Submission of Fundación Ecología y Desarrollo (ECODES) on the Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c) of the Paris Agreement, and its complementarity with Article 9 of the Paris Agreement

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Context

As ECODES, we are deeply committed to advancing the Global Agenda of Climate Action and actively engaging in UNFCCC processes. Through *Comunidad #PorElClima*, we play a pivotal role in driving the implementation of the Paris Agreement in Spain. Our expertise spans diverse sectors—ranging from SMEs to healthcare institutions—where we focus on mitigation strategies, financial mobilization, carbon footprint assessments, climate bonds, and transition planning. Our work extends across Spain, Europe, and Latin America, enabling us to foster multi-stakeholder collaborations and develop innovative financial mechanisms that facilitate the transition to a low-carbon economy.

With over a decade of experience as an Observer in UNFCCC negotiations, we aim to contribute our insights to discussions on climate finance, drawing from practical experience and strategic engagement in financial mobilization for climate action. We firmly believe that the successful implementation of Article 2.1(c) of the Paris Agreement, which calls for aligning financial flows with low-emission and climate-resilient development, is inherently linked to the fulfillment of Article 9. The latter enshrines the obligation of developed countries to provide financial resources to assist developing nations in their mitigation and adaptation efforts. Without a robust operational framework for Article 9, the legal mandate of Article 2.1(c) risks being undermined, potentially jeopardizing global climate ambitions and disproportionately burdening developing countries.

Which topics and issues do you see as most relevant and helpful to be discussed in the context of the workshops in 2025?

A crucial issue is confirming and operationalizing Article 9.1 of the Paris Agreement. If Article 9.1 remains unfulfilled, the legal obligation for developed countries to provide financial resources to assist developing countries in mitigation and adaptation becomes meaningless. This would represent a significant regression from the commitments already made under the Paris Agreement.

A fundamental obstacle to operationalizing Article 2.1(c) is the lack of consensus on the meaning of "consistency." Countries use varying interpretations, including directing, aligning, shifting, or scaling financial flows. We consider that consistency refers to financing only sustainable, green, or climate-positive activities.

For Article 2.1(c) to be effective, countries must also address the issue of misaligned financial flows. A collective agreement is needed on how to phase down investments that are inconsistent with climate goals, such as fossil fuel financing, while balancing national development priorities. The challenge is ensuring this transition does not disproportionately impact economies dependent on fossil fuel-related revenues. This requires sectoral regulation, redirection of harmful subsidies, and increased transparency in financial reporting.

Workshops must also focus on ensuring that financial resources are adequately allocated across all key climate finance areas: mitigation, adaptation, and loss and damage. Current estimates suggest that between $5 and $6.9 trillion will be needed by 2030 (approximately $1 trillion per year) for developing countries to meet their climate commitments. The Standing Committee on Finance also has noted that national reports on financial needs are often incomplete due to a lack of tools and capacities to accurately assess costs in different countries. As such, actual financial needs are likely higher and will continue to increase as climate impacts worsen. To address these challenges, it is essential to explore mechanisms that leverage both direct and indirect climate finance. This includes phasing out fossil fuel subsidies and mobilizing new financial instruments such as levies on aviation, shipping, fuels, and carbon pricing, and wealth taxes on ultra-high-net-worth individuals.

Another key focus should be improving access to climate finance, particularly for Small Island Developing States (SIDS) and Least Developed Countries (LDCs), ensuring that these nations have equitable access to financial resources. To achieve this, the workshops must discuss strategies to facilitate access to non-concessional finance, reducing reliance on loans and increasing the availability of grants and direct support. This shift is necessary to prevent further exacerbation of debt burdens in vulnerable countries while enabling them to meet their climate goals.

Last but not least, Article 2.1(c) does not exist in isolation—it must be integrated with the broader financial architecture of the Paris Agreement, including the NCQG. The New Collective Quantified Goal (NCQG) was a success in terms of securing agreement from all countries, but its final outcome fell short of expectations. The workshops in 2025 must prioritize identifying clear pathways to mobilize and scale up climate finance beyond current flows, ensuring that the NCQG and the $1.3 trillion climate finance target do not merely redirect existing finance, but instead lead to additional and predictable funding.

Which stakeholders do you see as most relevant to participate in and contribute to the workshops in 2025?

For the successful implementation of Article 2.1(c) and Article 9, it is imperative that the workshops in 2025 bring together a diverse set of stakeholders who play a crucial role in shaping, deploying, and accessing climate finance. The complexity and scale of climate finance require collaboration between governments, financial institutions, civil society, and affected communities to ensure a fair and effective distribution of resources.

