Implications of the 2017 G20 Summit in Hamburg, Germany, for Climate Change, Green Finance and Sustainable Development Goals

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1. Introduction

This Briefing Note explores the implications for climate change, green finance, and Sustainable Development Goals (SDGs) of the G20 Summit which was held in Hamburg, Germany, on 7-8 July 2017. The previous G20 Summit in Hangzhou, China, held on 4-5 September 2016, appeared to begin a new era of cooperation on climate and sustainable development among the world’s leading countries. The 2016 Hangzhou Summit followed the Paris Agreement on climate change and SDGs, which were global landmark agreements signed in 2015. The US and China jointly announced their ratification of the Paris Agreement on the day before the Summit, and the Summit itself produced a G20 "Action Plan” on the SDGs which included a brief statement of each country’s implementation plans. While there were few concrete measures resulting from the Summit, the overall outlook was generally positive.

In contrast, the geopolitical context of the 2017 G20 Hamburg Summit was less favourable, as the US elected a new President who announced the country’s intention to withdraw from the Paris Agreement and issued no major policy statements on SDGs. Still, there were many unclear elements about US policy, such as whether the new administration would modify the country’s nationally determined contribution (NDC), make specific proposals to modify the Paris Agreement, or take any concrete steps to oppose the implementation of the SDGs.

On climate, the final encouraging result was a consensus among all countries except for the US to maintain strong support for implementation of the Paris Agreement and SDGs. The declaration “noted” the US intention to withdraw from the Paris Agreement and “use fossil fuels more cleanly and efficiently,” but the other 19 countries stated that the Paris Agreement is “irreversible.” The 19 countries additionally agreed on the G20 Hamburg Climate and Energy Action Plan for Growth, which the US also did not agree to.

On SDGs, the US did not dissent from the commitment to implement the new development agenda. The Summit issued a document “reaffirming” and “updating” the G20’s SDG Action Plan (the Hamburg Update), although it did not include individual country statements similar to the initial G20 Action Plan on SDGs, and the US added a footnote stating that it is still reviewing the collective actions which had been previously agreed. Three other major initiatives related to the environment were issued as Annexes to the Leaders Declaration: the G20 Marine Litter Action Plan, High Level Principles on Combating Corruption related to Illegal Trade in Wildlife and Wildlife Products, and the establishment of a Resource Efficiency Dialogue.

Although the overall direction of the Hamburg Summit appears mostly positive, there were still major shortcomings, some of which are similar to the previous Hangzhou Summit. First, there were not many funding commitments on either climate or SDGs. Second, there was no discussion of alternative measures of economic prosperity beyond GDP, and the overall focus of the Summit was still on traditional economic growth and financial issues. There was an emphasis on the need to make economic growth more inclusive, but much less discussion of the need to make economic activity more environmentally sustainable. The words “sustainable” and “balanced” growth were used often, but the extent to which the countries interpreted these words to include environmental sustainability or balancing the three dimensions of sustainability remains unclear. The G20 Hamburg Climate and Energy Action Plan for Growth, for instance, highlights economic growth as a major priority for G20 cooperation. Third, the separate Hamburg Action Plan, which appears to be the main
outcome document besides the Leader’s Declaration, does not highlight climate change or SDGs, and it puts significant emphasis on traditional economic growth issues. Thus, the G20 still has not consistently adopted sustainable development as its main organising principle. Finally, overall, the discussion of environmental issues was generally limited to climate change, marine litter, illegal trade in wildlife, and resource efficiency.

Overall, it is encouraging that the G20 is making a major effort to enhance accountability by monitoring the progress on its development commitments. The G20 Development Working Group (DWG) prepared the Hamburg Annual Progress Report on Development Commitments which was issued as one of the Summit’s outcome documents and was published by the German Federal Ministry for Economic Cooperation and Development. On the positive side, the report notes that of the DWG’s 31 active commitments, “3 were now considered complete and 28 to be on track.” However, the report concluded that the actions taken by the G20 in the areas of environmental and social sustainability “are notable but do not seem sufficient to deliver the intended ambition.”

The rest of this Briefing Note explores the implications of the G20 Summit for climate change, green finance, and SDGs in more detail.

