

# Making finance consistent with climate goals:

insights for operationalising  
Article 2.1c of the UNFCCC  
Paris Agreement

Read more at: [odi.org/finance-climate-goals](https://odi.org/finance-climate-goals)  
#COP24



WORLD  
RESOURCES  
INSTITUTE



# Three long term goals of the UNFCCC Paris Agreement

## Article 2

1. This Agreement, in enhancing the implementation of the Convention, including its objective, 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:

(a) Holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

(b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and

(c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

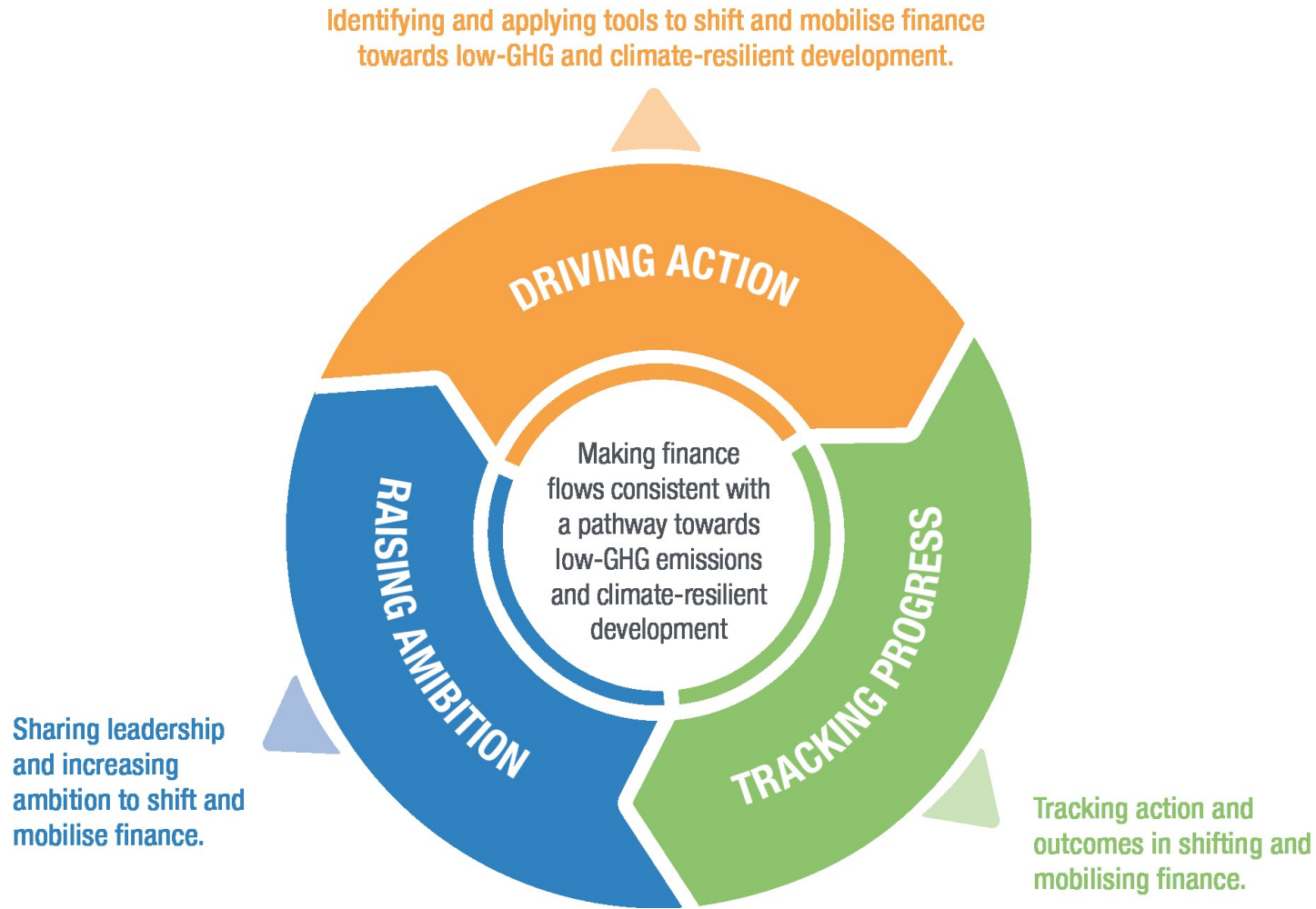
Temperature

Adaptation and  
resilience

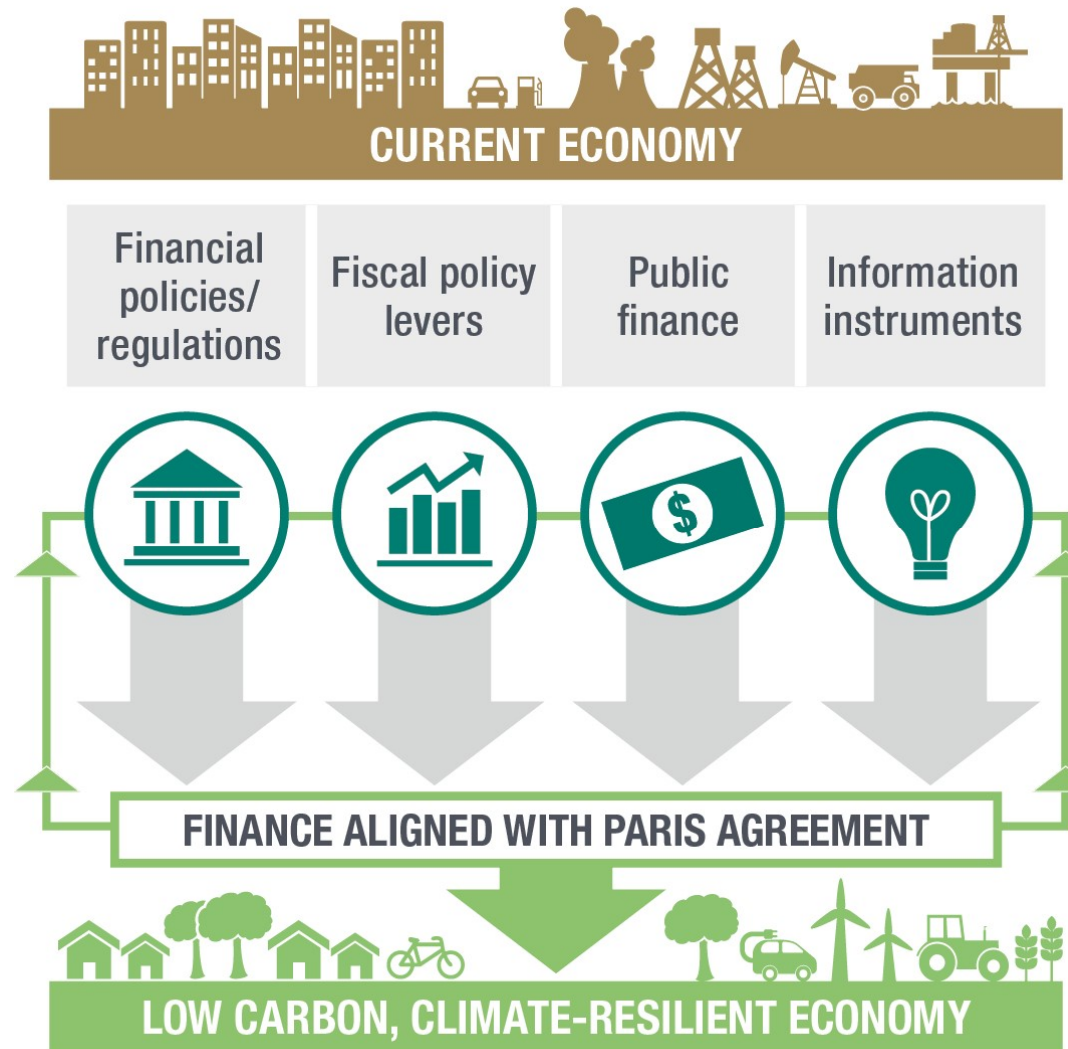
Finance



# Framework: opportunities to operationalise Article 2.1c







# Government tools to shift and mobilise finance









# Government tools to shift and mobilise finance

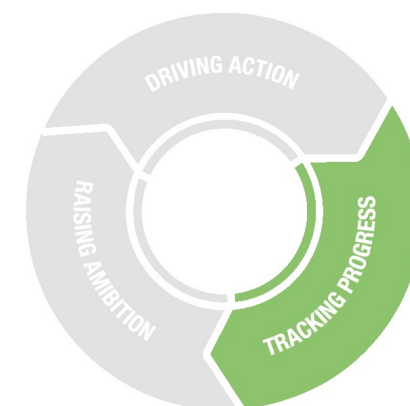


