TRANSFORMA

Policy Brief:

What next for Article 2.1(c)?

A theory of change and how to apply it

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Content

1. Introduction 4

2. An overview of financing climate action under the multilateral process 4

2.1. What context for finance in the Paris Agreement 4
- **2.1.1.** Article 2 and its links to the implementation of climate action 4
- **2.1.2.** Article 9 of the Paris Agreement: provision and mobilization obligations of developed countries 5
- **2.1.3.** How Article 2.1(c) has featured in the multilateral climate process 8
  - **2.1.3.1.** Sharm el Sheikh Dialogues on Article 2.1(c) 8
  - **2.1.3.2.** Reports of the Standing Committee on Finance 9

2.2. Implementation challenges 10
- **2.2.1.** Uncoordinated action towards consistency of finance flows with national and international climate objectives risks confusion and greenwashing 10
- **2.2.2.** The scale of needs and necessity to engage a breadth of actors is immense 11

3. What function could a Theory of Change for Article 2.1(c) have? 13

3.1. Justifying a theory of change for Article 2.1(c) 13

3.2. Applying the theory of change 16
- **3.2.1.** A role for regulators 17
- **3.2.2.** Financial entities 18
- **3.2.3.** Sectors of the real economy – corporates 19
- **3.2.4.** Individuals and households 20
- **3.2.5.** Civil society organizations (CSOs), think tanks, research and development institutions 20

4. Conclusion: the COP30 decision on Article 2.1(c) and beyond 21

5. References 23

1 Introduction

The negotiations around Article 2.1(c) of the Paris Agreement (PA) underscore the urgent need for clarity on its scope and actionable pathways. Despite its potential enabling role for delivering the Agreement's goals and the extensive discussions held since 2015, a shared vision of what it entails conceptually and in terms of implementation remains elusive. This lack of convergence hampers collective efforts towards the goal of Article 2.1(c) to make financial flows consistent with low-emission, climate-resilient development pathways, a gap that is increasingly critical as the global financial system continues to fall short of supporting an equitable and fair transition (C2ES, 2025; Watson, 2022; Zamarioli et al., 2021).

Addressing this gap requires more than incremental adjustments. It demands a systemic transformation that reconciles the ambition of Article 2.1(c) with the legal obligations under Article 9 of the Paris Agreement and the broader equity principles of the United Nations Framework Convention on Climate Change (UNFCCC). Three current processes show both promise and risks of fragmentation: the Global Stocktake[1] offers a shared evidence base and direction, but effective follow up on its outcomes has proven challenging; the New Collective Quantified Goal on climate finance (NCQG) could improve predictability and quality of public finance, yet a lack of clarity over what "counts" (especially mobilized private flows), misaligned budget cycles, and loan-heavy instruments blur accountability (Skounti et Vernoit, 2024); and the Presidency-led Baku-to-Belém Roadmap mandated by the NCQG decision targets practical levers (cost of capital, fiscal space, risk-sharing), but will only emerge this year, and currently sits outside formal reporting, so follow-up and metrics are likely to vary across institutions. Together these current processes underscore a dual logic: holding developed countries accountable to the provision and transparency of climate finance while activating wider actors and instruments so as to align the rest of the financial system and real economy with Paris goals, toward the ultimate objective "*to achieve [the] stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system*" (International Court of Justice, 2025).

This policy brief proposes the need to develop a Theory of Change (TOC) for Article 2.1(c) as an organizing framework to guide this transformation around which Parties and actors can find their priorities, their actions and therefore, converge towards a scope. With uncoordinated efforts by financial institutions and regulatory networks operating outside of the climate regime unilaterally defining what consistency looks like, the TOC serves as a crucial tool for the UNFCCC to reclaim its governance role and set a clear direction in the implementation of Article 2.1(c). Drawing on literature, Party submissions, and recent negotiations, the TOC outlines goals, outcomes, outputs, and activities that can operationalize Article 2.1(c) in a way that is both systemic and equitable. Rather than offering a conclusive interpretation, the brief is designed to foster ongoing debate, clarify concepts, and identify opportunities for convergence among public and private actors engaged in reshaping finance flows to serve climate-resilient and low-emission development.

2 An overview of financing climate action under the multilateral process

2.1. What context for finance in the Paris Agreement

2.1.1. Article 2 and its links to the implementation of climate action

Article 2 defines the Paris Agreement's purpose: to enhance the implementation of the UNFCCC by strengthening the

1 Established in Article 14 of the Paris Agreement, the Global Stocktake seeks to take stock of collective action and support to inform greater ambition towards a global climate response in an equitable manner and in the context of sustainable development and poverty alleviation (Winkler et al, 2024).

global response to climate change, in the context of sustainable development and poverty eradication. It establishes three long-term goals to: (a) Limit global temperature rise to well below 2 °C, with efforts toward 1.5 °C; (b) Increase adaptive capacity, foster climate resilience, and promote low-GHG development; (c) Make finance flows consistent with low-emission, climate-resilient development pathways (UNFCCC, 2015). These objectives are to be implemented "*to reflect equity and the principle of common but differentiated responsibilities and respective capabilities (CBDR-RC), in the light of different national circumstances.*" (UNFCCC, 2015).

Within this architecture, Article 2.1(c) carries particular significance. While Articles 2.1(a) and (b) articulate the outcomes to be achieved –limiting warming and building resilience– Article 2.1(c) identifies both how these transformations must be enabled and what systemic outcome is required: the structural consistency of all financial flows, public and private, domestic and international, with climate-compatible development. This establishes finance not only as an enabler of climate action but also as a domain that must itself undergo transformation (LRI, 2021). Authors interpret this to mean that incremental resource mobilization is insufficient as an outcome of Article 2.1(c); rather, it necessitates additional changes, including in fiscal frameworks, financial regulation, capital allocation and market signals to production and consumption, so that the overall functioning of the global financial system and real economy aligns with the Paris objectives (UNFCCC, 2015; ICJ, 2025).

The operationalization of Article 2.1(c), together with Article 2.2, is a cornerstone for translating ambition into implementation. In the bottom-up spirit of the Paris Agreement, nationally-appropriate pathways and national level instruments such as Nationally Determined Contributions (NDCs), National Adaptation Plans (NAPs), and long-term strategies (LTS) will depend on both national and international financial systems that are structurally consistent with low-emission and climate-resilient pathways (OECD and UNDP, 2025). While Articles 2.1(a) and (b) set mitigation and adaptation objectives, Article 2.1(c) introduces the systemic requirement that the global financial architecture itself must be transformed. Its significance lies in making financial consistency a necessary condition for effective and equitable implementation, ensuring that climate policy is embedded across the entire economy (Zamarioli et al., 2021; LRI, 2021). In practice, this means that Article 2.1(c) requires a structured and collectively defined TOC under the UNFCCC that links goals, outcomes, outputs, and activities across governance levels, so that discussions move beyond abstract agreement toward concrete interventions capable of transforming national and international financial architectures. This needs to happen while safeguarding Article 9 obligations and integrating equity principles; provided that countries will move from different starting points, at different speeds, and through different pathways towards consistency of finance flows.

2.1.2. Article 9 of the Paris Agreement: provision and mobilization obligations of developed countries

While Article 2.1(c) introduces a systemic goal applicable to all Parties and stakeholders, Article 9 of the Paris Agreement maintains a distinct and legally binding obligation for developed countries to provide and mobilise financial support to developing countries. This distinction reflects differentiated responsibilities and respective capabilities under the Convention and ensures that systemic ambition does not dilute the foundational principle of equity (UNFCCC, 2015). This provision is anchored in the UNFCCC, particularly Article 4.3[2], which mandates that developed countries shall provide "new and additional financial resources" to meet the agreed full costs incurred by developing countries in complying with climate commitments (UNFCCC, 1992). Article 9 establishes a clear and binding system of financial obligations for developed countries, while also structuring how this support is directed toward developing countries:

i. **Obligations of developed countries:** Article 9.1

2 The ICJ ruling notes that Article 9 " is a restatement of the obligation of developed country parties to provide financial resources to developing country parties, as stipulated in Article 4, paragraph 3, of the Framework Convention." (ICJ, 2025).

reaffirms that developed country Parties shall provide financial resources to assist developing countries in both mitigation and adaptation, continuing obligations under the Convention (UNFCCC, 2015, Art. 9.1). Article 9.3 further requires developed countries to take the lead in mobilizing climate finance as part of a global effort, using a wide range of sources, instruments, and channels. Crucially, this mobilization must show progression beyond previous efforts and recognize the significant role of public funds in supporting country-driven strategies (UNFCCC, 2015, Art. 9.3).