2. Climate Change at the G20

2.1. Overall Assessment

The G20 summit meeting in Hamburg attracted considerable attention, because it was the first summit meeting of major economies after the US announced its decision to withdraw from the Paris Agreement. The good news is that the rest of the G20 leaders maintained their solidarity on the climate change issue in general, and they reaffirmed their commitment to the Paris Agreement in particular. Furthermore, the G19 leaders also agreed to jointly work to transform their energy systems to be consistent with the Paris Agreement; this point goes beyond the original text of the Paris Agreement. However, little actual, concrete action was committed to or agreed. It was also not clear whether the US administration would indicate any concrete next step after its decision to withdraw from the Paris Agreement. Overall, the 19 leaders other than the US not only reconfirmed what they had agreed in Paris, but they also agreed on some new and additional elements, although these lacked specific measures or actions.

2.2. The US was Isolated, but the Collective Momentum was Enhanced

The G20 communiqué highlighted the isolated stance of the US on climate change. The other G20 leaders agreed that the Paris Agreement is “irreversible.” The 19 leaders also agreed on the G20 Climate and Energy Action Plan for Growth. Before the summit, there was speculation that some G20 members dependent on fossil fuels might move closer to the US position and weaken their support of the Paris Agreement. German Chancellor Merkel’s diplomatic leadership deserves praise for the final result.

Overall, the 19 leaders re-confirmed what they agreed in Paris, especially the implementation of their current and future NDCs, the formulation and communication of their long-term low greenhouse gas emission development strategies by 2020, and developed countries’ commitments to mobilise USD 100 billion per year of climate finance.

The 19 leaders’ adoption of the Climate and Energy Action Plan for Growth also enhanced the collective momentum of the Paris Agreement. The Action Plan referred to the Agreement’s long-term temperature goal, and stipulated various actions to implement the Paris Agreement.

Moreover, the 19 leaders also committed to take additional actions beyond those stipulated in the Paris Agreement. In particular, they agreed to jointly work to transform their energy systems to be consistent with the Agreement. They also committed to continue rationalising and phasing-out inefficient fossil fuel subsidies. These general actions point in the right direction in line with the Paris Agreement, but they still lack specificity and concreteness.

### 2.3. The US: Federal Action Stalls, but States and Cities Take the Lead

The US declined to join the consensus on the Paris Agreement, and in an awkward departure from traditional diplomatic custom at these gatherings, the dissenting position of the US was stated separately in the text. Still, the future direction of the US policy on climate change was not entirely clear. On one hand, it signalled a clear negative direction, stating that the US would “immediately cease the implementation of its current nationally-determined contribution,” which was pledged by the Obama administration. On the other hand, the text seems to suggest the possibility of a more positive approach in the future, stating that the US “affirms its strong commitment to an approach that lowers emissions while supporting economic growth and improving energy security needs.” In his June announcement, President Trump mentioned that the US “will withdraw from the Paris Climate Accord ...but begin negotiations to re-enter either the Paris Accord or a really entirely new transaction on terms that are fair to the United States.” At that time, it was not clear what his statement actually meant, and no concrete proposals have been made. In an optimistic interpretation, the word “current” in the G20 communiqué could imply that the Trump administration may revise the current emissions reduction pledge and then announce that the US would remain in the Paris Agreement under those new “fair” terms.

However, there does not appear to be any evidence that the Trump administration is taking any concrete steps to revise the NDC. Moreover, even if the US were to announce a new emissions reduction pledge, the recent developments in the Trump administration suggest that it would be rather weak or not well implemented. For example, the Administrator of the

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US Environmental Protection Agency (EPA) Scott Pruitt questioned whether the endangerment finding which established that carbon emissions are harmful to human health gave EPA authority to regulate carbon emissions.\(^5\) He also attributed the emissions reductions achieved under the Obama administration to “innovation and technology,” not government regulation.\(^6\) In addition, the administration’s 2018 budget proposal would cut USD 3.1 billion from energy research programs at the Energy Department, an 18% reduction from the previous year. Taking into account these developments, there seems to be little chance that the US federal government will adopt a substantial emission reduction target in the near future.

