, Article 2.1(c) is a goal, with a timeline aimed at achieving the goals set in Article 2.1(a) and Article 2.1(b). Hence, shared understanding and operationalization of Article 2.1(c) is crucial to unblock the funds needed to fully achieve Article 2 - which can serve as a meaningful measure of success or failure to reach the goals of the Paris Agreement. We must also ensure having appropriate time and contact with the relevant decision-makers to discuss a matter as complex and urgent as the International Financial Architecture Reform. This discussion can not happen separately as enhancing understanding of Article 2.1(c) in complementarity with Article 9 provides important inputs to the IFA Reform and needed transformation of the financial flows in the direction of low greenhouse gas emissions and climate-resilient development.

Views on issues to be addressed during the SeS Dialogues:

High-level messages and plans to countries towards implementing Article 2.1(c) while facing challenges like debt traps:

- Financial strategies for implementing transition pathways away from high carbon emissions.
- Financial flows should not penalize countries for being vulnerable nor put forward undue conditions on the ODA/debt being channeled.
- Maintaining alignment of Article 4 and Article 9 of the Paris Agreement which reference the need to consider different countries paths to climate-resilient development and the financial assistance developed country parties shall provide to developing countries.
- Finance for climate resilience development should commit to concessional loans as opposed to non-concessional ones, to mitigate the worsening debt issues and climate vulnerability of the developing countries and the LDCs.
- There is an urgent need for a definition of climate finance, and what really is “alignment of financial flows the Paris Agreement”
- There is a need to break down the misconception that the added costs for developing countries in climate-resilient development will be significantly higher. Additional investment required to align energy systems with climate objectives is relatively low and needs to be integrated with the investments in basic development in EMDCs - like universal access to energy (IHLEG Report)

- Increase availability and transparency for investors to assess risk in developing countries, such as extending support to G20 discussions to provide public access of the Global Emerging Market Risk Database (GEMs 2.0) and, thinking about operationalising the use of the Net-zero public data utility

Linkage to the New Collective Quantified Goal and the UAE Just Transition Work Programme:

The linkage with NCQG is one of the key issues that need to be discussed to create synergies towards an ambitious global climate finance goal this COP29, and horizontal alignment across different UNFCCC work programmes. We believe that a contextual qualitative indicator of progress in achieving Article 2.1(c) in the NCQG framework would provide positive feedback signals to financial actors and progress to align financial flows. Some questions that should be asked are:

- How can we measure progress towards improving the quality and quantity of climate finance; and redirect financial flows towards low GHG and climate-resilient development?
- Ensure that the NCQG adequately links its implementation pathways and accountability mechanisms that integrate youth and intergenerational considerations, such as work of the UAE Just Transition Work Programme; taking into account the mechanisms of financial flows in a just and equitable manner.

Good practices for aligning institutional and collective efforts to implement Article 2.1(c):

- Clarify the roles of existing efforts of international coalitions to achieve shared efforts of aligning finance with the goals of the Paris Agreement, and enhancing those in developing country contexts. (e.g., V20 Climate Prosperity Plans by vulnerable countries, and Coalition of Finance Ministers for Climate Action)
- Improving and expanding stakeholder engagement to ensure the meaningful participation of women and youth in civil society in the budgeting process remains a challenge.
- Better alignment of national climate and development plans with needs assessments and institutional/market capacity for implementation of such plans.
- Building stronger partnerships to foster collaboration between government agencies, civil society organizations, and the private sector to advance gender-responsive and intergenerational climate action.
- Harmonization of national, local-level, and private-sector actors to align financial flows with the goals of the Paris Agreement
- Defining the role of litigation as a tool to hold state and non-state actors to account consistently.
- In the absence of formal accountability mechanisms like strong judicial systems, how can citizens hold state and non-state actors accountable for climate action, especially youth, indigenous, women, and other climate-vulnerable communities?

The role and reform of financial institutions for the implementation of Article 2.1(c):

- The discussion on the implementation of Article 2.1(c) should not be siloed from the discussions on the reform of the International Financial Architecture to improve the readiness of the global financial system.

- Private FIs have a fiduciary duty and it can be challenging to request them to forego these duties. Need more conversations on how to bring a balanced framework.
- Centering discussions on 'de-risking' and 'risk sharing mechanisms' to mobilize private finance.
- To reduce the twin issues of the environmental and debt crises in developing nations, innovative instruments such as 'debt-for-climate/nature' swaps can be implemented, which allow forgiving a portion of a country's debt in exchange for commitments to invest in vital climate adaptation and mitigation projects.
- Participation of private creditors has failed through the Common Framework and DSSI, and need to introduce regulatory measures for private creditors to participate in financial flows.
- Private creditors to offer climate-resilient debt clauses as proposed by the New Global Financing Pact.
- Credit Rating Agencies reform through decentralizing credit rating agencies from the monopolized industry. Extend support to the African CRA being proposed (reference).
- Develop long-term ratings catering to both economic and non-economic risks to reduce the short-term bias of financial markets.
- More oversight of systemically important institutions to account for climate change impacts and long-term sustainability (e.g., large asset owners like BlackRock and Vanguard, GSIBs, sovereign wealth funds, and pension funds).
- Pushing for institutions with patient capital, like pension funds and sovereign wealth funds in the development of sufficiently long-term investment strategies that adequately consider human rights through climate-resilient development and just transition considerations, including intergenerational equity and youth considerations

How to ensure gender and intergenerational responsiveness in the implementation of Article 2.1(c):

- What is the role of Gender Responsiveness considerations in policies to implement Article 2.1(c) in a national perspective? What synergies are being created? What policies are safeguarding the process?
- Stress the significance of capacity-building initiatives for better comprehension and execution of gender-responsive climate action.
- Highlight the crucial role of partnerships among governmental bodies, civil society organizations, and private enterprises to propel gender equality and bolster climate resilience.
- To what extent Article 2.1(c) policies include concepts of Intergenerational Equity? How can this be measured and reported? YOUNGO's forthcoming publication for the T20 proposes a youth-led policy guide to put intergenerational equity at the center of international finance architecture reforms (inspired by LSE publication on Initiating engagement on just transition policy)
- Entrenching intergenerational justice and equity into policies that last beyond political cycles and are integrated into NCDs/other commitments, including national and local levels

Use of blended finance in the implementation of Article 2.1(c):

What do successful Article 2.1(c) implementation outcomes and positive results look like for public-private partnerships (e.g., metrics and targets, KPIs)

- How do we effectively implement the recommendations of the IHELG group and track progress against these recommendations?
- How do we define qualitative progress for scaling blended finance and use of guarantees by countries to leverage and unlock private climate finance?