



**Third G20 Sustainable Finance Working Group Meeting  
12-13 June 2025 | Cape Town, South Africa**

**CO-CHAIRS' SUMMARY**

The Presidency opened the session by welcoming Italy as the new Co-Chair of the Sustainable Finance Working Group (SFWG).

***Session 1: Scaling up financing for adaptation and just transitions***

In the opening remarks, Presidency and Co-Chair emphasised the role of public sector and National Adaptation Plans in mobilizing adaption finance, the persistent underfunding of adaptation relative to mitigation, the increasing frequency of climate-related losses, and the importance of aligning adaptation finance with just transition objectives. They stressed the importance of adaptation being complementary to mitigation financing and of integrating adaptation into transition plans; of addressing the widening insurance protection gap and the need for affordable, locally tailored insurance solutions; and called for identifying and overcoming regulatory, institutional, and market barriers to unlock greater adaptation investment.

The knowledge partners presented their input papers, each complemented by discussants who provided private sector perspectives. Presentations were delivered by the Network for Greening the Financial System (with GFANZ as discussant), the International Association of Insurance Supervisors and World Bank (with the Insurance Development Forum as discussant), the OECD and African Development Bank (with the International Finance Corporation as discussant), and the World Resources Institute.

- The NGFS highlighted ongoing work to define adaptation finance, noting conceptual and data challenges in tracking adaptation flows. The speakers emphasized the private sector role in adaptation finance, especially through transition plans and outlined an approach to embedding adaptation into transition plans and a maturity model to develop adaptation targets and metrics to improve transparency, accountability and attract investment.

- The IAIS presented the paper on insurance protection gaps, proposing a multi-layered, multi-stakeholder approach including for example public-private insurance programmes, risk-sharing models and the use of parametric insurance to expand coverage and share risks. Barriers to adoption—including affordability, product design, and regulatory constraints—were discussed, alongside the value of regional insurance pools.
- The OECD outlined funding mechanisms and instruments for adaptation, such as blended finance, green bonds, and targeted concessional facilities. The need for coordination among MDBs and increased engagement of the private sector were highlighted. The importance of taxonomies and of adopting a long-term horizon was also underlined, including for market development strategies.
- WRI presented key themes from their database of adaptation projects, which categorises projects across different financial instruments, physical risk hazards and sectors. The WRI outlined emerging patterns, emphasising the value of diverse and context-specific adaptation tools. The compendium aims to serve as a practical resource for scaling adaptation finance effectively.

Members recognised the urgency of scaling up adaptation finance, especially for vulnerable and low-income countries and highlighted the key role of MDBs in mobilizing financial resources and instruments for adaptation. Several members called for starting with simple metrics without waiting for perfect solutions, and for greater use of concessional and innovative financing instruments to de-risk projects and leverage private capital.

There was strong support for embedding adaptation objectives within transition planning and taxonomies building on existing frameworks, as well as for improving the quality and availability of physical risk and adaptation data. There was also strong support for the work on addressing natural catastrophe insurance protection gaps, particularly through risk awareness, risk reduction, jurisdiction-specific approaches, and innovative solutions like parametric insurance. Several members also cautioned unintended consequences in addressing insurance gaps and trade-offs involved, i.e. not to undermine mitigation efforts, stressing the complementarity between mitigation and adaptation actions.

Many members underlined the importance of an enabling environment for climate resilience investments, through clear policies, simplified access to concessional finance (e.g. concessional loans, guarantees, blended finance), and a stable and predictable regulatory framework. Many also stressed the need to provide targeted support for building local capacity to help mainstream adaptation across sectors. These instruments were also considered essential to reduce the perceived risk for private investors and to attract capital towards adaptation projects. The need for regulatory flexibility to enable financial innovation in insurance, the role of addressing the information gap and of

standard metrics for improving physical risk assessment and the importance of tailored solutions for sectors such as agriculture and infrastructure, were also raised

In closing, the Presidency welcomed the support for integrating adaptation into transition plans, strengthening linkages to the transition principles, addressing insurance protection gaps with tailored, fiscally sustainable solutions. The Presidency highlighted that the joint meeting with the Framework Working Group (FWG) and the Private Sector Roundtable underscored the importance of the enabling environment in scaling up adaptation finance. The Co-chair highlighted the issues of macroeconomic uncertainty, the lack of clear adaptation definitions, the case for a whole-of-economy approach, and the need to address challenges for data collection on climate physical risks, also considering different climate scenarios settings.

### ***Session 2: Unlocking the Financing Potential of Carbon Markets***

In the opening remarks, the Presidency and Co-Chair emphasised the G20's unique position for defining, categorising and recording carbon data and assuring integrity in carbon credit markets. They highlighted private sector support at the Private Sector Roundtable for a common data model, the need for robust environmental safeguards, and the importance of stakeholder input and complementarity with global initiatives, calling for member guidance to refine and operationalise a model to unlock the financing potential of carbon market.

