Germany, Italy, France and the EU ahead of and at the G7 summit 2023: Bold action on climate and nature needed

... and why the state of play is not enough
Background

On 15 and 16 April 2023, the environment minister of the G7 countries will meet, in the run-up to the G7 meeting in Japan in May 2023. Among economic and energy security, climate change and green transformation are expected to be high on the agenda of this year’s G7 meetings. Despite the ongoing geopolitical and economic challenges as well as the energy crisis, the recent IPCC AR6 Synthesis Report serves as a stark warning for the need to accelerate climate and environmental action. The discussions in the run-up and at the G7 summit in Japan, especially in the environment ministers’ meetings in April, are an important opportunity to drive ambitious policies to speed up the transition towards a net-zero economy.

In the EU, including Italy, France and Germany, the economy is still far off from a 1.5°C, nature-positive pathway. Having a closer look at companies’ 2022 disclosures on their climate targets and transitions, only under 5% of European companies have a 1.5°C ambition and show progress on their transition plans. 50-65% of European companies disclosing to CDP in 2022 have either an ambition pathway above 2°C or disclose only limited information on their transition plans.

Integrating a nature perspective, only 7% of companies disclosing to CDP in 2022 have robust targets across water, climate and forests. Encouragingly, almost 40% of companies have made some type of commitment on biodiversity protection, yet the scope and ambition of these pledges vary significantly.

On the subnational level, an analysis by the Science-Based Targets Network identified 25 cities that are considered fully aligned with a science-based target, i.e., had both a net zero long-term (by 2050) target and a mid-term target that was aligned with a 1.5°C global pathway.

It is clear that European companies and cities need to improve their climate and environmental actions to reach the global goals of the Paris Agreement and the Montreal-Kunming Global Biodiversity Framework and react accordingly to the newest knowledge brought by the 6th assessment report of the IPCC.

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1 G7 HIROSHIMA2023 official website, Ministerial Meetings, https://www.g7hiroshima.go.jp/en/ministerialmeetings/
2 Reuters Plus, Japan to foster global cooperation at G7, (01/03/2023), https://www.reuters.com/plus/japan-to-foster-global-cooperation-at-g7 (accessed 30/03/2023)
4 European companies include companies reporting to CDP which are headquartered in EU27, UK and EFTA countries.
6 23 EU27 + EFTA cities had either a net zero long-term (by 2050) target or a mid-term target that was aligned with a 1.5°C global pathway. Based on this check, the SBTN considers these cities’ targets to be partially aligned with a science-based target. In 2021, the Science-Based Targets Network (SBTN) core city partners undertook a high-level check of cities’ targets reported through CDPICLEI Track to assess if they were aligned with the goals of the Paris Agreement and a 1.5°C global pathway. Cities’ targets were checked against the SBT methodologies in the SBTN’s Guide for Cities. The check assumed the data reported was correct, it did not verify the data or methodology used to set the target and it did not consider use of carbon removals or carbon credits. Each cities’ target was checked by at least two independent reviewers to ensure confidence in the check outcome. Please note this check is not validation of cities’ targets but aims to provide an indication of a city target’s alignment with a 1.5°C global pathway. A full target validation process is currently in development and expected from 2023 onwards.
Germany, France, and Italy, as G7 members, and the EU as a non-enumerated member need to take action on requiring corporate and subnational climate and environmental action in line with the global goals, as well as driving other G7 members to do the same.

**Key recommendations for Italy, Germany, France and the EU to drive as an outcome of the G7 summit 2023:**

- Affirm the need to address energy insecurity by keeping the Paris Agreement 1.5°C goal within reach, by accelerating the clean energy transition and phase out of fossil fuels.
- Commit to ending public financing for fossil fuels domestically and reaffirm the commitment to end direct international public financing of fossil fuels in 2023.
- Recommit to requiring all large businesses and financial institutions to assess and disclose their risks, impacts and dependencies on nature by 2030, aligned with Target 15 of the Montreal-Kunming Global Biodiversity Framework.