In addition, developed countries are obliged to communicate ex ante and ex post information on financial resources, including projected levels of support and transparent reporting on finance provided and mobilized in biennial reporting under the Enhanced Transparency Framework, with this information feeding into the Global Stocktake (Articles 9.5, 9.7, 13.6 and 14.1)3.

ii. **Support to developing countries:** Article 9.4 contextualizes these obligations by emphasizing that the provision of scaled-up financial resources should reflect the needs and priorities of developing countries, aiming for balance between adaptation and mitigation. Article 9.9 specifically highlights that the most vulnerable groups -Least Developed Countries (LDCs) and Small Island Developing States (SIDS)- require simplified access, readiness support, and above all public and grant-based resources for adaptation. This anchors Article 9 in equity and responsiveness to differentiated capacities and risks, ensuring that finance flows address both development needs and climate vulnerability (UNFCCC, 2015).

The International Court of Justice's 2025 advisory opinion reinforced this framework by clarifying that the provision and mobilization of finance are not discretionary political choices but form part of the international duty to co-operate. It notes the Paris 1.5 °C threshold as the Parties' agreed primary objective and underscores States' due-diligence and cooperation duties across mitigation, adaptation, and support, interpreted in light of equity and CBDR-RC, affirming that finance commitments must be consistent with it, and sufficient for developing countries to achieve their NDCs and the goals of Article 2, thereby situating Article 9 within the broader body of obligations that States owe each other under international law (ICJ, 2025). This interpretation strengthens the legal and normative weight of Article 9, making clear that support to developing countries is not simply facilitative but part of the cooperative obligations necessary to achieve the Agreement's objectives4 (ICJ, 2025).

Fundamentally, Article 9's relevance to this policy brief lies in its complementarity with Article 2.1(c). While Article 2.1(c) establishes the systemic requirement of making all financial flows consistent with low-emission and climate-resilient development pathways, Article 9 provides a legal and institutional means by which developing countries can access support needed to make progress toward that consistency, central to applying the principle of equity and CBDR-RC. It also safeguards against shifting the responsibility for financing climate change actions entirely onto developing countries and against attaching conditionalities of finance for climate action onto them.

Anchored in this Article 9 and building directly upon its provisions, the NCQG was adopted at the Sixth Conference

3 The ICJ ruling notes that "(…) the Paris Agreement sets up a regime on information on climate finance in Article 9, paragraphs 5 to 7, which includes legally binding obligations for developed parties to communicate information on projected climate finance" (ICJ, 2025).

4 "While the Paris Agreement does not specify the amount or level of financial support that must be provided, the Court considers that, in line with the customary rules of treaty interpretation, this obligation must be interpreted in light of other provisions in the Agreement, including the collective temperature goal provided for in Article 2. Accordingly, parties are to implement their obligations under Article 9 in a manner and at a level that allows for the achievement of the objectives listed in Article 2. This level can be evaluated on the basis of several factors, including the capacity of developed States and the needs of developing States." (ICJ, 2025).

of the Parties of the PA, CMA6[5] in 2024, setting a new climate finance target of at least USD 300 billion annually by 2035, with developed countries taking the lead, while also acknowledging the growing role of South–South cooperation. This target explicitly encompasses both public and private finance, including flows mobilized by multilateral development banks. The NCQG framed this USD 300 billion alongside a broader target to reach at least USD 1.3 trillion annually flowing to developing countries by 2035. The Baku-to-Belém Roadmap (BtB) was launched as a political initiative of the Azerbaijani and Brazilian COP Presidencies to catalyze progress toward the USD 1.3 trillion target. Unlike the NCQG, the BtB will not be a negotiated decision but a Presidency-led process aimed at identifying practical levers to unlock scale. Its focus includes reducing the cost of capital, expanding fiscal space, and accelerating the deployment of innovative instruments such as guarantees, local currency finance, and risk-sharing mechanisms, particularly in countries facing structural access barriers (UNFCCC, 2024).

Crucially, although not further explored in this paper, the NCQG is not merely a numerical goal; it reflects a broader financial vision that links quantity and quality, access, transparency of provision and mobilisation of climate finance, and consistency. Its architecture includes key benchmarks: tripling disbursements from multilateral climate funds by 2030, increasing the share of grants and highly concessional finance, especially for adaptation and loss and damage, and reporting progress through biennial assessments under the Standing Committee on Finance beginning in 2028 (UNFCCC, 2024).

The NCQG structure - of at least $300 billion with ambition to reach $1.3 trillion from all sources by 2035 - reflects the immediate obligations of developed countries under Article 9 while simultaneously linking them to the systemic ambition of Article 2.1(c) (UNFCCC, 2024). In practice, the NCQG is the public-finance backbone of the Paris Agreement, with a reporting architecture. The breadth of the NCQG decision holds the potential to help countries plan and mobilize Paris-consistent investment. Its Presidency-led Roadmap complements this by targeting some of the system frictions (cost of capital, foreign-exchange, and risk-sharing) that could determine whether private and sovereign flows can actually pivot at scale. The Roadmap will therefore go beyond the systems and processes through which climate finance is traditionally programmed towards more fundamental actions required to reduce these frictions that could unlock much more than $1.3 trillion. The NCQG and the Roadmap create some enabling conditions to operationalize Article 2.1(c) without supplanting Article 9 obligations.

The NCQG public finance backbone remains critical for the most vulnerable developing countries. Such countries will likely require higher support to foster financial flows alignment to the Paris Agreement. While they may have relatively small shares in global capital markets and shallower capital pools, they stand to benefit from both the implementation of the NCQG and global efforts towards climate consistency of finance flows, for example where it addresses the rising capital cost in relation to increasing climate vulnerability (G. Kling et al, 2021). The differentiation between countries is captured both in Article 9 and Article 2.2, where developed countries with greater shares in international financial flows, and larger emerging economies with increasing shares of global capital markets, both have the capacities and imperative to lead on necessary alignment of finance flows.

In synthesis, while Article 9 addresses direct flows of climate finance with clear obligations for provision and mobilization both in the NCQG and the BtB Roadmap, Article 2.1(c) needs to focus on the systemic levers and enabling conditions that influence these flows, such as fiscal policies, regulatory frameworks, and financial sector governance. These actions are often one or two steps removed from primary transactions, making their accountability more complex and distributed across institutions and actors beyond the UNFCCC. Within the TOC, this distinction is critical: mapping these indirect actions clarifies which outcomes

5 Decision 1/CMA.6 of the Conference of the Parties serving as the Meeting of the Parties of the Paris Agreement, CMA

rely on systemic reforms rather than direct funding, and identifies where accountability mechanisms must evolve to capture these less visible, yet decisive, interventions.

2.1.3. How Article 2.1(c) has featured in the multilateral climate process

2.1.3.1. SHARM EL SHEIKH DIALOGUES ON ARTICLE 2.1(C)

Although Article 2.1(c) is a central part of the long-term vision of the PA, it was not until 2022 that a Dialogue -the Sharm el-Sheikh Dialogue (SeSD)- was established at COP276 as a technical and political platform to deepen understanding of its scope and complementarity with Article 9 (UNFCCC, 2022). The SeSD took the form of six workshops between 2023 and 20257. The first year the Dialogue focused on defining scope, mapping actors, and examining intended and unintended consequences of measures (UNFCCC, 2023; UNFCCC, 2023a). In 2024, with a strengthened mandate, discussions centered on finance flows for adaptation and climate resilience, links with sustainable development objectives, the evolution of the financial system, methodologies for tracking progress, and the prevention of maladaptation and greenwashing (UNFCCC, 2024 a; UNFCCC b, 2024; UNFCCC c, 2024). In 2025, the Dialogue explored capacity building for financial sector development, transition planning for low-emission and climate-resilient pathways, and opportunities to support NCQG implementation, concluding with a stocktake of three years of deliberations to guide decisions at CMA7 (UNFCCC, 2025 a; UNFCCC, 2025 b).

Deliberations under the SeSD consistently underscored the complexity to operationalizing Article 2.1(c). Parties highlighted divergent interpretations and competing definitions of consistency, which reflect structural asymmetries between countries' starting points, including their sovereign debt burdens as well as their regulatory and financial capacities. Discussions pointed to methodological and data gaps that hinder comparability and assessment, alongside insufficient information on financial flows, particularly private flows and those for adaptation. Geographic, and sectoral disparities in access to and benefit from finance for climate action remain stark, with adaptation actions underfunded and largely excluded from private-sector portfolios. Delegates also flagged the persistence of underpriced or elevated climate-risk perceptions, credibility challenges in voluntary commitments made by financial institutions and corporates, risks of greenwashing, and fragmentation across institutions and jurisdictions, which collectively prevent coherent progress (UNFCCC, 2025, c).

