G20 BRASIL 2024 BUILDING A JUST WORLD AND A SUSTAINABLE PLANET

The G20 Taskforce on a Global Mobilization against Climate Change

G20's Enhanced Ambition Agenda

Pursuing efforts to keep 1.5 °C within reach in the context of the Paris Agreement

Outcome Document

Introduction

The convening of the Task Force on a Global Mobilization against Climate Change (TF-CLIMA) under Brazil's G20 Presidency in 2024, bringing the Sherpa and the Finance tracks together for the first time around this agenda, provided a timely opportunity to discuss, develop and suggest a non-binding, forward-looking agenda that aims to help the G20 cooperate and demonstrate ambition in climate action, in a way that complements the multilateral process, advances its implementation and respects different national circumstances and capacities.

2. Enhanced cooperation can significantly contribute to the effective implementation of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement. Leveraging its collective influence, the G20 can pave the way for a reshaping of economic policy and financial strategies to tackle the climate crisis and set the path to fully achieving the Sustainable Development Goals (SDGs), including the eradication of poverty and hunger. We need continued commitment to the full and effective implementation of the UNFCCC and the Paris Agreement, as multilateralism is the way to address climate change.

3. The climate crisis allows for no more delays. The G20 can foster holistic and ambitious action that allows for effective implementation of national priorities that prioritizes the integration of climate, economic and financial plans, in line with national circumstances. We need immediate, firm and decisive steps to support the implementation of current Nationally Determined Contributions (NDCs) and enhance necessary actions on adaptation and just transitions.

4. This document summarizes key conclusions of TF-CLIMA, capturing the main themes, insights, and areas of convergence raised by participants. It provides a set of recommendations that could guide bold action and structural change during this critical decade and beyond, as applicable and in line with different national circumstances, approaches and pathways. It does not establish obligations on G20 Members, nor does it aim to interfere with ongoing negotiations in other fora.

5. We thank all those who have contributed to TF-CLIMA's work and outcomes. These outcomes are dedicated to the memory of diplomat Daniel Machado da Fonseca (1979-2024), who was essential to the conception and launching of TF-CLIMA.

What does the IPCC tell us?

6. The First Global Stocktake of the Paris Agreement (GST-1) noted with alarm and serious concern the following findings of the Sixth Assessment Report (AR6) of the Intergovernmental Panel on Climate Change's (IPCC):

(a) That human activities, principally through emissions of greenhouse gases, have unequivocally caused global warming of about 1.1 °C;

(b) That human-caused climate change impacts are already being felt in every region across the globe, with those who have contributed the least to climate change being most vulnerable to the impacts, and, together with losses and damages, will increase with every increment of warming;

(c) That most observed adaptation responses are fragmented, incremental, sector-specific and unequally distributed across regions, and that, despite the progress made, significant adaptation gaps still exist across sectors and regions and will continue to grow under current levels of implementation;

7. In addition, GST-1 also noted the following findings of AR6:

(d) That mitigation efforts embedded within the wider development context can increase the pace, depth and breadth of emissions reductions, as well as that policies that shift development pathways towards sustainability can broaden the portfolio of available mitigation responses and enable the pursuit of synergies with development objectives;

(e) That both adaptation and mitigation financing would need to increase manyfold, and that there is sufficient global capital to close the global investment gap but there are barriers to redirecting capital to climate action, and that Governments through public funding and clear signals to investors are key in reducing these barriers and investors, central banks and financial regulators can also play their part;

(f) That feasible, effective and low-cost mitigation options are already available in all sectors to keep 1.5 °C within reach in this critical decade with the necessary cooperation on technologies and support;

8. GST-1 noted with concern the finding or the AR6 that policies implemented by the end of 2020 are projected to result in higher global greenhouse gas emissions than those implied by the nationally determined contributions, indicating an implementation gap. AR6 also recognizes that limiting global warming to 1.5 °C with no or limited overshoot requires deep, rapid and sustained reductions in global greenhouse gas emissions beginning this decade to achieve a 43 per cent by 2030 and 60 per cent by 2035

relative to the 2019 level and reaching net-zero carbon dioxide emissions by 2050.

Where are we?

9. Significant collective progress towards the Paris Agreement temperature goal has been made. All parties have communicated NDCs that demonstrate progress towards said goal, most of which provided the information necessary to facilitate their clarity, transparency and understanding. As a result, we have moved from an expected global temperature increase of 4 °C according to some projections prior to the adoption of the Agreement to an increase in the range of 2.1–2.8 °C with the full implementation of the latest NDCs. 87 per cent of the global economy in terms of share of gross domestic product is covered by targets for climate neutrality, carbon neutrality, greenhouse gas neutrality or net zero emissions, which provides the possibility of achieving a temperature increase below 2 °C when taking into account the full implementation of those strategies.

