



E3G

Facilitating mobilization of investment in national climate plans: the opportunity for the G7 and G20

March 2021

Introduction

Green recovery can be guided by national climate plans which countries have been publishing since 2015. Climate policy goals are increasingly supported by investment plans — however, there is much progress to be made in order to seize low-hanging fruit and fully mobilise capital markets to support national climate goals.

The UK G7 and Italy G20 can meet this challenge by creating new international institutional architecture to bring financial actors together to support financing for national climate plans, particularly for developing countries, to Build Back Better.

Background

Organisations like the NDC Partnership and Multilateral Development Banks have worked to support development of Investment Plans which set a pathway to financing actions listed in NDCs. However, there are considerable gaps in coverage and quality of national climate-related investment plans, which do not always identify readily investable opportunities where private finance could potentially be mobilised, and do not always map concessional finance needs to specific investments and activities. Despite the scale of capital markets, investments fall critically short of what is required.

The COP26 Presidency has prioritized investment mobilisation — its COP26 Private Finance Strategy proposes creation of platforms to connect private “capital in principle” to MDBs/DFIs and technical capacity, with a view to building pipelines of investable projects. The UK and Chilean High-Level Champions have called for efforts to harness significant interest from market actors in investing in developing country NDCs and mobilizing trillions.

Meanwhile, the US administration has committed to creating a climate finance plan to support developing countries with climate action, including promoting flows of capital to climate-aligned investments¹.

Priority Actions for G7 and G20

The G7 and G20 can accelerate the scaling up of finance to support national climate plans in the context of green recovery. They can do this by elevating the issue at international level, and by initiating processes to build and consolidate global architecture to overcome known barriers.

→ The G7 and G20 Communiqués could announce a joint **Leaders’ and Finance Ministers’ process to mobilize public and private investment at scale toward national climate goals**. Developing countries should play a central part in

the process given their high proportion of global investment needs.

- **As part of this process the G7/G20 should create a Joint Taskforce on Mobilizing Investment at Scale for National Climate Goals.** The Taskforce should include senior officials, and public and private finance institutions from G20 and non-G20 countries, as well as international financial institutions.
- **The joint G7/G20 process and Taskforce described above should make recommendations, by 2022, on the design of a global platform to connect and expand architecture for mobilizing finance toward national climate plans.**

The case for a global platform

Market actors are already calling for new international financial architecture to address sustainable financing shortfalls of developing countries.ⁱⁱ A platform could consolidate and expand upon existing work to overcome barriers to mobilising international finance for sustainability, and politically elevate the overall effort.

There is a clear need for improved architecture connecting public and private finance in a problem-solving approach. This is recognized in the COP26 Private

Finance Strategy, which calls for “platforms for blended finance based on clear standards for sustainable infrastructure projects in developing economies, supported by technical expertise, investment protections and appropriate risk mitigation by MDBs and DFIs, and connected to a dedicated pool of ‘*capital in principle*’ from private investors for proposals that meet these criteria.” The COP26 Presidency’s Glasgow Finance Alliance for Net Zero (GFANZ) could contribute to the effort described above by collecting private sector commitments of “capital in principle”.

A global platform could also address the need to scale existing technical and financial expert capacity for the formulation of NDC Investment Plans, ensuring that countries can make plans that are fully costed, identifying investment opportunities where private finance can be mobilised, and quantifying public and concessional finance needs.

Conclusion

Scaling investment is imperative to green global recovery and meeting climate goals. Major economies have an opportunity to enhance mobilisation of public and private investment into national climate plans by building improved international financial architecture through the G7 and G20.

Alliance are undertaking efforts [on blended finance](#).

ⁱ [Executive Order on Tackling the Climate Crisis at Home and Abroad](#), January 2021

ⁱⁱ Aviva convenes a coalition in support of this concept; and the Net Zero Asset Owners