

# Finance Ministers Coalition for Climate Action Sherpa Meeting, Helsinki Finland (Feb 21-22, 2019)

## Session 3: Public Investment and Procurement

Introduction by Adrian Fozzard, World Bank



# Climate informed decision-making



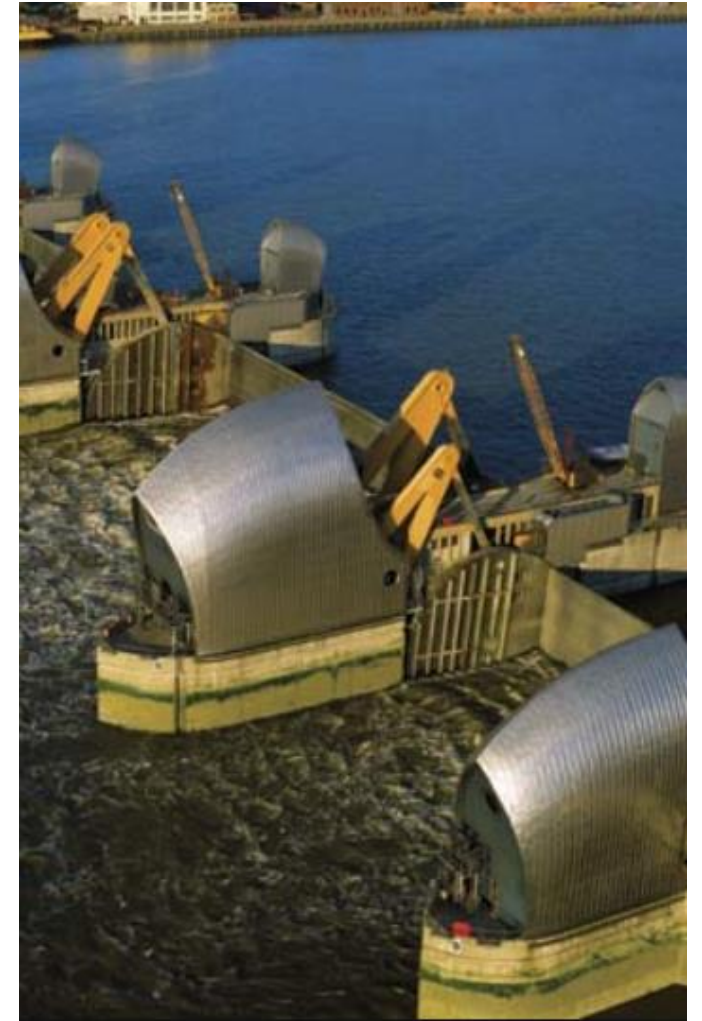
## Mitigation

- ❖ Set appropriate price for carbon
- ❖ Identify and realize co-benefits

## Adaptation

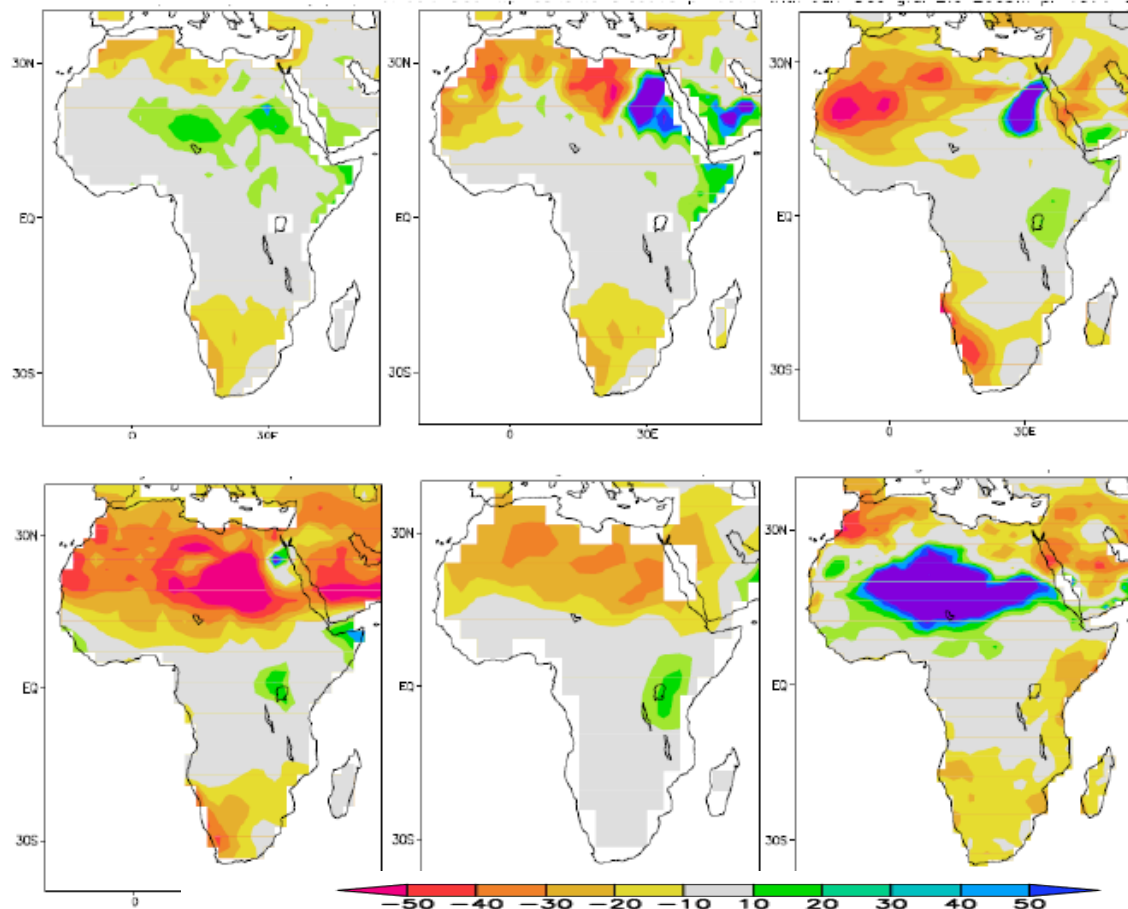
- Assess climate risk and raise awareness
- Promote soft-adaptation
