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Delegations will find in the Annex the Council conclusions on climate finance as approved by the Council (ECOFIN) meeting held on 8 October 2024.

ECOFIN Council conclusions on international climate finance

8 October 2024

THE COUNCIL OF THE EUROPEAN UNION,

1. NOTES WITH CONCERN the findings of the State of the Global Climate 2023 Report published by the World Meteorological Organisation, that 2023 was the warmest year on record, with the global average temperature at 1.45°C above pre-industrial baseline and with historic records broken for ocean heat, sea level rise and glacier retreat.

2. STRESSES that these findings heighten the urgency of global climate action, and in this context WELCOMES the recognition by all Parties to the Paris Agreement, through the UAE Consensus, of the need for deep, rapid and sustained reductions in greenhouse gas emissions in line with the 1.5°C pathway; further WELCOMES the call on Parties to contribute to the global climate efforts by among others tripling renewable energy capacity globally, doubling the global average annual rate of energy efficiency improvements by 2030, transitioning away from fossil fuels in energy systems, accelerating zero- and low-emission technologies, and phasing out inefficient fossil fuel subsidies that do not address energy poverty or just transitions as soon as possible; and the urge to accelerate adaptation action and support at scale and at all levels.

3. In this context, STRESSES that all Parties should accelerate efforts towards making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development to allow the mobilisation of all sources of finance at scale, public and private, domestic and international, utilising their complementary strengths to deliver impact. WELCOMES the decision to continue and to strengthen the Sharm el-Sheikh dialogue with regard to the operationalisation and implementation of Article 2, paragraph 1(c) of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement.

4. REITERATES that the EU and its Member States remain fully committed to decisively respond to the urgency of climate action, as confirmed by the adoption and implementation of the "Fit for 55" legislative package, which will reduce EU net greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. UNDERLINES that the package has extended carbon pricing to additional economic sectors to support their emissions reductions, and that the EU Member States will use an amount equivalent to 100% of their emission trading revenues on domestic and international expenditure related to the climate transition, including its social dimension.

5. STRESSES that the EU and its Member States are lead contributors and will continue to be a driving force for international climate action and support, including by implementing the Global Gateway strategy to support our partner countries' sustainable development agendas. NOTES WITH SATISFACTION that in 2023, the European Investment Bank has exceeded for a third year its 2025 target of a 50% share of green financing.

6. RECOGNISES that public climate finance, including international climate finance remains critical to support vulnerable countries and communities, especially those disproportionally affected by the impacts of climate change, notably in the Least Developed Countries and Small Island Developing States including for adaptation. HIGHLIGHTS the importance of using official development assistance efficiently and catalytically to mobilise resources from other sources. EMPHASISES the ongoing challenges faced by many developing countries in accessing climate finance, in particular those that have significant capacity constraints, and the need for further efforts to address such challenges.

7. RECOGNISES the importance of scaling up finance for building resilience and enhancing adaptive capacities to climate change. REAFFIRMS the resolve of the EU and its Member States to respond to the urge of doubling the developed countries' collective provision of climate finance for adaptation to developing countries by 2025, compared with 2019 levels. STRESSES the critical role of international concessional finance and domestic public finance in supporting and leveraging adaptation efforts through proper programming, planning, and budgeting, which improves access and is inclusive to private finance.

8. WELCOMES the first steps towards the operationalisation of the Fund for Responding to Loss and Damage and CALLS for contributions to the Fund from a wide variety of sources of funding, including grants and concessional loans from public, private and innovative sources. REITERATES the EU's commitment to enhance action on averting, minimising and addressing loss and damage, exemplified by the EU's and its Member States pledges representing over two thirds of the initial contribution to the Fund.

9. HIGHLIGHTS the need to mobilise the private sector at scale through effective and credible policy frameworks, able to tackle market failures and other barriers to unlock increased investments in climate action. UNDERLINES that private sector will have to undertake the largest share of the required investment in net-zero, resource-efficient and climate-resilient development. In this context, STRESSES the importance of private sector involvement, including by large enterprises and the financial sector, in the climate transition and in transitioning environmentally harmful activities towards sustainable ones, using tools such as taxonomies, sustainability reporting standards, and sectoral pathways towards Paris Agreement alignment. REITERATES that adequate management of transition and physical climate risks is essential and ENCOURAGES sustainability disclosures worldwide including by private financial actors, noting its multiple benefits such as access to capital, enhanced reputation, and more robust risk management. ACKNOWLEDGES the need for proportionate regulatory frameworks that minimise costs of doing business while maintaining rigorous environmental and social standards.

