



Canada's submission on the Sharm el-Sheikh Dialogue on the scope of Article 2, paragraph 1(c), and its complementarity with Article 9 of the Paris Agreement (2025)

Canada welcomes the opportunity to share its views on 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. Canada thanks the Dialogue's co-chairs for the improved process and gender parity at last year's workshops and encourages the continued enhancement of diversity, particularly from underrepresented voices such as those of Indigenous Peoples, sub-national actors, and civil society. The interactive dialogue format, where participants and panelists were able to exchange ideas, and the technical discussions on best practices and sharing concrete examples, were particularly helpful in facilitating constructive and fruitful discussions.

Discussions in 2024 explored in-depth Article 2.1c's scope, implementation, and complementarity with Article 9. In 2025, Canada looks forward to dedicating more time to discussing what the operationalization of 2.1c could look like under the Paris Agreement. As CMA7 will determine the path forward, this year's Dialogue must stimulate conversation on the value of Party engagement in the alignment of global finance with a more sustainable future. Canada requests the co-chairs provide the CMA with recommendations for long-term work on 2.1c under the Paris Agreement.

Topics for Workshops

Role of the Paris Agreement

The 2024 Dialogue highlighted ongoing efforts related to Article 2.1c underway outside of the Paris Agreement. Parties should work to establish the Paris Agreement as a convener on 2.1c implementation, including on providing guidance on the implementation of 2.1c and helping to reduce fragmentation. The 2025 Dialogue could therefore facilitate discussion on Paris Agreement mechanisms and processes that could increase transparency and establish and track action on 2.1c.

The first Global Stocktake provides a helpful framework for these discussions. For example, it recognizes the role of governments in sending clear signals to investors as well as the role of central banks and financial regulations in enabling climate-positive flows. Domestic rules and regulations help investors to make more informed decisions about climate risks and opportunities; these vary based on national circumstances. The Dialogue could facilitate discussion amongst Parties on how best to utilize tools within and outside the UNFCCC processes (e.g. national plans for climate mitigation and resiliency or specific policy measures) to give domestically appropriate direction to various actors in the finance landscape in aligning and reallocating flows toward climate goals, e.g. implementing the collective energy goals agreed under the first Global Stocktake, transition planning, regulatory frameworks, country investment platforms.

Transparency

The operationalization of Article 2.1c is incomplete without transparency on measures, as these uphold the integrity of Article 2.1c. The 2024 Dialogue explored a range of transparency tools used by governments, private sector, and financial actors. The 2025 Dialogue should build on these discussions by facilitating an exchange of lessons learned from these tools and identifying mechanisms within the Paris Agreement that can be used to improve transparency, and therefore

credibility of action on 2.1c. For example, sharing lessons on means to voluntarily report on 2.1c related sovereign commitments and actions, aligned with nationally determined pathways, and options for the Paris Agreement process to track actions on alignment. Improving transparency will also improve the assessment of progress toward 2.1c under the Global Stocktake and impact of alignment on real economy, i.e. a holistic and systemic view of country-level and global economic and long-term development trajectory, and economy-wide climate risks and opportunities.

Common principles

In 2024, the Dialogue highlighted a need for common principles, based on the best available science, global climate goals, and international standards and norms. Common principles would provide a general framework and benchmarking to avoid greenwashing and maladaptation, while respecting nationally determined pathways. Principles should consider challenges of vulnerable countries, just transition, sustainable development, and poverty alleviation, as well as gender-responsive and inclusive climate finance flows, ensuring the consideration of the rights, needs and perspectives of the people and communities on the frontlines of climate change, including Indigenous Peoples, workers, youth, and persons with disabilities.

While there is no one-size-fits-all, the 2024 Dialogue highlighted that there are opportunities for harmonization, such as of standards and metrics, that still respect bottom-up approaches. For example, the ASEAN regional taxonomy demonstrates commonalities of understanding and approaches while considering the different development stages of countries in the region. The 2025 Dialogue can examine regional taxonomies, Sustainable Development Goals, and the work of the International Sustainability Standards Board to identify common elements, principles, and benchmarks as best practices. In the long term, this can inform a common set of guidelines from CMA, to send helpful signals to the market and avoid fragmentation of standards, approaches, and interpretations.

Cross-cutting Topics

In recognition of the continued importance of several key issues explored in last year's Dialogue, Canada encourages integrating these as cross-cutting issues across all workshops.

This includes a continued focus on adaptation and resilience. Building on risks and barriers identified last year, the discussion can focus on how to manage climate-related risks impacting credit ratings, highlight investment opportunities in adaptation and resilience measures, and explore how best to integrate climate resilience into transition plans (both public and private). The discussions can also aim to identify common approaches to assessing climate resilience, considering various country contexts as well as targets and indicators of the Global Goal on Adaptation.

Further discussion is also needed on the unique challenges faced by small and vulnerable countries, in particular Least Developed Countries and Small Island Developing States, in implementing 2.1c. Discussions could include ways to facilitate enhancing the enabling environments to align and direct flows in developing countries with consideration to the specific challenges of vulnerable countries (such as debt, cost of capital, and limited fiscal space), including differing capacities and expertise in sustainable finance, as well as opportunities for capacity-building, technology transfer, and tailored solutions in fostering sustainable markets.

Global Financial Stakeholders

Canada encourages the co-chairs to maximize participation opportunities for a wide range of relevant actors, including relevant ministries, regulators, private sector actors, civil society, and constituencies representing climate vulnerable groups where possible, in order to gather input to enhance how Article 2.1c can serve both Parties and the private sector.

Canada recognizes the valuable work on providing technical assistance and capacity building being advanced by the United Nations agencies and initiatives (e.g. UNEP FI), multilateral development banks, international financial institutions, and initiatives like the Coalition for Capacity on Climate Action (C3A). The 2025 Dialogue could leverage their expertise on how best to support vulnerable countries to implement 2.1c. Similarly, the 2025 Dialogue provides an opportunity to engage academics and think tanks such as the Global Commission on the Economy and Climate on their recommended course of action.

Processes

Canada encourages the co-chairs to link with complementary processes to ensure cohesive and synergistic discussions on 2.1c. For example, South Africa's G20 Presidency aims to advance priorities on sustainable finance and private capital mobilization, including through the efforts to improve the international sustainable finance architecture and develop robust guidance on transition plans. The Fourth International Conference on Financing for Development also provides an important opportunity to discuss how to advance reforms of the international financial architecture and address structural and operational challenges in development finance. The wider scope of this forum can help to inform how the UNFCCC can link with the broader financial architecture and complement wider efforts.

Canada reiterates its appreciation to the co-chairs and UNFCCC Secretariat for organizing the Sharm el-Sheikh Dialogue. Canada looks forward to a collaborative deliberation and the outcomes of these workshops in strengthening our efforts to operationalize Article 2.1c.