Climate Action Network

G20 Issue Brief

Sustainable Infrastructure

May 2018

Suggested G20 Leaders' Communique language:

> *We commit to supporting the swift implementation of the 2017 MDB commitment to promote the mainstreaming of climate action throughout the development finance community, and ensure that, by 2020, our public finance institutions cease direct, indirect, ancillary infrastructure and policy support for upstream and downstream fossil fuels, GHG-intensive projects, nuclear, large bioenergy and hydropower when more cost-effective and less damaging alternatives exist.*
> *Recognizing the risk to the natural environment and of stranded assets, we commit to establishing clear guidelines for infrastructure decisions to ensure that strict environmental and social criteria are met, including through implementing the TCFD recommendations and implementing a 1.5ºC stress test into decision-making.*

The creation of enabling environments for investments in infrastructure is regularly highlighted as a key area of consideration under the G20, and viewed as a driver of economic growth and development. However, these discussions often overlook the social, environmental, and economic risks of unsustainable infrastructure investment planning, and the potential risks for infrastructure resilience from unabated climate change. It is a false narrative to believe that policymakers must make a choice between infrastructure for development and climate action. The OECD's 2017 report 'Investing in Climate, Investing in Growth' demonstrates that combining climate policies such as carbon pricing with economic policies to boost investment in low-emission, climate-resilient infrastructure could increase GDP by up to 2.8% on average, across G20 countries in 2050, rising to 5% when positive impacts of avoiding climate damage, such as employment and health benefits, are factored in.[1]

Increased levels of financial support for overseas coal from G20 members in recent years is both economically incomprehensible and morally unacceptable, given the urgent need to reduce global GHG emissions, as are the profound health impacts of coal-fired energy. Investing in fossil fuel infrastructure, including natural gas, has substantial economic, environmental and social risks, and locks in high levels of high-emitting infrastructure that is incompatible with the goals of the Paris Agreement and will likely to lead to costly stranded assets. Further delays could lead to a more disruptive, costly and disorderly energy transition.

Multilateral Development Banks (MDBs) are powerful stakeholders that leverage a considerable amount of finance for infrastructure in developing countries, so must be a part of the discussion on how to shift investments to climate-resilient, low carbon infrastructure. They have the ability to lead and can do so by sending strong signals to private capital markets through their financing decisions. To that end, we welcome the World Bank's decision to stop financing upstream oil and gas projects beyond 2019 and encourage other MDBs and IFIs to follow suit.

In the 2017 G20 Hamburg Climate and Energy Action Plan for Growth, G20 governments recognised the 'significant opportunities for stimulating employment, poverty eradication and growth through the transformation towards sustainable, low greenhouse gas emission and climate resilient infrastructure.' Now is the time to turn words into action. CAN calls on G20 countries to promote sustainable infrastructure investment by:

- Support the swift implementation of the 2017 MDB commitment to promote the mainstreaming of climate action throughout the development finance community, and ensure that, by 2020, all public finance institutions cease direct, indirect, ancillary infrastructure and policy support for upstream and downstream fossil fuels, GHG-intensive projects, nuclear, large bioenergy and hydropower when more cost-effective and less damaging alternatives exist;
- Establish clear expectations that infrastructure decisions are guided by upstream, system-scale geospatial planning that meets strict environmental and social development criteria and be assessed through a pro-poor, inclusive, climate-resilient and gender-responsive lens;
- Implementing the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD)[2], to identify and address risks, enabling public policy to drive private sector action, and ensure stress-tests for investments to ensure compatibility with a 1.5ºC scenario.

---

[1] OECD, *Investing in Climate, Investing in Growth*, 2017, p.15
[2] CAN G20 Issue Brief 2018 on Sustainable Finance: http://climatenetwork.org/sites/default/files/can_g20_brief_2018_sustainable_finance.pdf