At the same time, the Dialogue highlighted opportunities to address these barriers through enhanced collaboration, knowledge sharing, and capacity building, as well as the interoperability of standards and disclosures to strengthen transparency. Whole-of-government approaches were identified as essential to achieving policy coherence, while many Parties stressed the need for just transitions rooted in sustainable development and poverty eradication, ensuring finance alignment does not create additional burdens for vulnerable economies. The Dialogue reaffirmed that Article 2.1(c) applies equally to mitigation and resilience, covering public and private, domestic and international financial flows, and that its implementation requires nationally determined pathways above all else, and alongside systemic reforms at the international level. Enabling environments at all scales -domestic policies, regulatory frameworks, and fiscal measures, as well as international financial architecture reforms- are considered critical for redirecting finance in a way that supports climate goals and development priorities (UNFCCC, 2025, c).

At COP30, Parties will need to decide what happens next for the SeSD. The SeSD has mapped relevant activities -budget

6 Decision 1/CMA.4 para 68,

7 Although the 2025 sessions of the Sharm el-Sheikh Dialogue have already taken place, the official report for the Second Workshop from the UNFCCC Secretariat were not yet available at the time of drafting this brief. Accordingly, the analysis presented here relies on the most recent published reports from 2023, 2024 and 2025.

reforms, disclosure frameworks, MDB alignment screens- but has not linked these to outcomes or clarified the division of responsibility between actors, nor a specific role for Article 9 within the pursuit of Article 2.1(c). As such, the Dialogue has created a catalogue of options rather than a framework, from which it is hard to draw collective lessons on progress or agreement on future actions. The state of the dialogue therefore justifies a proposed TOC for Article 2.1(c), as without a structured causal chain between goals, outcomes, outputs, and activities, Article 2.1(c) will remain as conceptually relevant by being one of the long-term goals of the Paris Agreement but practically indeterminate.

2.1.3.2. REPORTS OF THE STANDING COMMITTEE ON FINANCE

The Standing Committee on Finance (SCF) - which assists the COP and CMA in finance matters - has also become central in understanding Article 2.1(c), with relevant aspects in its Biennial Assessments and Overview of Climate Finance Flows (BA) and by mapping initiatives and synthesising stakeholder views related to 2.1(c) (UNFCCC, 2025 d).

Since COP24, the SCF has been mandated to look at Article 2.1(c) in more detail. At the time of writing, the SCF has published two Biennial Assessments with designated sections on Article 2.1(c) (BA4 and BA6), one additional mapping report (2022) and two synthesis reports, that compile Party and stakeholder submissions. These outputs have allowed the SCF to map a broad set of actions and possible defining features of Article 2.1(c), such as that it should be nationally led and embedded in sustainable development, address both mitigation and adaptation with just transition considerations, involve diverse public and private actors while recognizing the role of governments, and rely on transparent metrics with real-economy relevance (C2ES, 2025). This mapping has been useful in systematizing perspectives and identifying areas of convergence (C2ES, 2025). Yet, in the absence of agreed parameters, the work of the SCF remains largely an inventory rather than a benchmark for assessing consistency. The SCF itself has acknowledged these limits in its assessments: BA4 noted that "*many actors in the financial sector operate at a number of steps removed from real economy activities*" and that the metrics and indicators of success in evaluating the effectiveness of financial actors in the implementation of Article 2.1(c) remain a "*topic of debate*" (UNFCCC, 2021), while BA6 observed that "*very few mapped actions… are framed in the context of Article 2.1(c)*" and that "*[the existing] multitude of methods, objectives, governance frameworks and tools that are not interoperable may increase fragmentation, transition costs and data inconsistencies*" (UNFCCC, 2024e), all evidencing the limits of the SCF to measure consistency.

Yet the SCF's role in the discussion on 2.1(c) has been deeper than these mandates alone. Since its first BA (2014), the SCF has set out comparisons between climate-aligned finance and the broader context of finance flows, including those running counter to climate goals, documenting not only progress in mobilizing resources for climate goals but also the persistence of fossil fuel subsidies and carbon-intensive investments (UNFCCC, 2014; UNFCCC, 2016). From 2022 onward, the SCF's BA analysis further evolved as it began to incorporate equity explicitly in the discussion on climate finance flows. For instance, BA5 introduced equity as a cross-cutting element in its Assessments of climate finance flows chapter. Rather than as a standalone section, BA5 integrates equity throughout its analysis, linking it to the principle of CBDR-RC, support for LDCs and SIDS, gender responsiveness, and just transition considerations (para. 218) (UNFCCCa, 2022). BA6 also elaborated in this lens by drawing attention on issues such as the higher debt burdens and borrowing costs faced by developing countries, and gaps pertaining to the gender and climate finance nexus (UNFCCCa, 2024). As such, the way these reports have matured has led to a concrete picture of the alignment challenge, beyond a sole focus on provision and mobilization to also highlighting counter-flows, imbalances, and equity considerations, consistently applying a system-wide perspective.

The BA was a strong input to the first Global Stocktake that considered both Article 9 and Article 2.1(c) progress. It is likely that the BA and the work of the SCF - including its mapping of information and recommendations towards

Article 2.1(c) and its reference to Article 9 - will feature in the second GST, starting in 2026 and ending in 2028. Furthermore, the SCF will be responsible for reporting on the NCQG, with its first report in 2028. There is a risk, however, that, without clearer parameters on Article 2.1(c), the SCF's role cannot move beyond description towards outcome-oriented assessment - and course correction - that the Global Stocktake should strive for.

2.2. Implementation challenges

2.2.1. Uncoordinated action towards consistency of finance flows with national and international climate objectives risks confusion and greenwashing

Article 2.1(c) is often misunderstood as a secondary or aspirational goal, when in fact it serves as the financial backbone of the Paris Agreement. This paper interprets Article 2.1(c) as demanding that all financial flows, not only those labeled as climate finance, be redirected away from emissions-intensive, maladaptive, or inequitable pathways, and instead support climate-compatible development. This includes private investments, public budgets, central bank operations, trade finance, and institutional portfolios (UNFCCC, 2015).

From a traditional economic standpoint, financial agents manage their portfolios by optimising the trade-off between return and risk. For a rational actor, investment decisions are primarily aimed at maximising returns within a specified risk tolerance or minimising risk to achieve a desired expected return (Elton and Gruber, 1997). Similarly, credit institutions allocate capital across their credit portfolios based on risk-adjusted return metrics (BCBS, 2000). However, this conventional approach has evolved, with some financial actors starting to integrate additional considerations into their risk–return frameworks.

Far from being an external consideration, climate change has fundamentally reshaped financial risk management by adding two new categories of risk that must be systematically assessed: physical risks mainly associated to asset losses, defaults after climate shocks and supply chain breakdowns; and transition risks focused on impacts by applying policy changes, on stranded assets investments, and liability risks (TCFD, 2017). Evidence from banks, insurers, and institutional investors shows how these risks affect solvency, asset valuations, and portfolio allocation (WB, 2023; Zhou et. al, 2023; Sanzillo, 2022). For example, insurers face rising claims from climate-driven disasters, while corporations worry about supply-chain disruptions, and households adjust their savings and consumption preferences (TCFD, 2017; Morgan Stanley - Institute for Sustainable Investing, 2025). Unmanaged, these risks threaten not just firms but systemic financial stability (CFTC, 2020).

Moreover, as risk–return dynamics are shifting, alignment is not only precautionary but also a source of opportunity for financial actors. Early market signals indicate that firms pursuing low-emission pathways can strengthen their risk–return profile, as investors increasingly penalize exposure to high-emission assets through higher capital costs (IMF, 2020; BIS, 2020; OECD, 2021). Furthermore, surveys show that more than 70% of individual investors with robust sustainability practices can deliver higher long-term returns, in addition to adaptation and resilience opportunities increasingly being more accepted by the financial sector (Morgan Stanley, 2025a; Morgan Stanley, 2025b). Integrating climate considerations into financial decision-making has therefore become both prudent risk management and good business practice.

These evolving risks and opportunities have already begun to shape financial behaviour. Climate-related investment flows reached USD 1.9 trillion in 2023, growing at an average of 25% annually since 2021 (CPI, 2025). Governments and regulators have accelerated policy action, with a 40% rise in jurisdictions adopting climate-finance measures between 2020 and 2022 (UNFCCC, 2024e). Disclosure frameworks such as the TCFD, the EU's SFDR, and the ISSB's new standards, alongside climate stress tests by central banks, are embedding considerations into governance and financial stability assessments (EU, 2019; IISB, 2023; ECB, 2022). Fiscal reforms are also shifting incentives: carbon pricing revenues climbed to USD 95 billion in 2022, while fossil fuel

subsidies are gradually being reduced and green subsidies expanded (OECD, 2024).

Nonetheless, the proliferation of methods and governance frameworks is generating fragmentation, confusion and inconsistent data which in turn amplifies the risk of greenwashing and a deficit of credibility (UNFCCC, 2024e; UN High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities, 2022). Moreover, much financial decision-making continues to operate on short-term horizons, while climate risks and resilience benefits unfold over longer timescales, further widening the gap between market practice and Paris-aligned needs (IPCC, 2022). While these responses point into the right direction, alignment of such diverse initiatives into a coherent transformation of global finance is far more complex than isolated reforms.