In contrast, US state and local governments have stepped up to take the lead on climate policy. Out of 50 states in the US, 16 states representing 22% of US greenhouse gas emissions and about 40% of US Gross Domestic Product (GDP) have expressed some kind of official opposition to the Trump administration’s decision to withdraw from the Paris Agreement, according to IGES research.\(^7\) The three states of New York, California and Washington, representing over one-fifth of U.S. GDP, formed the US Climate Alliance which is committed to achieving the US goal of reducing emissions 26-28% from 2005 levels and meeting or exceeding the targets of the federal Clean Power Plan. Currently, 14 US states are members of the US Climate Alliance.\(^8\) Moreover, Governor Jerry Brown of California announced that the state will hold a global Climate Action Summit in San Francisco in September 2018.\(^9\) The bipartisan US Conference of Mayors (USCM) also issued a statement that “mayors have vowed their continued commitment to reduce greenhouse gas emissions to alleviate the impacts of global warming despite what happens at the national level.”\(^10\)

2.4. Perspectives on New Opportunities

It should also be noted that all G20 members including the US agreed to recognise that increased investment in sustainable energy sources and clean energy technologies and infrastructure could lead to opportunities for innovation, sustainable development, competitiveness and job creation. These views are not consistent with those expressed by President Trump’s announcement of the US withdrawal from the Paris Agreement. However, exploring new and significant business opportunities created by decarbonisation could be one way to persuade the US government to take more substantial action on climate.

3. Green and Climate Finance at the G20

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\(^8\) See the website of the US Climate Alliance at [https://www.usclimatealliance.org/](https://www.usclimatealliance.org/).


3.1. Overall Assessment

The G20 sent a clear, positive message on green and climate finance in one of the agreed documents, Hamburg Update: Taking Forward the G20 Action Plan on the 2030 Agenda for Sustainable Development. It describes the countries’ pledged actions, including to encourage private resources to be mobilised for low carbon and climate resilient development, and to identify and help overcome institutional and market barriers to green finance and private green investment. However, it is rather general statement compared with that of the communiqué issued at the G20 in China last year. In addition, the G20’s statement on the final report by the Task Force on Climate-related Financial Disclosure under the Financial Stability Board, which was submitted to the G20 and supported by leading global investors and financial institutions, was weaker than expected.

It is difficult to clarify how far the reluctant attitude by US President Trump toward climate change and environment affected the discussions on green and climate finance at G20. However, one of the G20 Working Group Documents, Green Finance Study Group 2017 Synthesis Report, shows that actual progress on green finance has been observed in many G20 countries since the G20 summit last year.

3.2. The US: Green and Climate Finance

Overall, the Trump administration is attempting to cut funding for both domestic and international environmental programs. On 15 March, the new US administration announced its plans to cut the Environmental Protection Agency’s 2018 budget by about 30% (USD 2.6 billion), by far the largest budget cut proposed for any federal agency. Since the 2018 federal budget for USAID, which supports bilateral development assistance, is also proposed to be reduced, environmental support activities in developing countries will probably be negatively affected. In addition, international contributions to climate change (USD 1.59 billion) are proposed to be eliminated. This includes the Green Climate Fund, Climate Investment Fund and Global Climate Change Initiatives. The reduction is very significant, as it represents over half of the USD 2.6 billion spent by the US for climate change to support developing countries in 2015.

The much bigger potential issue is the impact of the US withdrawal of funding on the international climate actions of other donors. The US contribution has been a reference point for funding from other donor countries. A major uncertainty is whether other donor countries will similarly reduce their contributions or maintain their earlier levels of commitment, particularly considering other demands on aid such as immigration. This US movement may make it much more difficult to scale up green finance, which provides environmental benefits in broader context of environmentally sustainable development including climate mitigation and adaptation.

3.3. Making Progress on Green Finance

Seven voluntary options to scale up green finance were suggested in the G20 communiqué
last year at Hangzhou, including to provide clear strategic policy signals and frameworks, to support the development of local green bond markets, and to encourage knowledge-sharing on environmental and financial risks, etc. However, the Hamburg Action Plan, which was endorsed by the Leaders’ Declaration, only mentioned that the Green Finance Study Group’s 2017 synthesis report includes options for encouraging environmental risk analysis and for improving environmental data. No other specific actions were called for in the Action Plan or Leaders’ Declaration.

In contrast, green finance has actually made considerable progress on the ground, according to the Green Finance Study Group’s 2017 synthesis report. The synthesis report describes tangible actions taken by G20 countries based on the seven voluntary options addressed in the communique at the G20 last year. Some examples include:

- **Indonesia**: The Financial Services Authority announced in February 2017 that it will launch a regulatory framework for green bond issuance.
- **Japan**: Green bond guidelines were issued in March 2017.
- **Brazil**: The central bank issued regulations on integrated risk management including environmental risk at the end of February 2017.
- **UK**: Green Investment Bank published a report on the measurement of “green impact” of projects for the first time in November 2016.

