



**G20**  
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Sherpa Track

**ISSUE NOTE**

# Environment and Climate Sustainability Working Group

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**PRIORITY 4: CLIMATE CHANGE  
AND AIR QUALITY**



## 1. INTRODUCTION AND BACKGROUND

*“Global problems are moving faster than the institutions designed to solve them”.*

Poverty, unemployment, hunger, inequality, environmental degradation, and climate change are but a few of the complex issues challenging the world today. While there are several international frameworks, such as the 2030 Agenda and its Sustainable Development Goals (SDGs), the implementation thereof is not in harmony with the speed and efficiency that is required to effectively address these challenges. Environmental protection, ecosystem restoration, and climate change mitigation and adaptation, however, can serve as key solutions in addressing several of these challenges. The impacts of biodiversity loss, pollution, soil erosion, ecosystem degradation, and the interlinkages with the severe impacts of climate change have rippled across the globe, affecting fauna and flora, livelihoods, and vital ecosystem services to people.

The theme for South Africa’s Presidency of the Group of Twenty (G20) is *Solidarity, Equality, Sustainability*, which is underpinned by the need to focus on a number of key areas, such as global governance reform, environment and climate finance, trade, health, and financing for development, among others. Therefore, in line with the overall theme of South Africa’s Presidency of the G20, the overarching objective of the G20 Environment and Climate Sustainability Working Group (ECSWG) is to advance the environmental dimension of the 2030 Agenda for Sustainable Development and its SDGs through a number of priorities and deliverables. This includes the enhancing of global partnerships as outlined in SDG 17 and to foster capacity building support; promotion of equitable trade; transfer of and access to science, technology and innovation; as well as mobilising financial resources.

The ECSWG will broadly focus on the following five key priorities:

1. Biodiversity and Conservation
2. Land Degradation, Desertification and Drought
3. Chemicals and Waste Management
4. Climate Change and Air Quality
5. Oceans and Coasts

## PRIORITY 4: CLIMATE CHANGE AND AIR QUALITY

### Sub-Priority: Adaptation – Climate Resilient Development and Loss, and Damage

#### Context

Climate change adaptation involves actions to reduce vulnerability to climate impacts, such as extreme weather, sea-level rise, biodiversity loss, and food and water insecurity. Local-level measures are crucial, including practices like drought-resistant crops, regenerative agriculture, water management, wildfire prevention, and infrastructure to withstand extreme weather. At the national and international levels, adaptation requires policies, large-scale infrastructure improvements (e.g., relocating coastal areas, strengthening infrastructure), early warning systems, insurance for climate risks, and protections for ecosystems.

However, adaptation efforts face significant challenges, such as:

- **Finance:** Developing countries need much more adaptation finance estimated at between US\$215 billion to US\$387 billion annually until 2030 and that there is a concerning gap between climate finance flows and needs to support both large-scale and locally-led adaptation actions.
- **Information and knowledge gaps:** Many developing countries lack accurate climate data, localised risk assessments, and effective systems for monitoring and evaluating adaptation.
- **Institutional and governance challenges:** Coordination issues, lack of specialised knowledge, and fragmented planning hinder effective adaptation in many regions.

Adaptation and mitigation are means to address climate change impacts; however, impacts can be unavoidable. Loss and damage therefore refers to the unavoidable and irreversible impacts of climate change. While mitigation focuses on reducing GHGs emissions and adaptation involves measures to cope with climate change impacts, loss and damage addresses the residual effects that cannot be avoided. These impacts are often unevenly distributed, disproportionately affecting vulnerable developing countries, and involve complex, compounding risks.

To address loss and damage, initiatives include optimizing funding arrangements, driving action through science and research, providing technical assistance, and integrating adaptation and mitigation strategies.

### Expected Outcomes:

- Enhanced resource mobilisation and technical partnerships to support the implementation of strategies to achieve adaptation and resilience, particularly in the global South.
- Enhanced collaboration in addressing loss and damage in developing countries, including technical support, capacity building, and sharing of experiences and best practices.

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### Sub-Priority: Climate Finance and a Just Transition for All

#### Context

Global climate investment needs are vast, with estimated annual requirements exceeding US\$10 trillion from 2031 to 2050, a significant increase from the current flow of around US\$1.3 trillion in 2021/2022<sup>1</sup>. While this is a notable increase from previous years, the funding is still insufficient and uneven across sectors and regions. Most of the growth in climate finance has been driven by clean energy investments in a few countries that received 90% of the increased funds. However, climate finance remains concentrated in developed economies, with the countries most affected by climate change receiving disproportionately low amounts.

Mitigation finance flows primarily to energy and transport sectors, where private finance dominates, while agriculture and industry—also major emitters—receive much less funding. Emerging technologies like battery storage and hydrogen are attracting some private investment, though they remain underfunded. On the other hand, adaptation finance lags far behind, with only US\$63 billion allocated in 2021/2022, well short of the US\$212 billion needed annually by 2030 for developing countries<sup>1</sup>. Adaptation finance is mostly public, with private sector involvement still minimal.