 <b>Financial policies and regulations</b>	 <b>Fiscal policy levers</b>	 <b>Public finance</b>	 <b>Information instruments</b>
<p>(primarily influence behaviour through force of law)</p> <ul style="list-style-type: none"> <li>• lending requirements</li> <li>• accounting systems</li> <li>• mandates of supervisory authorities</li> <li>• standards</li> <li>• plans and strategies</li> <li>• disclosure requirements</li> </ul> <p><i>(where mandatory and enforced)</i></p>	<p>(primarily influence behaviour through price)</p> <ul style="list-style-type: none"> <li>• taxes</li> <li>• levies</li> <li>• royalties</li> <li>• price support or controls</li> <li>• public procurement</li> <li>• budget support</li> </ul> <p><i>(including for establishment of public funds and finance institutions and state-owned enterprises)</i></p>	<p>(primarily influence behaviour by shifting financial risk)</p> <ul style="list-style-type: none"> <li>• grants</li> <li>• debt</li> <li>• equity</li> <li>• guarantees</li> <li>• insurance</li> </ul> <p><i>(from public pension funds, sovereign wealth funds, and public finance institutions)</i></p>	<p>(primarily influence behaviour through awareness)</p> <ul style="list-style-type: none"> <li>• certification and labelling</li> <li>• transparency initiatives</li> <li>• corporate strategies</li> <li>• awareness campaigns</li> <li>• statistical services</li> <li>• scenario analysis and stress testing</li> <li>• standards</li> <li>• plans and strategies</li> <li>• disclosure requirements</li> </ul> <p><i>(where voluntary)</i></p>

# Potential approaches for tracking progress on Article 2.1c

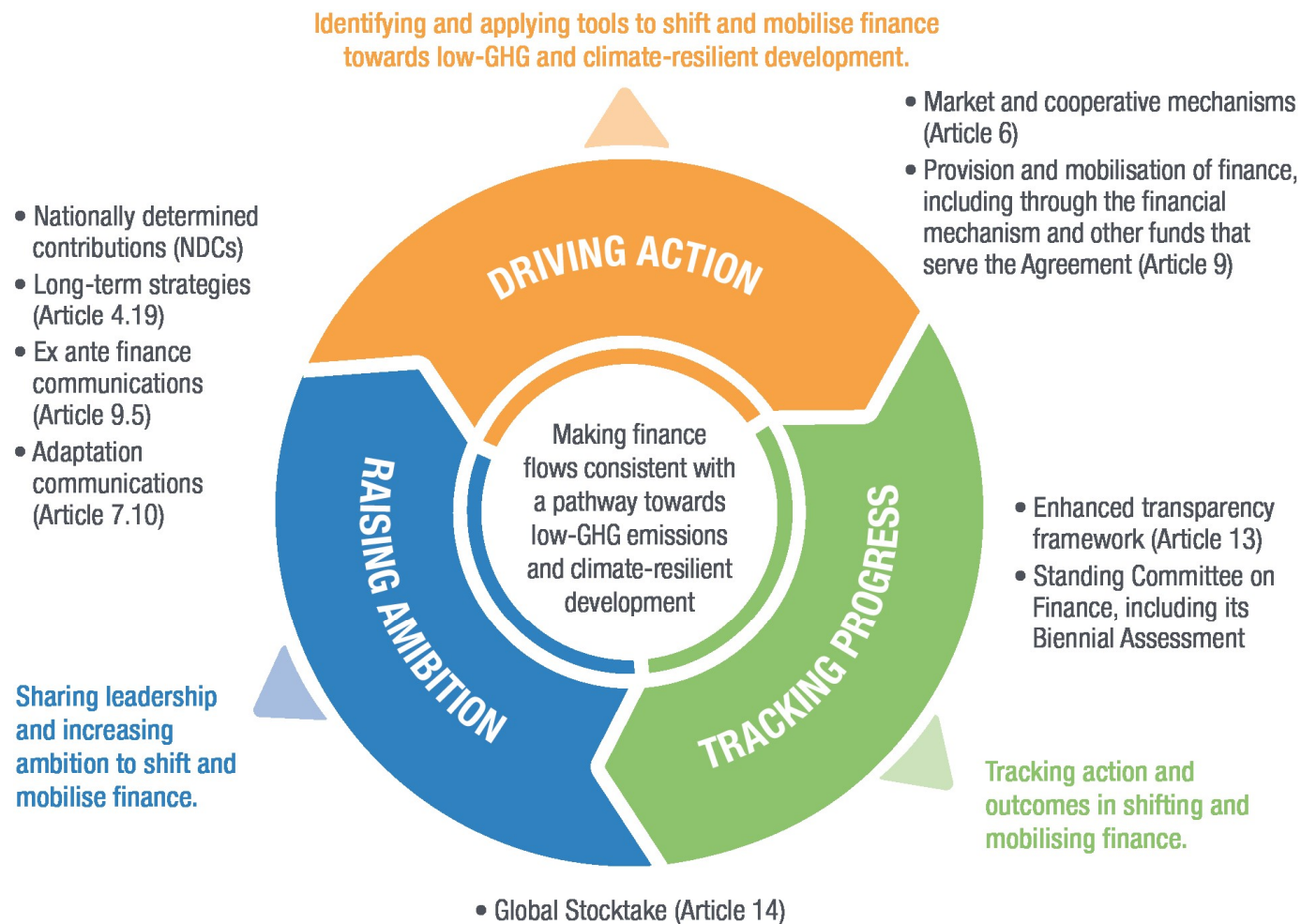
Tool	Example actions
 <b>Financial policy and regulation</b>	Mandating climate related disclosure policies
 <b>Fiscal policy and public budgets</b>	Establishing carbon pricing mechanisms (taxes and prices)
	Phasing out fossil fuel subsidies
	Developing and implementing* fiscal policies to support increased resilience
	Structuring and issuing sovereign green bonds
	Including climate considerations in national budget and expenditure framework