2.2.2. The scale of needs and necessity to engage a breadth of actors is immense

In 2023, the global economy reached USD 106,97 trillion in nominal GDP (World Bank, n.d.), yet only USD 1.9 trillion (less than 2%) was tracked as climate-investment (CPI, 2025). USD 1.78 trillion went to mitigation (94%), while adaptation received only 3%, underscoring the persistent imbalance between those critical areas of climate action, while global emissions are not peaking at the pace required, and adaptation remains severely underfunded, especially in developing countries facing escalating climate impacts. Despite reaching a historic high, with average annual investment growing by 26% between 2021 and 2023, climate finance remains a marginal share of global financial activity. This gap highlights the scale of the challenge in implementing Article 2.1(c) and achieving the objectives of the Paris Agreement.

It has been estimated that developing countries will require at least USD 5–6.8 trillion by 2030 to implement their NDCs[8], with much greater sums needed to support net-zero pathways and resilience objectives (UNFCCC, 2024g). By contrast, current international climate investments to developing countries remains below USD 300 billion per year, and is dominated by loans and non-concessional instruments (CPI, 2025). Nevertheless, focusing only on tracking positive climate finance needs and flows is insufficient to achieve the overall objectives of the Paris Agreement (CPI, 2025).

To understand the scale of investments needed, it is helpful to compare with broader global finance flows. In 2024, an estimated USD 1.2 trillion was allocated to new fossil fuel production and distribution (IEA, 2025), effectively undermining the goals outlined in Article 2.1(c). Additionally, global public military spending reached USD 2.7 trillion (SIPRI, 2025). The financial services market reached USD 31.1 trillion in 2023, representing 29.3% of that year's global GDP (Benchmark International, 2024). The global banking sector alone had an estimated market capitalization of USD $6.39 trillion in Q4 2023. Despite the investment potential, real economy actors and financial institutions continue to direct the majority of capital toward activities that are inconsistent with low-emission, climate-resilient pathways. Overall, this highlights that while substantial financial resources are available, they are significantly misaligned with global climate objectives and sustainable development goals (CPI, 2025).

The implementation of Article 2.1(c), therefore requires confronting the structural features of the financial system itself: an architecture that is vast and layered, where capital circulates through primary and secondary markets, across sovereign and corporate channels, through multiple intermediaries, many relevant actors remain several steps removed from the real-economy transformations needed to achieve mitigation and adaptation goals under Articles 2.1(a) and 2.1(b) (UNCTAD, 2023). Delivering on Article 2.1(c) and closing the finance gap requires mobilizing and redirecting global finance at scale, the alignment

8 Cost requirements differ across regions; these disparities may reflect data and institutional gaps rather than actual differences in needs. In Latin America and the Caribbean, needs assessments continue to face methodological challenges and information gaps, limiting the ability to generate cost estimates. As a result, lower reported figures might be more indicative of constrained costing exercises than of reduced financing needs (SCF, 2024).

of incentives, rules, timelines, and expertise across the financial architecture and reforms in how risk, equity, and resilience are integrated into financial decision-making, as well as real-economy changes to how production and consumption is determined.

Translating these systemic reforms into practice to make financial flows consistent with the Paris Agreement will depend on the coordinated effort of multiple actors. This includes the financial sector, banks, asset managers, insurers, and institutional investors who allocate capital toward projects and companies aligned with climate policies and incentives. Through portfolio allocation, investment screening, and risk management, these actors directly influence which projects receive funding, thereby shaping the consistency of financial flows with climate objectives. Non-financial actors in the real economy, including corporations in industry, energy, and agriculture, as well as small and medium-sized enterprises, may adopt net-zero or science-based targets, invest in low-carbon technologies, and adjust supply chains, ensuring that the demand side of investment aligns with climate objectives. Their practices signal market preferences, creating opportunities for financial actors to channel capital toward sustainable outcomes. Individual investors also contribute by making investment decisions that collectively steer capital toward climate-aligned instruments.

States play a central rule-setting role by regulating both financial and real-economy actors, exercising due diligence to prevent significant harm from greenhouse gas emissions and to ensure compliance with domestic mitigation obligations (ICJ, 2025). Through legislation, fiscal incentives, public procurement and spending guidelines, environmental standards, consumer education, and monitoring mechanisms, States create the conditions under which private actors (financial or non-financial) can meaningfully contribute to climate-consistent flows.

The international climate regime, composed of the UNFCCC, Kyoto Protocol, and Paris Agreement, establishes a legally binding and politically authoritative framework that governs non stakeholder climate action within States. Parties are bound by "*obligations of conduct*[9]*, obligations of performance, and obligations of result*"[10] interpreted not only through treaty provisions but also through decisions of the COP, CMA, and CMP, which may create binding commitments where treaties so provide or constitute "*subsequent agreements*" under Article 31(3)(a) of the Vienna Convention on the Law of Treaties (ICJ, 2025). These decisions operationalize obligations by setting standards, timeframes, and mechanisms for transparency, finance, and implementation, giving legal and normative weight to instruments such as NDCs, LTSs, and NAPs. While nationally determined in form, these instruments are subject to binding principles of ambition, progression, and due diligence, differentiated under CBDR–RC, and collectively assessed for adequacy to achieve the Paris Agreement's goals, grounding States commitments in enforceable treaty law and evolving international legal standards[11].

If Parties do not fully occupy this governance space through UNFCCC-led processes and decisions, there is a growing risk that financial institutions and regulatory networks operating outside the climate regime, will continue to define the criteria and indicators of Article 2.1(c) unilaterally according to their interests and legal frameworks . This could lead to reinforce

9 These obligations require parties to use their best efforts to achieve certain results relating to mitigation, adaptation, loss and damage, etc.

10 These obligations require the parties to bring about a particular result and, in this instance, they also prescribe certain actions, conduct or means specifically determined by the obligation to bring about the result.

11 For example, successive NDCs are legally required to represent progression and reflect each Party's highest possible ambition under Article 4 of the Paris Agreement, interpreted in light of its object and purpose. The Court confirmed that ambition must be adequate to achieve the 1.5 °C goal, informed by the Global Stocktake, and supported by transparency and accountability provisions. Preparing and communicating NDCs entails a stringent duty of due diligence, with developed countries leading through economy-wide absolute reduction targets and developing countries progressively enhancing ambition in line with equity, embedding NDCs in binding treaty and customary obligations (ICJ, 2025).

access asymmetries, undermine the equity and differentiation principles that underpin the Paris Agreement, and as previously mentioned, result in fragmented and interoperable frameworks that increase distrust and greenwashing risks. Ensuring that implementation is driven by country-owned strategies, complementary to Article 9 obligations, and framed by multilateral guidance is therefore not only a matter of effectiveness, but of climate justice and political integrity.

3 What function could a Theory of Change for Article 2.1(c) have?

3.1. Justifying a theory of change for Article 2.1(c)

As outlined in earlier sections, a key challenge despite years of discussion on Article 2.1(c) is the lack of convergence on its scope, with most Parties and groups unable to articulate a clear vision for its implementation (ODI, 2023a; CSES, 2025). The most recent SeSD highlighted that this divergence stems from both political sensitivities and structural realities: countries' vastly different starting points, levels of development, and domestic financial capacities shape their interpretation of what it means to make finance flows consistent. For some, Article 2.1(c) represents a primarily domestic agenda, centered on integrating climate risk into financial regulation, developing taxonomies, and mobilizing private investment. Others view it as an aspirational goal, while some see it as a systemic reform mandate requiring international financial institutions and global markets to embed climate objectives at scale. The absence of a shared framing has constrained its operationalization, leaving Parties without a structured workplan to deliver consistency.

The authors see the need for a structured, stepwise approach to move beyond these priority areas and emphasis of systems in which reforms are needed to ensuring that implementation pathways respond to differentiated national contexts, therefore maximising on the UNFCCC's role to encourage coherence and political signalling that collectively steers the financial system toward long-term climate goals.

To do this, the paper authors attempted to elaborate a theory of change (TOC) for Article 2.1(c). The idea being that, the Paris Agreement gives us a top-level goal, and the SCF has mapped a number of actions that could be relevant, without pre-empting an agreed scope, yet without a linking between these in terms of the outcomes and outputs, conversations on scope are not resolved. The multilateral process requires this linkage, this organisation in a TOC as the last four years, encompassing the first Global Stocktake process and the New Collective Quantified Goal on climate finance, have raised a diverse and wide array of topics, barriers, interventions, that could scale finance, increase access to finance and/or redirect finance in the pursuit of countries Nationally Determined Contributions and wider climate goals, as well as the collective pursuit of the Paris Agreement objectives. An example of this would be the NCQG references to sovereign debt burdens in developing countries, the high costs of capital that many developing countries face and low fiscal space: all interrelated, but something that scaling climate finance alone will not solve.

