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BUILDING A JUST WORLD
AND A SUSTAINABLE PLANET

G20 Task Force on a Global Mobilization against Climate Change

Issue Note

Contents

The G20's Task Force on a Global Mobilization against Climate Change (TF-CLIMA)

ISSUE NOTE

Summary: the TF-CLIMA aims at establishing a high-level, policy-oriented agenda for structural transformations aligned with the 1.5°C objective of the Paris Agreement. The taskforce will bring together the Sherpa and Finance tracks to advance technical discussions on further mainstreaming climate change into the global economic agenda. It will also build on, and provide a higher status to climate-relevant developments under G20 working groups.

Proposed outcome: *The G20's 1.5°C Ambition Agenda to 2030: summary for Leaders.*

Introduction

The Sixth Assessment Report (AR6) of the Intergovernmental Panel on Climate Change (IPCC) confirmed that the world faces a climate emergency. We have only until the end of the current decade to prevent global temperature from rising beyond 1.5°C above pre-industrial levels, an outcome that would impose unacceptable damages on countries and communities across the globe, leave many ecosystems unrepairable and heighten the risks of catastrophic failure for present and future generations. At the same time, there have been major reversals in the fight against hunger, poverty and inequality. The world has seen slow or insufficient progress on the vast majority of Sustainable Development Goals. Unless there are deep and extensive transformations in the way economies are structured and financial resources are mobilized, allocated and managed, humanity will fail in responding to the dangerous threat of climate change in a just and effective manner.

Efforts by the G20 can significantly contribute to the effective implementation of the United Nations Framework Convention on Climate Change (UNFCCC) and its Paris Agreement, in the context of sustainable development and poverty eradication. By bringing together the world's largest economies, accounting for around 85% of global GDP and 3/4 of global greenhouse gas (GHG) emissions, the G20 can be a catalyst for stronger partnerships, enhanced coordination and a new policy consensus that support ambitious governmental action and boost resource mobilization. In light of that, Brazil's G20 Presidency established the Taskforce on a Global Mobilization against Climate Change (TF-CLIMA), bringing together for the first time the Sherpa and the Finance tracks around the climate agenda. The TF-CLIMA aims at strengthening a G20 coordinated response to climate change through 2030 and beyond, particularly by (i) enhancing the role of credible, robust and just national transition plans and country platforms[1] and exploring their associated financial, social and economic challenges, as well as (ii) developing a renewed agenda for the financial sector's engagement in climate action in ways that complement public funding and that contribute to an ambitious investment agenda for mitigation, adaptation and just transitions, aligned with the 1.5°C objective.

Rationale

The adoption of the Paris Agreement in 2015 has driven near-universal climate action through a combination of goal setting, recommended targets policies, and ad hoc policy measures. This new phase of the regime under the UNFCCC has made tangible progress in global mitigation and adaptation, but the world is still not on track to meet the ultimate objective of the Convention and the long-term goals of its Paris Agreement. To enhance the global response to climate change in just and sustainable ways, governments need to put systemic transformation strategies in place, as the cost of delayed efforts or inaction can also impact economic stability.

According to the International Energy Agency (IEA), we are on track to see all fossil fuels peak before 2030. However, investment in oil and gas today is almost double the level suggested in the Agency's net-zero emissions scenario, signaling a clear risk of protracted fossil fuel use that would put the 1.5°C goal out of reach.

COP28 demonstrated that there is strong political will to act to revert such trend. The first Global Stocktake (GST) of the Paris Agreement has emphasized the need for urgent action and support to keep the 1.5°C goal within reach and to address the climate crisis during the current decade. In recognizing the need for deep, rapid and sustained reductions in GHG emissions in line with 1.5°C pathways, the international community has agreed on a series of efforts towards further decarbonizing economies, including tripling renewable energy capacity globally and doubling the global average annual rate of energy efficiency improvements by 2030; accelerating efforts towards the phase-down of unabated coal power; and transitioning away from fossil fuels in energy systems, in a just, orderly and equitable manner. The first GST has also concluded that both adaptation and mitigation financing would need to increase manyfold, reflecting equity and the

[1] Country platforms are voluntary country-level mechanisms set out by governments and designed to foster collaboration among development partners based on a shared strategic vision and priorities. Source: "G20 Reference Framework for effective Country Platforms", endorsed by Leaders during Saudi Arabia's Presidency of the G20 (2020).

principle of common but differentiated responsibilities and respective capabilities, and that there is sufficient global capital to close the so-called global investment gap if we address barriers to redirecting capital to climate action.

