

Submission on the organization of the Veredas Dialogue to the UNFCCC

Submitted by [Transforma](#)

Introduction

After three years of the Sharm el-Sheikh Dialogue (SeSD), a persistent challenge remains: despite extensive discussions, there is no shared understanding of Article 2.1(c)'s scope, nor actionable pathways for its implementation. While the SeSD successfully mapped relevant activities, from budget reforms to disclosure frameworks to MDB alignment screens, these efforts have fallen short in structuring these into a coherent and time-framed, action-oriented framework. This is compounded by the fact that the Baku to Belem Roadmap, envisioned to provide clear guidance on how to achieve the New Collective Quantified Goal (NCQG), leaned more towards a mapping exercise offering a broad set of activities and instruments, rather than a clear sequence of actions, actors and timelines needed to achieve the NCQG.

With climate finance needs estimated at least \$6.3 trillion annually (CPI), and understanding that even if successfully mobilized, the redirection of inconsistent finance flows is crucial to staying on track with 1.5°C, COP30's decision to continue the SeSD through the Veredas Dialogue offers a unique opportunity develop guidance that moves from mapping to action.

To do so, this submission proposes a Theory of Change (TOC) as a methodological approach to ensure that the outcomes of the Veredas Dialogue converge toward a defined scope of Article 2.1(c) through structuring causal chains that provide Parties with a clearer picture of what consistency looks like and the concrete steps needed to achieve it. This methodological framework is based on our policy brief "[What next for Article 2.1\(c\) - A theory of change and how to apply it](#)" (2025).

1. Why a Theory of Change for Article 2.1(c)?

Current implementation of Article 2.1(c) is characterized by two interrelated gaps. On the one hand, uncoordinated efforts by financial institutions and regulatory networks operating outside the climate regime are unilaterally defining what consistency looks like, risking fragmentation (such as the adoption of taxonomies across jurisdictions without interoperability) and undermining equity principles (such as developing countries bearing high compliance costs). On the other hand, the process has mapped a wide range of activities and instruments crucial to enabling consistency, such as those identified in SCF reports, the Baku to Belem Roadmap and the SeSD, yet these remain disconnected from specific outcomes or clear divisions of responsibility between actors. This lack of agreed parameters and uncoordinated action has led to fragmented progress that cannot be systematically measured nor evaluated, limiting the ability to identify and address barriers to

implementation and provide a clear direction for action, including at the level of the Global Stocktake.

As a methodological tool, Theories of Change aim to map how change happens by establishing a structured causal chain from a top-level goal, through the outcomes and outputs expected to achieve it, down to the specific activities and actors responsible for delivering them. In doing so, this approach could help as a methodological framework for the Veredas Dialogue, to address these gaps by establishing a structured causal pathway from high-level goals to specific activities already identified, clarifying what needs to happen, who can lead the way, and how success will be measured.

Furthermore, the TOC will make it explicit that not everyone is responsible for everything, helping Parties identify which actors to signal and through what mechanisms, while also disentangling which actions might fall under Article 9 and which fall under Article 2.1(c). In this way, the TOC aims to circumvent discussions that are circular or that never reach agreement because they rest at too high a level or are too abstract in nature, replacing them with a structured, stepwise approach that connects political ambition to concrete and measurable action.

2. How can the TOC frame future dialogues

In the proposed TOC approach, the Paris Agreement serves as the top-level goal, with the wide array of topics, interventions and instruments raised through the NCQG, the Global Stocktake, the SCF reports and the Baku to Belem Roadmap linked to this broader goal in the form of outputs and outcomes, providing the connective tissue that has so far been missing.

Four primary outcomes are identified based on Article 2.1(c) literature:

- (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 a fair and just transition in developing countries for climate-resilience and low emission pathways, and
- (d) All countries and economic sectors are participating in financial markets and accessing green transition and development finance from public and commercial sources.

Each of these primary outcomes could be further elaborated to include secondary outcomes. For instance, a secondary outcome of (a) scaling up finance available would be

that climate finance has a more balanced allocation between mitigation and adaptation. Furthermore, we recognize that not all groups will endorse these initial outcomes. The idea, however, is that the TOC framework allows to, if an output was to be removed, allow parties to evaluate what in the causal chain tied to that specific outcome could be lost in the process.

With these outcomes elaborated, the outputs (immediate results), can be articulated. To provide a close up of how this exercise would look like, we have elaborated a visual representation of possible structured causal pathways [here](#). Note that this exercise is not exhaustive, but rather aims to offer a glance on how, for instance, some outputs fall under the remit of the international climate process, versus those which fall under other institutions, from MDBs to national-level ones.