Using the literature that is available on Article 2.1(c), four **primary outcomes** – changes in behaviours, conditions and practices - are identified in the TOC:

- A Rapid scale-up of finance available for low greenhouse gas emissions and climate-resilient development.
- B Managed phase-down of finance acting in opposition to climate resilient development.
- C Facilitate fair and just transition in developing countries for climate-resilience and low-emissions pathways.
- D All countries and economic sectors are participating in financial markets and accessing green transition and development finance from public and commercial sources.

These primary outcomes can be elaborated further. For example, a secondary outcome of scaling up finance available would be that climate finance has a more balanced allocation between mitigation and decarbonization efforts and those focused on adaptation, resilience and loss and damage response. It is recognised that not all of these outcomes are endorsed by all groups. The SCF efforts to map and synthesise Party and non-Party views on Article 2.1(c) have noted that while there is general agreement on a scaling up of finance under Article 2.1(c), there is not such agreement that the scope of Article 2.1(c) should include a decrease in inconsistent flows of finance. This is exactly where a detailed TOC could illustrate if this were to be removed from scope, what else would be lost when it came to outputs and activities, and if the goals would ultimately be achievable without it.

With these outcomes elaborated, the **outputs** – immediate results – can be articulated. The authors have created a detailed TOC that can be found at the following link. The idea is not that this is fully comprehensive, but start to show where outputs fall under the remit of the multilateral climate process, versus under other institutions be they at national or international level. For example, one output would be ensuring climate objectives have been integrated across International Financial Architecture and other relevant reform agendas, including the MDB reform agenda, and might be achieved through technical proposals and policy dialogues, and engage those outside of the multilateral climate process, but at an international level. In contrast, shifting subsidies that may act in opposition to climate-resilient development pathways will require more nationally focussed engagement.

When the goals, outcomes and outputs of the TOC become crystallised, a list of activities can be identified. These are numerous, and outline the specific interventions that might be in scope of Article 2.1(c). This is where we see the breadth of topics, themes and asks that have appeared in the multilateral climate discussions, including the NCQG and GST1. The paper groups these activities into four buckets:

- Those that focus on preparation and planning of activities – such as the elaboration of national taxonomies or translating NDCs and National Adaptation Plans into financial strategies;

- Those that are focussed on the implementation of activities – from increasing insurance coverage, creating solidarity levies and taxes that operate internationally, or implementing transition plans;

- Those that are focussed on the monitoring and reporting of activities – such as verification of net zero targets to prevent greenwashing, method enhancement at credit rating agencies to incorporate resilience in assessments, or harmonising or creating interoperable taxonomies and standards;

- Those that are crosscutting for all the above – for example coordinating the response at international, regional, national and sub-national level, ensuring the right hooks in the multilateral climate process agenda items (such as the GST2, Global Goal on Adaptation, Mitigation Work Programme, Just Transition Work Programme), and enhancing inclusive governance of bodies that provide norms and standards in the financial system and real economy.

Certainly, the TOC allows us to see that not all activities need to be undertaken by everyone. It is here that actors can be identified, and held to account for their part of the TOC, for example, notes a role throughout for financial regulators like central banks, that are not under the mandate of the multilateral climate process, and will need to be signalled by Parties and national or regional signals, such as through NDCs. In this way, the task of making all finance flows climate consistent, perhaps, seems less overwhelming and easier to communicate to actors.

A further implication of the development of a TOC for Article 2.1(c) might be in disentangling what actions fall under Article 9 of the Paris Agreement and which fall under Article 2.1(c) of the Paris Agreement. Certainly, the assumption in this paper is that public climate finance flows from developed to developing countries fall under Article 9 responsibilities. Activities in the TOC that refer to Article 9 can be identified, for example: while a restructure of the common framework for climate debt could fall under Article 2.1(c), ensuring that

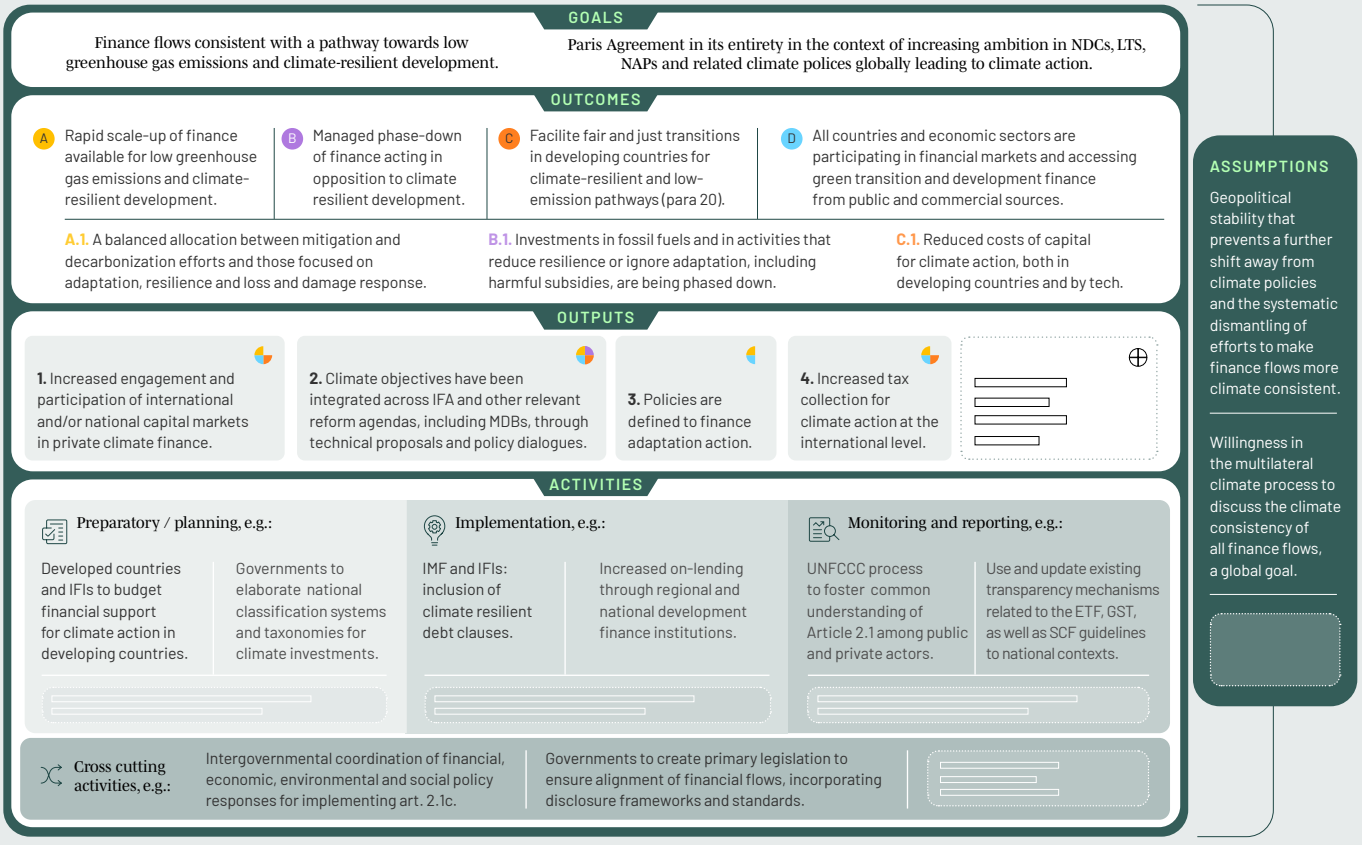
climate finance does not unnecessarily exacerbate sovereign debt might rely on changes in the terms of Article 9 climate finance provided, including disaster risk clauses or longer tenors. Another example might be that while local currency lending might be part of the NCQG approach to reducing costs of capital, shifting broader drivers of costs of capital, such as the role of credit rating agencies, might fall under Article 2.1(c).

The utility of a TOC is also in outlining the **assumptions** for it to work to deliver on its goals. In the case of Article 2.1(c) these might include:

- Geopolitical stability that prevents a further shift away from climate policies and the systematic dismantling of efforts to make finance flows more climate consistent;
- Willingness in the multilateral climate process to discuss the climate consistency of all finance flows, a global goal, while the NCQG is still discussing the Baku to Belem Roadmap and trust and faith was not restored with the quantum or qualitative content of the COP29 decision;
- A mechanism through which the expertise required to develop and understand a jointly designed TOC for Article 2.1(c) under the multilateral climate process will be trusted and integrated into any post COP30 Article 2.1(c) process.
- There is an accelerated implementation of the NCQG in the context of Article 9, enabling best use of public finance towards meeting Article 2 objectives in developing countries.

