



KEY TAKEAWAYS FROM THE G20 SFWG PILOT GROUP WEBINAR

Evaluating Policy Effectiveness: Climate Risk, PACTA, and Taxonomies

Date: 4th September, 2025 | Virtual roundtable

The G20 Sustainable Finance Working Group (SFWG) convened a technical webinar under its Pilot Group on Self-Evaluation of Sustainable Finance Policy Effectiveness. The session brought together regulators, policymakers, researchers, and international organizations to exchange experiences on how sustainable finance policies are being evaluated in practice. The aim was to strengthen feedback loops between policy design and implementation, and to build a shared understanding of what good evaluation looks like in the sustainable finance space.

The session featured national case studies from Russia and Switzerland, as well as a technical assessment of South Africa's Green Finance Taxonomy from the following speakers, and five cross-cutting themes emerged:

1. **Maksim Morozov**, Deputy Director of the Financial Stability Department at the Bank of Russia.
2. **Caroline Wehrle**, Senior Policy Advisor on Sustainable Finance at the State Secretariat for International Finance, Switzerland
3. **Chavi Meattle**, Climate Finance Specialist, Climate Policy Initiative

First, climate-related risks are increasingly being treated as systemic financial risks.

The Bank of Russia outlined its approach, noting Russia's high emissions and exposure to both physical and transition risks. The central bank has:

- Integrated NGFS scenarios into stress tests for corporates and banks,
- Introduced taxonomy-linked capital relief (10–50% risk weight reductions) for eligible green and transitional projects,
- Conducted a survey of 45 financial institutions, revealing that one-third still view climate risks as immaterial and most lack structured governance processes,
- Developed recommendations on disclosure, governance, and ESG ratings, and is preparing detailed climate stress testing guidance.

Russia is now pivoting toward the evaluation of physical climate risks, with a consultative report due in September, alongside the publication of localized NGFS scenarios and possible macroprudential measures for non-disclosers.

Second, forward-looking portfolio testing can provide transparency and comparability.

Switzerland shared its experience with the Paris Agreement Capital Transition Assessments (PACTA), an open-source tool that evaluates whether financial portfolios align with climate pathways over a five-year horizon. Key points included:

- 146 financial institutions participated in 2024, covering banks, insurers, asset managers, and pension funds.
- Results are confidential at firm level, but aggregated for public use, enhancing accountability and peer learning.
- Evidence shows progress on coal exclusions (60%), but persistent oil and gas misalignment and insufficient compensation through renewables.
- Switzerland's PACTA tests face four main problems: not all institutions take part, only a few sectors are covered, many banks feel tired of repeating the tests, and the results are hard to trace because they depend on private data providers.

Swiss authorities are working to integrate open data, improve the presentation of results, and pilot a biodiversity module by 2026.

Third, taxonomies must balance interoperability with local usability.

The Climate Policy Initiative (CPI) presented its evaluation of the South African Green Finance Taxonomy, assessing usability and alignment with global frameworks. Findings highlighted:

- South Africa's taxonomy covers many sectors and links to global frameworks, but mining and agriculture are still missing.
- Rules are often unclear or too rigid; the "all-or-nothing" test puts off banks from reporting.
- High costs and a design that fits project finance better than corporate lending make adoption harder.
- There's no mandatory disclosure yet, since ISSB standards for corporates are not in place.
- Banks want practical, low-cost ways to use the taxonomy, including simpler reporting tools, pilot projects to test approaches, and alignment with standards they already follow (e.g., IFC, Equator Principles).

Fourth, international organizations can drive convergence on methods and metrics.

The participating IOs stressed the importance of coordination, collaboration, and communication among IOs to avoid fragmentation. Participants agreed that evaluation should focus not only on policy coverage and disclosure, but on whether capital flows are actually shifting.

Fifth, policy evaluation requires pilots, traceable data, and outcome metrics.

Participants agreed that evaluation should be tested through pilots with financial institutions and focus on two key results: how much finance is actually flowing into taxonomy-aligned activities, and whether portfolios are moving closer to climate pathway targets.