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Subject:	Climate finance – Council conclusions on climate finance (5 October 2021)

Delegations will find in the Annex Council conclusions on climate finance as approved by the Council (ECOFIN) at its 3814th meeting held on 5 October 2021.

2021 COUNCIL CONCLUSIONS ON CLIMATE FINANCE

THE COUNCIL OF THE EUROPEAN UNION:

1. EMPHASIZES the strong support of the EU and its Member States for the urgent and ambitious implementation of the Paris Agreement and COMMITS to further accelerating efforts in line with the European Green Deal, the ambitious green objectives and climate spending targets pursued through the EU's Multiannual Financial Framework, including its external policy instruments, and the NextGenerationEU, as well as on the basis of the European Climate Law that requires the EU to reduce net greenhouse gas emissions by at least 55% by 2030 from 1990 levels and to be climate-neutral by 2050. ENCOURAGES other Parties to step up their own efforts to combat climate change to achieve the goals of the Paris Agreement. STRESSES the synergies between the 2030 Agenda for Sustainable Development, the Addis Ababa Action Agenda, the Sendai Framework for Disaster Risk Reduction and the Paris Agreement.

2. REITERATES the importance of making swift and ambitious progress towards achieving the long-term goals of the Paris Agreement as confirmed once again by the findings in the Intergovernmental Panel on Climate Change (IPCC) report published in August 2021. EMPHASIZES that this includes making finance flows - public and private, domestic and international - consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, and STRESSES the need to assess the progress that Parties to the Paris Agreement have made in this respect in the forthcoming *Biennial Assessment* by the Standing Committee on Finance and the *Global Stocktake* due in 2023. UNDERLINES the need to seize the opportunities offered by Covid-19 recovery spending to put economies on a more sustainable and climate-neutral and climate-resilient path.[1]

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1 See UNEP's March 2021 report *Are We Building Back Better? Evidence from 2020 and Pathways for Inclusive Green Recovery Spending* - https://www.unep.org/news-and-stories/press-release/are-we-track-green-recovery-not-yet.

3. HIGHLIGHTS the need to significantly enhance the mobilisation of private finance to help implement the Paris Agreement and UNDERLINES the important leveraging role that public policy, including public finance, as well as sectoral roadmaps can play in that regard. ENCOURAGES all Parties to enhance transparent reporting on private finance mobilised for climate action. CALLS on the private sector to significantly reinforce efforts to help achieve a climate-neutral and climate-resilient future. EMPHASIZES that the EU and its Member States are taking ambitious steps to align financial flows with the Paris Agreement, including through the 2018 EU Action Plan on Financing Sustainable Growth and the follow-up Strategy for Financing the Transition to a Sustainable Economy[2]. In this context, WELCOMES the progress made on an EU taxonomy for environmentally sustainable economic activities, on sustainability-related disclosures for issuers and for financial market participants, on the European green bond standard, and on corporate sustainability reporting. STRESSES that the EU will support convergence of sustainable finance approaches and tools globally and promote coherence, comparability and interoperability with the standards and taxonomy developed by the EU. EMPHASIZES the importance of transparency and mitigation of climate related risks in the financial system and WELCOMES the relevant proposals put forward in the Strategy for Financing the Transition to a Sustainable Economy and the work of the G20 and Financial Stability Board on sustainable finance. ENCOURAGES partners to join the International Platform on Sustainable Finance.

[2] As adopted by the European Commission on 6 July 2021 (Strategy for financing the transition to a sustainable economy | European Commission (europa.eu)).

4. STRESSES that carbon pricing and phasing out environmentally harmful fossil fuel subsidies are key components of an enabling environment to shift financial flows towards climate-neutral and sustainable investments as well as to support a just transition, and COMMITS to supporting developing countries in their own efforts. WELCOMES the explicit commitment by the June G7 Summit to end new direct government support for unabated international thermal coal power generation by the end of 2021, including through Official Development Assistance (ODA), export finance, investment, and financial and trade promotion support[3] and calls on OECD members to follow through by taking relevant decisions on ODA reporting and on the Coal-Fired Electricity Generation Sector Understanding of the OECD Arrangement on Officially Supported Export Credits.