The utility of this TOC for Article 2.1(c) in the multilateral climate process is in its attempt to circumvent discussions that are circular or those that never reach agreement because conversations rest at too high a level, or are too abstract in nature. The simplified TOC laid out in Figure 1 below , is intended to allow negotiators, working with civil society and other non-Party actors (including the breadth and heterogeneity of private actors) to be on the same page about the causal pathways between activities and goals, and allow them to have more meaningful debate on their differences in what is in or out of scope of Article 2.1(c).

FIGURE 1: SIMPLIFIED THEORY OF CHANGE FOR ARTICLE 2.1(C)



3.2. Applying the theory of change

The majority of global financial flows are concentrated in the private sector, which holds most of the capital and real economy activity. The systemic transformation required by Article 2.1(c) cannot be achieved without the engagement of these actors (ODI, 2023). This includes financial entities (e.g. banks, fund managers, insurers), sectors of the real economy (e.g. industry, energy, agriculture), and, increasingly, to individuals or households acting as individual investors and consumers of goods and services.

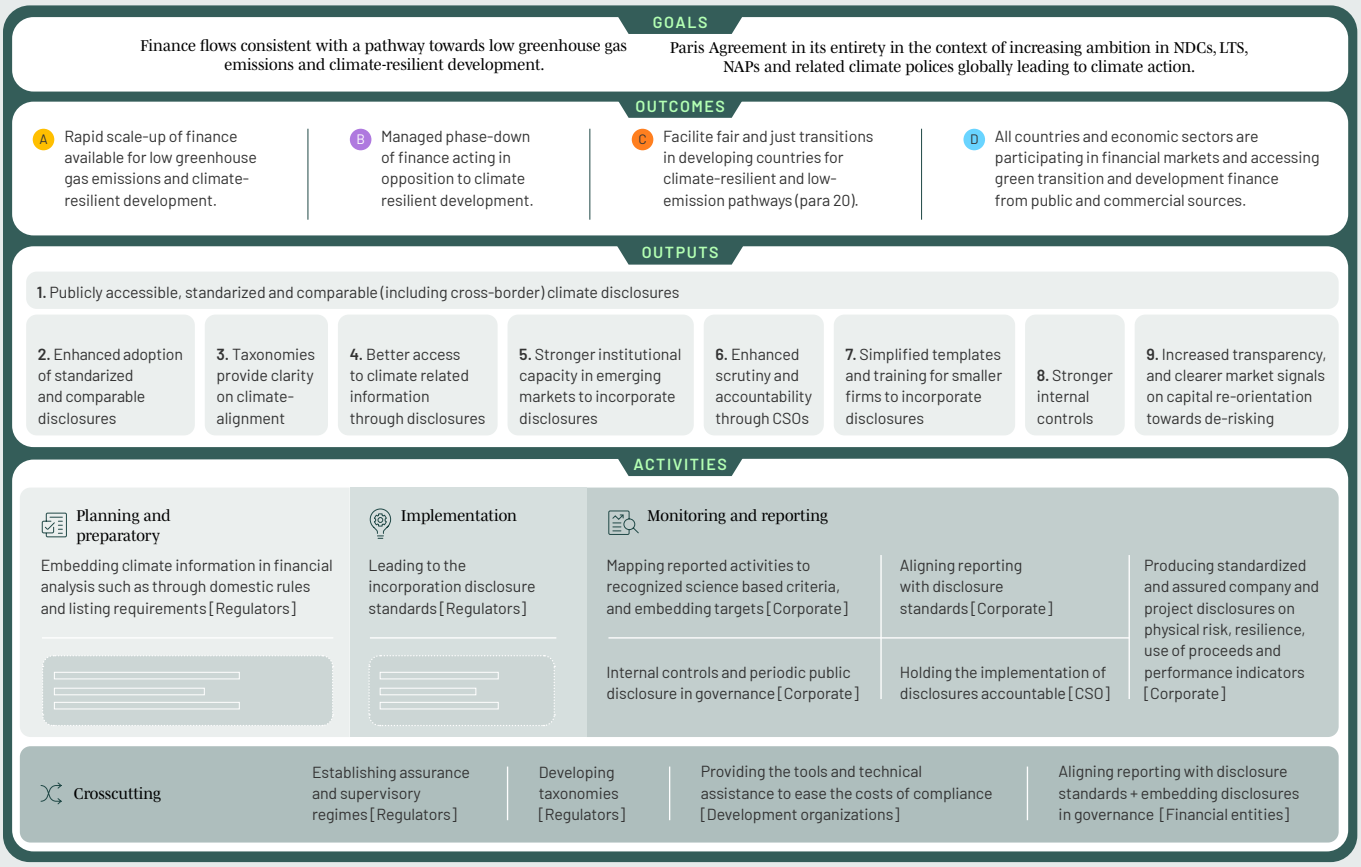
The response of these actors varies according to the framework that governs them. On one hand, financial institutions and companies in the real sector must comply with regulatory frameworks, where inspection, oversight, and control bodies supervise their adherence to policies and standards. These regulatory frameworks should be aligned with each country's national policies, such as those established in the NDCs, which set the conditions for the transition. On the other hand, individual investors and households act based on internal motivations rather than specific regulation. One of their main motivations is to obtain benefits, reduce risks, and increase their profits and preferences, and in some cases, their environmental concerns. These financial motivations are key factors in channelling resources toward financial decisions, a process facilitated by transparency and access to information, which enable investors to identify projects that provide solid economic performance along with environmental and social benefits.

In order to achieve the significant change needed as outlined in Article 2.1(c), it is crucial to go beyond aspirational goals and develop a strong business rationale for private investment. This requires addressing the specific concerns and motivations of three distinct groups: the financial sector (e.g., banks, asset managers), the real economy (e.g., industry, agriculture), and individual investors (households).

Using climate-related financial disclosures as an exemplary lever; this section explores how a combination of policy signals, clear metrics, and market-based incentives can enhance the appeal of climate-aligned investments for these key players, making Paris-consistent pathways not only feasible but financially attractive. Climate disclosures are chosen to exemplify the TOC because they translate physical and transition climate-related financial risks into standardized, comparable information that shapes how capital is priced and allocated. Given how these cut across different actors and levels of the financial system, this section shows how disclosures, through a combination of policy signals, clear metrics, and market-based incentives, can enhance the appeal of climate-aligned investments for these key players, making Paris-consistent pathways not only feasible but financially attractive.[12]

12 While we use disclosures here as an example, their effectiveness will also depend on other instruments and conditions. In order for any single measure within the TOC to function as intended, enabling policies, fiscal incentives and pricing frameworks, among other contextual elements must be also in place to align profitability and risk–return considerations with climate objectives.The example intends to show the ways in which analyzing one instrument through the TOC can evidence how certain Outcomes can be achieved and/or leveraged.

FIGURE 2: ILLUSTRATIVE THEORY OF CHANGE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES



3.2.1. A role for regulators

Private sector responses are significantly influenced by mandatory regulatory and policy frameworks, both national and international, that channel financial flows toward specific sustainable assets. Empirical evidence indicates that robust climate disclosure frameworks significantly influence financial sector behavior (Azuma et al, 2024; Lei et al, 2025). Improved transparency reduces information asymmetries, enhances risk assessment, and builds confidence in green projects. These improvements can lead to increased investment volumes and more favorable financing terms (UNFCCC, 2024f). Therefore, expanding and strengthening disclosure standards across sectors is critical.

In parallel, regulators can strengthen disclosure regimes by developing national taxonomies that provide the definitional basis for sustainable finance (European Commission, 2018; EU, 2020; Bangladesh Bank, 2020). Such taxonomies establish objective criteria for which activities qualify as climate-aligned and which do not, giving supervisors, firms, and investors a common reference point to assess and report sustainable finance flows (OECD, 2020).

Initiatives like the Task Force on Climate-related Financial Disclosures (TCFD) and the emerging International Sustainability Standards Board (ISSB) exemplify efforts to establish standardized disclosure frameworks for climate-related risks and opportunities. These standards aim to embed climate considerations within traditional financial analysis, fostering greater transparency and comparability. For instance, the IFRS S2 standard, issued by the ISSB, provides comprehensive guidelines for companies to report physical and transition risks, alongside climate performance metrics, facilitating cross-border consistency (IFRS Foundation, 2023).

