



To:

Prime Minister Johnson G7 Chair
Chancellor Merkel
Prime Minister Trudeau
President Macron
Prime Minister Draghi
Prime Minister Yoshihide Suga
President Biden
Council President Michel
Commission President Von Der Leyen

Minister Sunak
Minister Freeland
Minister Le Maire
Minister Scholz
Minister Franco
Minister Asō
Secretary Yellen
Commissioner Dombrovskis

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G7: Value the future, stop crowd-funding catastrophe

The COVID-19 pandemic has shocked the world and brought immense suffering and economic chaos. A resilient, net-zero, nature-positive global economy¹ will be a critical driver of human health, well-being and prosperity² and must be at the heart of a global COVID-19 recovery. Yet, many of today's investments are working against this goal, casting a long shadow on resilience to future shocks from climate, biodiversity loss and health pandemics.

We welcome a leaders' commitment for nature as proposed by the UK Presidency of the G7, with a level of ambition at least as ambitious as the Leaders' Pledge for Nature³, and very much support the UK COP26 Presidency's calls for climate action from financial institutions to align with a CBD and Paris-compliant, science-based trajectory by 2025.⁴ Noting the historic decision by G7 Finance Ministers on corporation tax.

¹ 2030 apex target from CBD <https://www.cbd.int/doc/c/9139/8957/661e2d7c33e590d55fdeae2f/sbstta-24-03-add2-en.pdf>

² Nature underpins economies and society on many levels. Ecosystem services worldwide are worth an estimated \$125 trillion annually, and they support industries (like farming, fishing, forestry, and tourism) that employ 1.2 billion people. A recent World Economic Forum report estimates that more than half of the world's GDP is moderately or highly dependent on nature and its services. About 1.6 billion people rely directly on the world's forests for food, income, and livelihoods. Healthy ecosystems also enhance humanity's resilience to future shocks by strengthening food security, protecting us from climate impacts, mitigating climate change, and improving our health.

³ <https://www.leaderspledgefornature.org/>

⁴ <https://ukcop26.org/call-for-climate-action-announcements-from-private-finance-institutions-ahead-of-cop26/>

Political leadership is needed to ensure that we put in place the right mechanisms to ensure a Paris-compliant finance sector, which does not lock in investments that continue to drive nature and climate negative stranded assets, hampering any hopes of reaching our 2030 or 2050 ambitions. To emerge from emergency into a regenerative economy that leaves no-one behind and operates within the planetary boundaries, we need to also set nature on the path to recovery and prioritize sustainable production, consumption and investments as outlined in our Planetary Emergency Plan.⁵

It is for this reason that we ask you, as Heads of State and Government, to take the following key decisions where leadership is most urgently needed:

First, to adopt the global 50x30 climate target to decrease GHG emissions by 50% by 2030⁶,

Second, to back the G7 Climate and Environment Ministers' Communique and ensure adoption of key mentioned targets and timetables:

1. Adopting the global 30x30 target to protect at least 30% of the world's land & oceans by 2030, with full recognition and respect of the rights of Indigenous Peoples and Local Communities,
2. Halting & reversing biodiversity loss by 2030,
3. Phasing-out new direct government support for international fossil fuel projects, commencing with ending all new finance for coal by the end of 2021, matched by increased support for clean energy,
4. Increasing finance for climate action, including for nature-based solutions, in order to meet the 100\$ billion per annum target,

Third, to end perverse fossil fuel and agricultural subsidies by 2025.⁷ In 2015, both the G7 and G20 committed to phase out subsidies for fossil fuels by 2025. This process must start now. Post-tax fossil energy subsidies accounted for around \$5.3 trillion, or 6.5%, of global GDP in 2015, while they can reach about 13%-18% of GDP in developing countries in Asia, the Middle East and Northern Africa (MENA) region, or the Commonwealth.⁸ In the same vein agricultural subsidies accounted for more than \$700 billion yearly, of which \$530 billion is paid in agricultural support to farmers worldwide –only 1% is used to benefit the environment.⁹ Much of the total instead promotes high-emission cattle production, forest destruction and pollution from the overuse of fertilizer – resulting in \$12 trillion a year in hidden costs from food production and land-use practices.¹⁰ As called upon in the G7 Climate and Environment

⁵ <https://www.clubofrome.org/publication/the-planetary-emergency-plan/>; on planetary boundaries <https://stockholmresilience.org/research/planetary-boundaries.html>

⁶ See also: <https://www.50x30.net/>

⁷ <https://www.clubofrome.org/publication/the-planetary-emergency-plan/>; in line with urgent action 5, p. 9.

⁸ Coady D., Shang B., Parry IWH., Sears L. How Large Are Global Energy Subsidies? International Monetary Fund, Washington, D.C (2015) (IMF Working Papers Working Paper No. 15/105)

⁹ OECD (2020): *Agricultural Policy Monitoring and Evaluation 2020*, https://www.oecd-ilibrary.org/agriculture-and-food/agricultural-policy-monitoring-and-evaluation-2020_928181a8-en and <https://www.wri.org/insights/redirecting-agricultural-subsidies-sustainable-food-future>.

¹⁰ Laborde, D. Mamun, A., Martin, W. and Vos, R. 2019. Modeling the Impacts of Agricultural Support Policies on Emissions from Agriculture. International Food Policy Research Institute (IFPRI),

Ministers' Communique, the link must be broken between agricultural commodities and deforestation. This includes cleaning up global commodity supply chains, which are being driven by more than 40 times greater financial incentives to deforest than to keep forests standing.¹¹ By shifting capital towards nature and climate-positive agricultural practices, ensuring an equitable transition and adopting a planetary health approach, leaders will future-proof livelihoods and access to healthy food for all.

