



IMF Technical Assistance on Climate Change

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Presentation structure

1—Climate **topics** that the IMF can provide technical assistance on

2—The **format** in which we do it

3—The **process** of requesting technical assistance

Bottom line—we can help, and it is free and easy!

Carbon pricing: mitigation tools

- **Policy and administrative advice** on different mitigation policies (eg carbon taxes, tax-subsidy schemes or feebates) and strategies to enhance political acceptability
- **Spreadsheet tool on a country specific basis** that:
 - projects emissions and fuel use by major energy sector
 - projects emissions reductions needed to achieve countries' Paris mitigation pledges
 - assesses the carbon prices consistent with mitigation pledges and their broader fiscal and economic impacts
 - compares implications of carbon pricing for energy prices different across countries
 - quantifies the trade-offs between mitigation instruments like carbon taxes, trading systems, fuel taxes, energy efficiency incentives, regulations, and feebates
 - being extended and refined with WB
- **Analyses of household and industry incidence** of carbon pricing and other mitigation policies

Carbon pricing: mitigation tools (references)



- *How to Mitigate Climate Change*, IMF Fiscal Monitor, 2019
- *After Paris: Fiscal, Macroeconomic, and Financial Implications of Climate Change*, Staff Discussion Note 16/01, IMF
- *Fiscal Policies for Paris Climate Strategies—From Principle to Practice* IMF, 2019, Board paper
- *Reforming Energy Policy in India: Assessing the Options* IMF Working paper 17/103
- *Climate Mitigation in China: Which Policies Are Most Effective?* IMF Working paper 16/148
- *Mitigation Policies for the Paris Agreement: An Assessment for G20 Countries* IMF Working Paper 18/193
- *Fiscal Policy to Mitigate Climate Change* IMF book Keen, Mooij, and Parry, 2012

Carbon pricing: removing fossil fuel subsidies

- **Policy and administrative advice** on
 - defining and **estimating efficient fossil fuel prices** (to reflect supply and environmental costs) and fossil fuel energy subsidies (reflecting differences between efficient and current fossil fuel prices)
 - designing **energy subsidy reform strategies**
 - evaluating the **welfare and distributional impacts** of energy subsidy reform

Carbon pricing: removing fossil fuel subsidies (references)

F I S C A L A F F A I R S D E P A R T M E N T

Colombia Reforming Energy Pricing

Chadi Abdallah, Fernanda Brollo, Ayal Frank, and Delphine Prady



Angola:

<https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Angola-Technical-Assistant-Report-Angola-Fuel-Price-Subsidy-Reform-the-Way-Forward-42680>

Colombia:

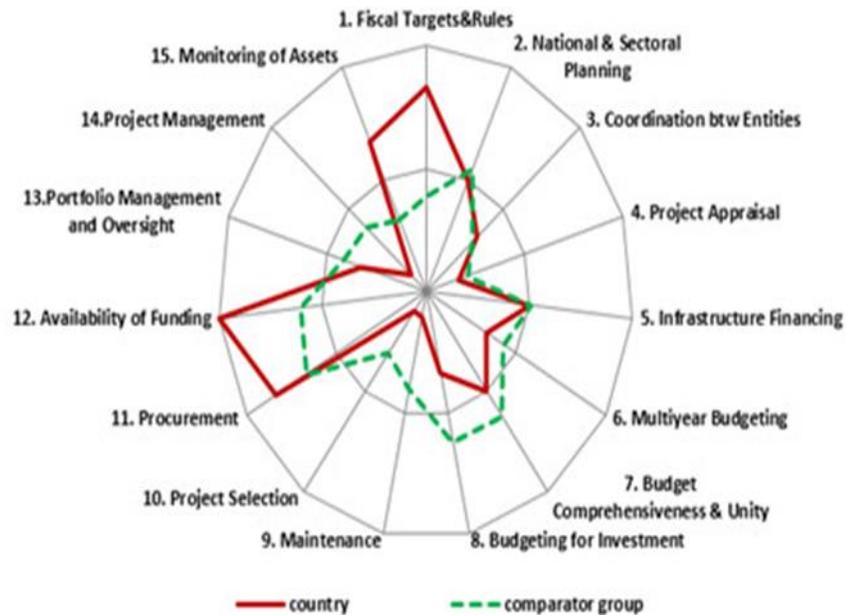
<https://www.imf.org/en/Publications/CR/Issues/2019/11/18/Colombia-Technical-Assistance-Report-Reforming-Energy-Pricing-48819>

David Coady, Ian Parry and Baoping Shang, “*Energy Price Reform: Lessons for Policymakers*” Review of Environmental Economics and Policy 12: 197-219, 2018.

Parry, Ian, Dirk Heine, Shanjun Li, and Eliza Lis, 2014, “*Getting Energy Prices Right*” (Washington: International Monetary Fund).

Integrating climate into the budgetary process

Figure 5: PIMA Results (Sample)