Tool	Example actions
 <b>Public finance</b>	Establishing policies restricting fossil fuel finance
	Increasing climate aligned investments
	Governments divesting public funds from fossil fuel investments
 <b>Information instruments</b>	Assessing and disclosing climate related risks (voluntary)
	Developing and implementing green or climate bond standards (voluntary)
	Developing national green finance strategies*
	Reducing level of carbon exposure of an investment portfolio (voluntary)







\* No current source of information

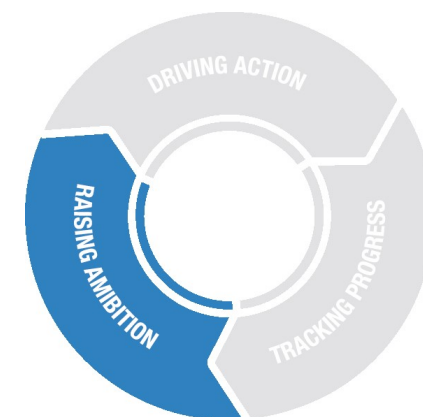
# Framework: opportunities within the UNFCCC to operationalise Article 2.1c





Tool	Examples of initiatives, campaigns and key actors
 <b>Financial policies and regulations</b>	<ul style="list-style-type: none"> <li>• EU Sustainable Finance Action Plan, which is the EU's response to the High-Level Expert Group on Sustainable Finance (EU HLEG) (led by the EU Directorate-General for Financial Stability, Financial Services and Capital Markets Union)</li> <li>• EU Technical Expert Group on Sustainable Finance (TEG) (led by the EU Directorate-General for Financial Stability, Financial Services and Capital Markets Union)</li> <li>• Network of Central Banks &amp; Supervisors for Greening the Financial System (led by Banque de France)</li> <li>• IFC Sustainable Banking Network (members are financial sector regulatory agencies and banking associations – led by International Finance Corporation of World Bank Group)</li> </ul>
 <b>Fiscal policy and public budgets</b>	<ul style="list-style-type: none"> <li>• Carbon Pricing Leadership Coalition (supported by the World Bank Group – partners are governments, businesses and civil society)</li> <li>• Paris Collaborative on Green Budgeting (led by OECD)</li> <li>• Friends of Fossil Fuel Subsidy Reform (FFFSR) (supported by is the Global Subsidies the Initiative of International Institute for Sustainable Development (IISD)– members are 9 governments)</li> <li>• Climate Action Peer Exchange for Finance Ministries (CAPE) (led by the World Bank Group)</li> <li>• <i>Investor Agenda – specific calls to governments on ending fossil fuel subsidies and implementing carbon pricing</i></li> <li>• <i>Civil Society 20 (C20) – specific calls to G20 governments on ending fossil fuel subsidies and implementing carbon pricing</i></li> </ul>
 <b>Public finance</b>	<ul style="list-style-type: none"> <li>• Climate Action in Financial Institutions Initiative (secretariat, Institute for Climate Economics (I4CE))</li> <li>• IDFC and MDB joint commitments to aligning finance with the Paris Agreement</li> <li>• Powering Past Coal Alliance (PPCA) – commits member countries and states to restrict financing for traditional coal power without carbon capture and storage.</li> <li>• <i>Big Shift Global – calls for multi-lateral development banks to phase out support to fossil fuels, and shift towards supporting sustainable and renewable energy</i></li> <li>• <i>Civil Society 20 (C20) – specific calls to G20 governments on aligning financial flows with the Paris Agreement and Sustainable Development Goals (SDGs)</i></li> </ul>