Germany, France, Italy and the EU need to drive climate and nature topics on the agenda in the lead-up and at the G7 in Japan

The world's largest economies must show stringent measures to reduce their climate and environmental impacts in their jurisdictions and beyond.

**Action on climate change**

While the energy crisis keeps gripping Europe, the climate crisis does not wait. With the release of the IPCC report and the forthcoming outputs of the Global Stocktake, 2023 is a key year for Germany, France, Italy and the EU to show leadership by learning from the known gaps in implementation and accelerating the energy transition. While the EU Council is still deciding on a raised renewable energy target, nationally Germany, Italy and France need to step up the implementation of this critical decade of action as well as speed up existing ones, to align their economies with the 1.5°C Paris Agreement target through rapid decarbonization and to implement swiftly the Sharm El Sheikh Implementation Plan (following the Glasgow Climate Pact). A key aspect of a conducive policy environment is not only implementing enabling policy, but also removing policies counteracting climate and environmental efforts, such as ending public financing for fossil fuels.

The newly established Climate Club, with the interim secretariat hosted by the Organisation for Economic Co-operation and Development (OECD), in tandem with the International Energy Agency (IEA), gives the G7 and other governments the opportunity to show leadership and

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8 Sharm el-Sheikh Implementation Plan, [https://unfccc.int/documents/624444](https://unfccc.int/documents/624444); Glasgow Climate Pact, [https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact-key-outcomes-from-cop26](https://unfccc.int/process-and-meetings/the-paris-agreement/the-glasgow-climate-pact-key-outcomes-from-cop26)
drive forward the climate agenda. We urgently need countries, especially high emitters, to get ahead of the curve in emission reductions, to keep 1.5°C a possibility. The Climate Club could thus serve as a vehicle to implement more ambitious policies in an intergovernmental coalition of the willing, which could take on policies currently difficult to drive on a global scale, such as an ambitious carbon tax. Germany, as the Climate Club initiator, France and Italy could use the G7 2023 to kick-off the Climate Club by committing to more ambitious actions on the energy transition, fossil fuels phase-out and aligning financial flows with the Paris Agreement.

Keeping 1.5°C alive should be on the forefront of Germany, France, Italy and the EU’s agenda for the G7 environment ministers meeting in April 2023.

CDP – Corporate Climate Change Disclosure

While there has been a significant increase in European companies setting science-based emission reduction targets, from 2020-2021 the increase was +83%. Overall, only 16% of the European companies reported to CDP to have a 1.5°C aligned science-based target in place in 2021.

An analysis by CDP corporate reported data shows no G7 country’s corporate sector is aligned with the Paris Agreement’s 1.5°C goal and only align on average with a 2.7°C decarbonization pathway. The US, Japan and Canada’s private sector are lacking behind in setting science-based emission reduction targets.

![Figure 1: CDP 2022: Missing the Mark, 2022 analysis of global CDP temperature ratings](https://www.cdp.net/en/research/global-reports/missing-the-mark)

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9 Federal Ministry of Economic Affairs and Climate Policy Germany (BMWK). Joint press release Climate Change Mitigation, G7 establishes Climate Club, (12/12/2022), [https://www.bmwk.de/Redaktion/EN/Pressemittelungen/2022/12/20221212-g7-establishes-climate-club.html](https://www.bmwk.de/Redaktion/EN/Pressemittelungen/2022/12/20221212-g7-establishes-climate-club.html) (accessed 30/03/2023)


Action on water

On the back of the just concluded UN 2023 Water Conference in New York, the topic of water pollution and water security needs to remain high on the agenda, and the G7 is expected to come forward with bold commitments in the follow-up summits on water, the High-Level Political Forum in July and the SDG summit in September. The 6th Assessment Report of the IPCC is crystal clear and warns against continued global warming that is projected to further intensify the global water cycle, including its variability, global monsoon precipitation, and very wet and very dry weather and climate events and seasons. In the run-up to the UN Water conference, investors with US$3 trillion in assets signed a CDP-driven statement calling on governments to:

