



V20 Ministerial Communiqué
Ministerial Dialogue V of the Vulnerable Twenty (V20) Group
14 October 2018 – Nusa Dua, Bali, Indonesia

ADOPTED

The V20 has renewed its commitment to promote ambitious efforts to address the global threat of climate change that is placing already severe economic and financial risks above all onto the world's most vulnerable developing economies. Our economies – with rapidly emerging markets for over one billion people – remain high growth engines of the world economy, but the fragility of that growth is increasing due to climate change and associated transition risks.

As confirmed by the publication this month of the Intergovernmental Panel on Climate Change's (IPCC) Special Report on 1.5 °C, limiting global warming to this level would actually provide for higher global aggregated economic growth, due to lower risks. The IPCC also confirmed that keeping global temperatures within this level remains a possibility but would require drastic and urgent emission reductions of about 45% and a 60-80% lower reliance on coal power by 2030 (based on 2010 levels). Warming of 1.5 °C would still substantially increase risks compared to today, while limits to adaptation would be reached in some areas.

According to a July 2018 UNEP-mandated report, developed further to the V20 Ministers' focus on the development policy consequences of green financing, climate change risks could severely penalize V20 economies with 1 dollar of additional costs due to climate vulnerability for every 10 dollars paid in interest. That penalty will double within the coming decade due to rising climate risks with concrete negative consequences for our growth and development prospects. While seeking to unlock investment for ambitious climate action, we continue to face barriers to accessing international climate finance and higher financing costs compared with other economies which raises the investment bar for highly capital-intensive projects to increase our resilience and renewable energy. The resulting continued over-reliance in carbon intensive energy systems, and expansion of insufficiently resilient infrastructure, is building accumulated financial risks. In 2016, Ernst and Young indicated that already €86 billion in carbon-intensive utility assets were written off in Europe (2010-2014) – similar write-offs within V20 economies could severely impair economic stability and growth of our economies. There is a need to ensure macroeconomic stability with regard to addressing energy transition risks and opportunities and the stranding of carbon intensive investments.

The October 2018 IPCC Special Report on 1.5 °C indicated that annual investment of around 2.5% of the world GDP or 2.4 trillion US dollars (2016-2035) will be needed to keep warming within 1.5 °C, a level consistent with the survival and prosperity of V20 economies. We also confirm the IPCC view that directing finance towards investment to achieve this into infrastructure for climate resiliency and reduced emissions could provide additional resources, including the mobilization of private funds by institutional investors, asset managers and development or investment banks, as well as the provision of public funds. We recognize that government policies that lower the risk of low-emission and adaptation investments, and provide enabling environment for these, can facilitate the mobilization of private funds and enhance the effectiveness of other public policies. Sustainable development also supports, and often enables, ambitious climate action so that the pursuit of climate-resilient development pathways can help to eradicate poverty and reduce inequalities.

In order to hasten the urgently-needed acceleration global transition to climate resilient and low carbon development, we need to deepen international collaboration and cooperation. Building on dialogue already begun between the V20 and G20, and collaboration between these two groups in the context of the InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions, the V20 is committed to pursuing stronger international economic and financial cooperation on climate change

to further mutual interests. The scale, predictability and accessibility of international climate finance needs to be enhanced in order not to forgo opportunities for ambitious climate action by vulnerable developing countries that would benefit the world economy, and to unlock large-scale finance in support of this. Enhancing the capacities of V20 Ministries of Finance to address and engage in climate change efforts is also an urgent priority of this Group. We express thanks for assistance already provided to the V20 in that regard, and call on our development partners, including donors and Multilateral Development Banks to support our efforts to enhance such capacity particularly through South-South and triangular, as well as conventional technical, cooperation.

