States&Regions7

Statement and recommendations to the G7 leaders

We are at a crossroads where we can either lock in a world of more than 2°C warming or invest in a healthy, equitable, and sustainable future with good jobs. If financial and economic decisionmakers simply replicate existing models of production and investment, we will miss a once-in-a-lifetime opportunity to create a sustainable and inclusive economy.

We believe that seizing this unique moment is a political and moral responsibility of the highest order that rests squarely on the shoulders of the G7 leadership, not only as 31% of the world’s economy but also as models of economic progress. As climate leaders within the G7 countries, we urge our national peers to meet this moment and offer our support and collaboration in creating a climate-safe economy. We applaud the G7 Climate and Environment Ministers’ Communiqué, released on May 21, in which the countries commit to ambitious and accelerated efforts to reduce emissions to keep a limit of 1.5°C temperature rise within reach and making official finance flows consistent with the goals of the Paris Agreement.

State and regional governments have suffered the brunt of the economic impacts of the COVID-19 pandemic. Yet we have been the lifeline for many communities through public assistance and community relief programs. Similarly, subnational governments are on the frontlines of climate change: rising sea levels; more frequent and severe flooding and droughts; and unprecedented wildfires and storms. Our treasurers and budget managers are already tabulating the fiscal consequences of these events, while simultaneously trying to budget for a future with even higher climate costs. We are looking to our national leaders for a unified, equitable response to both crises and their economic consequences.

That stark financial reality only reinforces our commitment to taking creative and bold action to address the economic impacts and risks of climate change. Subnational governments are paving the way through actions such as setting up Climate-Related Risk Disclosure Advisory Groups, divesting pension funds from fossil fuels, developing comprehensive green recovery plans and boosting the economy through green jobs. We are eager to partner with our national governments to show that economic growth and fiscal stability not only withstand climate action, but in fact require it.
Therefore, we urge all the G7 nations to:

**Increase climate ambition and financing**
- Involve state and subnational governments in the process of setting strong interim targets for climate neutrality in line with the Paris Agreement, and the development of pathways for their implementation.
- Support industry decarbonisation while improving competitiveness and innovation development.
- Support and provide financial incentives for zero emission vehicles to achieve internal combustion engine phase out by 2035.
- Introduce carbon pricing mechanisms and account for subnational climate policies to accelerate the transition to a net zero emissions economy.
- Commit to the goals of the 30 x 30 campaign by protecting and enhancing 30% of land and sea by 2030 in order to confront the ongoing biodiversity crisis.

**Ensure a green recovery**
- Work in partnership with stakeholders including state, regional, and tribal or indigenous governments to best align recovery spending with long-term climate, environmental, economic, and social goals.
- Put just transition at the core of all recovery efforts and ensure that workers receive support to maintain livelihoods.
- Recognise that environmental, health, and economic crises disproportionately impact overburdened communities. Centre climate policies and programs around environmental justice, utilising equity screening tools and processes where feasible.
- Align cohesion, urban and rural development policies with climate goals by addressing sustainable territorial investments.

**Strengthen the climate accountability of global trade**
- Any international financing directly tied to deforestation goals should include requirements that the nation receiving such assistance cooperate with and allow input from subnational governments and indigenous communities, and such assistance should be conditioned upon evidence of progress.
- Increase enforcement of environment and climate conditions and worker protections in all trade agreements in compliance with the Paris Agreement.
- Trade should be used as a lever to increase progress towards net zero targets and improve our international environmental impact.
- Trade support and promotion should be conditional and provided to businesses who align with governments’ climate priorities.
Incorporate climate change into financial regulation

- Elevate climate as a financial and public health responsibility – work together to ensure consistent, comparable, and rigorous climate risk data assessment methodologies and disclosure standards.

- Require disclosure of climate risk exposure by publicly traded entities, insurance companies, and key financial institutions in order to enable implementation of subnational transition and physical risk mitigation strategies and urge trading partners to do the same.

- Proactively consult with regional and local governments to better align national and regional financial regulations and identify regulatory gaps.

- Create a working group within the Coalition of Finance Ministers for Climate Action to work directly with subnational governments to align their financial policies and portfolios with national climate targets.

- Ensure eligibility of subnational governments for climate finance awards, grants, and loans from national aid agencies and development banks.

- Work directly with financial institutions to increase private finance investment in local climate mitigation projects.

To address the devastating impacts of the global pandemic and climate change, all levels of government need to work together. We look forward to any future opportunities to discuss with the G7 leaders how we can work together for a safer, more resilient and more prosperous future for our communities and the world.

Signed on June 10, 2021 by the following governments:

- Baden-Württemberg, Germany
- California, United States
- Emilia-Romagna, Italy
- Hawai‘i, United States
- Lombardy, Italy
- Sardinia, Italy
- Washington, United States