10. AR6 concludes, based on global modelled pathways and assumptions, that global greenhouse gas emissions are projected to peak between 2020 and at the latest before 2025 in global modelled pathways that limit warming to 1.5 °C with no or limited overshoot and in those that limit warming to 2 °C. This does not imply peaking in all countries within this time frame, and time frames for peaking may be shaped by sustainable development, poverty eradication needs and equity and be in line with different national circumstances and that technology development and transfer on voluntary and mutually agreed terms, as well as capacity-building and financing, can support countries in this regard.

11. GST-1 made it clear that, despite global efforts and overall progress on addressing climate change, we are not yet on the path needed to achieve the goals of Paris Agreement, neither in mitigation and adaptation actions, nor on means of implementation and support, including mobilizing finance for developing countries, nor on making financial flows consistent with a pathway towards low GHG emissions and climate-resilient development. The 2023 UNFCCC's synthesis report on NDCs indicates that greenhouse gas emission levels in 2030 are projected to be 5.3 per cent lower than in 2019 if all NDCs, including all conditional elements, are fully implemented. It also highlights that enhanced financial resources, technology transfer and technical cooperation, and capacity-building are needed to achieve this.

12. The UNFCCC and the Paris Agreement keep playing an essential and fundamental role in addressing climate change. At COP28, Parties to the Paris Agreement united around an effort to comprehensively keep the goals of the Paris Agreement within reach, including the 1.5oC goal.

13. The GST-1 decision also recognizes the role of the private sector in climate finance and highlights the need to strengthen policy guidance, incentives, regulations and enabling conditions to reach the scale of investments required to achieve a transition towards low greenhouse gas emissions and climate-resilient development and encourages countries to continue enhancing their enabling environments.

14. In the New Delhi Declaration, G20 Leaders noted the finding that USD 5.8-5.9 trillion in developing countries are needed in the pre-2030 period, in particular for implementing their NDCs, as well as the need of USD 4 trillion per year for clean energy technologies by 2030 to reach net zero emissions by 2050.

15. In most international assessments, achieving the Paris Agreement is possible. The IEA's assessment, for example, indicates that global efforts outlined within the GST-1 are ambitious but achievable (mindful that countries were called to contribute to the global efforts, in a nationally determined manner, taking into account the Paris Agreement and their different national circumstances, pathways and approaches). The IEA has demonstrated that rapid progress has been made on clean energy technologies, speeding up the global clean transition and noted that meeting the goals put forward in the Paris Agreement will require both scaling up of clean energy and accelerating efforts towards the phase-down of unabated coal power. The benefits of implementing these goals extend beyond emissions reductions to also include economic, health and societal gains by fostering new clean energy industries, green jobs, cleaner air, and greater access to affordable clean energy, contributing to achieving our Sustainable Development Goals (SDG7, SDG10).

16. The World Bank's Independent Evaluation Group estimates that nearly $200 billion flowed out of developing countries to private creditors from developed countries in 2023, which is a broader reflection of the constraining impact capital outflows have on the ability of developing countries to address issues such as climate change[i]. Market fluctuations, tight financial conditions and debt vulnerabilities, among others, could be adding near-term pressure on strained public budgets amid increasing financing costs. This trend, which outpaces increasing finance from the international financial institutions and bilateral donor agencies, has been exacerbated by the COVID19 pandemic and recent economic shocks, which have put severe pressure on the fiscal space across all jurisdictions, but particularly in developing countries.

17. Several ongoing initiatives[1] are trying to respond to the challenge of scaling-up financing to developing countries to address climate and sustainable development priorities, such as the Bridgetown Initiative, the Paris Pact for People and the Planet (4P), the African Climate Summit, the Middle East Green Initiative, the COP28 UAE Leader's Declaration on a Global Climate Finance Framework, the Finance in Common, the Coalition of Finance Ministers for Climate Action and the Independent Expert Groups' Triple Agenda reports, amongst many others.

[1] Noting that not all Members of the G20 are part of, or engaged in such initiatives.

TF-CLIMA Conclusions

Part I – Resetting Action: Advancing Credible, Robust, and Just National Transition Planning and Country Platforms[2]

18. Nationally determined contributions (NDCs) under the Paris Agreement remain the main vehicle to communicate countries' individual contribution to the global fight against climate change. Each country is entitled to choose its own path for implementation, recognizing that strong and effective transition planning is needed in all countries. The next round of NDCs represents an opportunity for the G20 to demonstrate collective ambition to keep the 1.5oC goal within reach in the context of the Paris Agreement and its temperature goal.

