CENTER FOR CLIMATE AND ENERGY SOLUTIONS

INTERNATIONAL

Assessing progress under the Sharm el-Sheikh Dialogue on Article 2.1(c) and its complementarity to Article 9

Discussion Paper

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Center for Climate and Energy Solutions

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A. Summary

1. Parties have discussed their views on the scope of Article 2.1(c) of the Paris Agreement and its complementarity to Article 9 through the Sharm el-Sheikh Dialogue (***SeSD***) in four workshops since 2023. While understanding of the issues may have increased, no common understanding has yet been established. Parties are slated to determine a way forward on the dialogue at COP30.

2. To maximize impact, the two SeSD workshops scheduled for 2025 must address the climate finance landscape, including cuts in climate finance and overseas development aid.

3. This paper responds to a call for submissions to the UNFCCC regarding the topics for the 2025 SeSD workshops. Key suggestions include: greater emphasis on finance for climate resilience; Party capacity-building support to engage climate finance taxonomies; addressing anticipated trade-offs in domestic economic contexts to align finance flows; the role of the operating entities of the Financial Mechanism; strengthening signaling on SeSD matters to external stakeholders; further discussion of how progress towards Article 2.1(c) implementation can be measured; and discussing whether the SeSD should continue.

4. Some overlap may be seen in the work of the SeSD and the Baku to Belém Roadmap to $1.3T. Parties could usefully consider the relationship between these workstreams and examine opportunities to reduce duplicative efforts.

Questions for consideration

- In what ways has the SeSD effectively increased discussion or improved understanding of the scope of Article 2.1(c) and its complementarity with Article 9 of the Paris Agreement?
- What work remains to be completed by Parties to achieve the objectives of the SeSD?
- What should the be relationship, if any, between the SeSD and the Baku to Belém Roadmap?

B. The Current Context of Finance for Climate Action

5. Over the past year, changes in government leadership across developed countries have led to a number of announcements and proposals for significant reductions in financial commitments for climate action and development initiatives.[1,2,3,4]
6. In this context, what could the outcome from Belém usefully say on finance for climate action? How is the shortfall in climate finance contributions going to be addressed? Will other Parties be able and willing to fill the finance and leadership gap?
7. From the perspective of real-world impact, the two workshops scheduled for the Sharm el-Sheikh Dialogue ahead of COP30 would be most useful and practical if conducted to address this context.

C. Progress Under the Sharm el-Sheikh Dialogue

8. Article 2.1.(c) of the Paris Agreement (***PA***) states that the PA "*aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by: […] (c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.*"[5]
9. At COP27, Parties decided to launch the SeSD and hold two workshops in 2023 "between Parties, relevant organizations and stakeholders to exchange views on and enhance understanding of the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement."[6]
10. Key recommendations from the 2023 SeSD report[7] included: (i) developing a common understanding of the scope and implementation of Article 2.1(c); (ii) implementing Article 2.1(c) in a manner that fosters international cooperation; and (iii) inviting the CMA to continue the SeSD.
11. Parties at COP28 agreed with the recommendations of the report and moved to "continue and strengthen" the SeSD through 2025, expanding the dialogue's objective to include discussion "with regard to the operationalization and implementation of Article 2.1(c)."[8]
12. At COP29, the co-chairs' 2024 summary report[9] was "note[d] with appreciation"[10] by Parties. The report identified several central takeaways from the 2024 workshops, including: (i) the helpful use of new modalities, particularly the interactive exchanging of examples, case studies and best practices; (ii) the opportunity created through the workshops to take stock of the many ongoing efforts of actors related to Article 2.1(c) and the climate-consistency of finance; (iii) the challenge presented by the level of technical detail at workshops which made it difficult for some Party delegates to meaningfully engage, and the advisable inclusion of more representatives of ministries of finances; and (iv) the importance of creating a space of mutual trust and learning.
13. Outside the SeSD, the Standing Committee on Finance has continued to conduct different analyses of information relevant to Article 2.1(c) through various mandates, including the Biennial Assessment and Overview of Climate Finance Flows (***BA***),[11] as well as a synthesis of views of Party and non-Party stakeholders relevant to Article 2.1(c).[12,13]
14. Despite these efforts, the objectives of the SeSD have yet to be achieved and key questions remain unanswered. While Parties have made some headway in articulating and better understanding each other's views through the SeSD workshops, they have not established a common understanding of the scope of Article 2.1(c). Annual reports of the SeSD have noted with concern the limited understanding of and progress towards making finance flows consistent with the PA.

D. Expectations for COP30

15. Parties agreed that they would "decid[e] on a way forward with regards to deliberations" on the SeSD at CMA7,[14] so it will be incumbent on Parties in November 2025 to determine what is to become of the dialogue as well as any further work on scoping the role of Article 2.1(c) and its complementarity with Article 9 of the PA.
16. Should the dialogue continue in its current format? Experience would suggest that extending the dialogue could usefully allow Parties to continue to exchange ideas and improve understanding and technical capacity around finance flows.
17. A further possibility might be to explore new modalities, create a work programme, or elevate the issue on Article 2.1(c) and Article 9 through a dedicated high-level finance ministerial. Such options could allow for more opportunities to reach common understandings through a shift in format, though it might also mire Parties in unproductive negotiations. Whatever the outcome, it will be important for the SeSD co-chairs, Parties, and the Secretariat to consider how to acknowledge and summarize the work of the SeSD and how it might be referenced by or incorporated into other UNFCCC workstreams.

