Realising a strong decision on Article 2.1c of the Paris Agreement at COP30

POLICY BRIEF, September 2025

In Article 2.1(c), Parties to the Paris Agreement agree to "[make] finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development." The context for Art. 2.1c are the preceding goals on limiting temperature rise to 1.5 degrees C (Art 2.1a), adapting, building resilience and pursuing low-greenhouse gas development (Art. 2.1b); and Art. 2.2 includes the principles of equity, common-but-differentiated responsibility (CBDR), respective capabilities and national circumstances.

Parties and stakeholders have now been engaging in the Sharm El Sheikh Dialogues on Art. 2.1c and its complementarity with Art. 9 since 2023. The second workshop of 2025 takes place in September before CMA7 and will be the last opportunity before COP30 for Parties to exchange views on Article 2.1c's scope and operationalization, ahead of a decision to be taken at CMA7 in Belém.

The context for the Dialogue and COP30 is challenging. The UNFCCC is facing increasing calls for reform, along with other multilateral institutions which are failing to deliver change at the pace required by global challenges. This is coupled with a transition in the UNFCCC regime. As the Paris Agreement rulebook is finalized, negotiations are shifting to focus on implementation, and the UNFCCC needs to change what and how it delivers. There are also challenges in the real economy including competing financial narratives and backsliding on Paris-alignment initiatives and regulation.

Ahead of a decision to be taken in Belém on Art. 2.1c, this briefing makes some recommendations on how Parties and stakeholders could shape a continued process on Art 2.1c, including objectives and format to prioritise. It considers space in the agenda, how to support implementation from the outset, and how to bolster the UNFCCC's mandate and coordinating role in the multilateral landscape.

Summary recommendations

At COP30 Parties should agree a **transformative but manageable finance package**, including:

- Accountability on climate finance provision by developed countries (Art 9.1)
- Determining the Baku-Belem Roadmap's mandate, depending on it establishing a strong vision and action plan on finance mobilisation and international financial architecture reform
- Continuation of a process on Art 2.1c, which prioritises actions to shift financial flows at domestic level, and through international financial architecture reform.

Parties should shape Art. 2.1c to **support implementation from the outset**:

- Party reporting on domestic efforts on Art 2.1c through the Enhanced Transparency Framework should be strengthened, particularly developed countries and those responsible for large global proportions of public and private fossil fuel and other harmful finance
- Parties should develop national finance transition plans
- Art 2.1c negotiation formats can also support implementation, including by sharing best practice and convening other international institutions
- Learning lessons on the failure of voluntary initiatives, Art. 2.1c should focus on government-led market-shaping policy and regulation.

Parties should **strengthen the UNFCCC's role in international economic governance**:

- Operationalisation of Art 2.1c means engaging and instructing institutions and processes that shape global finance, debt and fiscal rules, flows, and regulations
- This should involve the development of an action plan to shift international financial flows

- A multi-year process on Art 2.1c could enable Parties to address intersections of climate with debt, tax, and cost of credit. It could follow up on some of the calls and initiatives stemming from the Compromiso de Sevilla, and respond to the UN Convention on International Tax Cooperation. The debt-climate nexus demands particular attention.

Article 2.1c and other finance items

Taken as a whole, UNFCCC negotiations are arguably inefficient with a number of overlaps. The considerable number of negotiations, mandated and Presidency events are a particular burden for under-resourced Parties from Least Developed Countries (LDCs) and other low income or small climate vulnerable countries. A process on Art 2.1c needs to find its place within a package of finance items, in an overpacked and highly politicised finance negotiations agenda, and offer clear benefits and added value to developing country Parties. It should not only focus on domestic actions.

