YOUNGO
FINANCE & MARKETS WORKING GROUP

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 in 2023 and 2024 provided a good introduction to the matter. However, there is a need to allocate more time for discussion to reach common understanding among participants by reducing the duration of the panel sessions. 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 in a timely manner. 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 (IFA) which we believe is directly linked to the attainment or lack thereof of 2.1c. These discussions 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 the 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:

• Topics and issues most relevant and helpful to be discussed in the context of the workshops in 2025

Baku to Belem - Road to 1.3T: Considering the New Collective Quantified Goal (NCQG) negotiation outcomes from COP29, the linkage of 2.1c with the 1.3T roadmap is one of the key issues that need to be discussed to create synergies towards an ambitious roadmap. YOUNGO reaffirms the need for a transformative approach to climate finance that upholds the principles of intergenerational equity, transparency, and climate justice. The operationalization of Article 2.1(c) must complement, rather than dilute, developed countries' obligations under Article 9 and provide a clear pathway toward sustainable, equitable climate finance Therefore, the Baku to Belem Roadmap should support the goal of 2.1c while respecting Article 9. Building on the outcomes of the NCQG negotiations from COP29, which were highly unsatisfactory, ensuring a transparent and equitable approach to achieving $1.3 trillion in climate finance will be crucial. This roadmap must establish clear methodologies for tracking and ensuring that climate finance commitments are new, additional, and in line with Article 9 obligations. It should prioritize grants-based finance over loans to avoid increasing the debt burden on developing nations. The road to 1.3T should reflect some clear accountability mechanisms to ensure timely and effective disbursement of funds, with transparent reporting requirements for GN and recipient GS

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countries. Expanding financial instruments to include non-debt-creating mechanisms and considering special drawing rights, blended finance, and well-regulated, high-integrity carbon market mechanisms, derisking mechanisms aligned with intergenerational equity principles. While we do acknowledge that the public sector has a role to mobilise and redirect private finance flows, we are concerned that private sector contributions are replacing public finance obligations which leads to overreliance on non-signatories to the Paris Agreement. Thus, public finance must remain the backbone of climate finance, particularly for adaptation, mitigation, loss & damage, and just transition pathways. By ensuring the roadmap incorporates strong provisions for South-South finance and regional cooperation to support locally-led adaptation, mitigation and loss and damage efforts, focusing on this topic in the SeS dialogues will be advancing the goals of 2.1c in making finance flows consistent with lower GGE thereby creating more accessible and predictable funding pathways for vulnerable nations and fulfilling Article 9 as well.

International Financial Architecture Reforms: Effective implementation of Article 2.1(c) of the Paris Agreement depends on strengthening the International Financial Architecture (IFA) to ensure financial flows support low-emission and climate-resilient development. We call for better coordination between Multilateral Development Banks (MDBs) and IFA reforms to improve the efficiency of climate finance and its alignment with global commitments. Country-led platforms are essential in this process as they tailor financial mechanisms to national priorities, ultimately improving access to capital. A more cohesive approach among nations to these platforms is needed to accelerate the transition while ensuring financial and economic stability in both vulnerable and emerging economies.

Financial instruments within the IFA must be designed to avoid exacerbating debt burdens in developing economies. High borrowing costs and limited access to private climate finance—often due to low credit ratings and investor risk concerns—remain significant barriers.[1] Under Article 2.1(c) of the Paris Agreement, aligning financial flows with climate goals requires addressing these structural challenges. We call for the expansion of sovereign credit guarantees, blended finance, and risk-sharing mechanisms to improve capital affordability while mitigating financial vulnerabilities.[2] Additionally, strengthening financial markets, enhancing climate disclosures, and establishing transition taxonomies is also necessary to improve creditworthiness and attract investment, thereby increasing the accessibility of climate finance.

Needs of developing countries (Art.9): Ambition under Article 2.1(c) should not diminish the ambitions under Article 9 of the Paris Agreement. Linking Article 9's obligations to the discussions serve to highly reinforce developed countries' commitments in providing grants-based support and thereby aligning it with Article 2.1c's just transition.
Recalling Article 4.7 of the UNFCCC that states that the level non-Annex countries will commit to

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[1] Prasad, A., Loukoianova, E., Xiaochen Feng, A., & Oman, W. (2022). Mobilizing Private Climate Financing in Emerging Market and Developing Economies. Staff Climate Notes, 2022(007), A001. Retrieved Mar 1, 2025, from https://doi.org/10.5089/9798400216428.066.A001
[2] Garbacz, W., D. Vilalta and L. Moller (2021), "The role of guarantees in blended finance", OECD Development Co-operation Working Papers, No. 97, OECD Publishing, Paris, https://doi.org/10.1787/730e1498-en.