19. Actions aligned with the goal of keeping 1.5C within reach, in the context of the Paris Agreement and its temperature goal and the 2030 Agenda for Sustainable Development, require a transformation of development partnerships that encourages a rapid shift towards whole-of-economy national planning approaches to finance and investment. As appropriate and in light of different national circumstances and priorities, country platforms can be a useful instrument to accelerate climate action and attract support for sustainable development at a rapid pace during this critical decade, as well as improve the coherence, complementarity and effectiveness of support and investment from a broader range of mechanisms.

20. In 2020, the G20 endorsed the Reference Framework for Effective Country Platforms and requested a follow-up on its implementation as appropriate. According to the 2020 Framework, country platforms should be voluntary and country-driven; based on a shared strategic vision and principles and strong government ownership; flexible, with no one-size-fits-all; a tool to support sustainable development; in line with country's reform and development priorities; customized and adapted to local contexts and country needs, specificities, priorities and legislation; cognizant of lessons from experience; conducive to private sector investment.

21. The following recommendations on national transition planning and country platforms, which resulted from discussions under TF-CLIMA, are voluntary and do not establish obligations on G20 Members, nor do they aim to interfere with ongoing negotiations in other fora. The decision to engage in transition planning and/or country platforms is country-owned, country-led and voluntary. National transition planning and country platforms are one of the many approaches countries may choose in their own pathway to climate action based on their national circumstances.

[2] Sections I and II under Part I are based on the debates held under TF-CLIMA and do not prejudge negotiations in other fora.

Section I: Advancing National Transition Planning[3]

22. The global climate crisis demands immediate and transformative action across all sectors of the economy. For some countries, transition planning can provide a structured, country-owned, approach for countries to maximize synergies between their development priorities and the Paris Agreement and the Sustainable Development Goals. These plans can ensure that all segments of society benefit from just transitions to a sustainable, low-GHG emission economy. They can also foster a whole-of-government, whole-of-society approach.

23. National transition planning is part of – not tangential to – a country's strategy for growth. National transition planning can promote low-GHG-emission and climate-resilient development fully in line with NDCs, National Adaptation Plans (NAPs) and Long-Term Low-Emission Development Strategies (LT-LEDS). Transition planning, whether national or sectoral, can support high political, societal, and economic ambition, fostering coordinated climate action that addresses nationally determined specific needs. While reflecting country-specific characteristics, as well as commitments under the UNFCCC and the Paris Agreement, they can set clear, ambitious, viable, and time-bound targets for achieving NDC objectives, prioritizing sectors and thematic areas for transition during NDC cycles and aligning with national sustainable development and poverty eradication priorities. Transition planning can help identify coherent, effective and efficient climate policies covering all sectors so that investors can take advantage of investment opportunities.

24. Collaboration among relevant levels of government, regulators, financial institutions, the private sector and civil society is essential in the development and implementation of transition planning. Developing regulatory and economic policies tailored to national and local needs, including finance requirements, is critical for the success of planning activities. Pathways outlined are to be based on thorough technical analysis, sound data, and science-based targets. Strong institutional arrangements and a clear roadmap should back these policies, ensuring adaptability to technological advancements, price changes and potential adverse effects. Comprehensive stakeholder engagement strategies and robust monitoring and evaluation systems, in line with national circumstances, are crucial for tracking progress and ensuring transparency. International cooperation, including finance, technology transfer and development and capacity building, are crucial enablers for the long-term success of transition planning.

25. From a social and economic perspective, national and sectoral transition planning can embed climate action into broader sustainable development strategies to achieve the SDGs under the Agenda 2030, leaving no one and no country behind. This includes prioritizing the reduction of poverty and inequality and consulting, and designing targeted measures to support relevant actors, including, as appropriate, Indigenous People, local

[3] For the purposes of this document, "national transition planning" means domestic, country-owned processes, policies and programs set by governments, and regulatory approaches planned or in-place to achieve a country's NDC targets. There could be a single overarching strategy covering all sectors, or multiple, sector-focused strategies.

authorities, communities, workers, youth, women, trade unions and other groups, to promote social dialogue and address needs. Planning outcomes can strengthen social infrastructure, such as education, health and social safety nets as well as encourage the development of local innovation and entrepreneurship capabilities, create jobs and develop skills while driving local value, technology, capacity, and income, and reducing inequalities. They can also promote new models of value-added industrialization that support sustainable and equitable economic diversification. These plans can also strive to minimize negative spillover effects in third countries.