5. HIGHLIGHTS the role of the Coalition of Finance Ministers for Climate Action in mainstreaming climate change considerations into macro-fiscal policy making and budgetary processes, promoting the use of carbon pricing instruments and mobilizing private climate finance, in order to prioritize climate-neutral and climate-resilient growth and to facilitate a just transition towards climate-neutrality. EMPHASISES the benefits of mobilizing and aligning the finance needed to implement national climate action plans; developing best practices such as evaluating the climate effects of public finance and strategies for green investment and procurement; and factoring climate risks and vulnerabilities into members' economic planning, in line with the Coalition's Helsinki Principles.

[3] Carbis Bay G7 Summit communiqué paragraph 39.

6. RECONFIRMS the commitment by the EU and its Member States to continue scaling up their contribution to international climate finance from a wide variety of sources – public and private, bilateral and multilateral, including alternative sources of finance –, instruments and channels, in the context of meaningful mitigation actions and transparency on implementation, as part of the goal of developed countries to collectively mobilise USD 100 billion per year through to 2025. RECALLS that the EU and its Member States are the largest contributor of international public climate finance, and since 2013 have more than doubled their contribution, and submitted a detailed and comprehensive communication on *ex ante* climate finance information in accordance with Article 9.5 of the Paris Agreement. Mindful of the recent OECD report on climate finance data for 2019[4] CALLS ON other developed countries to also increase their contribution to the collective USD 100 billion goal as a matter of urgency.

7. In this context, REAFFIRMS the continued need to scale up finance supporting adaptation objectives, and to strike a better balance between mitigation and adaptation actions, particularly in the most vulnerable countries, and for the benefit of their most vulnerable populations, notably Least Developed Countries and Small Island Developing States. Also UNDERLINES the importance of prioritising support for the implementation of Nationally Determined Contributions, better mobilising private finance through public interventions, enhancing access to climate finance as well as ensuring transparency in implementation, regular monitoring, and continuous assessment of effectiveness of funds provided.

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4 Climate Finance Provided and Mobilised by Developed Countries Aggregate trends updated with 2019 data.

8. REAFFIRMS the commitment by the EU and its Member States to engage constructively in deliberations on a new collective quantified goal from a floor of USD 100 billion per year for the period post 2025, taking into account the needs and priorities of developing countries. CALLS ON Parties to design the new goal in such a way as to ensure that finance flows are made consistent with the long-term goals of the Paris Agreement and make an effective contribution to mitigation and adaptation. Also HIGHLIGHTs the need of drawing lessons from the implementation of the USD 100 billion goal, of assessing the contribution that Parties' public and mobilised private finance make towards shifting finance flows, of widening the array of instruments and funding sources, including through the mobilisation of private finance.

9. RECALLS the crucial role of Multilateral Development Banks (MDBs) and other Development Finance Institutions (DFIs) in achieving climate goals and climate finance commitments including through the mobilisation of private climate finance. WELCOMES the strategies established by a number of key MDBs, including, as a frontrunner, the European Investment Bank, as well as the European Bank for Reconstruction and Development and the World Bank Group, and by other DFIs to align their portfolios with the Paris Agreement and to scale up climate-related investments. STRESSES the importance of plans ensuring the effective implementation of these strategies including with respect to intermediated lending and inter alia by supporting countries to develop and implement ambitious Nationally Determined Contributions, Long Term Strategies and Adaptation Plans. CALLS ON those MDBs, other DFIs and Export Credit Agencies that have not yet done so to set ambitious dates for the adoption of Paris alignment strategies ahead of COP26 and to mobilise increased climate finance including from the private sector.

10. REQUESTS the European Commission to provide an overview on international climate finance from the EU, including from the European Investment Bank, and its Member States for 2020 and for the Council to endorse this contribution prior to the UNFCCC COP26.