Submission by the International Chamber of Commerce on behalf of UNFCCC Business and Industry Constituency

Sharm el-Sheikh dialogue on the scope of

Article 2, paragraph 1(c) and its complementarity with Article 9 of the Paris Agreement

The International Chamber of Commerce (ICC) is the institutional representative of 45 million companies in more than 170 countries. ICC is deeply committed to the objectives of the Paris Agreement and has been mobilising business behind the goal of limiting global warming to 1.5 degrees Celsius and achieving net zero emissions by 2050.[[1]](#footnote-1)

ICC has served as the United Nations Framework Convention on Climate Change (UNFCCC) Focal Point for Business and Industry NGOs Constituency (BINGO) since the early 90s, providing technical expertise and real economy insights to the negotiations, but also exchanging with governments and all non-State-actors on opportunities and challenges to implement the Convention and the Paris Agreement, taking learnings into their local contexts and informing the development of strategies to achieve net zero.

ICC and BINGO applauded respective decisions 1/CMA.4, paragraph 68 and 9/CMA.5, paragraph 8 on the Sharm el-Sheikh Dialogue between Parties, relevant organisations 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. We welcome the appointment of Ambassador Mohamed Nasr and Gabriela Blatter as co-chairs of the Dialogue for 2024 and 2025 and extend our full support for successful deliberations.

In response to the call for submissions from the co-chairs on the scope of Article 2, paragraph 1(c), and its complementarity with Article 9 of the Paris Agreement in accordance with decision 10/CMA.5, paragraph 9, we are pleased to provide the following reflections and suggestions.

1. **How could the** **Sharm el-Sheikh Dialogue be strengthened in your view?**

ICC and BINGO recognise the significant scale of investment needed to keep the global average temperature increase to 1.5°C above pre-industrial levels, and to adapt to the adverse impacts of climate change and foster climate-resilient and low greenhouse gas emission (GHG) development, including in the context of sustainable development and efforts to eradicate poverty.[[2]](#footnote-2) The Intergovernmental Panel on Climate Change (IPCC) explains in its AR6 Synthesis Report: ”There is sufficient global capital to close the global investment gaps but there are barriers to redirecting capital to climate action.”

In this context, deliberations and work conducted last year under the Sharm el-Sheikh Dialogue are an encouraging start with important key messages and elements[[3]](#footnote-3) that should be built upon with a view to further advance in the operationalisation and

implementation of Article 2.1(c), and making all finance flows consistent with the Paris Agreement goals. In addition, we see an opportunity to strengthen the Sharm el-Sheikh Dialogue and broaden the discussion on different key areas, looking in particular at the following three priority issues:

* **Bringing further clarity and building common understanding**

Further to paragraphs 90 and 91 in decision CMA.5, recognising the complementarity of Article 2.1(c) and Article 9, that they relate but are not the same, and the need for further clarity on their complementary, as well as building on the 2023 annual report[[4]](#footnote-4), we emphasise the importance for the Sharm el-Sheikh Dialogue to focus discussions and work on this area as a priority and create a common understanding amongst all Parties and stakeholders. It will be important to identify not only the areas of complementary between Article 2.1(c) and Article 9 but also to provide further understanding on the essence and nature of Article 2.1(c), its potential to contribute to the achievement of the broader Article 2 goals, Article 9 and the New Collective Quantified Goal (NCQG) on climate finance, as well as key priorities for its successful implementation and operationalization.

We would like to highlight in this context provisions included in the UN Convention on Biological Diversity Kunming-Montreal Framework, under Target 14 as an example that countries have supported in the biodiversity context: “[…] *progressively aligning all relevant public and private activities, and fiscal and financial flows with the goals and targets of this framework*.” Ultimately all flows, from public and private sources need to be consistent with pathways towards low Greenhouse Gas (GHG) emissions and climate resilient development (in the context of sustainable development and efforts to eradicate poverty). The private sector needs to be engaged in such alignment of all financial flows, mainly through implementing policy from countries’ Nationally Determined Contributions. Clear reference(s) to and definition(s) could provide the needed understanding, buy-in and send an important signal towards the implementation of Article 2.1(c).

We also emphasise in this context the need to work towards a formalisation and definition of the concept of “climate finance” and “climate finance flows” for its further recognition and use at the international level. A discussion and agreement on broader principles can provide a helpful foundation in this regard.

