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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 17 October 2023.

ECOFIN COUNCIL CONCLUSIONS ON INTERNATIONAL CLIMATE FINANCE

THE COUNCIL OF THE EUROPEAN UNION,

1. NOTES WITH CONCERN the findings of the latest World Meteorological Organisation Global Annual to Decadal Climate Update Report that global temperatures are likely to surge to record levels in the next five years and exceed 1.5°C from pre-industrial levels for at least one year. ACKNOWLEDGES the urgency expressed in the findings of the 6th Intergovernmental Panel on Climate Change Assessment Report (AR6), highlighting that limiting warming to 1.5°C above pre-industrial level requires a peak in greenhouse gas (GHG) global emissions before 2025 at the latest and a cut by 43% by 2030 from 2019 emission levels. HIGHLIGHTS the conclusions of the AR6 report that current global financial flows for supporting adaptation to climate change are insufficient, and finance flows fall short of the levels needed to meet climate mitigation goals across all sectors and regions. UNDERSCORES the report findings on the availability of sufficient global capital and the need for clear signaling and support by governments to remove barriers to redirect capital to climate action, and for scaling up financial flows for climate mitigation and adaptation. Recalls the decision agreed in Glasgow and Sharm-el-Sheikh to accelerate efforts towards the phase-down of unabated coal power and phase out of inefficient fossil fuel subsidies.

2. In this context, RECALLS that achieving the ambition under the Paris Agreement requires a structural transformation of domestic and global economies, financial markets, and investments, towards climate resilience and climate neutrality.

UNDERLINES that article 2.1(c) of the Paris Agreement, which is key to strengthen the global response to climate change, by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, is both a goal and a critical enabler for the other goals of the Agreement. UNDERScores the importance of a substantive exchange of views under the Sharm-el-Sheikh Dialogue to enhance understanding of the scope of Article 2.1(c) and its complementarity with Article 9 of the Paris Agreement¹. At the same time, REITERATES the need for a new dedicated agenda item on Article 2.1(c) starting at the 5th meeting of the Conference of the Parties to the Paris Agreement in order to allow Parties to discuss how to achieve the goal under this article. LOOKS FORWARD to an ambitious and forward-looking outcome of the Global Stocktake at COP28, that should include strong signals for a major shift of the global economy, financial markets, and investments mainstreaming climate change into economic and financial decisions domestically and globally, as well as into national budgets and the development finance system.

¹ Article 9 requests developed country Parties, and encourages others, to provide and mobilise financial resources for climate mitigation and adaptation to developing country Parties.

3. REITERATES the resolute support and action of the EU and its Member States for the ambitious implementation of the Paris Agreement and for the alignment of financial flows with the Paris goals. RECALLS that action at the EU level, including towards the achievement of article 2.1(c), is underpinned by the comprehensive set of policies and tools under the European Green Deal including among others existing resources under the EU's Multiannual Financial Framework, including the Global Europe Neighborhood, Development and International Cooperation Instrument; the programs under the temporary NextGenerationEU Recovery Instrument; the RePowerEU plan; the EU ETS Innovation Fund, the Modernisation Fund and the InvestEU Programme, all these programs and instruments committing 30% or more of their spending to support domestic or international climate action. NOTES with satisfaction the legislative acts approved under the EU Fit-for-55 package in 2023, setting the EU's policies in line with its commitment to reduce its net GHG emissions by at least 55% by 2030 compared to 1990 levels and to achieve climate neutrality at the latest by 2050 including in particular by strengthening the role of carbon pricing to levels consistent with the temperature goal of the Paris Agreement.
4. UNDERLINES that encouraging, mobilising and facilitating private finance and investments are essential and complementary to public climate finance resources and action as the private sector will have to undertake the largest share of the required investments. NOTES with concern the scale of private finance currently supporting non-Paris aligned activities especially in the fossil fuel sector. Also NOTES the environmentally harmful subsidies and other incentives still in place. CALLS UPON private actors to align their financial flows with the goals of the Paris Agreement.

TAKES NOTE of the new package of measures under the EU sustainable finance framework aiming to further strengthen and facilitate the action of the private and the financial sectors towards the transition to a climate neutral and sustainable economy by 2050, including the proposal for an Environmental Social and Governance Ratings Regulation, a Recommendation on Transition Finance and further expanding the EU Taxonomy with critical economic activities. REITERATES that transparency on material and regulatory climate risks is essential to prevent negative impacts and can reward best performers. HIGHLIGHTS the adoption of the European Sustainability Reporting Standards for companies and their interoperability with the recently published global baseline standards of the International Sustainability Standards Board.