As goals, outcomes and outputs are crystallized, a list of activities can be identified. This is where the activities mapped by the SeSD, the SCF, and more recently the Baku to Belem Roadmap come into play. We also propose sorting these activities in those focused on: 1. preparation and planning 2. implementation 3. monitoring and reporting, and 4. crosscutting, so that a clear picture of which actors involve which activities (and how the UNFCCC can come to influence these) comes to light.

In the context of the Veredas Dialogue, the previously outlined TOC approach should hence allow negotiators, working with observers to converge on causal pathways between activities and goals, and engage in more meaningful debate on their differences on what Article 2.1(c) entails. The following figure provides a simplified version on how this exercise could look like, with blank spaces inviting for new elements to be brought at each level of the TOC as the dialogues progresses.

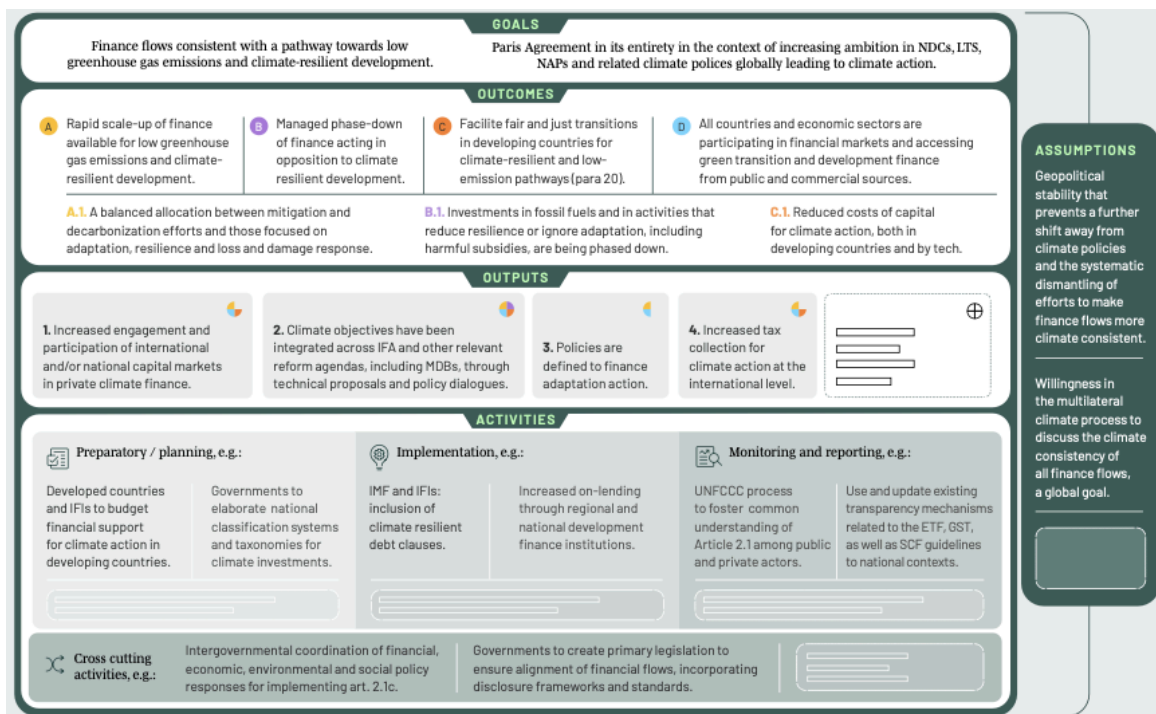


Figure 1. Simplified Theory of change for article 2.1(c).

3. A practical example: Analyzing climate disclosures through the TOC framework

To illustrate how the TOC functions in practice, we analyze climate-related financial disclosures as a cross-cutting example that spans multiple actors and levels of the financial system. While disclosures alone are not sufficient, and additional activities at a systemic level would be required for them to work as envisioned within the TOC, they provide a useful entry point for understanding how the right combination of policy signals, clear metrics and market-based incentives can, taken together, would allow certain instruments channel capital toward climate-aligned investments in the context of Article 2.1(c).

Starting from the activities level (note that the TOC exercise should be workable either from goals to activities, to activities to goals as discussions will move in both directions), regulators play a foundational role by for example, mandating ISSB-aligned disclosure requirements through listing rules and company law, developing national taxonomies that define which activities qualify as climate-aligned, and establishing assurance and supervisory regimes that give those disclosures credibility. Building on this regulatory baseline, financial entities would embed disclosure metrics into their governance, risk management, underwriting and portfolio construction, using climate data to reduce information asymmetries and steer capital toward credible transition opportunities.

