

## Foreword

Countries worldwide are recognising the need for immediate action to combat climate change and adapt to its consequences. To date, over 180 countries have ratified the Paris Agreement. However, efforts to achieve global climate goals remain insufficient. Greenhouse gas emissions continue to rise and some governments remain concerned that climate policies could slow economic growth. But this is simply wrong.

As shown in the OECD's 2017 flagship report, *Investing in Climate, Investing in Growth* — which was supported by the German G20 Presidency — governments can take decisive climate action now that reinforces, rather than undermines, growth prospects. Such action is not only good environmental stewardship, but also sound economic policy since the cost of inaction and delayed efforts will be higher than timely measures taken now. Moreover, climate action presents opportunities to expand and modernise much-needed low-emission, resilient infrastructure, draw on untapped economic potential, drive exciting new technological developments and build more inclusive societies.

Historically, governments have dealt with the climate challenge on the margins, in an incremental and piecemeal fashion. But, as the Inter-Governmental Panel on Climate Change's Special Report on Global Warming of 1.5°C recently reminded us, this will require an urgent and systemic economic transformation. With this transformation in mind, the G20 Hamburg Climate and Energy Action Plan for Growth called on our three organisations – the OECD, UN Environment and the World Bank Group – to work together on approaches to make financial flows consistent with the Paris Agreement goals.

*Financing Climate Futures: Rethinking Infrastructure* is a product of this work. This report lays out the agenda for integrating climate considerations into all aspects of our societies and setting up the right incentives to better align financial flows by focussing on key transformational action areas: planning, innovation, budgeting, finance, development and cities. Among key steps, governments must plan for long-term climate objectives and disentangle their fiscal reliance on fossil fuels. They should mobilise public and private finance to bridge the infrastructure investment gap in order to meet both development needs and climate objectives. Climate innovations must be developed and widely deployed. And last but not least, action must focus on cities, which are the building blocks of modern societies.

How governments respond today will impact the options available to future generations. The way ahead will not be easy, but the need for action is unquestionable. We call on governments to act on the important recommendations of this report to help them fundamentally shift towards low-emission economies and seize the opportunities presented by the convergence of challenges ahead: social inequalities, sustainable infrastructure deficits and a changing climate.



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The initiative was launched in response to an invitation from the 2017 G20 Hamburg Climate and Energy Action Plan for Growth to “*compile ongoing public and private activities within the G20 for making financial flows consistent with the Paris goals and, building on this, to analyze potential opportunities for strengthening these efforts*”.

This report was prepared under the supervision of Anthony Cox and co-ordinated by Virginie Marchal (OECD Environment Directorate). Norbert Gorißen (BMU), John Roome (WBG) and Simon Zadek (UN Environment) provided strategic guidance to the project.

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- *Shifting the Lens*, a publication led by UN Environment that explores the benefit of scenarios and foresight approaches in informing climate policies, infrastructure investments and financing decisions today to trigger the transformation needed.
- A series of forthcoming case studies on specific jurisdictions, technologies or actors that could play an important role in the transition:
  - ❖ *Achieving clean energy access in sub-Saharan Africa*, Corfee-Morlot, J., P. Parks, J. Ogunleye and F. Ayeni.
  - ❖ *Blockchain, infrastructure and the low-emission transition*, OECD.
  - ❖ *Digital finance and citizen action in financing the future of climate-smart infrastructure*, UN Environment.
  - ❖ *Emerging strategies for decarbonising energy-intensive industries*, Oluleye, G., N. Shah, A.D. Hawkes, Imperial College London Consultants.
  - ❖ *Financing resilient urban infrastructure: Lessons from World Bank and global experience*, The World Bank Group.
  - ❖ *Mobilising commercial capital for sustainable infrastructure: Insights from national development banks in Brazil and South Africa*, OECD.
  - ❖ *Financing climate objectives in cities and regions to deliver sustainable and inclusive growth*, OECD.

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