### 3.4. A Weaker Message on Climate-related Financial Disclosure

The G20 last year identified several challenges for scaling up green finance. Information asymmetry, where a lack of environmental-related information by companies can make it challenging for investors to assess risks and opportunities, is one of them. The report of the Task Force on Climate-related Financial Disclosure (TCFD) under Financial Stability Board (FSB), issued in June 2017, recommends important steps to address this issue. The TCFD’s final report was submitted for discussion to the Hamburg G20.

The report recommends voluntary, consistent, comparable, reliable and clear disclosures on climate-related financial risks and opportunities for companies to provide information to lenders, investors and other stakeholders. In addition, the FSB has extended the work of the TCFD through September 2018 to support and monitor the implementation of the recommendations. In April 2017, global business leaders representing companies with USD 4.9 trillion in assets under management convened by the World Economic Forum joined together to urge the G20 governments to formally accept and act on the TCFD’s recommendations.

However, the Hamburg Action Plan only mentions that the TCFD’s recommendations are voluntary disclosures of climate-related financial risks by corporations, reflecting the principles of materiality. Neither the Hamburg Action Plan nor the Leaders’ Declaration mentions any specific response to the TCFD’s recommendations. One of the TCFD members said that the leaders of the G20 dropped the ball by failing to endorse the climate change
guidelines proposed by the FSB’s TCFD.\textsuperscript{11}

Information disclosure on ‘climate opportunities’ could directly enhance green finance. For example, the Climate Bonds Initiative reported the sectoral distribution of green bonds in 2016 as follows: (1) energy 38%, (2) building and industry 18%, (3) transport 16%, (4) water 14%, (5) adaptation 6%, and others. It implies that green bonds could support major climate mitigation and adaptation projects. Information disclosure on climate opportunities by companies will be useful for green bond issuers to formulate climate-related projects to finance.

4. The SDGs at the G20

4.1. Overall Assessment

The SDGs, which featured prominently at the previous G20 meeting in China, were a key concern of the Hamburg Summit, even though they received little press coverage compared to climate change. One encouraging sign is that the US did not actively block a consensus on the SDGs as it did on climate change, and the G20 renewed its commitment to the G20 Action Plan on the 2030 Agenda for Sustainable Development (Hangzhou Action Plan). The G20 further took some modest steps to advance the implementation of SDGs. Moreover, as noted in the introduction, three other major initiatives on marine litter, illegal trade in wildlife, and resource efficiency were issued as Annexes to the Leaders Declaration. However, in reviewing the text of many key outcomes documents, discussion of environmental aspects of SDGs in the G20 appears limited, and there is little discussion of the integration between the environmental and other dimensions of the SDGs. Overall, this section argues that the G20 should underline the environmental dimension of SDGs, and that achievement of the economic and social aspects of the SDGs would be strengthened by greater integration across and within all three dimensions.

4.2. Comparing the Treatment of the SDGs in Hangzhou and Hamburg

To understand the G20’s progress on the SDGs this year, it helps to review some of the key results from last year’s G20 meeting in Hangzhou. One remarkable outcome from that meeting was the Hangzhou Action Plan,\textsuperscript{12} which listed various cooperative actions that the G20 countries agreed to implement for several “sustainable development sectors” (SDS)\textsuperscript{13} as well as related cross-cutting elements (such as the means of implementation) to support these actions.\textsuperscript{14} The Hangzhou Action Plan also created a Development Working Group


\textsuperscript{13} The SDS in the Action Plan are as follows: Infrastructure; Agriculture, Food Security and Nutrition; Human Resources Development and Employment; Financial Inclusion and Remittances; Domestic Resource Mobilization; Industrialization; Inclusive Business; Energy; Trade and Investment; Anti-Corruption; International Financial Architecture; Growth Strategies; Climate Finance and Green Finance; Innovation; and Global Health.

\textsuperscript{14} According to the Action Plan, “Crosscutting elements within these SDS include: the Means of Implementation, including, inter alia, finance, technology and capacity building, as agreed in the 2030 Agenda and its SDGs and the AAAA, the systematic
(DWG) to offer a “structured, continuous and timely dialogue and knowledge exchange with all engagement groups under future presidencies” on the SDGs. Finally, it contained an annex outlining each G20 country’s institutional arrangements and priority actions for implementing the SDGs. In sum, the Hangzhou meeting concluded with a relatively thorough but concise action plan that could potentially pave the way for more collaboration on the SDGs among the world’s major economies. Importantly, the document also signalled the willingness of developed as well as developing countries to take action on the 2030 Development Agenda which had been recently agreed.