The adoption of such standards has catalyzed growth in green funds and financial instruments aligned with the Paris Agreement's goals, assets managed under sustainable investments principles were estimated at USD 30 trillion by

end-2022, growing from USD 18 trillion at end-2024 (Jegarasasingam, 2025), market capitalisation in the green bond market reached USD 2.9 trillion and assets under management of ESG fund accounted for more than USD 3 trillion by end-2024 (Demski et al, 2025). Countries at the forefront of implementation of these instruments, such as the European countries, have experienced notable increases in green bond issuance, sustainable investment funds, and capital allocations to low-carbon infrastructure and clean technologies, by end-2024 the Euro area accounted for more than USD 1 trillion in green bonds, instruments issued during the last ten years (Demski et al, 2025). Nevertheless, despite their recent growth, green bonds represent only 6.9% of total bond issuance across the EU (European Environmental Agency, 2025). According to the Climate Bonds Initiative, Europe issued bonds associated with green, social and sustainability bonds, plus sustainability-linked bonds, totalling USD 475 billion in 2024, representing 45% of the issuance of these debt instruments (Climate Bonds Initiative, 2025).

At the national level, governments can strengthen disclosures directly by mandating ISSB-aligned climate reporting in company law and standards, adopting ISSB through securities regulators, embedding IFRS S2 in stock-exchange listing rules, establishing assurance and supervisory regimes, and staging timelines to match capacity. To name a few examples: Australia has operationalized ISSB alignment by issuing AASB S1 and AASB S2, making climate-related disclosures mandatory for reporting periods beginning on or after 1 January 2025. Hong Kong's HKEX amended its Listing Rules to require IFRS S2-based climate disclosures for financial years commencing 1 January 2025 with phased implementation (AASB, 2024; HKEX, 2024).

Governments could also require proportionate third party assurance over climate disclosures, set clear assurance scopes and timelines, license and supervise assurance providers, and align domestic practice with international assurance standards such as ISSA 5000 to improve reliability and comparability (IAASB, 2024). For example, the European Union's Corporate Sustainability Reporting Directive introduced mandatory limited assurance on sustainability information with a pathway to reasonable assurance, and Australia assigned the AUASB to develop and maintain assurance requirements for mandatory climate reporting beginning in 2025 (European Commission, 2023; AUASB, 2024). By mandating and helping operationalize high quality climate disclosures, governments improve the comparability and reliability of market information, reduce due diligence frictions, and steer capital toward Paris consistent investments.

AS PER THE TOC

Regulator actions that lead to the incorporation of climate related disclosure standards, embed climate information in financial analysis through domestic rules and listing requirements; develop taxonomies that define eligible and ineligible activities; and establish assurance and supervisory regimes across sectors are the Activities. From these, we then have Outputs: standardized and comparable disclosures, taxonomies that provide clarity on climate alignment, and cross-border consistency to support orderly transitions, ultimately leading to Outcomes A, B, C, and D.

3.2.2. Financial entities

A primary barrier to scaling private climate finance is the shortage of reliable, comparable, and accessible information. Without standardized metrics and frameworks, investors struggle to identify viable green projects, quantify impacts, and accurately assess climate risks (UNFCCC, 2024f). Building on the disclosure baselines set by standard setters, financial institutions are using climate data at the core of their business, embedding TCFD and ISSB type metrics into governance, risk management, underwriting, pricing, and portfolio construction to reduce information asymmetries and steer capital toward credible transition opportunities (UNEP FI, 2020). Investor demand reinforces this shift. For instance, more than 640 investors and lenders with over US$127 trillion in assets request company disclosures through CDP, making standardized and comparable climate data a practical prerequisite for capital access (CDP, 2025).

Evidence links disclosure to financing outcomes. For example, studies' evidence that firms that provide transparent and comprehensive carbon emission disclosures face a lower cost of equity, since markets can price risk with greater confidence (Xu, Sun, and Ni, 2024). The TCFD's implementation has enhanced market confidence, leading to more favorable valuations for companies with explicit climate strategies, while large portions of the buy side now report in line with TCFD themselves, further deepening the feedback loop between disclosed risk, strategy, and capital allocation (Financial Stability Board, 2023). Effective transparency helps reorient financial flows toward mitigation and adaptation, reduces anticipated losses, enhances project bankability, and crowds in private capital alongside public de-risking instruments (UNFCCC, 2022c).

AS PER THE TOC

Financial actor actions such as embedding disclosure metrics into governance, risk management, underwriting, pricing, and portfolio construction; mapping activities to recognized taxonomies, and embedding disclosure practices into governance systems are the Activities. These activities produce Outputs such as standardized, comparable disclosures, stronger internal controls, increased transparency, and clearer market signals, which in turn channel capital toward credible climate solutions. All these resulting in Outputs A, B, C and D.

3.2.3. Sectors of the real economy – corporates

Private investors evaluate multiple key factors in their decision making, predominantly centered on financial performance indicators such as earnings and portfolio diversification, reflecting a traditionally economically driven perspective (Virlics, 2013). Climate related disclosure frameworks make these assessment decisions useful by translating climate risks and opportunities into the language of governance, strategy, risk management, and metrics. Aligning corporate reporting with initiatives such as the TCFD and the ISSB's IFRS S2 embeds climate considerations into mainstream financial analysis, reduces information asymmetries, and supports more confident pricing of transition pathways (UNFCCC, 2024f; IFRS Foundation, 2023).

Projects aligned with climate objectives that simultaneously improve corporate efficiency, exemplified by large scale renewable energy developments, often do not require additional incentives to attract private capital (UNFCCC, 2022c). By contrast, adaptation oriented ventures entail higher revenue risk and typically need supplementary measures to enhance their appeal. Here, standardized and assured disclosures of physical risk exposure, resilience measures, use of proceeds, and performance indicators help investors underwrite uncertain cash flows; blended finance can then complement these disclosures by clarifying risk sharing and impact reporting to mobilize capital toward resilient assets (UNFCCC, 2022c).

Green taxonomies are relevant insofar as they strengthen disclosures. When companies map reported activities and expenditures to recognized, science based criteria, such as those in the Climate Bonds Initiative taxonomy, their disclosures become more comparable and resistant to greenwashing, providing clearer signals to direct capital toward verifiably sustainable projects (Climate Bonds Initiative, 2021). Joint efforts by UNEP FI, PRI, and the Climate Bonds Initiative to support taxonomy development are fostering harmonization and capacity building, which, when reflected in corporate disclosures, facilitates cross-border green investment flows and strengthens trust in sustainable finance markets (UNEP FI, 2024).

Embedding these processes within corporate governance frameworks through clear targets, incentives, internal controls, and periodic public disclosures sustains internal and market discipline (UNFCCC, 2024f). Transparency is therefore not merely informational but instrumental in fostering investor confidence, guiding the allocation of capital toward credible climate solutions, and ensuring that climate commitments translate into tangible investment flows.

AS PER THE TOC

Corporate's activities such as aligning with internationally recognized approaches to climate-risk reporting, producing standardized and assured company and project disclosures on physical risk, resilience, use of proceeds and performance indicators, mapping reported activities to recognized science based criteria, and embedding targets, incentives, internal controls and periodic public disclosure in governance are the Activities. The Outputs are comparable, verifiable and criteria referenced disclosures and regular public reports that investors can use across borders, driving Outcomes A, B, C, and D.

3.2.4. Individuals and households

Households are increasingly influential in directing resources toward green assets, and clearer climate related disclosures can make that influence more effective. Data from the Climate Policy Initiative indicates that individual investors currently constitute a primary source of climate finance (CPI, 2025). Empirical studies, such as those by Morgan Stanley's Institute for Sustainable Investing, highlight how personal preferences shape investment opportunities in sustainable finance. Many individuals are willing to seek market rate returns alongside ancillary benefits linked to real world climate outcomes, while others are motivated by values and aim to invest consistent with their sustainability commitments (Morgan Stanley Institute for Sustainable Investing, 2025). Decision useful, standardized disclosures at the asset and product level help these investors compare options, understand climate impacts, and align choices with their preferences.

However, a significant challenge for individual investors, especially in developing countries, is the limited transparency and reliability of information on climate aligned projects. The scarcity of standardized and trustworthy data, compounded by the risk of greenwashing, impairs informed decision making (UNFCCC, 2024f). Enhancing and expanding the availability of clear, comparable

AS PER THE TOC

Activities are improving transparency FOR individual investors and households through standardized, trustworthy, asset-specific climate disclosures that reduce greenwashing risk. The Outputs are comparable, reliable information and greater investor confidence. These drive particularly Outcome A by channeling more household savings into credible mitigation and adaptation projects at market-rate returns, and Outcome D by widening participation, including in developing countries where information gaps currently limit informed choices.

climate related disclosures that link specific assets and products to documented climate outcomes would facilitate smarter investment choices and increase confidence among households.

3.2.5. Civil society organizations (CSOs), think tanks, research and development institutions

CSOs and academia are crucial to both building capacities, as well as holding to account the actors through which Article 2.1(c) can be delivered. Their ability to shape public opinion, mobilize individual investors, and channel expert knowledge into initiatives such as the Global Stocktake strengthens inclusive governance and ensures that the implementation of Article 2.1(c) is grounded in principles of equity and sustainable development (UNFCCC, 2022c). Their active participation is essential to bridge the gap between global ambitions and concrete actions in the real economy.