Corporates, in turn, would produce standardized and assured reports on physical risk, resilience, use of proceeds and performance indicators, and map their activities to recognized science-based criteria such as those in the Climate Bonds Initiative taxonomy, making their disclosures more comparable and resistant to greenwashing. Civil society organizations would play a key role in monitoring and scrutinizing this disclosed information to detect greenwashing and hold firms accountable, while development organizations could provide technical assistance to help emerging markets and smaller firms build the institutional capacity needed to participate meaningfully in disclosure frameworks.

These activities would generate a set of concrete outputs: publicly accessible, standardized and comparable disclosures across borders; taxonomies that provide clarity on climate alignment; stronger internal controls within firms; simplified tools and training for smaller enterprises; and enhanced scrutiny and accountability mechanisms. These outputs in turn drive broader outcomes across the four identified in the TOC. Increased transparency and clearer market signals steer capital toward credible climate solutions, supporting the rapid scale-up of climate-aligned finance (Outcome A); better information on transition risks creates the conditions for a managed phase-down of inconsistent finance (Outcome B); the provision of technical assistance and simplified compliance tools for developing countries and smaller firms helps ensure that the benefits of disclosure frameworks are not captured only by those with greater institutional capacity, supporting fair and just transitions (Outcome C); and improved access to climate-related information widens participation in green finance markets, including in developing countries where information gaps currently limit informed investment choices (Outcome D).

The example, as illustrated in the upcoming figure, evidences how the TOC approach allows to make explicit what needs to happen, who is responsible for each step, and what intermediate results are expected along the way.

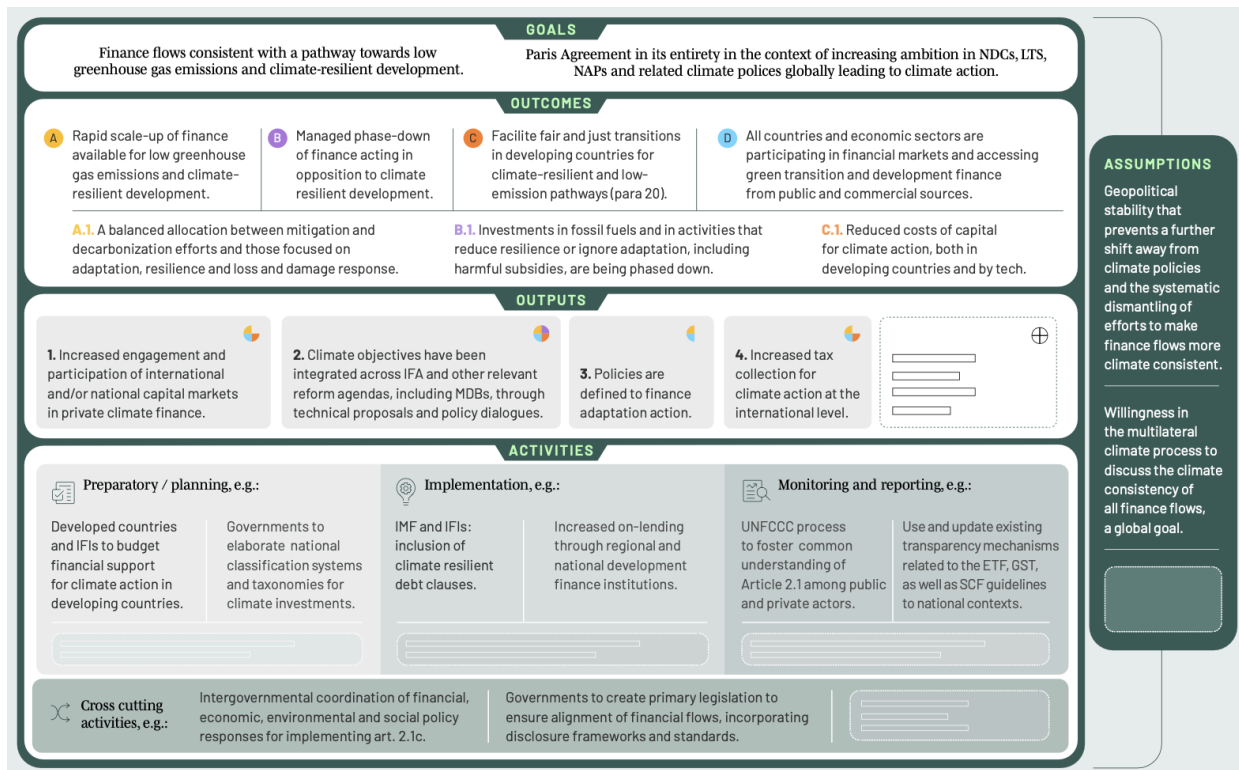


Figure 1. Illustrative theory of change for climate-related financial disclosures

For the full analysis, including the TOC diagrams and the exemplary case, please see the [complete brief](#)