It is clear that acting on those efforts will require further changes in the way countries align climate priorities with wider development planning processes. According to the IPCC's AR6, "policy packages that enable innovation and build capacity are better able to support a shift towards equitable low-emissions futures than are individual policies". "The adoption of economy-wide packages, reflecting national circumstances", it goes on, "can meet short-term economic goals while reducing emissions and shifting development pathways towards sustainability". When designed strategically and with clear and feasible targets, such approaches can boost the mobilization of public and private finance towards sustainable development, climate resilience, job and income generation, technological progress, and industrial growth.

However, there cannot be meaningful transformation of climate action in the real economy without sufficient, timely and accessible financial resources. Climate action during this decade faces not only the challenges posed by tightening monetary policies, but the negative effects of multiple crises linked to unsustainable levels of debt and persistently high levels of inequality. Such challenges constitute additional constraints to emerging and developing economies to access finance for sustainable development and energy transitions.

The 2022 Bridgetown Initiative for the Reform of the Global Financial Architecture, the 2023 Paris Summit on a New Financial Pact and the 2023 Africa Climate Summit have shed light on opportunities and bottlenecks associated with inducing structural transformations and mobilizing financial flows to respond to the pressing needs of developing countries. There is growing consensus that, while tackling the ongoing climate emergency, we must work to re-build trust, restore fiscal spaces, transform economies and target strategic investments.

The G20, leveraging its collective economic influence, must lead a radical reshaping of global economic policy and financial strategies. This will likely involve reinventing the economic principles that guide resource allocation, ensuring that they are deeply rooted in sustainable development, equity, and poverty eradication. The journey ahead requires bold action and an unwavering commitment to transforming economic paradigms, which will only be possible if the G20 nations stand boldly and united.

Priorities and objectives

The TF-CLIMA has the ambition to ensure the coherence of and give a higher profile to the climate-related work under the Sherpa and Finance tracks during the period of the Brazilian presidency of the G20. It will take stock of discussions and developments under relevant G20 working groups and initiatives (through informative sessions, reports and briefings to TF-CLIMA participants etc.), with a view to inform its own work, check progress towards the proposed outcome (The G20's 1.5°C Ambition Agenda to 2030), while avoiding any duplication of work. The legacy of past G20 Presidencies, under the Sherpa and the Finance tracks, will also inform the work of the taskforce, as identified by TF-CLIMA participants. Some examples include the G20's Sustainable Finance Roadmap (2021) and the Bali Energy Transition Roadmap (2022).

The TF-CLIMA will also provide a forum for advancing its own technical and high-level discussions on *structural changes* needed to maximize the chances of preventing the global temperature from exceeding 1.5°C. This work will be organized around **two priority areas:**

I. Resetting action: advancing credible, robust and just national transition plans.

Objective: Supporting a political move beyond project-level mitigation approaches towards credible, robust and just national transition plans and country platforms that put economies on track to achieve the purpose of the Paris Agreement and Agenda 2030, while addressing associated financial challenges and negative externalities at the global level.

Outcome: G20's call for accelerating 1.5°C-aligned credible, robust and just national transition plans and country platforms.

Background: There is growing evidence, in both developed and developing countries, that increases in climate-friendly investment tend to follow the introduction of renewable energy targets and policies, and the development of associated infrastructure at the domestic level. Project-based approaches have created an initial basis for climate action in developing countries, but governments can and must advance comprehensive, in-country transition plans, which comprise initiatives referred to as country platforms, economy-wide investment and policy packages and ecological transformation plans.

Such plans entail short-term actions, medium-term planning, and long-term strategies in line with the Paris Agreement and Agenda 2030. By outlining specific policy measures, infrastructural changes and regulatory frameworks, those plans reassure investors about a country's or jurisdiction's commitment to long-term sustainability goals and climate resilience. Furthermore, planning can improve partnerships established between the public and private sectors and leverage private finance. Such plans can also provide guidance on national priorities, thereby channeling funding, both domestic and international, towards impactful projects that reduce greenhouse gas emissions and build resilience.

While such plans and country platforms can accelerate action consistent with the purpose of the Paris Agreement, they can also be disruptive and create imbalances that hinder development and developing countries' enhanced participation in resilient value chains. If implemented without the necessary attention to broader international circumstances, including barriers to accessing finance and negative externalities, those plans will not realize their full potential and the objective of shared global benefits. Some can even generate negative spillover effects at the regional level or on the global economy. In light of G20's role as a forum for international economic and financial coordination, our countries have a duty to advance coordination to help guarantee that the result of the different national implementation climate and sustainability strategies is one of collective, just and compounding prosperity.