- Strengthen their National Sustainable Development Strategies for 2030 to ensure a planned and equitable transition to a water secure world by 2030 or sooner.
- Commit to ambitious, domestic short-term water targets and outline a pathway, including clear water secure roadmaps, for each water-dependent sector.
- Implement domestic policies to deliver these targets, incentivize private investments in water solutions and ensure ambitious pre-2030 action through: efficient mechanisms for pricing water risks and impacts, the removal of environmentally harmful subsidies by set deadlines, and the development of just transition plans for affected workers and communities.
- Commit to implementing mandatory water disclosure requirements aligned with international best practice recommendations, including Target 15 of the new Global Biodiversity Framework, that work for people and planet, ensuring comprehensive disclosures that are consistent, comparable, and decision useful.

The EU, including France, Germany and Italy, are already implementing several of the above asks, for example on mandatory water disclosure requirements in the upcoming European Sustainability Reporting Standards. However, the water security and finance for the water action agenda needs to accelerate importance in Europe and globally, and thus the G7 environment minister meeting in April 2023 serves as an opportunity to raise water on the agenda of governments.

CDP – corporate water disclosure

36% of European companies disclosing to CDP report they have water withdrawals from water stressed areas, which is similar for companies headquartered in the G7 countries with 39%. 33% of European companies reported to have a water withdrawal target in place, which is a slight increase to the previous year (28%). Encouragingly, 94% of European companies state, that they have adopted board-level oversight for water in the company.

In Europe, 70% of companies disclosing to CDP state they have a water risk assessment in place, which for the G7 countries looks very similar with 67% of companies. 13% of European companies work with an internal price of water, which is just a bit lower in the G7 countries with 10%.

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12 https://sdgs.un.org/conferences/water2023
14 CDP data 2022; CDP Europe report 2023
**Action on biodiversity**

The Montreal-Kunming Global Biodiversity Framework (GBF) agreement reached in December 2022 was a highly important milestone in the fight to stop and reverse nature and biodiversity loss. Under target 15 of the GBF, governments have agreed a requirement to ensure that all large companies assess and disclose their risks, impacts and dependencies on nature by 2030.

The implementation of the GBF, especially Target 15, is an opportunity for the G7 countries to showcase leadership. In the EU, reporting on biodiversity is already close to adoption as part of the European Sustainability Reporting Standards. The learnings in the EU can inform the implementation of the GBF in the G7 countries and thereby drive international alignment of the Target 15 implementation. Thus, next to climate and water mandatory reporting, biodiversity disclosure requirements need to be part of the environment minister G7 meeting in April 2023.

**CDP - Corporate Biodiversity Disclosure**

63% of companies headquartered in G7 countries disclosing climate change information to CDP have also disclosed information on biodiversity. Out of these companies, 30% report that they have publicly committed to or endorsed biodiversity initiatives, and few more state they have progressed on biodiversity commitments. Key actions undertaken on biodiversity by these companies are in the area of education & awareness, land/water management and land/water protection.

While in Canada and France, more companies report to have taken actions, companies in Italy and the US are falling behind.

Only 13% of companies in the G7 countries use indicators to monitor their impacts on biodiversity and 14% of companies assess the impact of their value chain on biodiversity. French companies are leading with 31% and 28% respectively, followed by Canada (20% / 21%). Companies in the other G7 countries report their impact monitoring and value chain assessment around the average.

**Summary**

Germany, Italy, France and the EU need to strengthen their efforts in addressing the climate and nature crises, nationally and internationally. The close interlinkages between environmental issues underscore the potential of policies addressing them holistically.

Promoting and implementing policy measures aligned with 1.5°C, building on the momentum from the UN Water Conference by driving water up on the environmental agenda and the implementation of the GBF should be at the forefront of Germany, Italy, France and the EU's talks at the ministerial meetings in the lead-up to and at the G7 in Japan.

Key recommendations for Italy, Germany, France and the EU to drive as an outcome of the G7 summit 2023:

- Affirm the need to address energy insecurity by keeping the Paris Agreement 1.5°C goal within reach, by accelerating the clean energy transition and phase out of fossil fuels.