E. Questions for Consideration by the 2025 Workshops

18. In a February 2025 letter,[15] the co-chairs of the SeSD requested that Parties and other stakeholders, including observer organizations, provide submissions with a view to understanding which topics and issues that would be most relevant and helpful to discuss in the context of the SeSD workshops in 2025, taking into account and building upon deliberations under the dialogue in 2023 and 2024. With two workshops scheduled for 2025, the following might be considered for discussion:
    - In what ways can greater efforts to scale finance for climate resilience in public and private sector activity be centered?
    - How can interested Parties be offered capacity-building support to develop and engage in financial strategies, advancing just transition plans and pathways, and taxonomies aligned with Article 2.1(c) without imposing conditionalities for support?
    - How should the SeSD address uncertainties and trade-offs around domestic economic shifts anticipated to align finance flows with the Paris Agreement? In order to move forward SeSD discussions productively, these barriers must be addressed.
    - What role do the operating entities of the UNFCCC Financial Mechanism play in addressing the goals laid out in Article 2.1(c), if any?
    - How might the SeSD, or more broadly the CMA, send signals to finance stakeholders outside the UNFCCC in the public and private sectors regarding Article 2.1(c) implementation and the climate-consistency of finance? How can these signals be strengthened?
    - What further advancements can be made in determining how progress will be measured towards making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development? National and international methodologies continue to be inadequate. Will greater clarity on finance be forthcoming in Party Biennial Transparency Reports, and what can be done to support Parties in providing these figures?
    - How can Parties address the challenge that UNFCCC mandates do not extend to the wide range of actors and stakeholders responsible for driving the implementation of Article 2.1(c)?
    - Should a broader evolution of the SeSD be considered?

F. Exploring the Relationship Between the Baku to Belém Roadmap to 1.3T and Article 2.1(c)

19. With the adoption of the new collective quantified goal (***NCQG***) on climate finance at COP29, the Azerbaijani and Brazilian Presidencies have been tasked with preparing a report on the "Baku to Belém Roadmap to $1.3T" (***the Roadmap***) by COP30.[16] The Roadmap is meant to articulate a pathway towards achieving the goal of "scaling up financing to developing country Parties for climate action from all public and private sources to at least USD 1.3 trillion per year by 2035."[17]

20. Noting that the U.S. $1.3 trillion goal will be counted from all public and private sources of finance, the work that will be done on the Roadmap overlaps with the efforts of the SeSD to increase the scale of climate finance by improving the climate-consistency of finance.

21. It could be prudent for the Roadmap to address the work of the SeSD or, more broadly, the understanding of Article 2.1(c) by Parties. Though the NCQG decision does not explicitly reference the SeSD, the NCQG agreement recalls Article 2 of the PA in its entirety and affirms that the NCQG is aimed at accelerating its achievement.[18] In considering the relationship of these two workstreams, some key questions might include:

    - What benefits might there be in referencing the work of the SeSD in the Roadmap?
    - If discussions on the Roadmap consider progress made under the SeSD, should duplications and redundancies be addressed or removed from either process? If so, how might this be accomplished?
    - In ensuring that progress in scaling finance flows consistent with Article 2.1(c) can be tracked, similar methodology would likely prove useful in monitoring the achievement of the NCQG's U.S. $1.3 trillion goal. What common methodologies can be explored and harmonized?

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[6] UNFCCC, *Sharm el-Sheikh Implementation* Plan, Decision 1/CMA.4, ¶ 68 (March 17, 2023), https://unfccc.int/sites/default/files/resource/cma2022_10_a01E.pdf.

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[10] UNFCCC, *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*, Decision -/CMA.6 ¶ 3 (November 2024), https://unfccc.int/sites/default/files/resource/CMA_11%28h%29_SeS_Art2.1.pdf (Advance unedited version).

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[14] UNFCCC, *Matters relating to the Standing Committee on Finance*, Decision 9/CMA.5, ¶ 14.

[15] UNFCCC, *Message from the co-chairs of the Sharm el-Sheikh Dialogue on the scope of Article 2, paragraph 1(c) and its complementarity with Article 9 of the Paris Agreement*, (February 19, 2025), https://unfccc.int/sites/default/files/resource/message_to_parties_and_observers_message_from_the_co-chairs_of_the_sharm_el_sheikh_dialogue.pdf.

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[17] UNFCCC, *New collective quantified goal on climate finance*, Decision -/CMA.6, ¶ 7.

[18] UNFCCC, *New collective quantified goal on climate finance*, Decision -/CMA.6, ¶ 1.