- **Public Investment Management Assessment (PIMA) tool**

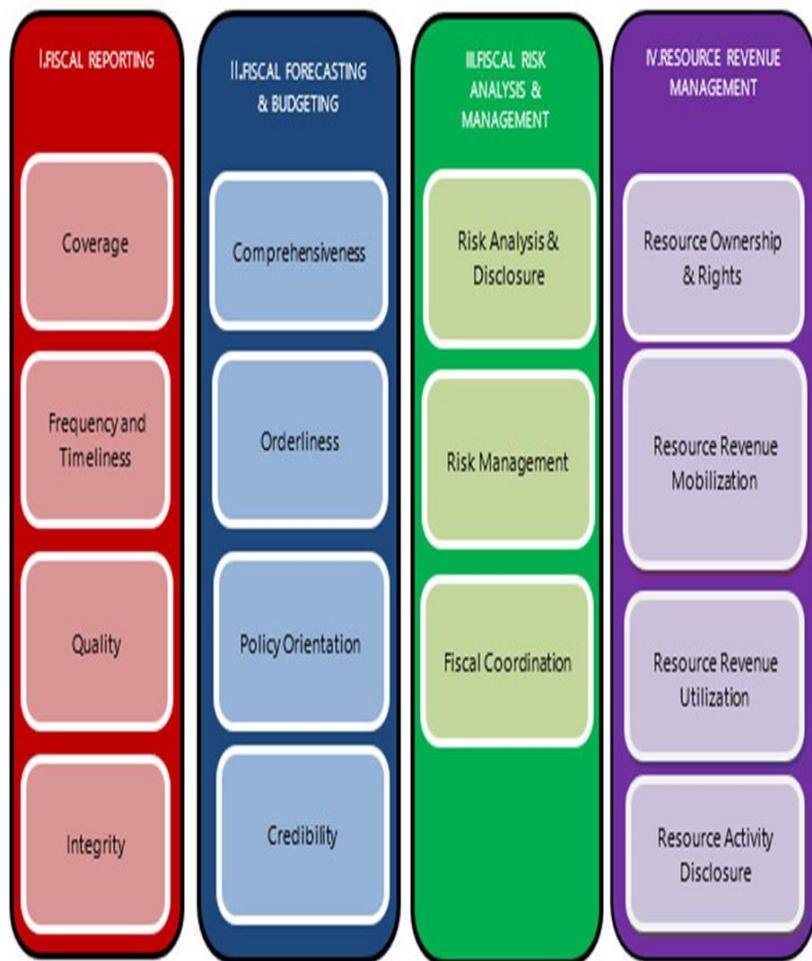
- Looks at how public infrastructure is managed over the full investment cycle, pointing out strengths/weaknesses and setting out a prioritized and sequenced reform action plan

- Module looking at climate aspects being developed and will be applied on pilot basis (Q3 FY21)

- Upcoming PIMA **regional workshop** for Pacific island countries with focus on climate change

- **PIMA reports** published on <https://www.imf.org/external/np/fad/publicinvestment/>

Integrating climate into the budgetary process



■ Public financial management (PFM) related to natural disaster risks

—Our fiscal transparency evaluations assess how governments analyze, disclose and manage potential fiscal exposure to natural disasters and other major environmental risks <https://www.imf.org/external/np/fad/trans/index.htm>

—Our technical assistance on other topics can also address fiscal risks related to natural disasters, such as fiscal rule design (eg Grenada), establishment of a natural disaster fund (Dominica), preparation of fiscal risks statement (Malaysia)

—Our Caribbean center has conducted PFM Post-Hurricane Review to assess governments' PFM preparedness for natural disasters and identify actions needed to prepare for future disasters (eg Anguilla, BVI, and Dominica)

Climate Change Policy Assessments



IMF Country Report No. 18/329

BELIZE

CLIMATE CHANGE POLICY ASSESSMENT

November 2018

- Joint IMF/WB reports aiming to help **small states manage the impact of climate change and natural disasters**, while safeguarding fiscal and external sustainability
- Looks at: (1) **vulnerability** of macroeconomy to climate change (2) **preparedness** for climate change (3) contribution to **mitigation** (4) **adaptation** plans (5) **financing** strategy (6) **budgetary** processes
- Five pilot reports so far (Belize, Grenada, St. Lucia, Micronesia, Seychelles). **Pilots being reviewed**—may lead to more countries being eligible, including larger countries
- **Example** report:
<https://www.imf.org/en/Publications/CR/Issues/2018/11/16/Belize-Climate-Change-Policy-Assessment-46372>

Climate change and the financial sector

- The IMF also works on financial sector aspects of climate change:
 - ▶ **Risks:** financial stability implications of climate-related physical and transition risks
 - ▶ **Opportunities:** financing to support mitigation, adaptation & low-carbon transition: green finance, climate-related financial disclosures, green taxonomy ...
- Current areas of focus:
 - ▶ **Financial Sector Assessment Program** (www.imf.org/external/np/fsap/fssa.aspx)
 - ◆ Joint with WB (emerging market and developing economies), IMF only (advanced economies)
 - ◆ Financial stability assessments (IMF) involve stress testing for climate risks
 - ▶ **Global Financial Stability Report:** climate risk disclosures, mispricing of climate risk
 - ▶ **International policy engagement:** NGFS, FSB, Basel Committee, IAIS, ...
- No climate-specific technical assistance at present, but:
 - ▶ Some climate-related issues covered in existing technical assistance (e.g., on stress testing)
 - ▶ Based on accumulated experience, technical assistance on these topics possible in the future

Format of interaction

- **Flexible.** Can be:
 - IMF team **visits** country and writes report
 - **workshop** organized by IMF (in your country or outside)
 - **short visits** from IMF experts
- **Confidential**
 - all advice is confidential and reports only published if authorities permit

Process (and cost)

- **Minister of Finance** (or similar high-ranking official) sends request to the Director of the Fiscal Affairs Department of the IMF, Vitor Gaspar: vgaspar@imf.org 1/
- **Direct cost – none!** (though we expect, but do not require, high-income countries to pay the cost)
- **Indirect cost – some** (to make the assistance effective, requires some effort from authorities, eg providing data/information and interacting with staff)

1/ *For technical assistance on the financial sector*, a request should be sent to the Director of the Monetary and Capital Markets Department, Tobias Adrian (tadrian@imf.org), from the Governor of the Central Bank. A request for a voluntary FSAP should be joint with the Minister of Finance.