

G7 Leaders: Call to Action for a Just, Affordable, and Urgent Transition

The Environment and Energy Emergency

Russia's unprovoked war in Ukraine represents an inflection point in modern history. Since it began in February 2022, the war has shattered long-standing peace in Europe, destroying lives and profoundly challenging international alliances. The economic disruption in Ukraine and sanctions against Russia have also wreaked havoc on energy, food and related supply chains still reeling from the effects of the pandemic, with the biggest burdens yet to be felt in the developing world.

As global leaders, the G7 are supporting on-the-ground humanitarian efforts in Ukraine and establishing increasingly severe sanctions on Russia. We urge them to continue to act with the future in mind, to be bold on behalf of the people they serve and the solutions we must create for our common future.

We recognize the need to keep people warm and bring fuel costs down. We urge leaders to prioritize these in the near term. Yet ramping up and locking in production models that fuel emissions growth instead of reduction will result in disaster over the long term. Today there are over 21.5 million climate refugees. We expect there will be more than 1 billion by 2050 if G7 leaders do not take decisive action for a full-scale industrial transition away from fossil fuels. This commitment to the energy transition must not lose ground in the shadow of war in Ukraine, but rather be renewed and revitalized as an urgent priority.

As a group of leaders from business, international organizations and civil society, we are focused on how business can and must contribute to the just energy transition. We, the undersigned, call on G7 leaders to accelerate a just, affordable, and urgent transition towards an emissions-free future, aligned with the goals of the Paris agreement, the Global Biodiversity Framework and the Sustainable Development Goals. We also urge G7 and G20 leaders to build common solutions on these shared priorities, creating the necessary momentum across summits.

Recommendations to the G7

We recommend four key policy areas—across finance, climate and nature, energy and social issues—to drive a just, affordable, and urgent energy transition. This will transform our economies and improve security, sustainability and quality of life for citizens in G7 countries and the world over. These policy reforms should be designed in a cohesive, whole-of-government approach.

1. **Sustainable, net-zero-aligned financial systems are the lynchpin for the energy transition. We recommend that G7 financial ministers commission a comprehensive series of financial policy reforms that align the rules that guide financial institutions and corporations with achieving a just transition to 1.5°C, halting and reversing nature loss, and achieving the Sustainable Development Goals (SDGs), more broadly.**

Such reforms should include mandating corporate environmental, social, and governance (ESG) disclosures in alignment with global standards led by the International Sustainability Standards Board, which include the climate recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also urge policymakers to codify active ownership for investors to support corporate transitions towards net zero, clarify investor duties to facilitate all investors to pursue sustainability goals and taxonomies of sustainable economic activities aligned with sustainability goals. An overall coordinated approach to reform financial systems will support maximising long-term value on which financial returns, and clients' and beneficiaries' interests, depend. Such an approach should be signalled

in national sustainable finance strategies, including sector-specific pathways towards carbon neutrality that encourage and enable the low-carbon transition and the delivery of the SDGs for the whole economy.

- 2. Coordinated climate and nature policy frameworks will transform the ways in which markets and businesses operate to accelerate an emissions-free future. We recommend that G7 governments commit to bold, ambitious and urgent net zero actions across all sectors of the economy ahead of COP27 and increase the price of carbon to expedite progress.**

Our key recommendations include aligning 2030 Nationally Determined Contribution (NDC) commitments with net zero by 2050 along with concrete actions to significantly reduce emissions this decade. A rising carbon price is another prerequisite for any meaningful strategy to reach net zero. It should be designed as a behaviour-changing and revenue-neutral market mechanism. Establishing coordinated carbon markets, or a targeted introduction of carbon border adjustment mechanisms will create incentives for other countries to accelerate the adoption of comparable pricing and regulatory mechanisms. Broader environmental reforms aiming to protect biodiversity, end deforestation and sustainably manage land use should accompany climate policy reforms.

- 3. The current energy crisis demands that we address the triple challenge of energy security, sustainability and affordability. We recommend that G7 governments end fossil fuel subsidies and prohibit new investment in fossil fuel related infrastructure.**

The present energy crisis, coupled with the climate and nature emergency outlined by the IPCC, requires a new international energy strategy. Business as usual solutions – replacing fossil fuel supplies with fossil fuel supplies – are not aligned with our shared sustainability goals. Even short-term increases of fossil fuel supply capacity are already endangering climate action in the little time we have to avert a planetary catastrophe for future generations.

On the supply side, governments should aim for the rapid phase out of coal-fired power generation, an accelerated adoption and deployment of renewables and clean energy solutions for power generation and heating, electrification of transport and zero emission fuels. On the demand side, the energy crisis requires immediate revenue-neutral support to consumers and communities to mitigate the shock of price volatility and support the implementation of climate policies. Governments should redouble efforts to save energy through efficient and smart energy systems, building insulation, accelerated roll out of clean energy solutions to replace gas in residential use and leverage energy efficiency gains in industry use.

- 4. Addressing the climate, nature, and energy crises is an opportunity to design policies that also address long-standing social issues. We recommend that G7 governments set out energy transition strategies in ways that ensure that the transition to net zero is just, inclusive and works for all.**

Just transition plans must address workers and communities reliant on the fossil fuel sector and other carbon intensive sectors. Human rights implications of all climate and environmental policies should also be addressed to ensure net zero transitions are inclusive and supportive of social progress in alignment with the SDGs. Governments should require the integration of human rights due diligence throughout climate solutions, from policy to project-level and throughout supply chains, rigorous rules for public participation and social and environmental safeguards, and equitable distribution of access to energy and climate solutions. A framework for the social space (such as the Task Force on Climate-Related Financial Disclosures offers for climate) would be instrumental for companies and investors to measure and manage

portfolio risk related to just transition and social issues more broadly. Globally, governments need to take into account the needs of developing countries and support net zero transitions aligned with support for sustainable socio-economic development.

Signed

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