

INTERNATIONAL



Ensuring an Effective Veredas Dialogue on Aligning Finance Flows with the Goals of the Paris Agreement

Submission to the UNFCCC

February 28, 2026

The Veredas Dialogue offers Parties a chance to deepen engagement on Article 2.1(c) by further involving institutions that directly shape capital flows. Building on three years of mapping and information-sharing, the Veredas Dialogue and Xingu Finance Talks are well-placed to address structural barriers and allow for deeper technical discussion. Dedicated sessions could explore policy tools, chart possible reforms based on domestic or international responsibility, and discuss just transition considerations. Tailored modalities and formats can support deeper technical exchange and strengthen annual reporting, while the dialogue's outputs could usefully inform the global stocktake process.

The Veredas Dialogue provides an opportunity to deepen engagement by involving the actors who influence capital allocation in regular discussion. Prior workstreams on Article 2.1(c) had limited participation of financial institutions and policymakers whose decisions shape global capital flows. More meaningful engagement will require their active, consistent involvement rather than as occasional expert contributions.

More targeted modalities could strengthen technical exchange and improve the utility of Dialogue outcomes. The Veredas Dialogue co-chairs could consider implementing small, facilitated roundtables to help participants engage more deeply on complex and technical finance topics. On high-level inputs, the Xingu Finance Talks will need to take place early enough each year to meaningfully inform the co-chairs annual report.

The Veredas Dialogue is well-positioned to focus on the structural barriers that continue to impede climate-aligned finance. Three years of previous workshops have shown that major challenges lie in misaligned incentives, regulatory gaps, and market failures. Dedicated sessions could examine these barriers, relevant policy tools, international financial architecture issues, and approaches to just transitions and equity considerations, with a view to clarifying the distinct but complementary roles of Article 2.1(c) and Article 9 of the Paris Agreement.

Improving linkages to other UN Framework Convention on Climate Change (UNFCCC) processes presents opportunities for meaningful outputs. Insights from the Veredas Dialogue and Xingu Finance Talks can support the second global stocktake (*GST2*) process by improving the characterization of systemic barriers and informing assessments of collective progress. The co-chairs of the Veredas Dialogue and Xingu Finance Talks could focus outputs by identifying country-determined approaches that support financial alignment, avoid worsening debt distress, and strengthen fiscal and economic resilience during financial system transition.

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Questions for consideration

- What approaches could help Parties identify opportunities to address structural barriers that constrain the alignment of financial flows?
- What modalities for engagement would best facilitate meaningful participation from all Parties and relevant stakeholders, particularly in supporting the development of actionable insights?
- What types of non-prescriptive outputs from the Veredas Dialogue might best inform the GST2 process and outcome without creating new reporting burdens for Parties?

A. Context and the COP30 Decision

1. Article 2.1(c) of the Paris Agreement calls for Parties to make all finance flows—public, private, international, and domestic—“consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.”¹ Since 2023, Parties, international financial institution representatives, and expert stakeholders have been exchanging views on Article 2.1(c) and its complementarity with Article 9 of the Paris Agreement through the Sharm el-Sheikh (**SeS**) Dialogue.² These workshops, coupled with extensive technical work through the Standing Committee on Finance (**SCF**),³ have produced a rich map of policies and instruments relevant to the alignment of financial flows.
2. Following the closing of the SeS Dialogue at the end of 2025, Parties at COP30 decided to extend discussions on financial alignment and consistency in a new workstream under the Veredas Dialogue. The annual high-level Xingu Finance Talks were also agreed as a means to exchange views on the challenges and opportunities of implementing Article 2.1(c).⁴
3. A significant outcome of COP30 was the acknowledgement that there is no common interpretation of the scope of Article 2.1(c) or its implementation pathways. Parties also agreed a number of ‘safeguards’ affirming that any efforts to align finance flows with the goals of the Paris Agreement are nationally determined, facilitative, non-punitive, and non-prescriptive.⁵
4. Thus, the Veredas Dialogue will build on rich foundation that has produced considerable mapping and information-sharing on financial alignment, but importantly has the opportunity to move toward structured, action-oriented engagement on Article 2.1(c) implementation.



B. Modality and Timing Suggestions

5. A persistent challenge to prior conversations around Article 2.1(c) has been the limited participation of finance actors who directly shape capital allocation. Negotiators, while experts in their own right, generally have little authority over the decisions of finance ministries, central banks, sovereign wealth funds, and multilateral development bank (*MDB*) boards, and even less influence on the actions of private sector actors. For the Veredas Dialogue to generate meaningful and actionable outcomes, these stakeholders must be engaged not only as expert panelists, but as active, regular participants in the conversation.
6. The previous SeS Dialogue relied heavily on expert panel presentations and breakout groups. While these formats were valuable for broad, one-way information-sharing, they offered limited opportunity for deeper exchange on technical issues. To foster more meaningful engagement, the Veredas Dialogue co-chairs could introduce small, facilitated roundtables each with a different topical focus, where participants are encouraged to work through an identification exercise or share concrete examples of technical challenges and how to overcome them. This format would likely require greater flexibility for remote participation to ensure the appropriate stakeholders can participate.
7. For technically complex topics requiring deeper expertise (e.g. macro-prudential regulation, sovereign debt dynamics, etc.), the Veredas Dialogue co-chairs could commission experts to prepare short briefs that could be circulated in advance of a given workshop, in addition to panel presentations. This would allow participants to engage at a more sophisticated level and greater opportunity for Parties to send representatives with relevant duties and backgrounds, for example from Ministries of Finance.
8. With respect to high-level political engagement, the mandate states that the outcomes of Xingu Finance Talks are expected to be included in the co-chairs' annual report for consideration by the CMA.⁶ This means that high-level leaders will need to meet well before COPs to allow time for report preparation. It could be beneficial to coordinate or co-locate the Xingu Finance Talks with other Q3 events with high-level or ministerial participation from financial stakeholders, for example the Annual Meetings of the World Bank and International Monetary Fund.