26. Attracting resources from public and private, domestic and international sources, including through the UNFCCC financial mechanism, is essential. National and sectoral transition planning and related investment plans can support the building of a pipeline of commercially bankable projects by identifying priority investments in key sectors, outlining relevant policy measures to incentivize those investments, delivering project preparation financing and engaging the private sector to assess needs and risks and lower barriers to investment. It is also necessary to identify sources of financing and needs for subsidies, concessional finance, grants, and technical assistance, as well as where policy frameworks could attract private financing. Transition planning can incorporate consideration to help ensure policies towards strong, sustainable, balanced and inclusive growth and ensuring long-term financial sustainability, including through carbon pricing and non-pricing approaches, are critical. Transparency in finance flows is imperative. Some jurisdictions may wish to pursue the development of taxonomies to facilitate the flow of sustainable and/or transitional finance and credible and interoperable sustainable finance frameworks and policies, amongst other measures.

Section II: Developing and Implementing Country Platforms[4]

27. Country platforms can be a powerful instrument, among others, to achieve the objectives set in NDCs, NAPs, LT-LEDS and national and sectoral transition planning. They are one of the many measures that a country may adopt, as appropriate to different national circumstances, approaches and pathways. Where country platforms exist, they are voluntary, country-led and country-driven mechanisms designed to align with a country's relevant reform and development priorities and communicate and coordinate with and amongst potential national and international official entities and investors. These platforms emphasize strong government ownership, mitigation and adaptation ambition, flexibility, and adaptation to local contexts, needs, and specificities. They serve as tools to support better integration of climate and economic plans to finance sources, wherever relevant. Furthermore, the link of projects and programs to key performance indicators should reflect the country's priorities and needs.

28. Effective country ownership can be demonstrated through the steadfast political commitment and cross-government buy-in to the objectives addressed under country platforms, ensuring continuity and strength in their implementation. This ownership may

[4] For the purposes of this document, “country platforms” means an institutional convening platform that countries can use to access technical, analytical and/or policy support and financing, including public, private, international, and domestic finance.

be further solidified through clear integration primarily with NDCs, NAPs, LT-LEDS, but also with sectoral and ecological plans, as relevant. The consistency between policy and investment enhances the attractiveness of sustainable projects to public and private investors. Additionally, maintaining a clear and stable institutional structure with the capacity to support the design and implementation of country platforms, for example through national financial institutions such as national development banks (NDBs) or multilateral development banks (MDBs), is essential for long-term success.

29. Linking country platforms to financing sources is critical, with a view to effectively attracting and creating a balance between concessional, public, and private finance and aligning with the specific policy priorities, goals and projects defined by each country. This multifaceted approach enhances the scale of finance and impact, accommodating both individual projects and broader investment programs within the country platform framework. Country platforms can enhance the use of public finance and leverage the comparative advantages of diverse financing sources, such as multilateral development banks (MDBs), which offer in addition to concessional, low-cost financing, analytics, policy advice, capacity building, investment plan preparation, project preparation, and the use of catalytic instruments for private finance towards country platforms.

30. Additionally, vertical climate and environmental funds play a role in supporting the development and implementation of country platforms. NDBs and public development banks (PDBs), with their alignment to country policies, local knowledge depth, and local currency finance capacity, can be pivotal in this endeavor. Early and consistent involvement of the private sector in country platform development and implementation is crucial to identifying investment opportunities and for defining enabling policy and regulatory requirements, as well as what needs to be financed or delivered by the public sector and how different investments are best sequenced.

31. Flexibility in the design of country platforms is essential to accommodate evolving circumstances. Local institutional structures may need to adapt across different stages of development and implementation, responding to changing country situations. Investment plans supported by country platforms can be dynamic, allowing adjustments based on detailed analysis, evolving contexts, and lessons learned throughout the implementation process. The role of local and external stakeholders will naturally evolve as local capacities strengthen. Continuous monitoring and tracking of country platform implementation will provide essential feedback, enabling adjustments to policies, investment plans, financing, and impacts according to the specific needs and priorities of each country. Buy-in and support for the development and implementation of country platforms will have a significant impact in scaling-up climate and development action and impact, which can contribute to the implementation of NDCs, NAPs and LT-LEDS.

32. The above voluntary recommendations are summarized in Annex A. They represent a basket of measures that can be used by G20 Members and other countries in line with their different national circumstances, approaches and pathways.