Compared to the previous G20 Summit in Hangzhou, the Hamburg Summit produced both good and bad news. The good news is that one of the three core key themes for this year’s Hamburg meeting was “improving sustainability.” On this theme, the countries agreed to a follow-up document to the Hangzhou Action Plan called the Hamburg Update: Taking Forward the G20 Action Plan on the 2030 Agenda for Sustainable Development (the Hamburg Update). The Hamburg Update included some steps to strengthen the G20’s support for actions on the SDGs. For example, countries agreed to create a voluntary peer review mechanism “to ensure [the] continuous improvement of our approaches and to be able to share our experiences and lessons learned with other countries worldwide.” The mechanism has some potential to mutually enhance accountability at more regular intervals than the current voluntary national reviews (VNRs). Furthermore, countries participated in a workshop on cities to discuss work on the SDGs between G20 meetings. Finally, the Hamburg Update described some new cooperative actions on the SDGs and presented a progress report on the actions mentioned in the Hangzhou Action Plan adopted the previous year.15

However, despite the overall positive direction of the Hamburg Update, one concern is the limited coverage of the environmental dimensions of the SDGs. Out of the 27 cooperative actions listed in the Hamburg Update, only three directly deal with environmental issues (slightly above 10%). These include actions to 1) curb the unsustainable use of water in agriculture; 2) reduce marine pollution; and 3) promote sustainable consumption and production.16 Moreover, there is only one reference to the word “environmental” in the Hamburg Update, compared to 11 in the Hangzhou Action Plan.17 Most of the new cooperative actions are broadly related to economics (especially SDG 8 on decent work and economic growth) and governance (mainly SDG 17 on partnerships and means of implementation).

4.3. Initial Conclusions and Ways Forward

The reason for the limited discussion of the environmental dimensions of the SDGs in the

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16 Two other actions are more indirectly related to environmental issues: “Combat corruption as a key enabler of illegal trade in wildlife and wildlife products in source, transit and destination countries;” and “Promote access to finance to help small and medium-sized enterprises (SME) integrate into global value chains, in line with internationally recognized labor, social and environmental standards.”
17 This difference is partially due to the length of the two documents. The G20 Action Plan on the 2030 Agenda for Sustainable Development is 38 pages and the Hamburg Update: Taking Forward the G20 Action Plan on the 2030 Agenda for Sustainable Development is 19.
Hamburg Update is not clear. One possibility is that the US negotiated the removal of language concerning the environment. Yet, when looking closely at the Hamburg Update, a footnote suggests the US “is still reviewing the collective actions supported by the previous leadership.” This may imply that the Trump administration had not been as actively engaged in the SDGs as in other aspects of the G20 meeting. A more likely possibility is that many of the environmental issues covered by the SDGs can be found in other key outcome documents such as the previously discussed G20 Hamburg Climate and Energy Action Plan for Growth, G20 Marine Litter Action Plan, and Resource Efficiency Dialogue. The development of separate outcomes for each of these policy areas is much welcomed. Nevertheless, overall, environmental aspects of sustainability could be more deeply integrated throughout the various G20 outcome documents.

This briefing note therefore recommends that there should be a greater effort to make connections between environmental, social, economic and governance elements of SDGs. It is well understood that the SDGs are interlinked with some reinforcing and some contradicting. Frequently the environmental goals and targets are important means to achieving other socioeconomic ends. Therefore, SDGs could be achieved more easily and more cost effectively if they were implemented with a more integrated approach, and it is recommended that the G20 should take the lead on this when developing its cooperative actions. Similarly, climate change is both a goal (SDG 13) and also related to the other SDGs. The SDGs create an opportunity to more rigorously assess the interactions between climate change and other development areas as a basis to build policies and programs take advantage of those interactions. Several countries already have begun to articulate these interactions in their nationally determined contributions (NDCs). Given the results of the climate discussions in Hamburg, there is ample scope for at least 19 countries to think constructively about strengthening the integration between climate and other SDGs in policy and practice. The G20 should consider holding its own environment ministers’ meeting in order to facilitate this integration in the future.

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