 <b>Information instruments</b>	<ul style="list-style-type: none"> <li>• FSB Task Force on Climate Related Disclosure (TCFD) – recommendations published in 2017 (led by Financial Stability Board)</li> <li>• Asset Owners Disclosure Project (led by Share Action)</li> <li>• Portfolio Decarbonisation Coalition (led by UNEP Finance Initiative) and Montreal Pledge</li> <li>• Climate Action 100+</li> <li>• Network of Financial Centres for Sustainability (members include green finance associations and initiatives and some finance authorities - led by United Nations Environment Programme)</li> <li>• Divest/Invest – call for investors (including individuals) to move investments quickly from fossil fuels to sustainable energy</li> <li>• PACTA – coordinated international process, of portfolio assessment for institutional investors</li> <li>• <i>Unfriend Coal – call for insurers to adopt policies not to underwrite any new coal projects, to divest any assets from coal companies, and to scale up their investments in clean energy companies</i></li> </ul>

Note: campaigns are italicised. This is a non-exhaustive list and some of the initiatives and campaigns are active across multiple categories.



## Initiatives beyond the UNFCCC to raise ambition on the goals of Article 2.1c



# Next steps for operationalising Article 2.1c

## Within the UN climate negotiations

- Ensure the Global Stocktake looks at progress in making all finance flows consistent with climate goals
- Support countries to voluntarily include commitments on aligning finance in their future NDCs
- Highlight opportunities for Parties to report on progress through the enhanced transparency framework

## Beyond the negotiations

- Drive governments progress in deploying all tools – shifting from voluntary (information) instruments to use of regulation and budgets
- Expand coverage of existing tracking initiatives and develop new metrics where there are key gaps
- Ensure existing initiatives deliver on their past pledges as well as setting new ambitious Paris-aligned commitments



E3G

# **Making finance consistent with climate goals:** insights for operationalising Article 2.1c of the UNFCCC Paris Agreement

Read more at: [odi.org/finance-climate-goals](https://odi.org/finance-climate-goals)  
#COP24

Paul Bodnar - Managing Director, Rocky Mountain Institute  
@bodnarclimate

Shelagh Whitley - Head of the Climate and Energy Programme,  
Overseas Development Institute @shelaghwhitley

Archie Young - Head of International Climate Change Negotiations,  
EU and Carbon Markets, UK Department for Business, Energy and  
Industrial Strategy

Lia Nicholson - Project Consultant, Antigua and Barbuda  
Department of Environment @nicholsonlia

Damien Navizet - Chief of the Climate Division, Agence Française  
de Développement @DamienNavizet

Dr Amal-Lee Amin - Chief of the Climate Change Division, Inter-  
American Development Bank @AmaleeAmin

Nick Robins - Professor in Practice for Sustainable Finance,  
London School of Economics @NVJRobins1