Part II – Resetting Finance: Frameworks consistent with the Paris Agreement [5]

33. Bolder action is needed to enhance finance flows towards low GHG-emissions and climate-resilient development towards the goals of the Paris Agreement and the 2030 Agenda for Sustainable Development. While public finance continues to be imperative for tackling mitigation and adaptation, more needs to be done to help ensure that private finance plays a critical role in responding to climate investment needs and to overcome barriers in effectively enhancing investments for scaling up climate action, including by supporting transition pathways.

34. G20 members should move towards whole-of-government, whole-of-society approaches for investments and finance consistent with the Paris Agreement, in light of different national circumstances and priorities. The way each member does so will depend on national contexts and take into account the mandates of individual institutions. This transformation also requires improving the way international institutions and governments enable and promote investments to respond to the urgency that the climate crisis requires and to the needs and priorities of countries.

Section I: Regulatory Frameworks

35. A resilient and well-functioning financial system plays a pivotal role in enabling finance for climate action by intermediating investors' resources to impactful projects needed to achieve climate goals.

36. Climate-related risks and opportunities for projects, companies and investors should be integrated into financial decision-making, where relevant and material, to be accurately measured and managed. In addition, this information can enhance the availability of data and the ability of the financial system to track risks and opportunities. They can also act as a powerful transition lever towards climate-friendly enterprises and investments and to support the transition of the economic system, in line with national circumstances and by paying attention to unintended consequences of their implementation.

37. Central banks, financial regulators, supervisors and international coalitions and groupings, for example, have actively engaged in reflecting climate-related financial risks in their work. This includes the Financial Stability Board's Roadmap for Addressing Climate-related Financial Risks, the standards developed by the International Sustainability Standards Boards (ISSB), the Basel Committee on Banking Supervision's work on climate risks and the work of the Network for Greening the Financial System (NGFS).

38. Nevertheless, regulatory frameworks could continue to be reviewed and adjusted, as appropriate, by Standard Setting Bodies (SSBs) and their member jurisdictions and should aim to ensure that climate risks and opportunities are assessed, accounted for,

[5] Section I, II and III under Part II are based on the debates held under TF-CLIMA and do not prejudge negotiations under other fora. Where they encompass references to instruments or debates under other G20 working groups or initiatives in the Finance Track, they express the consensus thereof.

managed and communicated to inform more accurate investor assessment. This in turn can help to remove any identified obstacles to the flow of private finance towards sustainable investments by enhancing investor confidence. Utilizing a risk-based approach backed by data that accurately reflects risks and benefits of sustainable investments may assist enterprises in mitigating risks and realizing opportunities related to transitions.

39. A risk-based approach that accurately reflects material risks and opportunities requires closing data gaps and setting widely acceptable standards, as appropriate, taking into account interoperability, proportionality and country-specific contexts. Financial institutions are expected to continue to incorporate climate-related risks and opportunities into their risk assessment and management processes and strategies, including scenario analysis and stress testing for transition and physical risks exposures, in line with existing mandates. This is expected to enhance the resilience of the financial sector and support efforts to achieve climate goals. Any revisions of regulatory frameworks, including to promote favorable investment environments for climate action, should be thoughtfully sequenced and calibrated and implemented, taking into account the stability of the financial system and enabling investment environment in the country. Moreover, when duly substantiated, revisions must be first thoroughly discussed in the appropriate SSBs and relevant authorities and constituents, to maintain sufficient trust and accountability and an international level playing field, while ensuring that processes are inclusive and reflect various countries' views. All those efforts contribute to modernize, simplify and bring greater legal certainty to such matters.

40. The establishment of international standards should be encouraged, with a view to enhancing the interoperability and comparability of sustainability disclosures standards and informing private investment, while maintaining flexibility. It is also important to address the challenges faced by SMEs and developing countries and to promote proportional, reliable, comparable and interoperable sustainability reporting disclosure standards, which are flexible and take into account country-specific circumstances.

41. Some countries and jurisdictions have increasingly used sustainable taxonomies to enhance private capital mobilization. By taking a whole-of-economy approach and/or classifying activities (e.g. project-based, technology-based), they may be used for lending, investments and insurance, as well as for fiscal policies. This means providing clarity on activities that are consistent with a jurisdiction's priorities in terms of climate, social, environmental and long-term economic effects. Continuous implementation of the G20 Sustainable Finance Roadmap, which is voluntary and flexible in nature, can advance international work to help scale up private and public sustainable finance.