Presentations were delivered by the Carbon Data Steering Committee (with UNFCCC as a discussant) and UNCTAD.

- CDSC presented progress on the Common Carbon Credit Data Model (CCCDM), starting with the recommended Principles for its design. Then they presented a draft data model, highlighting its alignment with Article 6 of the Paris Agreement and voluntary market needs. Details on the upcoming public consultation were provided, as well as on the timeline for finalizing the CCCDM proposal and its phased piloting.
- The UNFCCC recognised the value of improving market integrity through data transparency and called for close alignment of CCCDM with multilateral rules to avoid fragmentation.
- UNCTAD addressed global trade and development implications, noting that robust carbon markets could catalyse investment but that risks of new barriers or inequalities must be managed.

Members welcomed ambition to set Principles for a CCCDM, recognising the potential for a CCCDM to improve transparency, comparability, and interoperability in carbon markets, particularly for EMDEs. There was strong support for ensuring the model remains voluntary, adaptable, and subject to broad stakeholder consultation.

Many members stressed the importance of aligning with Article 6 of the Paris Agreement and avoiding duplication or fragmentation of existing frameworks, the need to build private sector support while calling for clarity on governance, phased piloting, and technical assistance—especially for EMDEs.

Some members stressed that neither the CDSC nor the SFWG is a standard setter and raised concerns about the added compliance burden and the complexity of integrating new data standards. They cautioned against treating the CDSC model as SFWG product and as the sole approach or as a basis for financial market integration and stressed the importance of maintaining clear distinctions between voluntary and compliance carbon markets.

In closing, the Presidency and Co-Chair confirmed the need for high-integrity carbon markets, inclusivity, especially for EMDEs, and continued alignment with G20 and UNFCCC and Paris Agreement frameworks. Members were encouraged to provide further feedback through the CDSC public consultation process. The importance of a voluntary, phased approach and attention to enabling environments and data gaps was reiterated as next steps for SFWG recommendations.

### ***Session 3: Strengthening the Global Sustainable Finance Architecture***

In opening remarks, Presidency and Co-chair underscored the importance of country ownership, the need for strategic use of concessional finance and innovative financing instruments to mobilize private finance and for investing in capacity building especially for vulnerable countries. The importance of leveraging the comparative advantages of multilateral, national, and vertical funds was highlighted, along with a call for more ambitious and practical solutions to support just transitions and accelerate resource flows.

Presentations were delivered by Climate Policy Initiative (CPI) and Finance in Common (FiCS), with the World Bank as Discussant.

- CPI outlined key barriers to co-financing, including mismatched mandates, differing risk appetites, and procedural complexities. It highlighted recommendations including standardising eligibility criteria, aligning project cycles, and improving data transparency to enable greater collaboration among institutions. FiCS discussed the challenges and opportunities in mobilising private finance, stressing the need for pipeline development, de-risking instruments, and supportive regulatory frameworks. They emphasised the role of blended finance and guarantees in catalysing private sector participation, and the importance of country-led investment platforms as unified structures to align strategies.

- The World Bank highlighted best practices in harmonising approaches across financing institutions, sharing examples of effective country-led investment platforms, pooled vehicles, and collaborative risk management strategies. The need for local capacity-building and tailored financial instruments, including those to support local currency funding, was emphasised.

Members echoed the urgency of reducing fragmentation and enhancing coordination. Several members advocated for clearer definitions of co-financing and standard metrics for tracking mobilised capital, as well as streamlined approval processes across funds. There was strong support for the development of bankable project pipelines, expanded use of blended finance, local currency financing and improved alignment between donor priorities and country needs. To counter high risk perceptions that are not in line with actual investment profile in developing countries, some members called on public development banks to help in the dissemination of data on projects outcomes/performances for the benefit of the private sector.

Some members raised concerns about the administrative burden of existing mechanisms and the need for flexibility in project eligibility and co-dependence by public development banks on each other's due diligence work when making co-investment decisions. Calls were made for greater transparency in fund allocation, harmonisation of safeguards, and increased direct access for local financial institutions.

In closing, the Co-Chairs highlighted that co-financing, risk-sharing, and effective information exchange remain central to progress, with broad support for country-led investment platforms aligned with national strategies and an urgent need to accelerate technical assistance and capacity building. The Presidency emphasized that the group's discussions produced guidance for strengthening the report, specifically the potential for co-financing to mobilize larger volumes of private capital, the importance of country-led investment platforms for project pipelines, and the role of public development banks in supporting enabling environments and regulatory reforms through technical assistance to policy makers.