Advocacy CSOs have for a long time accumulated significant resources and experience in scrutinizing corporate climate accountability (Brendel, Chen, and Keusch, 2024). Climate disclosures play a key role in this task, with advocacy organizations using these as a key source of information. For instance, the CSO Stand.Earth runs sustainability-related scorecards annually using disclosure data where available to scrutinize corporate sustainability-related practices (Stand.Earth, 2025).

Enhancing and expanding the availability of clear, comparable climate related disclosures would ease the availability and quality of information these organizations can use to detect greenwashing, benchmark corporate performance against climate goals, and hold firms accountable. These disclosures would be, at the same time further scrutinized by CSOs and academia, ensuring that disclosed information is reliable, decision useful, and effectively translated into public accountability. This as it is the case of research initiatives as the Analysis of U.S. Insurance Industry Climate Risk Financial Disclosures partaken by the SOA Research Institute and the Center for Insurance Policy and Research (SOA Research Institute and CIPR, 2023).

CSO such as think tanks and project implementers can also help identify and alleviate the cost of compliance on disclosures particularly experienced by Small and Medium Enterprises (SMEs). For example, the SME Climate Hub provides free tools and calculators to help SMEs measure and report emissions, along with resources for tracking progress, thereby reducing technical burdens and enabling smaller firms to participate more effectively in disclosure frameworks (SME Climate Hub, 2025).

Finally, international cooperation and multilateral organizations can help bridge the disparities between developing and developed countries, with the former facing technical constraints, institutional capacity gaps, and fragile regulatory environments (UNFCCC, 2024f). This persistent disparities, added to lack of capacities, know-how, and dealing with fragmented standards and frameworks simultaneously makes progress on disclosures in developing countries more difficult (UNCTAD, 2025, UNEP-FI & GCA, 2021). Development institutions such as MBDs can play a key role leveraging the implementation of disclosures through both capacity building and technical support. For example, in 2024, the African Development Bank also teamed up with the IFRS Foundation in 2024 to provide content-wide technical assistance and capacity building directed to local banks for the implementation of IFRS sustainability disclosures (IFRS, 2024).

AS PER THE TOC

Activities include civil society and academia monitoring disclosure data to benchmark corporate performance detect greenwashing, and hold firms accountable; CSOs developing scorecards, research, and simplified tools to ease compliance costs; and development institutions providing technical assistance and capacity building for disclosure adoption in developing countries AS standardized climate disclosures implementation is expanded. Outputs are publicly accessible, comparable, and disclosures; enhanced scrutiny and accountability; simplified templates and training for smaller firms; and stronger institutional capacity in emerging markets. All leading to Outcomes A, B, C and D.

4 Conclusion: the COP30 decision on Article 2.1(c) and beyond

The next five years are critical to ensuring that climate action occurs at the speed and scale necessary to maintain a 1.5°C trajectory. This urgency extends to mobilizing finance for climate action, with estimates calling for at least USD 6.3 trillion annually in climate investments, between 2024 and 2030 and an average of USD 9.2 trillion each year from 2031 to 2050 (CPI, 2025). But it must also be recognised that without redirecting inconsistent finance, it will be harder to achieve not only the USD6 trillion, but we will be much less likely to be on track for 1.5°C even if we did raise USD6 trillion. Achieving this scale up and shift requires integrating private investment, public budgets, central bank policies, trade finance, and institutional portfolios to facilitate just and sustainable transitions. Without agreed principles, guidance, or metrics towards Article 2.1(c), fragmented approaches risk creating overlaps, inefficiencies, barriers for

countries, and ultimately having consistency unilaterally defined by financial institutions, especially those with limited fiscal and institutional capacity, while slowing the scale of global reform needed.

Discussions at the final SeS Dialogue in 2025 revealed divisions over the scope and next steps for Article 2.1(c) that will need to be decided at COP30. A number of groups advocated for a structured, long-term CMA workstream that is facilitative, non-punitive, and integrated with GST, NCQG, BTRs, and NDC processes. They called for regular mapping of global efforts, principles, and safeguards to ensure coherence and equity. Conversely, some groups opposed extending the Dialogue, arguing that implementation is already underway and emphasizing that focus should remain on Article 9 delivery. Positions on tempo and format also diverged: some favored light-touch, country-driven approaches, while others supported a stepwise roadmap with stronger MDB and IFI engagement.

The SeSD has underscored a shared recognition that the UNFCCC must act as a convening and signaling hub, providing high-level guidance and political framing without imposing prescriptive mandates. Taken together, these reflections point to CMA7 as a critical moment to embed Article 2.1(c) into the Paris Agreement's ambition cycle. In this way, CMA7 can start a process of converting years of fragmented dialogue into a coherent framework that drives systemic reform, creates accountability mechanisms that respect differentiation, and translates technical work into a political framework that bridges domestic and international processes. This narrative positions the CMA as not only a political forum but also a strategic hub for steering financial systems toward Paris Agreement objectives, ensuring that consistency is pursued in tandem with equity and ambition.

Any CMA7 decision on Article 2.1(c) (Belem do Pará, Brazil, November 2025) should build on more than three-years of groundwork and consider the following elements:

- **A MULTILATERAL FRAMEWORK DRIVEN BY A TOC** to serve as a step-wise, practical tool to operationalize Article 2.1(c), that links goals, outcomes, outputs, and activities into a coherent process. This framework would guide financial stakeholders—public and private, national and international—on how to integrate climate consistency into their operations and decision-making as part of a broader real-economy transition. It would also map where actions fall within or outside the multilateral climate process, connecting external initiatives (e.g., MDB reform, trade policy, voluntary commitments) with UNFCCC-driven processes (e.g., GST, NCQG and the Baku-to-Belém Roadmap). By making explicit these causal linkages, the TOC highlights the differentiated responsibilities of developed and developing countries, clarifies what actions are necessary at each level, and identifies where political signals from the CMA can drive systemic reform without creating duplicative mandates.

- **LINKAGES WITH CONCRETE SECTORAL TARGETS AND THE GLOBAL STOCKTAKE PROCESSES:** the first Global Stocktake (UNFCCC, 2023 b) identified ambitious 2030 targets, including tripling renewable energy, doubling energy efficiency, halting deforestation, and scaling resilience across health, agriculture, education, and infrastructure, by replicating the eleven targets of the Global Goal on Adaptation. Meeting these targets must come together with a transformation of all financial flows—public and private, national and international—to deliver Paris-consistent outcomes. A decision on Article 2.1(c) at CMA 7 should therefore establish concrete guidance for implementation that explicitly feeds into GST2, making the assessment of climate finance consistency a central benchmark of global progress. This approach would provide a clear trajectory for the next five years, ensuring that efforts to align financial flows are systematically measured, reported, and integrated into the broader ambition cycle as a key determinant of success through 2030.

- **EMBEDDING OF NATIONAL ACTION ON ARTICLE 2.1(C) IN NDCS, LTS, NAPS AND OTHER PLANNING PROCESSES.** Central to the ambition cycle and reinforcing the Paris Agreements' nationally-led spirit, are NDCs, LTS and

NAPs which constitute the basis for national planning and sectorial implementation of actions, including on how the public sector interacts with other domestic and international stakeholders. It is therefore crucial that all of these planning instruments are linked to concrete budgetary, regulatory and supervisory benchmarks across jurisdictions and that mandates of public finance institutions are aligned with those benchmarks—thereby accelerating capital toward low-emission, climate-resilient activities while progressively curtailing counter-flows (e.g., fossil subsidies and high-emission lending).

- **CLARITY ON ARTICLE 2.1(C) COMPLEMENTARITY WITH ARTICLE 9 AND NCQG IMPLEMENTATION:** The implementation of the NCQG and that of the BtB Roadmap are enshrined in the delivery of Article 9 of the Paris Agreement. Hence, the implementation of Article 2.1c does not substitute nor does it change the legal obligations of developed countries to provide and mobilize financing to developing countries. When it comes to Article 2.1c implementation, the differentiation enshrined in both Article 2.2 and Article 9 brings forward the responsibilities of developed countries to start off the alignment of financial flows due to their greater economic share in international financial flows but also in responding to their level of capacities and skills to enable the necessary alignment. Larger emerging economies with increasing shares of global capital markets should also come forward in this alignment process, in line with their national circumstances. However, the vast majority of developing countries will require the higher support and capacities to foster financial flows alignment to the Paris Agreement, due to their small shares in global capital markets, and lack of capacities to work together with their own domestic financial stakeholders .

The next step is for the UNFCCC to act as a multilateral point of convergence that embeds this logic into its processes, providing political signals, mapping linkages with external regimes, and ensuring equity in implementation of Article 2.1(c).

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