42. In addition, the global financial system, both public and private, must be adapted to handle more frequent and severe shocks. This can be supported in a wide variety of ways, leveraging tools such as climate-resilient debt clauses and debt-for-climate swaps on a voluntary and case-by-case basis. Additionally, further voluntary channeling of IMF Special Drawing Rights (SDRs) could be pursued, in line with national legal requirements and if deemed appropriate by countries, including through the IMF's Resilience and Sustainability Trust. Addressing global debt vulnerabilities, including through the Common Framework for Debt Treatment in a predictable, timely, orderly and coordinated

manner, also plays a role. Furthermore, highly concessional funding sources, such as the International Development Association and its crisis facility, need to be adequately funded to effectively support the poorest and most vulnerable nations.

43. Finally, enhancing dialogue with credit rating agencies and ESG rating agencies can improve accuracy in assessments of risks related to climate investments projects and increase transparency regarding relevant methodologies. Increased transparency and accuracy of risk assessments and the use of more consistent and reliable data can improve investor confidence and potentially facilitate the flow of capital towards sustainable development initiatives by improving transparency on assessed risks.

Section II: Foreign Exchange (FX) Risk Mitigation and other financial innovations

44. The cost of hedging foreign exchange risks poses a significant challenge to cross-border investments in developing countries, especially in projects with primarily local currency revenues, such as in renewable energy. Reducing overall costs for hedging for borrowers will help attract cross-border private investment and promote the financial viability and affordability of climate-related projects.

45. Developing new FX liquidity tools, such as those offered by the Currency Exchange Fund (TCX) and the FX Liquidity Facility in Brazil in the recently launched ECO-Invest platform, in partnership with the IADB, and the Local Currency Facility of the IDA Private Sector Window can help address the cost of FX hedging for private investors and could be mainstreamed by governments, MDBs and DFIs.

46. MDBs are important providers of credit enhancement tools. The World Bank Group has launched its Guarantee Platform and set a goal to boost guarantee issuance to $20 billion by 2030. Regional MDBs may also set targets to increase the deployment of credit enhancement tools and similarly streamline their guarantee business, while World Bank leadership and shareholders explore ways to further scale its guarantees business, including potential mechanisms to expand the use of the Multilateral Investment Guarantee Agency (MIGA)'s existing tools in a wider set of countries, use of MIGA products to support the private sector refinancing of portfolios of World Bank loans, and expanded use of subordinated guarantees in investment fund structures. In addition, the innovative use of credit enhancement products by MDBs could help to support at scale investment in nature and climate (e.g., to support commercial debt swaps transactions or sustainability-linked bonds, projects relying on nature-based solutions).

47. Innovative financial instruments such as green bonds and sustainability-linked and climate transition bonds can be useful for improving the flow of finance to both climate and development projects. Green bonds can attract a broad range of investors by offering opportunities to finance projects that make a significant positive environmental and climate impact, while sustainability-linked and climate transition bonds support environmentally sustainable activities in transition and provide incentives for issuers to meet predefined sustainability and climate targets. These instruments, when based on clear definitions, can enhance transparency and accountability, and can help to ensure that

funds are directed towards achieving climate goals. By linking financial performance to sustainability and climate metrics, these bonds encourage long-term investments in climate resilience and low-GHG emissions development.

48. Improving understanding of the relevant risks and scaling the deployment of key risk-sharing and de-risking instruments, such as guarantees and insurance, are vital in mitigating investment risks and attracting private capital to climate projects. Guarantees can cover potential losses, reducing the financial risk for investors and making projects more attractive. Insurance can protect against specific risks, such as disasters, ensuring project continuity and stability. These instruments are particularly important in developing countries, where risks are higher.

Section III: Multilateral Development Banks and Environmental and Climate Vertical Funds Reforms

49. Multilateral development banks (MDBs) and environmental and climate vertical funds are key channels in mobilizing accessible and affordable finance for climate action. Building on the reforms to date, MDBs and such funds could further enhance their effectiveness and efficiency in supporting climate action in developing countries, while continuing to strengthen their support to all SDGs, in accordance with their respective mandates and governance.

50. MDBs could strengthen their efforts to finance adaptation and resilience projects in developing countries by exploring synergies with other development priorities, in accordance with their mandates. The implementation of G20 Roadmap for Better, Bigger and More Effective MDBs could significantly contribute to these efforts by supporting reforms to equip these institutions to better address development and global challenges with a renewed sense of urgency. A better, bigger and more effective MDB system is essential to support the achievement of climate ambition and keep the 1.5oC objective within reach in the context of the Paris Agreement and its temperature goal. Alongside offering long-maturity loans and making progress, as relevant, on climate-resilient debt clauses on a voluntary and case-by-case basis, this includes increasing their use of de-risking instruments and support for blended finance mechanisms that leverage public and private capital to maximize impact – in 2022 MDBs mobilized only $0.32 of private climate capital for every $1 of MDB investment in low- and middle-income economies ($15.36 billion on $48.05 billion)[ii]. MDBs should also enhance their coordination and collaboration with one another as well with other financial institutions and stakeholders to ensure a more integrated and cohesive approach to climate finance including through country platforms.