SB62 showed that developing country Parties are dissatisfied with the current approach to finance items and the inadequacy of the New Collective Quantified Goal (NCQG) decision, with the Like-Minded Developing Countries group (LMDCs), Arab Group, and African Group of Negotiators (AGN) proposing a new agenda item on Art. 9.1 of the Paris Agreement to provide accountability and scrutiny on developed country Parties' provision of climate finance, subsequently supported by the G77. The Environmental Integrity Group (EIG) then put forward a simplified package of three new agenda items which would replace others relating to climate finance in Art. 9 of the Paris Agreement and Art. 4 of the Convention.

Deciding to continue a process on Art. 2.1c in a format more substantial than the Dialogues would offer greater potential for Parties to assess current action and address the urgent need for stronger implementation. But this needs to be done in balance with attention to climate finance provision, including adaptation and loss and damage finance, and implementation of the NCQG. Parties will have to consider various finance items and agree on a transformative but manageable package.

- *A transformative but manageable finance package at COP30 should include: accountability on climate finance provision by developed countries (Art 9.1); determining the Baku-Belem Roadmap's mandate, depending on it delivering a strong vision and action plan on finance mobilisation and international financial architecture reform; and addressing Art 2.1c, to shift financial flows at domestic level, and through international financial architecture reform.*

Driving implementation of Art. 2.1c

Art 2.1c negotiations and architecture (relevant reporting, Belém commitments etc.) at the UNFCCC are still in a nascent phase, but to maximize impact and effectiveness, implementation should be considered from the outset in line with calls for UNFCCC reform.

Transparency, reporting and implementation plans

Under the Paris Agreement's Enhanced Transparency Framework (ETF), as well as reporting on greenhouse gas inventories and differentiated reporting requirements on Art. 9-11, all Parties should report on progress made in implementing and achieving their nationally determined contribution (Art. 13.7b). The common tabular formats for reporting provide space to report on mitigation policies and measures including regulatory, fiscal and economic instruments with associated GHG emissions reductions, but do not provide space for finance flows. Parties undergo technical expert reviews of this information; and there is a Facilitative Multilateral Review, which will be held at a COP30 for the first time. Parties should use the ETF process to improve the focus on phasing out fossil fuel and other harmful flows, and aligning flows with climate resilient development, particularly developed countries and countries responsible for the largest global shares of fossil fuel subsidies and private finance flows.[1] In the Global Stocktake decision (1/CMA5) Parties are called on to contribute to global efforts on phasing out inefficient fossil fuel subsides in a nationally determined manner, and this should be a priority. A formal review of the ETF's Modalities, Procedures and Guidelines (MPGs) is scheduled for 2028, and further negotiations on Art. 2.1c could also make recommendations in this area.

[1] See UNCTAD Trade and Development Report 2023 on fossil fuel subsidies and credit to fossil fuel companies by country/group

However to really drive progress in implementation on Art. 2.1c a stronger tool is needed. A number of Parties have already included financial commitments, policies and measures in NDCs, although these are far from comprehensive. Country-led finance transition plans with strong definitions and principles to phase out harmful finance and guide climate-resilient development have been discussed in the G20 and other fora. These could define both actions to scale up finance flows in line with climate resilient development and to direct finance out of fossil fuels and other harmful activities and assets, especially in developed countries and countries that hold the largest sway over financial flows globally. These finance transition plans should be linked to Parties' nationally determined contributions (NDCs) and/or national adaptation plans to support enhanced ambition. Parties could make much better use of existing channels under the UNFCCC to share their plans and report on progress, including national communications, and NDCs, or agree to report on national transition plans.

- *Party reporting on domestic efforts on Art 2.1c should be strengthened in the Enhanced Transparency Framework, particularly developed countries and those responsible for large proportions of global public and private fossil fuel and other harmful finance. Parties should develop Art. 2.1c implementation plans and communicate them to the UNFCCC via national communications, nationally determined contributions, or national finance transition plans.*

Formats of negotiations

Different formats of negotiations have the potential to support implementation in different ways, and various new formats have been tried at the UNFCCC in recent years. The Mitigation Work Programme (MWP) has taken a focus on specific sectors, brought in more relevant stakeholders and convened investor events. However, the MWP also suffers from a very narrow mandate and which constrains its implementation potential.

