TWN

8

DUBAI CLIMATE NEWS UPDATE

PUBLISHED BY THIRD WORLD NETWORK

5 DECEMBER 2023

No common understanding on article 2.1c of Paris Agreement

Dubai, 5 Dec (Meena Raman and Indrajit Bose)- Informal consultations on the highly controversial issue of Article 2.1(c) of the Paris Agreement (PA) under the finance agenda at the on-going Dubai climate talks, revealed that there is no common understanding among Parties on the meaning of the article and its implications especially on developing countries.

Concerns were raised by developing countries on how Article 2.1(c) can be used to impose top-down international approaches that undermine the bottom-up nature of the PA, and impinge on domestic policies. This was made clear especially by **Brazil** for the **G77** and **China** and **Egypt** in their interventions. Similar views were expressed by **South Africa** for the **African Group**, **Saudi Arabia** for the **Arab Group** and **India** for the **Like-minded developing countries (LMDC).**

(Egypt was the COP 27 President and under whose guidance the Sharm el-Sheikh Dialogue (SeSD) was conducted, to exchange views on and enhance understanding of the scope of Article 2 1(c), and its complementarity with Article 9 of the PA and a report was produced following two dialogues held.)

Egypt said that the report showed how complicated the issue of Article 2.1(c) is and stressed the need for more work as there is no common understanding and definition among Parties.

Developed countries, while agreeing that more work needs to be done, said that more dialogues alone are insufficient and more concrete outcomes and recommendations are needed to galvanise finance flows from the private sector. (See further details below).

(Article 2.1(c) refers to "*making financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*".).

The agenda item relating to this article is being discussed under the Conference of Parties to the PA (CMA), in the contact group under 'Matters relating to the Standing Committee on Finance', which met on the 2nd and 4th Dec. Informal consultations in the contact group are co-facilitated by **Apollonia Miola (Italy)** and **Ali Waqas (Pakistan)**.

(Two reports have been produced for the consideration of Parties on the matter - one under the Standing Committee on Finance (SCF) and the other produced under the guidance of the Egyptian COP 27 Presidency on the two workshops held in 2023 as part of the SeSD.)

TWN
Third World Network

Third World Network is an independent non-profit international research and advocacy organization involved in bringing about a greater articulation of the needs, aspirations and rights of the peoples in the South and in promoting just, equitable and ecological development.
Address 131, Jalan Macalister, 10400, Penang, MALAYSIA.
Tel 60-4-2266728/2266159 Fax 60-4-2264505
E-mail twn@twnetwork.org Website https://twn.my/

Brazil, speaking for the **G77 and China**, said that there is need to have a common understanding on Article 2.1(c) and that the SeSD provided the space for dialogues, which showed that there was no common understanding among Parties. There are some who say that the article is not a stand-alone objective, as the chapeau of the article refers to enhancing the implementation of the Convention and must be read in conjunction with Article 2.2 which refers to equity and common but differentiated responsibilities (CBDR) and in the context of sustainable development and poverty eradication, which has not been considered.

Brazil also said that the SeSD report is more balanced than the SCF report, as it captures all the elements to put forward a common understanding.

It also referred to analysis of unilateral measures related to trade such as the European Union's carbon border adjustment measures (CBAMs), which estimate billions of dollars of losses to developing countries and that these are serious concerns.

Brazil also said that it saw threats of reversing the very approach of the PA which is a bottom-up one and not top down.

It reiterated that it was ready to discuss the report from the SeSD and for an extension of the dialogue that can take us to a point to have a common understanding.

South Africa speaking for the **African Group** welcomed discussions in going through the reports produced and stressed that it had concerns about Article 2.1(c) being discussed under the Global Stocktake (GST), which for the group, was a "redline". It stressed that there could not be a conversation on same matter in two places and called on Parties to stick to the mandate to discuss this under the SCF.

South Africa said that Parties are far apart (on their understanding of the article) and need to come closer, and need to recognise the principle of CBDR. It said further that developed countries "cannot impose top down" regulatory approaches to financial flows which cannot work for developing countries, highlighting that 600 million people in Africa do not have access to light, adding that there has to be safeguards.

South Africa said that Article 2.1(c) cannot be increasing the debt in developing countries and we need to talk about issues on how we change climate finance flows and the pathway is through support for the implementation of NDCs. It reiterated the lack of common understanding as regards the article and that it was not convinced that the work programme on the article is the best way to go forward.

Ethiopia for the **Least developed countries (LDCs)** welcomed the Sharm-el-Sheikh Dialogue report which it said was balanced and welcomed the recommendations of the COP 27 Presidency in the report.

Egypt that the SeSD report is good and shows how complicated the issue of Article 2.1(c) is and supported the African Group in relation to its complexity and its implementation, stressing the need for more work as there is no common understanding and definition.

There are challenges to its implementation, it said. Elaborating further, it said that at the domestic level, (implementation of Article 2.1(c) is welcomed, but when it is beyond national borders, the issue becomes challenging, in the context of the principles of equity and CBDR.