* **Increasing transparency of international and national (climate) financing flows**

In order to make all finance flows consistent with low GHG emissions and climate resilient development we need to understand not only what the private and public climate finance flows are but also what finance is flowing to low resilience and high GHG emissions activities that is misaligned with achievement of the goals of the Paris Agreement. This would also need to recognise those flows that relate to ensuring a just transition. The Sharm el Sheikh Dialogue could be greatly enhanced by commissioning and publishing a mapping of financial flows across the whole global financial system, not just climate flows. That data can then support a targeted and measurable framework or principles to achieve their consistency with the goals of Article 2.

For countries, thinking about not only climate finance but flows across all government and public sector spending – procurement, subsidies, fiscal policy, and exploring their alignment with NDC implementation will be important. A national transition plan as part of and in support of NDC implementation could be the vehicle to strategically achieve this alignment over time. Work in this area could also be an opportunity to consider how the Sharm el Sheikh Dialogue could contribute to and support discussions under the UAE Dialogue on Implementing the first Global Stocktake (GST) outcomes, in particular as countries prepare and implement their next nationally

determined contributions. In this context, it will be important to look at the enabling policies, economic and financial instruments that should be included in the NDCS, that can support the achievement of Article 2.1(c).

* **Considering the role of central banks, international financial institutions and regulators**

There is ultimately also a need to take into account the broader international context and perspective on climate finance and look at what is going on outside of the UNFCCC process regarding the transformation of financial architecture. Building on the report on the work carried out under the Sharm el Sheikh Dialogue in 2023, we consider that the Dialogue would greatly benefit from a focus on the role of central banks, Multilateral Development Banks and financial regulators in aligning financial flows with a low-emission development trajectory and climate resilience and issues of development and harmonisation of the international financial system for taking into account climate risks.

Inputs from and involvement of the global business community and the financial sector will be crucial in helping countries understand the current opportunities and barriers to scaling up private sector climate financing and the reform and policy change required to attract the level of investment needed in order to transform our economies globally and achieve a just energy transition, leaving no one behind.

1. **Which topics do you see as most relevant and helpful to be discussed in the context of the workshops as part of the dialogue**

Based on the reflections presented above, the 2024 workshops should begin with a focus on **identifying the areas of complementary between Article 2.1.(c) and Article 9**, as well as further **clarity needed on Article 2.1(c), its potential** **and key priorities for its successful implementation and operationalisation**. We further suggest a focus for work on all financial flows, not just public or climate finance flows.

There should be a clear link to the work programme for the NCQG this year, with an aim to identify how the NCQG that can act as a bridge towards the ultimate goal of achieving 2.1(c) but also the potential of Article 2.1(c) to contribute to the achievement of the new climate finance goal and broader . Work under the Sharm el Sheikh Dialogue should also consider synergies, where appropriated, with the UAE Dialogue on Implementing the GST outcomes (as per decision 1/CMA.5, paragraph 97).

With regards to format, workshops should ensure open and inclusive participation of Parties and non-Party-stakeholders. The private and financial sector is particularly well placed to advance implementation of the Paris Agreement, bringing real-world expertise and experiences that can inform on opportunities and barriers for scaling climate finance, existing and innovative financing instruments. We therefore encourage the enhanced engagement of business and financial experts in the 2024 workshops and stand ready to submit suggestions for such representatives.

1. This commitment was reaffirmed in the ICC Centenary Declaration in 2019, endorsing the Intergovernmental Panel on Climate Change findings on the urgent need to keep the global temperature increase below 1.5 degrees Celsius and making action on climate a central pillar of ICC’s Global Strategy for this century. [↑](#footnote-ref-1)
2. IEA, according to its Net Zero Roadmap estimates in its that clean energy investment from all sources needs to reach $ 4.5 trillion per year by 2030 to limit warming to 1.5°C <https://www.iea.org/reports/net-zero-roadmap-a-global-pathway-to-keep-the-15-0c-goal-in-reach/executive-summary> [↑](#footnote-ref-2)
3. UNFCCC, Revised report by the secretariat, Sharm el-Sheikh dialogue (November 2023) <https://unfccc.int/sites/default/files/resource/cma2023_07r01.pd> [↑](#footnote-ref-3)
4. UNFCCC, Revised report by the secretariat, Sharm el-Sheikh dialogue (November 2023) <https://unfccc.int/sites/default/files/resource/cma2023_07r01.pd> [↑](#footnote-ref-4)