National governments must take a leading role in climate finance discussions. It is essential that both climate and finance ministers actively participate, as the allocation and mobilization of financial resources largely fall within the remit of finance ministries. The disconnect between climate policy and financial decision-making must be addressed to ensure climate finance is integrated into national economic planning.

Multilateral Development Banks (MDBs) are pivotal actors in the global financial system. These institutions shape financial flows through concessional lending, grants, and direct investment. MDBs must reform their funding structures to prioritize climate finance, ensuring that their financial instruments align with Article 2.1(c). Greater emphasis should be placed on reducing bureaucratic barriers and enhancing accessibility for vulnerable nations, particularly SIDS and LDCs.

Civil Society Organizations (CSOs) play a crucial role in ensuring transparency, accountability, and equity in climate finance. Their participation in the workshops will be essential in monitoring the commitments of governments and financial institutions, advocating for just climate finance policies, and ensuring that the voices of marginalized groups are adequately represented. CSOs also contribute expertise in assessing financial gaps, identifying alternative funding mechanisms, and proposing community-based solutions.

Private sector engagement is fundamental to scaling up climate finance beyond public funds. The mobilization of private investments for climate action requires clear regulatory frameworks, risk-reduction strategies, and incentives to shift capital flows toward low-carbon and climate-resilient projects. Financial institutions, investors, and corporations must be actively engaged in the workshops to discuss innovative finance solutions and strategies for aligning corporate investment with the objectives of the Paris Agreement.

Youth, local, and vulnerable communities must be at the centre of discussions, as they are the most affected by climate change yet often have the least access to financial support. Their inclusion ensures that climate finance strategies address the real needs on the ground and do not solely focus on large-scale infrastructure projects that may not directly benefit communities at risk. Mechanisms must be developed to enhance direct funding to grassroots initiatives and community-led adaptation projects.

Only through the active participation of these key stakeholders can the workshops in 2025 deliver meaningful progress on climate finance, ensuring that commitments translate into tangible financial flows that support a just and sustainable transition

Which other processes should we take into account in our work in 2025?

The year 2025 will be pivotal for shaping climate finance, as multiple international processes and negotiations will intersect with UNFCCC discussions. These events must be strategically leveraged to advance climate finance commitments and secure innovative, scalable, and equitable funding solutions.

- UN Framework Convention on International Tax Cooperation

Expected to conclude in 2027, this initiative presents a major opportunity to establish a fair and transparent global tax system. By addressing tax avoidance and mobilizing additional resources, this framework has the potential to unlock significant funding for climate finance. Environmental taxes and levies, including those on fossil fuel companies and carbon-intensive industries, should be considered as part of this international agreement to generate new and sustained revenues for climate action.

- Fourth International Conference on Financing for Development (FfD4)

Scheduled to take place in Seville from June 30 to July 3, 2025, the FfD4 Summit will be a crucial moment for international consensus-building on financial reforms. Discussions will center on global taxation policies, debt relief for climate-vulnerable nations, and innovative solidarity levies. The event will provide a platform for reinforcing commitments to climate finance and ensuring that global taxation reforms align with the objectives of the Paris Agreement.

- Greenhouse Gas Pricing Mechanisms in the International Maritime Organization (IMO)

The IMO's ongoing negotiations on greenhouse gas pricing in the shipping sector offer a critical test case for implementing a global solidarity levy. Establishing a uniform pricing mechanism on shipping emissions could set a precedent for similar levies in other carbon-intensive sectors, including aviation and fossil fuel production. The outcome of these discussions will be instrumental in determining the feasibility of integrating market-based measures into global climate finance strategies.

- Global Solidarity Levies Task Force

Led by Barbados, France, and Kenya, this initiative aims to secure political commitment for new climate finance sources by introducing a range of solidarity levies. The task force's efforts focus on practical and politically viable mechanisms, such as levies on aviation fuel, financial transactions, and ultra-wealthy individuals. Successful implementation of these measures would provide a sustainable, debt-free source of climate finance that aligns with the principles of equity and historical responsibility.

- Baku to Belem Roadmap to $1.3 Trillion

This UNFCCC-led process is designed to scale up climate finance commitments, ensuring that annual funding far exceeds the $300 billion baseline agreed at COP29. The roadmap will emphasize the need for diversified and reliable finance streams, including contributions from new taxation mechanisms and expanded public-private partnerships. Additionally, it will explore strategies to replenish and expand the Loss and Damage Fund, integrating innovative funding sources into a cohesive global finance framework.