10. HIGHLIGHTS the key role of domestic finance and that each country should create and improve enabling conditions and investment environments to mobilise scaled-up finance and to catalyse investments in climate action. This requires a whole-of-government approach, by mainstreaming climate action into macro-economic and fiscal policies, including through carbon pricing, budgeting, public investment, and procurement processes, and by involving economic stakeholders and strengthening their engagement with climate action. REAFFIRMS the EU's commitment to build strong alliances with developing countries to support capacity building efforts in support thereof. WELCOMES the work of the Coalition of Finance Ministers for Climate Action in this regard, and in particular the launch, in cooperation with the NDC Partnership, of the Nationally Determined Contribution (NDC) support initiative to strengthen the engagement of Ministers of Finance in developing, financing, and implementing NDCs, which are at the heart of the Paris agreement.

11. WELCOMES the achievement by the developed countries of the collective USD 100 billion goal in climate finance for developing countries, in the context of meaningful mitigation action and transparency on implementation, with USD 115.9 billion provided and mobilised in 2022. RECALLS the significant contribution of the EU and its Member States in that regard and REAFFIRMS their commitment towards the continued delivery of the goal through 2025. Likewise, REITERATES the commitment to further enhance the synergies between finance for climate, biodiversity and sustainable land management agendas.

12. REAFFIRMS the EU's constructive engagement in deliberations on the New Collective Quantified Goal on Climate Finance (NCQG) under the Paris Agreement. UNDERLINES the need for a broad and transformative approach in designing the new goal as part of a global climate finance framework where all sources of finance - domestic and international, public and private are complementary and mutually supportive and where different combinations of financing modalities are considered.

13. UNDERSCORES that the goal should reflect global and domestic efforts more broadly to mobilise climate finance through measures aiming to strengthen the enabling environment to globally make finance flows consistent with a pathway towards the Paris Agreement goals and unlock investment flows, notably in developing countries. In this context, STRESSES the importance of an integrated multi-layered approach for the NCQG. International public finance should be at its core and should be provided and mobilised from a broader base of contributors, including those countries that are capable of contributing. STRESSES the need for expanding the group of contributors as a prerequisite for an ambitious NCQG, reflecting the evolution of respective capabilities and high greenhouse gas emissions since the early 1990s, and their dynamic nature. ACKNOWLEDGES that, as part of a global effort, developed countries should continue to take the lead in mobilising climate finance from a wide variety of sources, instruments and channels. Likewise, ACKNOWLEDGES that many developing countries are already providing and mobilising climate finance, including through dedicated climate funds, Multilateral Development Banks (MDBs), national Development Finance Institutions and through South-South cooperation. EMPHASISES that the core of the NCQG should be used in a targeted way that ensures efficient, accessible and impactful support to vulnerable countries and communities in delivering results on the ground, and reflects strong global solidarity towards them. ENCOURAGES all contributors to report the amount of climate finance provided and mobilised to improve transparency and enable stronger coordination, complementarity and coherence between different providers and actors, as this carries the potential to catalyse more climate finance.

14. ACKNOWLEDGES the Intergovernmental Panel on Climate Change findings that public and private finance flows for fossil fuels are still greater than those for climate adaptation and mitigation and URGES all climate finance contributors to ensure that provision and mobilisation of climate finance must not be used for fossil fuel related activities, while recognising that swift action must be undertaken to address energy poverty especially in the most vulnerable developing countries. CALLS UPON MDBs to phase out fossil fuel related finance as soon as possible as part of their alignment with the goals of the Paris Agreement, to present detailed reporting on fossil fuel finance they still provide and to support countries in phasing out fossil fuel subsidies that do not address energy poverty or just transitions.

15. UNDERLINES that the MDBs and other International Financial Institutions are key to both unlocking investment opportunities and mobilising finance for climate and development, through own lending, catalysing private finance and promoting domestic resource mobilisation. To be able to deliver more climate finance, the MDBs must continue to undertake reforms, building on the G20 Capital Adequacy Framework roadmap, and to improve coordination between them. RECOGNISES that climate investment challenges are compounded in a growing number of countries by rising levels of debt and increased cost of capital. REITERATES the urgency of continuing the broader reform of the international financial architecture, and ACKNOWLEDGES the growing cooperation in that respect. WELCOMES the new vision of the World Bank Group, and the recent work developed by the G20 to help enhancing mobilisation and channelling of large-scale investments by vertical climate and environment funds, and towards establishing an agenda on structural changes for the Financial Sector's 1.5°C target alignment. Likewise, LOOKS FORWARD to the publication and implementation by the vertical climate and environment funds, of the Multilateral Climate Funds Action Plan on Complementarity and Coherence.

16. STRESSES the need to explore innovative options for widening the sources of concessional finance for climate action. SUPPORTS the efforts of recent initiatives and coalitions that help to advance the international carbon pricing agenda, those addressing climate action and nature restoration, as well as the initiatives that aim to improve access to finance by removing barriers related to debt vulnerability, fiscal space, and the cost of capital, and that accelerate the reform of the international financial architecture to better address the challenges of climate change.

17. REQUESTS the European Commission to provide an overview of international climate finance flows from the EU for year 2023, including from its Member States and the European Investment Bank, for endorsement by the Council prior to COP29 - the 29^{th} Conference of Parties to the United Nations Framework Convention on Climate Change.