V20 Activities

1. We congratulated Ethiopia for its presidency of the V20 Group and the Marshall Islands for assuming the chair.
2. In furtherance of collaboration and cooperation between the V20 and G20, we pursued the following issues:
 - The forging of the InsuResilience Global Partnership as a concrete initiative between V20 and G20, and example of the type of international cooperation that could develop between V20 and G20 economies; and,
 - Convened the 2nd high level V20-G20 dialogue today, furthering and deepening discussion and collaboration, and deepened our discussions on the mutually identified interest areas of:
 - Increasing ambition of climate efforts and fostering exchange and capacity in support of this,
 - Alignment of financial flows and Multilateral Development Bank financing with Paris Agreement goals,
 - Implementation of the Financial Stability Board (FSB) Task Force on Climate-Related Financial Disclosures, and
 - Accelerating fossil fuel subsidy reform and support for V20 carbon pricing efforts.
3. We welcomed the holding in Bali of the first V20 Joint Technical Committee on Multi-Country Financing Initiatives, and the development of two V20 initiatives towards applying innovation in climate finance in support of ambitious climate action:
 - The V20 Sustainable Insurance Facility; and
 - A V20 Accelerated Financing Mechanism for Maximal Resilience and 100% Renewable Energy.

We look forward to the further development of these initiatives, including to advance mutually held priorities together with partners, and encourage these to consider support towards their successful development.

4. Building on the work of the V20 Focus Groups, with last meetings in Addis Ababa (August) and Bali (October):
 - V20 plans to step-up its advocacy and engagement to advance efforts on climate change;
 - V20 is developing a collective viewpoint on the status and development of international climate finance as a contribution towards more efficient and improved financial flows in support of climate action;
 - V20 is advancing with implementing domestic carbon pricing mechanisms and will foster exchange and capacity to further this work, with the support of partners;
 - V20 aims to enhance its tracking of climate change public expenditures and co-benefits;
 - Encouraged by the interest shown by V20 members in the Global Preparedness Partnership (GPP), a partnership between V20 and UN system partner agencies, we reiterate our call on international partners to ensure financial support towards the operational implementation and support for V20 members to reach a minimum level of disaster preparedness so that disaster events can be managed locally with reduced need for international assistance;

- V20 will further study and promote International Financial Institution responses to ensure macroeconomic stability addressing energy transition risks and opportunities and the stranding of carbon intensive investments.
- 5. We resolved to continue our V20 Regional Consultations towards improved understanding of member challenges and best practices in climate finance, and enhanced capacity to address these, building on Asia-Pacific, with planned 2019 meetings for Africa-Middle East in Addis Ababa, Ethiopia and for Caribbean-Latin America in Bridgetown, Barbados.
- 6. We endorsed a V20 contribution to our Heads of State and Government towards a successful outcome of the Climate Vulnerable Forum Virtual Summit, and called upon World Leaders to fully engage with this critical activity towards enhanced political momentum for increased national efforts on climate change by all countries in 2020 if not before.

Climate Finance

1. We highlighted the continued efforts of V20 member to work as pioneers in financing climate change action, and seeking to apply innovation in climate finance at home.
2. We signalled our concern on the delivery of the US \$100 billion 2020 collective commitment of the developed countries and continue to look forward to clarification on these countries' addressing of the US withdrawal of the Paris Agreement and of related climate finance commitments, in addition to the extent of the Roadmap's resources being new and additional.
3. We highlighted the significance of the Green Climate Fund (GCF) and the criticality of its further replenishment and effective functioning and delivery on its mandate to promote a paradigm shift to low-emission and climate-resilient development, taking into account the needs of nations that are particularly vulnerable to climate change impacts. We underscored the importance of effective governance of the GCF and a more robust understanding of imbedding climate resilience with respect to long-term development policy and improvement of funding delivery as well as of innovative financing modalities.
4. We signalled ongoing challenges with accessibility, transparency and predictability of international climate finance resources through different funds, channels and mechanisms, and called for continued and increased efforts to render such finance more compatible to the needs and capabilities of vulnerable developing countries and the imperatives of urgent action against climate threats.
5. We reiterated our plea to ensure a 50:50 balance of international climate finance (between adaptation and mitigation) in the national contributions of donors and overall, highlighting the need for continued progress to ensure adequate finance is available to protect vulnerable people and economies from rapidly increasing climate change extremes and risks, enabling adaptation and promoting resilience and progress towards the Sustainable Development Goals.

We resolved to reconvene at Ministerial level at Washington, DC in April 2019 and to intensify our collaboration and implementation of the V20 Work Plan in the intervening period.

The Vulnerable Twenty Group of Ministers of Finance

Nusa Dua, Bali, Indonesia – 14 October 2018