For Art. 2.1c, Parties should consider formats to support relevant stakeholders and institutions to better understand the UNFCCC's mandate and Paris Agreement alignment, and strengthen the role of the UNFCCC's role in coordinating them. For example, high level components could convene IFIs with an equitable representation of developing and developed country ministers; technical workshops could convene actors from different institutions to build knowledge; capacity-building sessions on best practice policies could support implementation in national contexts.

- *Negotiation formats should support implementation, and strengthen the UNFCCC's role in coordinating institutions and processes.*

UNFCCC business engagement, dialogue and partnerships

Outside its function in convening and supporting party negotiations, the UNFCCC has taken efforts to support action in the real economy through campaigns and voluntary initiatives. Since the new US administration has taken office, a spate of North American banks have departed from the Net Zero Alliance, the Net Zero Asset Managers initiative (NZAMI) and individual net zero commitments associated with the UNFCCC.[2] The shift in policy direction by the US federal government is also starting to send waves into other financial markets, their commitment to initiatives and government's regulatory action, including Europe where two major UK-based and a Swiss bank have exited the Net Zero Alliance. While some banks claim to remain committed to net-zero targets, exits from the alliances will lead to more fragmented and inconsistent approaches, and risks to credibility of net zero alignment methodologies. At the same time, analyses show a steady trajectory of decarbonization of banks, even those leaving the NZAMI, largely driven by market forces. These retreats offer a lesson on the UNFCCC's corporate engagement through campaigns and voluntary initiatives.

- *Art 2.1c should support Parties identify benefits of stronger engagement in the transition risks for the private finance sector and develop better and more consistent regulation, to support an orderly and Paris-aligned transition out of fossil fuels and other climate harmful activities.*
- *The UNFCCC should focus its capacity on supporting governments in shaping markets through policy and regulation.*

[2] The NZAMI was launched at the UN Secretary-General's 2019 Climate Ambition Summit and is an official partner of the UNFCCC Race to Zero campaign. The Net Zero Alliance is a UN- sponsored initiative launched at COP26

The role of the UNFCCC in international economic governance

The Sharm El Sheikh Dialogues have highlighted the need to look at both domestic and international actions in relation to Art. 2.1c, and this is the key focus of the second workshop of 2025. Addressing international regimes which affect particularly developing countries' ability to align national flows with climate-resilient development will be key. Given the lack of meaningful progress to address the intersection of climate with debt, tax, and cost of credit in other multilateral processes to date, the UNFCCC needs to assert its space and mandate vis a vis other international institutions, and within the ecosystem of international economic governance.

The New Collective Quantified Goal (NCQG), set up as a provision and mobilization goal with a broad scope, has broken some new ground on this front. It highlights the importance of reforming the multilateral financial architecture and provides some guidance to relevant institutions, particularly multilateral development banks (MDBs). However, the decision is not ambitious or specific enough to facilitate the provision and mobilization of finance at the scale that developing countries need. It does not adequately address the barriers such as the high costs of capital, limited fiscal space, unsustainable debt levels, high transaction costs and conditionalities for accessing climate finance, loss of crucial resources through tax abuse, and widespread enforced austerity undermining policy space for climate action. The Baku to Belem Roadmap to $1.3 Trillion should set out a vision and propose actions to address some of these issues. Decisions via a continued process on Art. 2.1c could set out more specific guidance towards institutions and processes outside the UNFCCC, as well as enhance the UNFCCC's role in convening these actors.

