

Inputs of the Russian Federation on the Veredas Dialogue on the implementation of Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement

The Russian Federation welcomes the continuation of discussions on Article 2, paragraph 1(c), of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement under the Veredas Dialogue. This submission outlines views of the Russian Federation on the Veredas Dialogue.

1. Context and Purpose

The workshops under the Sharm el-Sheikh dialogue on the scope of Article 2.1(c) have showcased many examples of ongoing efforts at all levels towards making finance flows consistent with low greenhouse gas emissions and climate resilient development. Over the course of two years, it has also become evident that there are still differences in interpretation of the scope of Article 2.1(c) as well as its implementation by governments, financial institutions and the private sector.

We believe that discussions on Article 2.1(c) should continue to have a broad and inclusive nature and provide space for exchange of experiences among ministries of economy and finance, central banks, financial regulators, international financial institutions and the private sector.

The implementation of Article 2.1(c) should be grounded in the bottom-up approach of the Paris Agreement, account for context-specific scenarios, serve the achievement of Sustainable Development Goals avoiding trade-offs between climate goals and other development issues such as ensuring energy security or eradicating poverty.

It is necessary to take into account national circumstances and approaches when implementing Paris Agreement Article 2.1(c). Discussions during the workshops under the Sharm el-Sheikh Dialogue on Article 2, paragraph 1(c), should not focus on one particular interpretation of Paris Agreement Article 2.1(c). We expect the Veredas Dialogue to be more representative in terms of the topics selected and the stakeholders invited.

The Veredas Dialogue should be built on the principles of transparency, inclusiveness, and other aspects specified in paragraph 11 of Decision¹. This approach should allow countries to reflect their national circumstances, based on the principles of equity and common but differentiated responsibilities in accordance with the Paris Agreement. Following the discussions under the Veredas Dialogue, all positions should be included in the final annual reports which the co-chairs will submit in accordance with paragraph 15 of the Decision.

We broadly support the need to further address the unexplored role of adaptation and climate resilience in public and private sector efforts and avoid adverse impacts on Parties of unilateral financial, economic or trade measures that are implemented in other jurisdictions. Financial flows should not be redirected towards climate objectives from other vital sectors, particularly since there are no universally established criteria for “climate consistency” and it is up to Parties to determine them.

¹ -/CMA.7. 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. https://unfccc.int/sites/default/files/resource/cma2025_L11E.pdf.

2. Topics and Stakeholders

Based on the above concerns and the need for safeguards, the Russian Federation proposes the following topics for discussion under the Veredas Dialogue:

- **Transition finance in the context of the Article 2, paragraph 1(c), of the Paris Agreement**

The concept of transition finance is fully consistent with the principles for the implementation of Article 2, paragraph 1(c), of the Paris Agreement, adopted at COP30², such as taking into account country-driven strategies and the bottom-up nature of the Paris Agreement, respecting national sovereignty and taking into account different national circumstances, time frames and approaches of Parties.

Moreover, transition finance facilitates the decarbonization of high-emitting industries and support the whole-economy shift towards achieving a net-zero emission model. The successful and orderly transition of hard-to-abate sectors is critical for shaping the global decarbonization pathway since they represent a much more significant portion of the global economy and national economic profiles than green industries such as renewables and electric vehicles. Failure to ensure a steady transition of these sectors risks delays in achieving climate goals and raises exposure to socio-economic risks such as supply chain disruption, unemployment, energy shortage, and inflation.

However, *despite this promising and significant contribution to achieving the goals of the Paris Agreement, transition financing has never been discussed within the working formats of the UNFCCC*. At the same time, a number of multilateral and regional organizations are already widely implementing the concept of transition finance.

In 2022, the G20 Sustainable Finance Working Group (SFWG) published the G20 Transition Finance Framework³ outlining the high-level principles across five pillars to guide global transition finance. Building on this, in 2024, the G20 further developed principles for credible transition plans for financial institutions and corporations⁴. In 2025, G20 presented voluntary high-level principles⁵ which aims at supporting the integration of adaptation and resilience into transition plans and other climate disclosures.

The BRICS Transition Finance Framework, included in the BRICS Business Council's 2024 annual report, provides a high-level foundation for transition finance within BRICS economies⁶. The framework outlines key principles and broad considerations for mobilizing capital toward transition activities, reflecting the bloc's shared commitment to facilitating low-carbon development while accounting for the distinct economic contexts and industrial structures of its member states.

The ASEAN Transition Finance Guidance offers a structured framework specifically designed for Southeast Asian financial markets, placing a strong emphasis on capital market integration⁷. First released in 2023 and updated in 2024, the guidance provides financial institutions, corporates, and regulators with a methodology to assess the eligibility of transition finance projects. It includes sector-specific pathways

² -/CMA.7. 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. https://unfccc.int/sites/default/files/resource/cma2025_L11E.pdf.