5. WELCOMES the recent work of the Coalition of Finance Ministers for Climate Action, including the report on *Strengthening the Role of Ministries of finance in Driving Climate action* that illustrates the many different ways Ministries of Finance can help to mainstream climate action into economic, fiscal, and financial policy. NOTES that mainstreaming climate in this way can also contribute to enhancing the mobilisation of private, domestic and international resources. SUPPORTS the implementation of the G20 Sustainable Finance Roadmap to scale up sustainable finance supporting the 2030 Agenda and the goals of the Paris Agreement.

6. RECALLS EU and international initiatives to mobilise investments that enable a just, sustainable transition, while supporting climate action in developing countries. TAKES NOTE in this regard of the preliminary recommendations of the High-Level Expert Group on scaling up sustainable finance in low- and middle-income countries and its encouragement of an EU integrated strategic engagement model, involving the whole range of key EU actors from Member State governments, the European Investment Bank (EIB), Development Finance Institutions (DFI), donors, EU investors, and EU businesses. RECALLS that the EU is already following this path through its Team Europe approach, embodied by the Global Gateway strategy, whereby it intends to mobilise up to EUR 300 billion of investments for sustainable and high-quality projects between 2021 and 2027, answering to the needs of partner countries and ensuring lasting benefits for local communities.
7. NOTES that this integrated strategic model acts as a driver of recent major initiatives like the Just Energy Transition Partnerships with South Africa, Indonesia, Viet Nam, and Senegal with G7+ partners, creating a critical mass and aggregating development finance and private funding to speed up the energy transition to net-zero emissions by accelerating the early retirement of high-emitting assets and the deployment of renewables, while supporting a just transition for impacted communities. HIGHLIGHTS the Global Green Bond Initiative of the EU, with the EIB leading a consortium of partners, including notably DFIs of Member States, who have committed about EUR 1 billion, aiming to help partner countries in mobilising private capital towards sustainable projects. WELCOMES the Team Europe Initiative on climate adaptation and resilience in Africa, launched by the EU and the African Union at COP27, which will bring together existing and new programmes of over EUR 1 billion finance, joining forces from the European Commission and several Member States for climate adaptation in Africa, and LOOKS FORWARD to its implementation.

8. REAFFIRMS the strong commitment of the EU and its Member States towards the delivery of the collective USD 100 billion goal for climate finance mobilisation through 2025 in the context of meaningful mitigation action and transparency on implementation, EXPECTS this goal to be met in 2023 and URGES all other concerned countries to step up their efforts in this regard. RECALLS that the EU, including its Member States and the EIB is the biggest contributor of public climate finance for developing countries worldwide and REITERATES the commitment to the continued delivery of their fair share and to enhancing synergies between finance for climate and biodiversity. REITERATES the EU's constructive engagement in the deliberations on the New Collective Quantified Goal (NCQG) under the Paris Agreement. RECOGNISES the provision of public finance as an important component in the NCQG and RECALLS that the NCQG shall be set in the context of meaningful mitigation action and transparency on implementation, taking into account the needs and priorities of developing countries. UNDERLINES that the NCQG should reflect a global effort in the mobilisation of climate finance from all sources and stakeholders, public, private, domestic and international, with developed countries continuing to take the lead as part of this effort. Strongly ENCOURAGES a discussion aiming to broaden the contributor base for the NCQG and CALLS on all Parties to the Paris Agreement to contribute to this global effort according to their financial capabilities. UNDERLINES that the NCQG should be set in the context of and contribute to the alignment of the financial flows with the long-term goals of the Paris Agreement and therefore its content, structure and transformational impact should be fit for this purpose.