Potential solutions to address these gaps include reforms to international financial institutions, leveraging concessional finance, improving private sector engagement, aligning financial systems with climate goals, mainstreaming adaptation and resilience, phasing out fossil fuel subsidies, and improving data transparency and accessibility for climate finance tracking, and, importantly, the exploration and development of climate finance models.

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<sup>1</sup> Global Landscape of Climate Finance, Climate Policy Initiative, 2023



To effectively mobilise climate finance for a just transition, there is a pressing need for a new financing model that addresses the complexities of current global challenges. This model should be multilayered and consist of three distinct components to ensure equitable access and shared responsibility among nations:

### **Component A: Enhanced access to the New Collective Quantified Goal (NCQG) on Climate Finance**

The 29<sup>th</sup> Conference of the Parties of the United Nations Framework Convention on Climate Change (UNFCCC COP 29), which took place in Baku, Azerbaijan, from 11 to 22 November 2024, adopted a decision on the New Collective Quantified Goal (NCQG) for Climate Finance that will see developed countries taking the lead in raising US\$300 billion a year for developing countries by 2035. The NCQG decision also calls on all actors to work together to enable the scaling up of financing to developing countries for climate action from all public and private sources to at least US\$1.3 trillion per year by 2035. The decision also states that the NCQG will support the implementation of developing countries', inter alia, nationally determined contributions, national adaptation plans, and adaptation communications, including those submitted as adaptation components of nationally determined contributions; contribute to increasing and accelerating ambition; and reflect the evolving needs and priorities of developing countries, especially those that are particularly vulnerable to the adverse effects of climate change and have significant capacity constraints, such as the Least Developed Countries (LDCs) and Small Island Developing States (SIDS).

The NCQG therefore represents a critical milestone towards scaling up the mobilisation of grant and concessional financing for developing countries. To meet the scale of climate challenges over the next ten-year period, the amount of money made available through the NCQG must be significantly and progressively increased towards the US\$300 billion-a-year goal by 2035. Developing economies, including South Africa, require a fair share of these funds to implement effective mitigation and adaptation strategies, as well as their Nationally Determined Contributions (NDCs). Ensuring equitable access will enable these countries to contribute meaningfully to global climate goals while addressing their unique socio-economic circumstances.

### **Component B: Reducing the cost of capital**

High costs of capital impede the ability of developing countries to invest in sustainable infrastructure and technologies. By advancing the implementation of the Common Framework for Debt into the financing model, the cost of capital can be lowered and financial burdens alleviated, particularly for developing countries. Such an approach fosters greater participation from countries with significant debt obligations and encourages investment in green initiatives. Engaging major economies, within the G20, in this aspect of the development of the model could amplify its impact and promote broader international cooperation.

### **Component C: Valuing each country's contributions and assets**

Recognising and quantifying the unique contributions and assets of each country is essential for a fair and effective financing model. By assigning value to these contributions, countries can negotiate financing terms that reflect their roles in supporting global trade and the green economy. This variable component ensures that the financing model accounts for both tangible and intangible assets, promoting a more balanced distribution of resources and responsibilities.

#### **Expected Outcomes:**

- Enhanced climate finance mobilised for and by G20 countries, particularly for adaptation and building climate resilience for developing countries.
- Enhanced collaboration and sharing of experiences and best practices, as well as resource mobilisation opportunities to support the Just Transition within G20 countries.
- Advancing proposals for a new financial model to mobilise climate finance for a Just Transition for all.

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#### **Sub-Priority: Air Quality**

##### **Context**

Most people across the globe are exposed to unhealthy levels of air pollution. According to the 2024 State of Global Air, ambient and indoor air pollution is the second leading risk for deaths in 2021, accounting for more than eight million deaths globally. The impacts of air pollution extend beyond health, affecting climate, biodiversity, ecosystems and economic development. The World Health Organisation (WHO) has identified addressing ambient and indoor air pollution as one of the priorities under its environment and health workstream. There is an opportunity to drive climate resilience and economic growth through measures aimed at reducing air pollution.

Noting the domestic and international aspects of the G20 agenda, countries must take action to reduce air pollution at home and support low- and middle-Income countries with air quality reduction efforts. This international agenda must include policy and regulatory reforms, coordinated action on key sectors (industries, transport, waste management, household cooking/heating, etc.), financial investments via national domestic finance institutions and Multilateral Development Banks and other international development finance. In this regard, G20 countries must shape the international agenda to address air pollution by removing harmful substances from and/or mitigating their impact on the living and working environment of people and safeguarding human health.

**Expected outcomes:**

- Best practices on the development of integrated air quality information systems for decision-making.
  - Identifying capacity gaps or needs and interventions to improve implementation of legislation.
  - Harnessing synergies to climate action programs with air quality co-benefits.
  - Developing programmes and sharing best practices that address air pollution from all sources (ambient as well as indoor settings in rural and urban areas). Policy and regulatory reforms that can drive air pollution reduction in the highest-emitting sectors (industries, transport, waste burning and household cooking and heating).
  - Recommendations to support the development of air quality monitoring data sets and tools.
  - Understand the equity dimensions of air pollution and how to support the most affected communities.
  - Emerging technologies and technical solutions for air pollution reduction.
  - Mobilising financing to deal with air pollution.
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