Climate Action Network

G20 Issue Brief
Sustainable Finance

Suggested G20 Leaders' Communique language:

We commit to ensuring that all lending is aligned with the SDGs and Paris Agreement goals by 2020 to facilitate the rapid transition to low-carbon economies. Recognizing the significant role of climate funds in providing climate finance, we reaffirm the financial support to the Green Climate Fund in the context of its upcoming replenishment, and reiterate our strong commitment to collectively scale up climate finance. Recognizing the central nature of environmental and social criteria to financial stability, we hereby intend to transform the study group on sustainable finance (SFSG) into a working group, and commit to enhancing collaboration between working groups to better align investments with sustainable and low carbon climate-resilient infrastructure, and reflect the benefits of resilient sustainable infrastructure in capital requirements.

Delivering the Sustainable Development Goals (SDGs) by 2030 requires greening and shifting investments within the global financial system, which today amounts to nearly $300trn. The challenge is not to find the capital but to align financial regulation with sustainability objectives, to shift financial flows, unleash green finance and ensure that sustainable financial flows become, and remain the norm. Success would create a more resilient, sustainable and inclusive global economy, while at the same time adding an estimated $12trn a year to global GDP. In their current form however, financial markets do not price in the externalities of investments at a level strong enough to shift investment decisions; nor do they provide enough public information to 'market players', regarding their exposure to sustainability-related risks and opportunities. As referenced in the G20 Hamburg Climate and Energy Action Plan for Growth (CEAP), the industry-led Task Force on Climate-related Financial Disclosures (TCFD) submitted recommendations in 2017 on voluntary disclosure of climate-related financial risks by corporations. However, while the importance of disclosure is recognized, France is currently the only G20 country make disclosure mandatory.

The OECD's 2017 report 'Investing in Climate, Investing in Growth' notes that there is increasing evidence that incorporating sustainability criteria into investments can improve financial performance, a near-truism that is also supported by a growing body of academic research. As mentioned in the FSB Chair Brief to G20 Finance Ministers and Central Bank Governors from 13 March 2018, companies from a broad range of sectors are beginning to make TCFD disclosures and financial institutions responsible for over $80 trillion of assets have signaled their support.

In light of the urgent need to spur investments in low-emission and climate resilient development, G20 countries committed to "strive to create an enabling environment that is conducive to making public and private investments consistent with the goals of the Paris Agreement as well as with the national sustainable development priorities and economic growth." It is time to mainstream and reaffirm the central role of transparency within the G20 and implement the TCFD Recommendations in national legislation to secure a stable transition to a net-zero emissions economy.

To address these challenges, CAN calls on G20 countries to:

- Reaffirm the strong commitment to collectively scale up climate finance to meet the 100 billion goal by 2020, and provide additional adaptation finance to reach a balance between adaptation and mitigation finance.
- Recognizing the significant role of climate funds in providing climate finance, reaffirm the financial support to the Green Climate Fund in the context of its upcoming replenishment.
- Make sustainable finance a permanent focus of the G20 finance track, including by upgrading the study group on sustainable finance (SFSG) to a working group;
- Enhance collaboration between the SFSG and the Infrastructure WG to better align investments with sustainable and low carbon climate-resilient infrastructure, and reflect the benefits of resilient sustainable infrastructure in capital requirements;
- Ensure that all lending is aligned with the SDGs and Paris Agreement goals by 2020 to facilitate the rapid transition to low-carbon economies;
- Deliver transparent and more efficient markets by requiring disclosure on environmental and social risks and opportunities at national level;
- Further develop transparency and accountability measures for green finance and financing measures that set out to mobilize green financing;
- Ensure environmental and social externalities are adequately priced into the market by calling on members to achieve - each in their own way- a strong effective carbon price by 2020;
- Explore innovative approaches such as debt-for-climate swaps, use of SDRs, of green bonds by central banks.