their climate policies depends on how Annex 2 countries will implement their finance commitments, we emphasize the historical and current responsibility of developed countries to pay grants-based climate finance to developing countries taking into consideration their needs and priorities. The private sector and ambition under 2.1.c is unlikely to provide an adequate amount of grants-based finance which is highly needed especially for adaptation, mitigation, and loss and damage. Therefore, Article 2.1c cannot exempt the Global North from its obligations to provide traditional climate finance even in the long term. The Global North needs to upscale their international public grants-based climate finance. To avoid an undesirable misapplication of Article 2.1c and Article 9 and to prevent Article 2.1c from diluting the accountability of Article 9 obligations, clear working definitions of climate finance - or an exclusion list Parties can work with, transparency, and accountability are needed. The clear separation of the Articles is necessary in cross cutting thematics to allow a fair result while not overlooking their complementarity. The lack of common understanding of 2.1c, a lack of a working definition of climate finance, the exclusion of Loss and Damage in Art. 9, and an insufficient NCQG Agreement will just keep diluting Global North's responsibilities towards the needs and priorities of developing countries in facing the consequences of the climate crisis and working for a just transition.
The youth underscore the importance of maintaining a distinct and robust framework under Article 9 including Loss and Damage and outlining a clear working definition of climate finance, while advancing a transformative agenda under Article 2.1c that respects the fundamental responsibilities and financing needs in the global response to climate change.

Different roles of the Private and Public sector: Aligning financial flows under Article 2.1c requires a clear distinction between public and private sector roles to prevent economic disparities, maintain policy autonomy, and uphold a just transition. While the public sector can mobilize and redirect private finance, this must happen through strong regulatory frameworks to prevent deregulated capital flows from prioritizing profit over equity and undermining climate justice. Private finance must complement, not replace, public finance obligations under Article 9, particularly for adaptation and loss and damage. To mobilize private finance, Parties must integrate climate risk into financial decision-making through robust sustainable finance frameworks, mandatory climate and environmental risk assessments, and clear accountability for financial claims. Multilateral Development Banks must play a stronger role in de-risking sustainable investments, ensuring that adaptation and loss and damage finance are not neglected. To redirect private finance, Parties must phase out fossil fuel subsidies, mandate corporate transition plans aligned with 1.5-degree pathways, and close tax loopholes that allow big polluters to avoid accountability. This includes carbon pricing, global minimum corporate tax rates, and a climate finance share in international tax agreements. Tax reforms can be a powerful tool to scale up funding for adaptation and loss and damage, which remain underfunded due to the lack of a clear business case.
A working definition of climate finance is essential to distinguish the role between private and public sector and will help define the 'wide variety of sources, public and private, bilateral and multilateral, including alternative sources' mentioned in the NCQG Decision-/CMA.6. With a clear distinction between public and private climate finance, Parties can establish quantifiable and traceable targets for each.

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Decarbonization and Just Transition: Article 2.1(c) should not focus solely on just transition pathways to decarbonise as this will leave most of the vulnerable communities behind. We call for a just transition pathway for adaptation, loss & damage and ecosystem restoration that includes women, Indigenous Peoples, youth and children, people with disabilities, migrants and refugees, in decision-making, and takes their needs into account.

a. Developed countries need to take accountability for both historical and present day emissions that impact the earth. A recent study by NASA's Global Modeling and Assimilation Office[3] has depicted that the majority of emissions causing Climate Change come from the "Global North". Developing countries in the Global South experience the majority of the consequences ranging from cyclones to heat waves, loss of crops etc. Therefore the developed nations that have produced the most emissions in the Global North bears more responsibility to provide climate reparations to developing nations, which will be facilitated through the NCQG and loss & damage funding, which should come primarily through public funding sources. We also recognise the importance and impact of South-South finance flows in reaching the goals of the Paris Agreement, yet growth in these flows should not replace the need for increased North-South flows.

b. Parties should reorient fiscal policies to shift subsidies and incentives away from fossil fuels and into investments that will accelerate the transition to net-zero and climate-resilient development. Therefore, we call for phasing out all fossil fuel subsidies, replaced by green subsidies that will enable financial flows aligned with the Paris Agreement and SDGs. These may include infrastructure to enable renewable energy buildout and adoption of electric transport, those like the Inflation Reduction Act in the United States. Within these fiscal policies and appropriate incentives, there should be appropriate funding and policies to ensure a just transition, protecting workers and vulnerable groups like youth who will need the training and resources in the new green economy. For example, transition funds must reach workers in heavy polluting sectors to provide compensation and training in technology related to the low-carbon transition. Young people should be provided education, training and job opportunities by governments and companies to be upskilled in green technologies. Another good example from the United States is the American Climate Corps which provided 20,000 jobs and training to young people in new climate jobs. We encourage Parties to make

[3] Atmospheric Carbon Dioxide Tagged by Source – NASA's Scientific Visualization Studio: https://svs.gsfc.nasa.gov/5110

reference to the publication by The World Bank on 'Detox Development: Repurposing Environmentally Harmful Subsidies'. The report fills in the knowledge gap on fiscal policies and provides insights on reforming the subsidies in a more efficient and equitable way. Parties should be held accountable for repurposing subsidies that are harmful to nature under biodiversity finance targets.

