# G7 Finance Ministers and Central Bank Governors´ Statement on Climate Issues

Washington D.C., 12 October 2022

In our meeting on climate economics, we underlined our commitment to ambitious climate action and to promoting an orderly and just global transition towards net zero greenhouse gas emissions. We were delighted to be joined by Nicholas Stern, Amar Bhattacharya and Hans Peter Lankes for our discussion.

1. As noted in our separate statement issued today, Russia´s war of aggression against Ukraine continues to disrupt the global economy and has caused substantial further increases in commodity prices, including energy and food. It also severely impacts energy markets and supplies globally, threatening energy security, increasing food insecurity, and causing social and economic repercussions in many countries around the world.

2. Facing these challenges, we will not compromise on, but rather intensify our efforts to meet our climate goals, including an accelerated, clean, just and sustainable energy transition that also strengthens energy security. Many countries have been hit by substantial climate-change related natural disasters in recent months, underscoring the Intergovernmental Panel on Climate Change´s (IPCC) most recent findings on the urgency to act in this decade to keep a limit of 1.5°C temperature rise within reach and avoid the worst consequences of climate change. We therefore reaffirm our unwavering commitment to the full and effective implementation of the Paris Agreement and to the achievement of net zero emissions by or before 2050.

3. Given high volatility and elevated prices in international energy markets, we will continue our efficient, temporary and targeted support to those most affected by rising energy prices, while at the same time maintaining sufficient price signals to further incentivise energy savings, investment in energy efficiency and the clean energy transition.

4. An effective, orderly and just transition of our economies towards a net zero world is at the core of sustainable global long-term economic growth. We appreciate the independent report "Collaborating and Delivering on Climate Action through a Climate Club" by Nicholas Stern et al. commissioned by the G7 Presidency, which provides valuable analysis on how international cooperation mechanisms could help the global community realise such a positive growth agenda. We underscore the substantial net positive effects from mitigating the impacts of climate change on welfare and reaffirm our commitment to intensify efforts to facilitate a transition towards net zero that positively impacts jobs, growth, fairness, health and the environment, both within our own economies and globally.

5. We reaffirm the potential of high integrity carbon markets and carbon pricing to foster cost-efficient reductions in emission levels, drive innovation and enable a transformation to net zero, through the optimal use of a range of policy levers to price carbon. Recognising that the risk of carbon leakage may increase with more divergent climate policy ambition and action, we reaffirm our commitment to cooperate on possible WTO-compatible mechanisms to mitigate this risk and support trade relations. An orderly global transition has the potential to save trillions of dollars of global GDP. We welcome progress in the OECD´s Inclusive Forum on Carbon Mitigation Approaches (IFCMA).

6. We recognise the significant impact of climate change and the transition to net zero on macroeconomic outcomes and fiscal sustainability and acknowledge the uneven impacts for many low- and middle-income countries and for vulnerable groups in all countries. We will continue our work to reflect these impacts in our analyses and consider the impact on our economic, financial and monetary decision-making, in line with our mandates. We welcome work by various institutions, including international organisations and central banks, on the effectiveness of mitigation policies, their economic impact and the implications of heterogeneous policy mixes across different economies. We acknowledge that different policy levers can have different impacts on mitigation effectiveness as well as different economic impacts, e.g. through cross-border and spill-over effects. We commit to further improve our understanding of macroeconomic effects of climate change and to continue our intensive technical collaboration, especially between G7 central banks, on integrating climate risks and aspects into our macroeconomic analysis and modelling toolkit. We commit to pursue these efforts also in collaboration and with support of other partners, including from the G20, the Coalition of Finance Ministers for Climate Action (CFMCA) and the Network for Greening the Financial System (NGFS).

7. We look forward to COP 27 in Sharm el-Sheikh and fully support the Egyptian Presidency to make substantial progress towards achieving the goals of the Paris Agreement. We remain strongly committed to achieving the collective climate finance mobilisation goal of 100 billion US dollars per year from a wide variety of sources as soon as possible and through to 2025 to address the needs and priorities of developing countries in the context of meaningful mitigation and adaptation actions and transparency on implementation. We also reiterate our commitment to work alongside others to deliver on the COP26 call to collectively at least double the provision of climate finance for adaptation from 2019 levels by 2025. We also welcome the ongoing two-year Glasgow–Sharm el-Sheikh work programme on the global goal on adaptation and we commit to enhance synergies between finance for climate and biodiversity. We welcome progress on the Just Energy Transition Partnerships (JETPs).

8. We call on all multilateral development banks (MDBs) and other development finance institutions (DFIs) to align their financing and operations with the goals of the Paris Agreement, including with its article 2.1c, and to finalise and make publicly available robust methodologies for Paris alignment for all their activities as soon as possible, in particular for indirect and policy-based lending. Recognising the crucial importance of mobilising private capital for accelerating the transition to net zero, we call on MDBs and other DFIs to intensify their cooperation with the private sector to increase their private finance mobilisation ratios and their upstream interventions that facilitate the mobilisation of private capital such as project preparation and support for reforms that enhance the enabling environment. We also call on MDBs to support climate-related policy-reforms in partner countries in MDB lending operations.

9. We welcome the progress of international work and encourage further action to implement the G20 Sustainable Finance Roadmap and the Financial Stability Board (FSB) Roadmap for Addressing Climate-related Financial Risks and will take steps to operationalise their recommendations and principles in our own jurisdictions, as appropriate. We reiterate our commitment to move towards mandatory climate-related financial disclosures that provide consistent and decision-useful information for market participants and we welcome the global baseline of sustainability reporting standards currently under development by the International Sustainability Standards Board (ISSB). Support for the global baseline has the potential to improve information and thus mobilise finance for the needed investments, particularly in emerging and developing economies, and we ask the ISSB to work closely with regional standard setters and any relevant local stakeholders and to provide advisory and capacity support. We welcome the ISSB´s “jurisdictional working group”. We deem essential

that the global baseline builds on the Task Force on Climate-Related Financial Disclosures (TCFD) framework and encourage all participants to pursue a more constructive cooperation towards a practical, flexible and interoperable global baseline that can also be incorporated in more ambitious disclosure requirements.

10. We are already experiencing risks to lives and livelihoods from climate change with increasing frequency and scale and recognise that these risks will further increase in the future. We actively support work on climate and disaster risk finance and insurance and we will work towards progress regarding Climate-Resilient Debt Clauses and the Global Shield against Climate Risks.