



E3G

The role of G7 countries in greening G7 and G20 recovery spending

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Introduction

Major public recovery spending decisions in 2021 will either lock the world out of or into a trajectory to climate safety. To meet a shrinking window for action, the G7 must increase ambition and coordination on greening G20 recovery spending.

Background

2021 will be “a year to revive or lose the Paris Agreement”, the IMF’s Kristalina Georgieva has warned the Italian G20 Presidency. To respond to calls to halve emissions before 2030 (IPCC, 2018), recovery spending should support shifting infrastructure to net-zero instead of maintaining carbon-intensive economies.

The G20 accounts for over 80% of global emissions, and so progressive efforts must ensure that green recovery measures are taken forward in those countries. G7 countries must lead the way in putting climate action at the heart of domestic recovery plans, in order to be able to showcase benefits and engage in international leadership. Early spending to contain the crisis has been directed towards the existing, fossil-fuel-based economy.ⁱ However, the international pivot from crisis relief to recovery investment has not yet been completed, and the G20 will be an important forum for driving change.

Priority Actions for the G7/G20

G7 countries have the opportunity to show leadership and ambition for global green recovery. They can do this by greening domestic recovery measures, ensuring strong G7 outcomes, and by acting as a progressive group within the G20:

- **Individual champion countries must ensure climate action is at the heart of their domestic recovery spending**, backed up with sound delivery plans and sufficient funding. Countries need high levels of green recovery spending to credibly work with key summit hosts and to push for stronger national commitments by other countries.
- By the G7 summit, **the G7 should commit at Leaders and FMCBG levels to greening global recovery:**
 - **approving a *Framework for Greening Global Recovery*** to take forward policies listed below under “Policy Solutions”.
 - **Set up a *Taskforce on Greening Global Recovery*** possibly jointly with G20 or with the support of some G20 countries, to deliver against the Framework.
- **As a G20 bloc, G7 countries should push to include green recovery language and commitments in G20 Leaders and FMCBG Communiques:**

- **The G20 can adopt a transparency mechanism for green recovery.** This can be modelled on the G20's 2009 commitment to "phase out over the medium-term inefficient fossil fuel subsidies" and its associated peer-review mechanism.
 - **The G20 can ask the Sustainable Finance WG** to work with the International Platform on Sustainable Finance (IPSF) to define standards for sustainable economic activities in the context of public and private recovery spending.
- **G7 countries should work within the G20 to ensure that developing countries have adequate fiscal space to address the current crisis.**

Policy solutions

To operationalize green recovery, countries can take forward these policies:ⁱⁱ

- **Minimum floors for green public spending.** Countries should follow the example of the EU, where each national Recovery and Resilience Plan must include >37% of expenditure related to climate.
- **Award public finance support in return for sustainability outcomes.** For example, require supported firms to set net-zero targets and strategies.

ⁱ See Energy Policy Tracker research [cited here](#).

- **Committing to do no significant harm.** Spending not dedicated to green objectives should at least do no significant harm (as enshrined in the EU Recovery & Resilience Facility).
- **Adopting national investment plans for NDCs and climate action.** Economic recovery plans should be backed up by financing plans for net-zero and resilience.
- **Greening public finances and budgets.** Countries should create guidelines for green public spending, taxation, policies and projects.
- **Ending public finance for fossils.** Countries should end public finance for fossil energy, notably overseas following the example of the UK.
- **Assistance for developing countries.** Provide concessional climate finance and debt relief as support for green recovery in developing countries.

Conclusion

Greening the economic recovery is essential to putting the world on a climate-safe pathway and keeping the Paris Agreement goals in reach. G7 countries must lead the way in 2021 through their own actions, by ensuring strong joint outcomes, and by working together to drive a strong G20 green recovery agenda.

ⁱⁱ Examples of best practice can be found in [this report](#) written by E3G for GIZ and NDC Partnership.