9. REAFFIRMS the resolve of the EU and its Member States to follow up on the call of COP26 in Glasgow to at least double the developed countries' collective provision of climate finance for adaptation to developing countries, thus amounting to USD 40 billion by 2025, compared to 2019 levels, according to OECD data, in the context of achieving a balance between climate mitigation and adaptation, in regular cooperation with other Parties. UNDERLINES the importance of channeling meaningful support to the poorest and most vulnerable countries and communities, such as the least developed countries (LDCs) and small island developing States (SIDS). LOOKS FORWARD to cooperating with developing country partners to improve access to adaptation financing, including via prioritisation of adaptation in their planning and in their national budgets and tracking of adaptation-relevant expenditure in their national budget cycles, and to keep a high level of engagement with the partners that could provide and facilitate access to finance.
10. REITERATES that the EU and its Member States will work constructively towards a successful outcome of the work mandated by COP27 on new funding arrangements, including a fund, to assist developing countries that are particularly vulnerable, in responding to loss and damage associated with the adverse effects of climate change, and STRESSES that such assistance should be combined with incentives for adaptation and resilience and is of importance for LDCs and SIDS. UNDERSCORES that the new funding arrangements identified must ensure coordination and complementarity with existing funding arrangements inside and outside of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement.

CALLS on partners from all regions in a position to do so to expand their support, recognising the need for a wide variety of sources, and therefore building on and complementing existing sources, funds, processes and initiatives to ensure better coordination and close identified priority gaps in the existing funding landscape. RECALLS that the EU Member States are actively contributing to global initiatives to increase and improve the protection for poor and vulnerable people by providing and facilitating more and higher quality pre-arranged finance against climate-related disasters.

11. With a view to increasing the global finance flows to address the needs and priorities of all countries and in particular of developing countries, APPRECIATES the recent developments also responding to the call of COP27 and to other recent initiatives urging Multilateral Development Banks (MDBs) and International Finance Institutions to reform multilateral development bank practices, priorities, vision and model in order to address the global climate emergency. NOTES the recent progress on the World Bank's Evolution Roadmap, notably the progress made on enhancing the crisis response tools. SUPPORTS the ambitious G20 Roadmap on implementing the recommendations of the G20 MDB Capital Adequacy Framework (CAF) Review and TAKES NOTE of the roadmap's potential additional lending headroom of approximately USD 200 billion over the next decade based on the initial CAF measures under implementation and consideration, including the package adopted in the 2023 Spring Meetings that should increase the International Bank for Reconstruction and Development lending capacity by USD 50bn over the next ten years. CALLS on MDBs to make further progress on the implementation of the CAF recommendations, while safeguarding their long-term financial sustainability, robust credit ratings and preferred creditor status.

ACKNOWLEDGES the efforts of the MDBs in pursuing ambitious efforts to strengthen their concerted response to global challenges, including climate change, as demonstrated, *inter alia*, on the occasion of the Summit for a New Global Financing Pact. WELCOMES the launch by ten MDBs of the common methodology on the alignment of new operations with the Paris Agreement and the World Bank Group announcement of a process to better integrate the impact of climate finance in adaptation and mitigation efforts in new projects.

12. INVITES in this regard, the MDBs and other DFIs, as well as Export Credit Agencies to phase out financing of fossil fuel energy sector projects as soon as possible. REITERATES ITS CALL to the European Commission to reach an agreement at the OECD on ending officially supported export credits for projects in the fossil fuel energy sector. Pending agreement at the OECD, RECALLS Member States' intention to determine by the end of 2023 in their national policies their own science-based deadlines for ending officially supported export credits to fossil fuel energy sector projects, unless in limited and clearly defined circumstances that are consistent with a 1.5°C warming limit and the goals of the Paris Agreement. WELCOMES the modernisation of the OECD Arrangement on export credits, creating further incentives for supporting a wider range of climate-friendly transactions.

13. WELCOMES the momentum created and COMMENDS the remarkable body of reflection products and initiatives provided by the Summit for a New Global Financing Pact, among others on how to tackle circumstances of increasing debt, the climate crisis, the better use of concessional finance, the leverage of additional private climate finance, and/or the unlocking of new sources of finance for countries most exposed to climate change. LOOKS FORWARD to further considering several important matters discussed at the summit.
14. UNDERSCORES the *Call to Action for Paris Aligned Carbon Market*, launched at the Summit for a New Global Financing Pact, which is aimed at ensuring the fulfilment of the potential of robustly designed, high integrity domestic and international carbon markets to drive the necessary emission reductions and which, if realised, could generate substantial financial flows for mitigation and adaptation, therefore supporting all goals of the Paris Agreement. INVITES other parties to join and implement the Call, alongside the 31 initial signatories, and RECALLS that similar principles are supported by the Statement of “High Integrity Carbon Market Principles” endorsed at the G7 Summit in May 2023.
15. REQUESTS the European Commission to provide an overview of international climate finance flows from the EU for year 2022, including from its Member States and the European Investment Bank, for endorsement by the Council prior to the UNFCCC COP28.