Fourth, to set a gold standard for Paris-alignment of public finance with a particular emphasis on **ending new fossil energy investments by 2021**.¹² The G7 divestment commitment outlined in the Climate and Environment Ministers' Communique should be extended to the phase-out of government funding for all fossil fuel projects in 2021, including oil and gas financing in addition to coal¹³, matched by a tripling investment to clean energy in 2025¹⁴. The recent IEA report is clear that investment in new fossil fuel production and unabated coal power needs to end this year, if the global energy sector is to reach net-zero emissions by 2050.¹⁵ However, between 2017 and 2019, the G7 still provided \$86 billion in public finance for fossil fuels, of which 88% went to oil and gas – three times as much support compared to clean energy. Export credit agencies (ECAs) are the worst offenders, providing 14 times as much support for fossils than clean energy. This trend needs to be reversed immediately. Certainly, significant progress has been made on this front, with several members demonstrating strong leadership.¹⁶ Yet, unified commitment and dedicated, collective action across the G7 is needed to continue to drive forward shifts in policy and political sentiment and ensure implementation.

<https://www.foodandlandusecoalition.org/wp-content/uploads/2019/09/FOLU-GrowingBetter-GlobalReport.pdf>; Every year, more than \$500 billion is spent on subsidies considered particularly harmful to biodiversity; rebalancing these perverse finance flows could greatly reduce the overall funding needed.; Current global biodiversity finance amounts to \$100 billion per year, while estimates of funding needs for a comprehensive post- 2020 global biodiversity framework are of the order of \$800 billion per year — representing a funding gap of \$700 billion per year. These estimates include not only the costs of conservation interventions (protected areas, control of invasive alien species and protection of ecosystems in coastal and urban areas), but also the estimated costs of transforming agricultural, forestry and fishery sectors to sustainability. Post-2020 Global Biodiversity Framework Technical review <https://www.cbd.int/doc/c/9139/8957/661e2d7c33e590d55fdeae2f/sbstta-24-03-add2-en.pdf> , CBD, 2021; <https://www.paulsoninstitute.org/key-initiatives/financing-nature-report/>; <https://www.resourcepanel.org/reports/building-biodiversity>.

¹¹ More than half of tropical forests worldwide have been destroyed over the last 60 years, primarily due to agricultural expansion. We are running out of time to act to meet net zero and nature positive. We have to reverse current deforestation trends, as there are 40 times more financial incentives to deforest than to keep forests standing. Worldwide, we've spent \$26 billion since 2010 to save forests. Unfortunately, we've spent \$1.3 Trillion to clear them mostly for agriculture. <https://forestdeclaration.org/images/uploads/resource/2019NYDFReport.pdf> pg 68 NYDF report 2019.

¹²<https://www.clubofrome.org/publication/the-planetary-emergency-plan/>; in line with urgent action 6, p. 9.

¹³ Mirroring the Global Oil and Gas Network campaign asks: <https://docs.google.com/document/d/1M7sfvmTdlaneGnmjwnUEbj-p0lu2ZG-eb-GwtPQEXR0/edit>

¹⁴<https://www.clubofrome.org/publication/the-planetary-emergency-plan/>; in line with urgent action 6, p. 9.

¹⁵“Beyond projects already committed as of 2021, there are no new oil and gas fields approved for development in our pathway, and no new coal mines or mine extensions are required”. “Net zero means a huge decline in the use of fossil fuels,” <https://www.iea.org/reports/net-zero-by-2050>, May 2021

¹⁶ For example: After largely moving away from coal, some leading public finance institutions such as the European Investment Bank (EIB) have taken major steps to restrict public finance for oil and gas as part of their Paris-alignment efforts by the end of 2021. In December 2020, Prime Minister Boris Johnson announced that the UK will end direct public finance for fossil fuel projects overseas, including export finance, making the UK the first major economy to end public finance for oil and gas abroad. In January 2021 the new Biden Administration similarly issued Executive Orders focused on ending US public finance for fossil fuels. During the same week, the EU foreign affairs council agreed to discourage further investments in fossil fuel-based energy infrastructure projects in other countries; an immediate end to all financing of new coal infrastructure; and promotion of the global phase out of harmful fossil fuel subsidies.

Fifth, and finally, to require mandatory due diligence that would provide the necessary information to identify, assess and mitigate climate-related risks, including deforestation, and help finance sustainable supply chains that are essential for delivering a nature-positive economy and net zero transition **by 2025**.¹⁷ Initiatives like the Glasgow Finance Alliance, the Paris Aligned Investment Initiative, the Taskforce on Climate -related Financial Disclosures (TCFD), the International Sustainable Finance Platform led by the EU and China, the Taskforce on Nature-related Financial Disclosures (TNFD) and the most recent White House Executive Order on Climate related Financial Risk are all positive signals for change. Yet, we need to accelerate this paradigm shift in the finance sector to enable the necessary low-carbon and nature-positive transformation. Governments must act today to direct the finance sector towards sustainable finance and ensure future resilience to environmental and health crises.

We believe this post COVID year presents a historic opportunity to truly bounce forward better and emerge from the planetary emergency before us by securing a commitment for meaningful finance and economic reform by all G7 countries. The moment has come for G7 nations to show leadership and deliver the scale of action needed to meet the collective climate and biodiversity goals of 2030 for people, planet and prosperity.

It is time to harness our fears, build hope and drive action to respond to the human health, economic, climate and biodiversity crisis with long term solutions that will build resilient and regenerative societies.

Planetary Emergency Plan

Signatories

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¹⁷ https://clubofrome.org/wp-content/uploads/2020/09/COR-PEP_Sep2020_A4_16pp-v2.pdf ; in line with urgent action 10, p8

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