Under this priority area, the key objective will be to devise G20 recommendations on enhancing international cooperation to (a) support developing countries in building institutional capacity to design and implement country platforms, focusing on greenhouse gas emission reductions, resilience-building and achievement of the SDGs; (b) address associated resource-mobilization challenges, with a view to equip those plans and platforms with financial means, mechanisms and solutions; and (c) guided by the principles of equity and justice, tackle negative externalities and spillover effects of just transition plans, at the national and international levels.

Topics for discussion under this priority-area:

- **The role of the State and of international cooperation in designing transition plans and country platforms**: comprehensive, climate-relevant policy measures and regulatory frameworks; green industrial policy; technology needs; resilient infrastructure investment; instruments for natural resources conservation and sustainable use; enhanced project preparation facilities.
- **Restored fiscal space & broader solutions for the financing and rebalancing the return-risk profile of projects**: debt relief instruments, sovereign green bonds; non-regressive national and international taxation, carbon pricing, taxonomies; first loss provisions, enhanced use of guarantees, foreign exchange risk mitigation, blended finance etc.

- **Win-win partnerships**: avoiding negative externalities and impacts generated by transition plans and country platforms, particularly in developing countries (e.g. trade distortions, negative social impacts).

II. Resetting finance: frameworks for alignment with the Paris Agreement

Objective: Setting principles and priorities for accelerating structural changes in the financial sector, with a view to its full alignment with Article 2.1(c) of the Paris Agreement, as a complement to public funding.

Outcome: The G20's Agenda for the Financial Sector's 1.5°C alignment (containing short-, medium- and long-term actions)

Background: Over the past two decades, the financial sector has made tangible progress in terms of financing the transition to low-carbon economies and addressing climate-related risks, especially in advanced economies. Bankers, insurers, investors and asset managers are actively seizing investment opportunities linked to the rapid uptake of renewable energy and other climate-relevant technologies and practices. They are also increasingly aware of the economic and financial challenges posed by climate change, which will directly or indirectly affect companies' performances, asset classes and risk levels.

Climate change has indeed become a mainstream concern of the financial industry – one that affects the highest levels of companies' governance and strategies. Some developments in response to sustainable development challenges include the disclosure of climate-related information and risks in banks' activities; the establishment of intelligence units in private institutions and regulators; and the massive offer of sustainable products, including through an increasing issuance of green bonds.

This tendency has gained stronger momentum after the adoption of the Paris Agreement, which put the role of the financial sector at its core, as reflected on Article 2.1(c): "This Agreement, in enhancing the implementation of the Convention, including its objective, aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by: [...] (c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development."

The Paris Agreement, along with Agenda 2030 and its Sustainable Development Goals, confronted the financial sector with the pressing need to redirect investments and capital flows and to adapt existing legal frameworks for generating positive social and environmental impact. More recently, at the New Delhi Summit in 2023, G20 Leaders noted that USD 5.8-5.9 trillion in the pre-2030 period are required for developing countries, in particular for their needs to implement their nationally determined contributions. Also, according to the IEA, about USD 4 trillion per year needs to be invested by 2030 in clean energy technologies alone, to be able to reach net zero emissions by 2050.

Delivering the unprecedented level of financial resources needed to match the investment needs already identified by countries, in particular developing ones, will require a transformation in the entire financial ecosystem and its structures and processes, engaging governments, central banks, regulators, commercial and development banks, international financial institutions, institutional investors, and other financial actors.

If we want to maximize the chances of not exceeding the 1.5°C temperature goal while achieving Agenda 2030, urgent and decisive action is needed to tilt the balance towards investments in just transition, climate-resilient development and sustainable livelihoods, mindful of special needs and circumstances of developing countries. To be clear, these transformations must go beyond incremental improvements in climate-friendly financing, disclosure measures and ESG (environmental, social, and governance) initiatives. Addressing risks alone is unlikely to bring about material shifts in banks' lending activities. We need to move towards whole-of-economy approaches that, among other tasks, ensure the full alignment of the financial sector with the Paris Agreement.

This transformation will require a fundamental reset in global financial trends and in the way international institutions and governments regulate and promote investments. We need to explore a renewed agenda for the financial sector and specific actions, both voluntary and regulatory-driven, that can trigger further collaboration between governments, financial sector regulators and other financial sector actors (commercial banks, institutional investors), enhance the implementation of Article 2.1(c) and respond to the sense of urgency that the climate emergency requires.