C. Opportunities for Substantive Discussion

9. After three years of information-sharing and mapping successful implementation under the SeS Dialogue, the Veredas Dialogue has an opportunity to more deeply examine structural barriers preventing greater climate-aligned finance. There is an understanding that a fundamental challenge to the alignment of the financial system is not a lack of information, but misaligned structural incentives, regulatory gaps, and market failures.
10. The Veredas Dialogue could explore these issues by dedicating sessions to:
 - deepen understanding of what constitutes Paris-aligned financial flows
 - map the specific barriers that most constrain climate-aligned investment, examining different country contexts and capacities
 - examine the policy toolkit—regulatory, fiscal, and institutional—that governments can deploy to address barriers
 - explore challenges related to international financial architecture reform and chart which barriers fall within the scope of national action and which require action from international financial institutions
 - advance approaches to just transitions and equity considerations, with a view to clarifying the distinct but complementary roles of Article 2.1(c) and Article 9.

D. Linkages and Outputs

11. The Veredas Dialogue offers a key opportunity to strengthen coherence with ongoing UNFCCC processes and ensure that Parties can meaningfully inform the broader Paris Agreement architecture. The second GST, which will begin at the end of 2026 and conclude in 2028, will attempt to assess collective progress towards the achievement of the goals of the Paris Agreement outlined in Article 2, including Article 2.1(c).
12. Past experience has shown that in the absence of a shared understanding of scope on Article 2.1(c), assessments on finance alignment—for example through the SCF—tend to summarize initiatives rather than analyzing collective progress in a structured way. The GST1 outcome “recognizes the need for further understanding of Article 2, paragraph 1(c) ... and notes the limited progress towards” its goal of low emissions and climate-resilient development.⁷
13. The Veredas Dialogue could generate insights that help GST2 more accurately characterize systemic barriers and country-determined approaches relevant to achieving the goal of aligning finance flows with the Paris Agreement. Discussions could meaningfully progress the GST1 targets through enhanced international cooperation by continuing to improve information-sharing and enabling greater alignment of finance flows to climate initiatives. Discussions on Article 2.1(c) are also mandated to be reviewed in 2028, making it a good opportunity to incorporate any outputs produced in GST2.
14. Implementation of Article 2.1(c) must support equitable, nationally appropriate development pathways and should not create or worsen debt distress, place undue burdens on developing countries, or constrain national policy space. The Veredas Dialogue could usefully develop outputs and examples of approaches that expand fiscal space, improve resilience, and protect domestic priorities during financial system transitions.

E. Additional C2ES Resources

- **The Future of Article 2.1(c) Discussions: Issues and Options** (May 2025)
<https://www.c2es.org/document/the-future-of-article-2-1c-discussions-issues-and-options/>
- **Assessing progress under the Sharm el-Sheikh Dialogue on Article 2.1(c) and its complementarity to Article 9** (March 2025)
<https://www.c2es.org/document/assessing-progress-under-the-sharm-el-sheikh-dialogue-on-article-2-1c-and-its-complementarity-to-article-9/>

F. References

¹ UN Framework Convention on Climate Change [hereinafter UNFCCC], Paris Agreement, Art. 2(1) (December 12, 2015), https://unfccc.int/sites/default/files/english_paris_agreement.pdf.

² UNFCCC, *Sharm el-Sheikh Implementation Plan*, Decision 1/CMA.4, ¶ 68 (March 17, 2023), https://unfccc.int/sites/default/files/resource/cma2022_10_a01E.pdf.

³ UNFCCC Standing Committee on Finance, *Biennial Assessment and Overview of Climate Finance Flows* (2024), https://unfccc.int/sites/default/files/resource/UNFCCC_BA6_Report_Web_Apr2025.pdf.

⁴ UNFCCC, *Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement*, Draft Decision -/CMA.7, ¶¶ 10–21 (November 23, 2025), https://unfccc.int/sites/default/files/resource/CMA7_10g_SeS%20Dialogue_AUV.pdf (Advance unedited version).

⁵ UNFCCC, *Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement*, Draft Decision -/CMA.7, ¶ 3 (Advance unedited version).

⁶ UNFCCC, *Sharm el-Sheikh dialogue on the scope of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement*, Draft Decision -/CMA.7, ¶ 15 (Advance unedited version).

⁷ UNFCCC, *Outcome of the first global stocktake*, Decision 1/CMA.5, ¶ 91 (March 15, 2024), https://unfccc.int/sites/default/files/resource/cma2023_16a01E.pdf.