51. Environmental and climate vertical funds, such as the Green Climate Fund (GCF), the Global Environment Facility (GEF), the Climate Investment Funds (CIF), and the Adaptation Fund (AF), should work together and collectively improve their efficiency and impact, in line with direction from their governing bodies and striving to work as a system with MDBs. This involves streamlining approval processes, enhancing coordination among funds, and increasing access for Emerging Market and Developing Economies and Least-Developed Countries including Small Island Developing States.

Working to ensure that these funds contribute effectively to the implementation of national transition planning is key. The Independent Review of Vertical Climate and Environmental Funds developed this year within the G20 Sustainable Finance Working Group will contribute to this objective.

52. Promoting innovative financial instruments is another critical aspect of MDB and climate fund reform, particularly those that attract private finance. This includes identifying new ways for vertical funds to collaborate in joint programs e.g. through guarantees or underwriting hybrid capital according to their heir own financial and management capacity. This could also foresee the development and scaling up of innovative financial instruments such as use-of-proceeds and sustainability-linked bonds, transition finance, impact investment funds, equity and junior equity, blended finance investment funds, payment security mechanisms to support the deployment of key climate technologies, climate-resilient debt clauses and climate- or nature-linked commercial debt conversions (in case of debt distress), and other instruments to attract private finance at scale. These instruments can provide the necessary capital for large-scale climate projects and help bridge the financing gap.

53. The above voluntary and non-binding recommendations are summarized and elaborated upon in Annex B. The main purpose of the recommendations is to advance international work to help scale private and public sustainable finance and, in doing so, accelerate the implementation of the Paris Agreement and Agenda 2030, in accordance with national circumstances. They represent a basket of measures that can be used by G20 Members and other countries in line with their different national circumstances, approaches and pathways. When the recommendation relates to possible country-level actions, they are to be adopted on a voluntary basis.

ANNEX A

Framework for transition planning and country platforms[6]

Advancing National Transition Planning

i. Align with, and support NDCs, National Adaptation Plans (NAPs) and Long-Term Low-Emission Development Strategies (LT-LEDS) and national development strategies
ii. Takes a whole-of-government, whole-of-economy approach, while targeting action for specific sectors.
iii. Set clear, ambitious, and time-bound targets, prioritizing key sectors and promoting policy sequencing
iv. Develop tailored regulatory and economic policies, budgets and clear reform plans.
v. Base plans on rigorous technical analysis, data, best available science and equity considerations.
vi. Consider any adverse social, environmental and economic impacts, propose solutions and undertake measures in response to them, including fiscal measures.
vii. Embed climate action into broader sustainable development strategies.
viii. Promote social dialogue and collective empowerment.
ix. Encourage new, zero- low-GHG-emission models of value-added industrialization that support sustainable and equitable economic diversification.

Designing country platforms

i. Be based on a national and ambitious climate pathways in line with the Paris Agreement
ii. Promotes net zero and climate-resilient growth and development
iii. Be country-led and owned and address country-specific needs.
iv. Foster collaboration, political support and buy-in across relevant government levels and bodies, regulators, and sectors and adopt a whole-of-government approach.
v. Include adaptability for tech advancements and price changes.
vi. Utilize effective monitoring and evaluation systems.
vii. Be consulted with all relevant actors, such as Indigenous People, local authorities, communities, workers, youth, women, trade unions and vulnerable groups.

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[6] The following recommendations on national transition planning and country platforms, as a result of discussions under TF-CLIMA, are voluntary and do not establish obligations on G20 Members, nor do they aim to interfere with ongoing negotiations in other fora. The decision to engage in transition planning and/or country platforms is country-owned, country-led and voluntary. National transition planning and country platforms are one of the many approaches countries may choose in their own pathway to climate action.

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viii. Encourage the development of local innovation and entrepreneurship capabilities, creating and retaining jobs and developing skills.
ix. Be a driver for creating local value, technology, capacity, and income, while reducing inequalities and leaving no one behind.
x. Maintain a national institutional structure to oversee the implementation.
xi. Identify an institution (e.g. MDB or national development bank to support, design, and coordinate implementation of the policy and investment pathway).
xii. Learn from experience of existing country-platform approaches (e.g. Just Energy Transition Partnerships, other MDB-led platforms).

