

We need to start tackling structural needs right away!

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It was back in 2008, when Brazil also held the G20 presidency—at that time made up of finance ministers and central bank presidents from 19 major economies—that this international forum grew and evolved into a key assembly for addressing global issues. In the wake of the global financial crisis, the first summit of leaders from the 20 largest economies was held in Washington, focusing on strategies to strengthen economic growth, manage the crisis, and prevent future ones.

In 2024, Brazil takes the G20 presidency once again—now larger and even more representative—at a critical moment for discussing the future of humanity. Extreme weather events are impacting every corner of the planet, bringing devastating economic and social consequences, with an uncertain outlook for what lies ahead. Intense heat, storms, floods, droughts, and hurricanes have become the new climate normal.

Energy transition stands as one of the three pillars of Brazil's G20 presidency, alongside reducing inequalities and reforming global governance institutions. We need to triple sustainable energy generation to avoid jeopardizing the internationally agreed carbon reduction targets and secure strong G20 commitment to these goals.

I had the privilege of following those early discussions years ago as Chief of Staff to the then-President of the Central Bank of Brazil, Henrique Meirelles. Now, as President of the Brazilian Federation of Banks (Febraban), I am honored to participate as a member of the B20. (*The Global Business Forum for G20*).

Following this evolution closely encourages me to say that having Brazil coordinate the B20 at this pivotal moment is a tremendous opportunity. If left unaddressed, the challenges we face could even jeopardize our survival on the planet. In critical times like these, partnerships between the public and private sectors are the best way to forge broad and effective solutions. The tragic experience of the COVID-19 pandemic clearly demonstrated the urgency of this need.

Economically, we are now grappling with post-pandemic challenges such as rebuilding global supply chains, dealing with high interest rates aimed at curbing inflationary pressures, and managing the worrying levels of national debt, which grew significantly due to tax incentives during the pandemic.

Our greatest challenge lies in balancing immediate needs with structural ones. Most of the policy recommendations put forward under Brazil's leadership are structural and long-term in nature, but they are also urgent. In fact, we should act now.

Climate issues are a prime example. Solutions require significant resources, long-term implementation, and consistency, but there is no time to waste. The longer we delay, the more difficult and expensive it will be to resolve these problems. The B20 Working Groups have done excellent work, offering high-quality proposals.

This work, however, won't end here. In 2025, under South Africa's leadership, we will remain actively engaged—defending the proposals developed this year while also refining them and addressing new priorities that emerge.

Nearly all the proposed initiatives, though, will require financing. Credit will be a key driver to advance the proposals raised by the approximately 1,200 B20 members, representing 42 countries and 21 economic sectors. It will help fuel economic growth, allowing families to finance consumption and businesses to invest and expand. We've seen this dynamic in action both in the aftermath of the 2008 financial crisis and during the COVID-19 pandemic.

Banks will play a crucial role here. They are strategic players, present in all sectors of the economy, capable of directing and allocating resources toward projects that foster a low-carbon and more sustainable economy. Brazilian banks are fully aligned with this objective.

This challenge will require both public and private resources, which are complementary and come with distinct challenges. There is no contradiction between these different sources of capital. For the public sector, especially in Brazil, the main challenge is how to make these resources available in an environment of budget restrictions and fiscal adjustment.

As a society, we must prioritize these projects and rigorously monitor their execution to ensure that the most impactful proposals for the climate transition receive adequate support.

There is also no contradiction between fiscal adjustment and the need for efficient spending. On the contrary, the challenge is to prioritize financing for climate transition projects in an environment of budget constraints.

However, well-known obstacles to financing for climate-related projects still need to be addressed.

In the private sector, the issue mirrors the broader challenges of lending in Brazil, where high financial intermediation costs are a major hurdle. For example, four-fifths of the banking spread in Brazil reflects these costs, including taxes, reserve requirements, default risks, and administrative expenses.

Even if banks operated at zero profitability, without any profit margin, lending rates would still be high due to these underlying costs. While progress has been made on various fronts, the urgency of the climate agenda—which will require credit—makes reducing financial intermediation costs even more critical.

We need a structural agenda to secure and allocate capital at lower costs. This is at the core of our business, and we have much to contribute, both in public and private financing.

Banking and lending inherently involve significant risks, which is why the sector is heavily regulated. Moreover, in many countries, including Brazil, the high cost of doing business must be addressed to make financing for the energy transition viable. We are deeply committed to this agenda.

In drawing a parallel between Brazil's two G20 presidencies, we benefit from an important asset: the leadership and international prestige of President Luiz Inácio Lula da Silva. His unparalleled negotiation skills and influence, along with Brazil's economic

potential and privileged position on climate and energy transition issues, will give us a prominent role on the global stage, alongside the other G20 countries.

But we cannot afford to waste time. We are reaching a critical limit, and the global population is not only expecting but demanding solutions—now.