³ G20 Transition Finance Framework (TFF) One-pager. <https://g20sfgw.org/wp-content/uploads/2026/02/tff-2022.pdf>.

⁴ The 2024 G20 Recommendations for Credible, Robust and Just Transition Plans. <https://g20sfgw.org/wp-content/uploads/2026/02/HLPs-2024.pdf>.

⁵ Principles for integrating adaptation and resilience considerations into transition plans of financial institutions and corporates. <https://g20sfgw.org/wp-content/uploads/2025/12/g20-principles-2025.pdf>.

⁶ BRICS Business Council. Annual Report (2024). https://bricsbusinesscouncil.co.in/pdf/BRICS_Annual_Report24.pdf.

⁷ Asian Capital Markets Forum, ASEAN transition finance guidance (2024). <https://www.theacmf.org/images/downloads/pdf/20241014%201142%20ACMF%20ATFG%20Version%20%20vFinal.pdf>.

aligned with of the Association of Southeast Asian Nations (ASEAN), such as energy transition, sustainable manufacturing, and low-carbon infrastructure development.

There are examples of implementing transition finance instruments at the national level. In Russia, the transition taxonomy includes projects in the energy, industry, agriculture, construction, transport, and waste management sectors. In 2024, one of the leading Russian and international metallurgical companies issued the first climate transition bonds in Russia. The company aims to reduce its relative greenhouse gas emissions for Scope 1, 2, and 3 per ton of iron ore concentrate.

Thus, transition finance should cease to be a topic that remains on the periphery of all discussions under the UNFCCC. The Veredas Dialogue should become a platform for discussion of this issue and exchange of experience between the parties, multilateral organizations and other stakeholders so that the goals of the Paris Agreement are achieved.

- **Transformation of the insurance sector in the context of adaptation and increasing climate resilience and preparedness**

Insurance companies are more sensitive to climate issues than other financial institutions due to the nature of their operations. Insurers are directly exposed to climate physical risk – as a result of the impact of climate change on their insurance portfolios (insurance risk). In EMDEs, more frequent and serious natural disasters give rise to increased claims and insurance losses in property insurance. Similar to other financial services companies, insurers may face the realisation of market risk, operational risk, liquidity risk or strategic risk.

In addition, in recent years it has become increasingly clear that the ability of insurers to offer adequate coverage from is natural hazards increasingly being challenged. This leads to a widening of the insurance protection gap against natural hazards, defined as the portion of economic losses from such events not covered by insurance (uninsured loss). In 2024, the global insurance protection gap was estimated at 57%⁸, and in EMDEs, it can exceed 90%⁹.

Under the conditions described above, insurers are confronted with a further challenge – public expectations of insurance understood as one of the most obvious mechanisms for protection against climate risks. However, more frequent natural hazards (especially very unlikely and thus most destructive events) push up losses, insurance payouts and pressure on capital of both insurance and reinsurance companies. This can weaken their stability and trigger reputational losses. Insurers may also face rising costs of reinsurance, including due to a shortage of reinsurance capacities. To minimize losses, a review of insurance portfolios may be necessary to exclude facilities most exposed to climate risks. However, this leads to an increase in uninsured losses for households, businesses and the government, threatening the entire financial system.

In connection with the uncertainty of future climate scenarios and the growing social importance of insurers the following aspects can be discussed under the Veredas Dialogue:

- competencies that are need to be developed in climate and environmental due diligence of insured entities, in an effort to identify risks and advise such entities on ways to manage them;

⁸ Swiss Re Institute (2025). sigma 1/2025: Natural catastrophes: insured losses on trend to USD 145 billion in 2025. <https://www.swissre.com/institute/research/sigma-research/sigma-2025-01-natural-catastrophes-trend.html>.

⁹ World Bank Group (2025). Mobilizing Public-Private Solutions to Manage the Financial Impacts of Natural Hazards in Emerging Market and Developing Economies. <https://documents1.worldbank.org/curated/en/099032425163030013/pdf/P180731-783ad8af-7dae-4bd4-b266-f6740e04ea44.pdf>.

- approaches to encourage the real sector to implement procedures for climate risk mitigation, including use of flexible insurance rates and innovative insurance products that meet customer needs related to sustainable development.

- **Role of international, regional, and national development institutions in scaling up climate finance flows**

Scaling up climate finance requires a gradual improvement of the international financial architecture in line with the principles discussed at various multilateral forums, including BRICS. In this regard, it would be appropriate for the Veredas Dialogue to highlight the significant role of not only multilateral development banks and international financial organizations, but also regional and national development institutions.

- **Impact of unilateral restrictive measures on access to climate finance, and mechanisms to eliminate discrimination in access to financing**

The Veredas Dialogue should also consider the impact of unilateral restrictive measures, which not only complicate domestic climate financing but also reduce external financial flows, thereby reducing the ability to provide assistance to developing countries.