<u>*Topics for discussion under this priority-area:*</u>

- **Reviewing regulatory and prudential measures** to facilitate the mobilization of private capital to developing countries. Those include addressing excessively stringent criteria for investments outside advanced economies, overpenalization of investments in local currencies, as well as reviewing relevant methodologies of credit rating agencies.
- **A new toolbox**: strengthened policies, regulations and incentives to better mobilize public finance and to unlock private finance for sustainable development and climate action, while diverting resources away from fossil fuels and other climate-damaging practices at a quicker pace and larger scale. Measures currently

being explored by governments and financial regulators include: (a) working on financial institutions’ transition plans (e.g. banks and companies to publish strategies for restructuring their activities); (b) green credit policy regimes; (c) innovative approaches to capital allocation and acquisition of corporate bond portfolios

- **The role for multilateral, regional and national development banks:** discuss how development banks, with their specific knowledge of domestic markets, bottlenecks, risks and opportunities, can further support the mobilization of financial resources for climate change mitigation and adaptation and for the implementation of Agenda 2030.

For this priority-area, the Brazilian Presidency has invited the United Nations Conference on Trade and Development (UNCTAD) to develop technical papers to inform discussions. We expect participants to engage in *solution-oriented* debates on measures that respond to the challenges of the financial sector in relation to alignment with the Paris Agreement and Agenda 2030 and that are *additional* to the ongoing work under the Sherpa and Finance tracks.

Group of Experts

As a key contribution to discussions, the G20 TF-CLIMA will convene a Panel bringing together experts with backgrounds in sustainable development and in climate change economics and finance, who will participate in their personal capacities. The mandate of the Panel includes preparing assessments of some of the solutions listed under the priority topics above, guided by the view of maximizing the chances of not exceeding the 1.5°C target. Those assessments will inform discussions by TF-CLIMA participants.

Preliminary findings of this group will be presented by the Panel to the TF during its second technical session. A draft report will be presented at the third meeting of the Task Force with a view to foster a constructive conversation and shared understandings among G20 countries and the international community on how to advance the proposed topics. A final report documenting the Panel's activities, insights and recommendations will be presented to the taskforce in its last meeting and will constitute an input to the discussion of proposed outcomes.

Proposed calendar

- **1st Technical Meeting**: 4-5 March, virtual/videoconference
- **2nd Technical Meeting**: 4-5 April, Brasília
- **3rd Technical Meeting**: 11-12 July, Belém
- **4th Technical Meeting**: 11-12 September, Rio de Janeiro
- **Joint Meeting of Climate Change and Finance Ministers: 23-25 October, Washington** (*on the sidelines of the 2024 Annual Meetings of the World Bank Group and the IMF*).

Work modalities

- Ahead of each meeting, the Presidency will issue a specific concept note containing an annotated agenda, guiding questions for debate and additional sources of information.
- The Brazilian Presidency highly encourages the participation of officials directly linked to the climate and sustainable development agendas, as well as of finance ministries and central banks and other financial regulators.
- Except for the first virtual meeting, TF-CLIMA meetings will happen back-to-back with the one of the Sustainable Finance Working Group.
- The Brazilian Presidency will also organize outreach sessions with civil society, think tanks and commercial investment banks, as relevant, to collect inputs to feed into discussions.

Invited countries and international and multilateral institutions and groupings

In addition to G20 members, the Presidency's invitees (Angola, Egypt, Nigeria, Norway, Portugal, Singapore, Spain and the United Arab Emirates) and Switzerland (part of the Finance track), the following countries will be invited to attend the meetings and discussion of the TF-CLIMA:

- Azerbaijan
- Barbados
- Chile
- Denmark
- Fiji
- Kenya

Representatives of the leading international and multilateral institutions and groupings dealing with climate change will be invited to participate in the discussions, including the:

- Adaptation Fund (AF)
- African Development Bank (AfDB)
- Asian Development Bank (ADB)
- Asian Infrastructure Investment Bank (AIIB)
- Bank for International Settlements (BIS)
- Climate Investment Funds (CIFs)
- Coalition of Finance Ministers for Climate Action
- Development Bank of Latin America (CAF)
- Economic Commission for Latin America and the Caribbean (ECLAC)
- Financial Stability Board (FSB)
- Finance in Common (FiCS)
- Glasgow Financial Alliance for Net Zero (GFANZ)
- Global Environment Facility (GEF)
- Green Climate Fund (GCF)
- Inter-American Development Bank (IDB)
- International Energy Agency (IEA)
- International Monetary Fund (IMF)
- International Organization of Securities Commissions (IOSCO)
- Islamic Development Bank (IsDB)
- Network for Greening the Financial System (NGFS)
- New Development Bank (NDB)
- Organization for Economic Co-operation and Development (OECD)

- United Nations Conference on Trade and Development (UNCTAD)
- United Nations Development Programme (UNDP)
- United Nations Environment Programme Finance Initiative (UNEP-FI)
- United Nations Framework Convention on Climate Change (UNFCCC)
- World Bank (WB)