



NEW ZEALAND

Submission on issues to be addressed in the 2024 Sharm el-Sheikh Dialogue workshops as mandated in FCCC/PA/CMA/2023/L.12, para. 11.

May 2024

Key points

1. The extension and strengthening of Sharm el-Sheikh Dialogue (SeSD) was a key outcome of COP 28 that should lay the platform for long-term work by the CMA on Article 2.1(c) of the Paris Agreement. This should be informed by and be complementary with existing processes such as those under the G20 and MDB evolution.
2. The SeSD can be strengthened by securing broader participation from financial actors, working to a longer-term time horizon, focusing on implementation, and fostering solution-focused dialogue rather than negotiations during the workshops.
3. New Zealand proposes a range of potential topics for the workshops in 2024 that would support these proposed ways of strengthening the dialogue. They would also address issues not covered by the SeSD in 2023.
4. These topics pertain to adaptation, inclusivity, capacity building, domestic resources, scaling finance flows to developing countries, transparency, and the special circumstances of SIDS and LDCs.

Context

5. New Zealand welcomes the opportunity to submit views on the issues to be addressed as part of the Sharm el-Sheikh Dialogue (SeSD) in 2024. This is a critical year with the strengthening of the dialogue providing the opportunity to lay the foundations for future work under the CMA on Article 2.1(c) of the Paris Agreement.
6. New Zealand has full confidence in the co-Chairs to lead us through the work this year and congratulates them on their appointment.
7. This submission addresses the two questions provided by the co-Chairs: (1) how to strengthen the SeSD and (2) topics that would be relevant and helpful to be discussed in the workshops as part of the dialogue.

Strengthening the Sharm el-Sheikh Dialogue

8. New Zealand considers that there are multiple ways in which the SeSD can be strengthened. These include broadening participation in the dialogue, working with a longer-term horizon in mind, enhancing the focus on implementation of Article 2.1(c), and fostering an environment of solution-focused dialogue.
9. Broadening participation will help strengthen the SeSD as the workshops in 2023 were dominated by climate finance negotiators. It is critical that we better integrate actors in the real economy – where significant work on aligning finance flows with climate goals is under way. Securing greater participation of representatives from the finance and private sectors, MDBs, and ministries of finance (or other sustainable finance policymaking bodies) is critical to ensuring deliberations in the dialogues consider and engage with what is already occurring in the finance system. Their participation should also not be limited to giving presentations – they should be involved as active interlocutors with Parties in all aspects of the dialogue.
10. Organising the SeSD with a longer-term horizon in mind will strengthen it by ensuring it effectively contributes to enhancing long-term efforts in the CMA regarding Article 2.1(c). Last year, the SeSD was organised as a one-year endeavour, with few tangible outcomes that could be implemented or further advanced by Parties.
11. This year, the SeSD should be organised with a clear focus on the negotiations it will inform at CMA6 and CMA7 and on laying the groundwork for a long-term work programme on Article 2.1(c). This will need to take into account what is already occurring and in the mandate of other forums, such as the G20 and MDB evolution process, in order to ensure appropriate focus and complementarity for work under the CMA.
12. New Zealand thinks the SeSD can also be strengthened by having a much greater focus on the implementation of Article 2.1(c). Decisions at CMA5 broadened the scope of the SeSD to include a focus on implementation. While complementarity with Article 9 remains an important issue that can be addressed with the SeSD, we spent an entire year focusing on this in 2023. Putting a greater emphasis on the implementation of Article 2.1(c) this year would strengthen the SeSD and unlock more avenues for increasing ambition and action. Several of the workshop topics we suggest in the following section would enable this focus.
13. Finally, the SeSD can be strengthened by maintaining it as space of genuine dialogue, rather than oppositional negotiation. On several occasions last year, the workshops turned towards the latter, which is not their purpose and limited their productivity as some Parties simply repeated established national positions. A stronger and more effective dialogue would involve participants focus on solution sharing and identification. This is a direction all work under the Paris Agreement needs to head in as we enter its implementation phase and would help discussions of Article 2.1(c) become something that increases ambition and action of all countries.

14. There should be a significant focus across all workshop topics on sharing best practices and successful approaches and identifying common challenges and opportunities across different national and regional contexts. For example, it would be useful to discuss how policies such as sustainable finance taxonomies, emissions pricing, and climate-related financial disclosures have worked (or not) in different contexts, and what lessons could be learnt for similar and different environments.

Topics for the SeSD workshops in 2024

15. New Zealand proposes the following topics, in order of priority, for consideration as part of the SeSD workshops in 2024:
 - a) **Aligning finance flows with climate change adaptation and promoting climate resilient development:** This topic is important because climate finance flows have overwhelmingly gone towards mitigation. A dedicated space for this topic would allow Parties to unpack the challenges associated with directing finance flows towards adaptation and share best practices in doing so.
 - b) **Domestic resources in the context of implementing Article 2.1(c):** all analyses suggest domestic resource mobilisation is fundamental to achieving NDCs and NAPs. Given the limited attention to this to date, it would be valuable for a workshop to focus specifically on how to make domestic public and private finance flows consistent with pathways towards low emissions and climate resilient development.
 - c) **Making climate finance flows gender responsive and socially inclusive, including of Indigenous Peoples, workers, and people with disabilities:** to promote sustainable development, implementation of Article 2.1(c) must be inclusive. This is a cross-cutting issue of significant importance across all climate finance work and should feature prominently in the SeSD.
 - d) **Capacity building for the implementation of Article 2.1(c):** capacity building at multiple levels of government systems is required to effectively enhance and align climate finance flows. A workshop could usefully identify specific capacity building needs and approaches to addressing them. Specific attention should be paid to the needs of LDCs and SIDS
 - e) **Implementing Article 2.1(c) in the context of SIDS and LDCs:** the small economies and administrations of many SIDS and LDCs create uniquely challenging contexts for increasing private finance flows and making them consistent with low emissions and climate resilient development. It would be valuable for a workshop to focus on this specific challenge and identify approaches to overcoming these barriers.
 - f) **Reducing the cost of capital in developing countries:** one of the major reasons not enough private climate finance is flowing to developing countries is the cost of capital. A

productive workshop topic would involve identifying the drivers of higher capital costs and sharing approaches to successfully overcoming this to increase finance flows.

- g) **Transparency of implementation of Article 2.1(c) of the Paris Agreement:** this topic should address the challenge of monitoring progress towards making finance flows consistent with low GHG emissions and climate resilient development at a global level and a micro level i.e. tackling greenwashing.
- h) **Mutual supportiveness of Article 2.1(c) and Article 9 of the Paris Agreement:** This is an angle of the complementarity between the two articles that was not adequately addressed in 2023. A workshop could usefully unpack how the implementation of Article 2.1(c) through development of enabling policy environments can support greater Article 9 climate finance through unlocking more direct and flexible funding modalities.
- i) **Transition finance in the context of implementing Article 2.1(c):** achieving the goals of the Paris Agreement requires not just investing in new green assets but also investing in the transition of existing assets and businesses towards consistency with low emissions and climate resilient development. This is an emerging area of focus in sustainable finance and an important one for the CMA to be able to support.
- j) **Enhancing climate finance flows in the context of limited fiscal space:** limited fiscal space in many developing countries is an important barrier to scaling up finance for climate action. A workshop could usefully discuss strategies to improve fiscal space and enhance finance flows even in the context of limited fiscal space.