- *In operationalising Art. 2.1c the UNFCCC should take the lead in ensuring alignment of international financial institutions and processes with the Paris Agreement and climate science. The UNFCCC has a core role in articulating the required actions to enable climate-resilient development and identifying the actors.*
- *A continued process on Art. 2.1c should involve the development of an action plan to shift international financial flows.*

For the NCQG and Art 2.1c, Parties must consider their engagement both inside the UNFCCC and in outside institutions and processes. For example, the NCQG recognises the role of Parties' functions as shareholders of MDBs. Art. 2.1c's mandate means even institutions and fora that do not see climate as their primary mandate but that shape global finance, debt and fiscal rules, flows, and regulations have to be brought into its operationalization. Developed countries have a disproportionate influence in international financial institutions (e.g. in the G20, Financial Stability Board, and as board members and shareholders of the IMF and MDBs) and have an immensely important role to play in ensuring that Art 2.1c is defended and implemented through the international economic governance ecosystem - especially now that the US is abandoning the UN system and undermining multilateralism as a whole. Two examples of the role of the UNFCCC with regard to the 4th UN Financing for Development Forum and the UN Convention on International Tax Cooperation are explored in greater detail below.

- *CBDR assigns developed countries a responsibility to even the scales and advance ambitious reform at international institutions and processes in line with Art. 2.1c given their disproportionate power in the governance of these institutions.*

The UNFCCC's role in relation to the 4th UN Financing for Development Forum

The 4th UN Financing for Development Conference, the formal negotiations for which ran from January – June 2025, demonstrated that multilateralism can progress in this difficult geopolitical context and without the participation of the USA, although civil society groups considered the final consensus "manufactured" or "cautious" at best. The final "Compromiso de Sevilla" offers little to deliver needed reforms. While there are some notable climate-relevant voluntary initiatives via the Sevilla Platforms for action, and climate-specific offers in the Compromiso, the conference suffered from a lack of attention to the intersection of climate issues with debt, tax, public finance and finance mobilization - and indeed, in the adoption session Parties called out the consistent attempts by several countries to retrogress, undermine, and exclude language on climate. The EU and the UK played a damaging role in weakening the ambition of the text across issue areas, with the EU even dissociating itself from the final language on sovereign debt reform after weakening the text.

A multi-year process on Art 2.1c at the UNFCCC could enable Parties to address these various climate/development finance intersections, through providing the space to seek stronger convergences and progress consensus, and instruct other institutions to deliver appropriate solutions. The debt-climate nexus and vicious cycle between debt and fossil fuel extraction and lock-in demands particular attention.

The UNFCCC in relation to the UN Convention on International Tax Convention

The negotiations on the new UN Convention on International Tax Cooperation (UNCITC) starting in August and scheduled to conclude in 2027 demonstrate the successful ability of a group of Global South countries (the Africa Group) to move a crucial pillar of global economic governance out of a highly unequal, Global North dominated forum (the OECD) into a UN process.

The informal intercessional work of the UNCITC has been divided into three work streams, corresponding to each legal instrument to be developed. The first work stream is on the Convention itself, the second work stream is on the first early protocol on 'taxation of income derived from the provision of cross-border services in an increasingly digitalized and globalized economy', and the third work stream is on the second early protocol on 'effective prevention and resolution of tax disputes'. The terms of reference for the Convention which have already been adopted include a commitment on sustainable development, balancing environmental, social, and economic concerns, to be developed by the negotiating committee by the end of the year.

Civil society and trade unions have highlighted the importance of the new Convention addressing environmental challenges, and have proposed how to embed environmental and climate protection and CBDR-RC principles in its framework. They have also proposed the Convention could develop mechanisms such as a polluter pays surtax on the global profits of highly polluting sectors.

As the UNCITC evolves, a process on Art 2.1c should work in complementarity and reinforce work on climate relevant taxation and climate harmful tax incentives. This could include highlighting the climate harmful activities and sectors needing urgent attention, especially energy taxation and fossil fuels, addressing equity and CBDR and different tax options in different national contexts, and making proposals for the use of revenues from climate relevant taxation.

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