15 CDP data 2022
Commit to ending public financing for fossil fuels domestically and reaffirm the commitment to end direct international public financing of fossil fuels in 2023.

Recommit to requiring all large businesses and financial institutions to assess and disclose their risks, impacts and dependencies on nature by 2030, aligned with Target 15 of the Montreal-Kunming Global Biodiversity Framework.

Comprehensive mandatory corporate reporting requirements are well underway in the EU, and further, the EU has proposed governance and due diligence requirements and adopted a law on deforestation-free supply chains. Thus, Germany, France, Italy and the EU can build on the very advanced EU policy framework to drive the discussion before and at the G7 meetings. This will provide inspiration and leadership to drive mandatory corporate disclosure and corporate action in the G7 countries, including through the upcoming Biennial Transparency Report, and meaningful inputs to the Global Stocktake. Nationally, the focus can lie on successful policy implementation and raised ambition in their economies.
WMB and CDP ‘Ambition Loop Project’

In 2022, We Mean Business (WMB) and CDP created the ‘Ambition Loop Project’, which support governments to translate NDC ambition into strategies and policies with the support from forward-looking businesses. The initiation phase of the Policy Ambition Loop Project (May – Dec 2022) aimed to develop proof-of-concept for a systemic approach to enable effective and evidence-based policy and regulation, making reliable business evidence available to policy makers to support the implementation of NDCs and credible net-zero strategies.

In the project, WMB and CDP applied a process of policy/business analysis to gather evidence, briefings and dialogues in four G7/G20 countries (Germany, Japan, India, Indonesia) with an initial focus on the topic of energy, being critical to the climate agenda.

Briefings for Germany, Japan and India with the detailed policy/business analysis will be published in spring 2023. In Germany, Project Partner Stiftung WirtschaftKlima (SWK) joined WMB and CDP for the policy/business analysis.

More information on corporate and subnational climate and environmental data disclosed via CDP

CDP launched the CDP Government Dashboard at COP27, its first online interactive tool for policymakers. The dashboard is part of CDP’s government partnerships program and enables policymakers to explore critical corporate and subnational environmental data, such as climate and nature targets set by companies, cities, and regions who disclose through CDP. The CDP Government Dashboard supports policymakers to develop, refine and implement evidence-based policy by providing insights into what action is currently undertaken and identifying gaps.

Policy implementation: Supporting governments on driving policy implementation and ambitious climate and environmental action

As a CDP government partner, governments can actively drive the increase in quantity and quality of climate and environmental data of corporates and local governments. Through CDP government partnerships this enhancement of measuring and tracking of progress drives domestic action on preventing dangerous climate change, water insecurity, global deforestation and biodiversity loss. An endorsement of CDP disclosure system is a formal agreement of support by governmental bodies and agencies for CDP’s charitable mission and CDP’s disclosure request. It recognizes the pivotal role of the private market in achieving national and cross-national climate targets in line with the Paris Agreement. By endorsing CDP, governments effectively leverage their authority to promote environmental action among corporates and local governments.
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CDP Europe and the CDP Global System

CDP Europe is a charitable organization registered in Brussels and Berlin and on the EU Transparency Register since 2012. It is part of the CDP Global System, a global non-profit that runs the world’s environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 740 financial institutions with over $130 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Nearly 20,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative. Visit cdp.net or follow us @CDP and on LinkedIn to find out more.

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CDP Europe’s annual report is available here and its regular policy newsletter can be joined here.

CDP Government Partnerships

CDP Government Partnerships are designed for governments to actively encourage ambitious actions by corporates and subnational jurisdictions and to improve data and insights on these organizations’ transition to a 1.5°C and nature positive world.

By endorsing the CDP disclosure system, governments can accelerate the implementation of international and national climate and nature targets by corporates and subnational jurisdictions in their country and drive faster progress towards achieving climate neutrality and full recovery of nature by 2050.

CDP Europe in European and International media

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