Catalyzing investments for country platforms

i. Build a pipeline of bankable projects and engage the private sector to assess needs and risks.
ii. Attract resources (finance, technology and capacity-building) from public and private, domestic and international sources.
iii. Identify investment barriers, technical and financial needs and enabling conditions for subsidies, concessional finance, grants, and technical assistance.
iv. Identify specific technologies and activities to be prioritized.
v. Support financial sustainability, including by considering pricing and non-pricing instruments.
vi. Ensure transparency in relevant international finance.

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ANNEX B

The G20's Recommendations for Financial Frameworks that respond to the Paris Agreement[7]

Long-term vision

The G20 will endeavor to achieve the consistency of funding provided by the financial industry with low GHG-emission and climate-resilient development strategies that aim to achieve the Paris Agreement goals, including efforts to keep 1.5oC within reach, taking into account national circumstances, approaches and pathways, in the context of the Paris Agreement. The G20 will support the development and enhancement of climate finance and investments by cooperating in financial system regulatory frameworks, adopting international standards, growing green bonds markets, and promoting new green financial instruments, as appropriate.

[7] The following is a non-binding, non-exhaustive list of measures. They do not act to pre-judge any current or future negotiations on the matter.

Measures

i. Work towards clear, transparent, robust and effective green and sustainability taxonomies, where jurisdictions choose to do so, that support the mobilization of public and private financing and investments towards economic activities with positive environmental, climate and social impacts and avoiding market fragmentation.

ii. Support the ISSB and other qualified international and regional organizations and groups, as well as national regulatory bodies, to work together in an open and inclusive manner on enhancing the comparability, interoperability and proportionality, as appropriate, of sustainable finance disclosure standards.

iii. Adopt, apply or otherwise be informed by the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, recognizing that clear, comparable and interoperable disclosure information systems are key for assessing and managing climate risks and for increasing transparency at the domestic and international levels.

iv. Support the ISSB to maintain a permanent technical platform for sharing best practices and promote capacity-building on climate-related disclosures.

v. Encourage central banks, and other regulators and supervisors, SSBs and relevant international organizations and coalitions to assess the resilience of the financial system to climate-related risks through climate stress tests and scenario analysis.

vi. Encourage central banks and other regulators and supervisors to develop further actions to address climate change, within their respective mandates and in the appropriate international fora.

vii. Develop and expand FX liquidity facilities, including in partnership with MDBs and DFIs.

viii. Further expand discussion on and use of blended finance instruments, including on standardized products, data availability and crowd-in ratios, to enhance private sector finance for climate investment, taking into account the G20 Principles for Blended Finance.

ix. Build on and expand the release of data from the Global Emerging Markets Risk Database Consortium (GEMS), working towards increased transparency and accessibility for the private sector to the most recent disaggregated credit risk information by institutions, sectors, financing instruments, countries, country groups and regions from MDBs and DFIs.

x. Encourage continuous dialogue in existing fora between MDBs, private investors, governments and credit rating agencies to increase transparency and accuracy of risk assessments and allow for more consistent and reliable data to better assess investment risks in developing countries.

xi. Support credit rating agencies to provide assessments that are more transparent, objective, independent and reflective of the best available data.

xii. Continue the implementation of the G20 Sustainable Finance Roadmap, which is voluntary and flexible in nature, to scale up finance to support a just and affordable climate transition.

xiii. Direct innovation-related public spending and provide incentives for private investment towards research and development of climate technologies.

xiv. Make effective use of fiscal resources directed to climate action and national sustainable development priorities, including public investments, budgetary expenditures, subsidies and pricing and non-pricing instruments.

xv. Develop innovative financial instruments for climate change adaptation, including by exploring how public-private insurance solutions can help strengthen resilience against climate shocks.

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[i] Implementing MDB Reforms: A Stocktake. G20 Independent Expert Group on Strengthening Multilateral Development Banks, p. 4. Available at https://www.cgdev.org/sites/default/files/implementing-mdb-reforms-stocktake.pdf?utm_source=substack&utm_medium=email.

[ii] Inter-American Development Bank, African Development Bank, Asian Development Bank, Asian Infrastructure Investment Bank, Council of Europe Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Islamic Development Bank, New Development Bank, & World Bank. (2023). 2022 Joint Report on Multilateral Development Banks' Climate Finance. Source: http://dx.doi.org/10.18235/0005182