c. Financial incentives for decarbonisation, mitigation and adaptation must be re-aligned globally to incentivise a shift from fossil fuel reliance to more climate resilient and innovative sectors.. Currently, global financial incentives remain skewed towards fossil fuel use and countries who depend largely on them for revenue have little incentive to transition away from these.
d. Developing countries without the capacity to do so should receive subsidies to support this transition (while also considering challenges of corruption and inefficient flows of finances). We push for robust monitoring and evaluation processes to be embedded in green financing that encompasses reporting of qualitative and quantitative information on a biennial basis. Developed countries should aid developing countries with technology transfer to help them transition away from fossil-fuel reliant sectors. Aid in technology will also help ensure empowerment and economic opportunities for local communities, which further supports a just and equitable transition. Parties must further remain cognizant of the fact that fossil fuel is a finite resource and it is in their benefit, and for that of future generations, to champion transition efforts early on.

e. When it comes to Climate Justice, parties should have world-class standards to allow all stakeholders to have the ability to define and compare climate-related data. This could be the Sustainability Accounting Standards Board (SASB) Standards from the International Financial Reporting Standards (IFRS), the framework of the Task Force on Climate-related Financial Disclosures (TCFD) and/or better standards. Additionally, they need to agree on how the reporting of climate-related data be done at the country, sector, entity, and asset levels to close the data gaps that will help assess the required financing needed for climate adaptation, risk assessment, decarbonization, and transition. Furthermore, how can parties implement mandatory policies at all levels to support this? And What system changes are required to ensure additional and consistent financial flows toward low greenhouse gas emissions and climate-resilient development?

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- How can the reporting of climate-related data be done at the country, sector, entity, and asset levels to close the data gaps that will help assess the required financing needed for climate adaptation, risk assessment, decarbonization, and transition? Additionally, how can parties implement mandatory policies at all levels to support this?
- What system changes are required to ensure additional and consistent financial flows toward low greenhouse gas emissions and climate-resilient development?

• Most relevant Stakeholders to participate in and contribute to the SeS workshops in 2025

To ensure an inclusive and effective dialogue on shaping financial flows in response to climate challenges, it is crucial that the workshops incorporate a participatory process. A diverse and representative set of stakeholders is essential to ensure the 2025 SeS dialogues yield meaningful outcomes. By incorporating voices from civil society, academia, and financial institutions, the dialogue can be both inclusive and data-driven. Ensuring that youth, frontline communities, and expert institutions contribute will enhance the effectiveness and equity of climate finance flows globally while prioritising data-driven insights and equitable implementation strategies.

Below is a categorized list of the most relevant stakeholders who should be engaged in the 2025 SeS workshops:

Civil Society Organizations (CSOs): Essential for representing grassroots concerns and advocating for equitable climate finance distribution.

Frontline Communities: Those directly experiencing climate impacts must be central to the conversation.

Youth Representatives: Young leaders bringing fresh perspectives and are key to ensuring intergenerational equity in climate finance e.g YOUNGO.

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Climate Action Tracker (Climate Analytics and NewClimate Institute): Provides independent scientific analysis on climate action and policies.

London School of Economics (LSE) / Grantham Institute: A leading research institution on climate finance and policy.

World Resources Institute (WRI): Offers critical data and insights on climate finance mechanisms and their effectiveness.

Overseas Development Institute (ODI): Conducts policy research to inform and improve climate finance strategies.

ETH Zurich: Climate Finance and Policy Group: Specializes in analyzing and shaping sustainable finance frameworks.

Talanoa Dialogue: A platform for inclusive dialogue that fosters collaboration and understanding in climate finance discussions.

Multilateral Development Banks (MDBs) and Financial Institutions: Key players in mobilizing and structuring climate finance across regions.

New Partnership for Africa's Development (NEPAD): Supports African-led development initiatives and climate adaptation projects.

Africa Adaptation Initiative: Focuses on mobilizing financial resources for climate adaptation efforts in Africa.

Financial Sector Deepening Africa (FSD Africa): Works to strengthen financial markets to support climate resilience and economic growth.

ClimDev Africa Special Fund (CDSF): A specialized fund promoting climate-resilient development in Africa

• Processes to be considered in the SeS dialogues of 2025

Debt and Climate Justice: The work of the SeS should consider a strong stance on debt relief, concessional finance, and innovative financial instruments such as Debt-for-Nature Swaps to ensure climate action does not increase the financial burdens on vulnerable countries. This is critical to aligning with Article 2.1(c) of the Paris Agreement, which calls for making finance flows consistent with a pathway toward low greenhouse gas emissions and climate-resilient development. Additionally, this work should complement Article 9 of the Paris Agreement, which emphasizes the obligation of developed countries to provide financial support to developing nations.

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In 2025, the SeS workshops should also take into account other key global processes, including the Global Stocktake (GST) by assessing progress towards achieving the Paris Agreement goals and Adaptation Finance thereby ensuring adequate financial support for nations facing irreversible climate impacts.

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