Egypt also said that discussions on the article have been mainly in the context of mitigation and very limited if any on climate resilience; and in relation to sustainable development and poverty eradication, it is not clear. It explained that if we read Article 2.1(a) it is about reducing emissions; 2.1(b) is about enhancing resilience and that if 2.1(c) is about implementation, how can it be considered a goal, as in itself, it cannot be a goal. It said further that there was need for a common understanding of what it is about.

Saudi Arabia for the **Arab Group** said the SCF report (on Article 2.1(c) did not include concerns of developing countries and instead "sanitises or waters them down".

Responding to the United Kingdom's suggestion that the future work on Article 2.1 (c) focus on domestic policies, Saudi Arabia pointed to the inconsistency in the approach of developed countries. While developed countries were not ready to engage in a discussion on the limitations of their current budgetary cycles which posed a barrier to delivering climate finance under the agenda item on Article 9.5 of the PA (which speaks to developed countries providing indicative information biennially on projected levels of public financial resources to developing countries), when it came to Article 2.1 (c), they spoke about domestic policies of developing countries.

It further said that Parties should take note of the SCF report on Article 2.1 (c), welcome the SeSD report, while taking note of its recommendations since there was no consensus on the recommendations of the report. It further stressed that it did not agree with any work programme on Article 2.1 (c).

In its earlier intervention at the contact group on 2 Dec, **Saudi Arabia** for the **Arab Group** said that it had seen the negative impacts of measures imposed by developed countries such as unilateral trade measures which are expected to cause billions of dollars of losses to developing countries, adding that the issue of the "consistency of finance flows is inconsistent with the PA", as it makes developing countries poorer. It said further that Article 2.1(c) is operationalised through Article 3 in relation to the nationally determined contributions (NDCs), with support provided to developing countries to implement them.

It said that the implementation of NDCs is how it viewed "Paris alignment" and that the group could not agree to work on Article 2.1(c) or for the extension of the dialogue on the article.

India for the **LMDC** also supported **Saudi Arabia** and objected to discussing domestic policies since they are top down and intrusive.

China emphasized that the successful implementation of Article 2.1 (c) is linked to the CBDR principle and Articles 2 and 9 of the PA, adding that how Article 2.1 (c) should be implemented is clearly stated in Article 9. It further raised concerns around some Parties not willing to establish a definition for climate finance or avoiding discussions on Article 9 and asked how could the UNFCCC mandate multilateral development banks and the private sector?

Switzerland said that the "train has left station" (in an apparent reference to private sector investments) and that "it is important to have a conversion because we need to give it a steer", adding that "our economies are connected" and gave the example of a big Saudi Arabian investor in Switzerland who was investing in coal plants in South Africa.

It added that "divestment is not the best solution", and that there is "need for engagement strategies and guidelines". It said that it wanted a discussion space and for the creation of a work programme which comes up with recommendations, stressing that it was "not sufficient to just have dialogues" and that "something more concrete is needed".

New Zealand made similar remarks as Switzerland, adding that "there is trillions of dollars out there" which needs to flow in the right direction and supported a work programme that drives action.

Australia agreed that more work was needed but did not want more dialogues. "We need to catalyse action to increase financial flows". It said "our economies are interconnected; the global transition happening already. We should be bringing in the private sector to advance the long term goal. we are on two trains. Let's bring the tracks together".

The **United States (US)** said it saw a lot of commonalities between the report on the SeSD and the report of the SCF and suggested that the decision must build on both the reports and provide clarity in the work of the CMA. It also said it is not "wedded" to the Paris-aligned work programme, but the intention is to take up what has come up in the SeSD report and figure out how to advance work. The US also said going forward it sees some sort of a work programme, a potential agenda item, ministerial dialogues, technical reports or products the SCF could advance on the issue.

The **European Union (EU)** said while Article 2.1 (c) has complementarity with Article 9, there is a lot more to be done on the scope and implementation of Article 2.1 (c) and that there is a need to look at ways of achieving it. It further said that it is not wedded to the work programme, nor an agenda item, and clarified that it wanted “space” to discuss the issue. Expanding its views on what the space could look like, the EU said Parties need to work towards a common understanding on Article 2.1 (c) along with the role of the different actors as well as the relationship between Article 2.1 (c) and Article 9 of the PA.

It also said that it was keen to look at how to facilitate access to finance for Article 2.1 (c) and discuss concerns around cost of capital for the particularly vulnerable countries. It also admitted that implementation of Article 2.1 (c) has not been easy for the EU and therefore going ahead it would look at building capacity for the full implementation of Article 2.1 (c).

The **United Kingdom** said Article 2.1 (c) is complementary to Article 9 and not a substitute. It said the future work on the issue should include focus on domestic policy framework that supports the greening of financial systems, while acknowledging that any approach would be nationally determined, addressing key market failures stemming from the transition and understanding the full range of impacts in relation to implementation.