- Invest in hard-adaptations where economic, social and environmental case

**Be aware of lock-ins**



# Managing Uncertainty

Percentage change in annual mean precipitation in 2050 compared with 1971-2000 average in selected climate models.

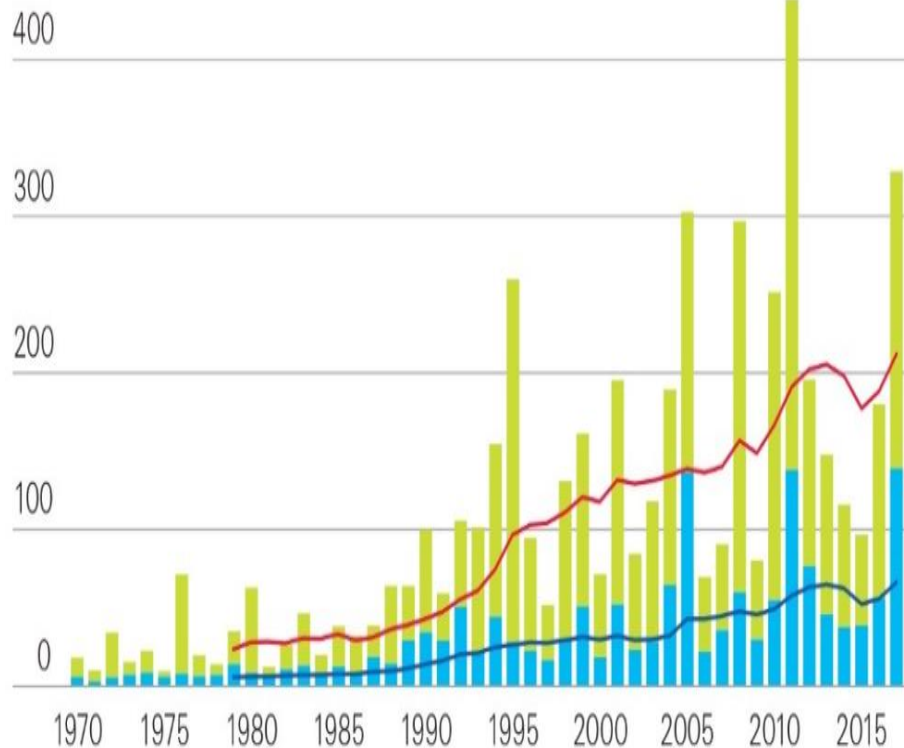


The past is no longer a guide to the future:

- Acknowledge uncertainty
- Incorporate flexibility and learning into policies, programs and engineering design
- Consider emerging techniques for largest, highest risk investments:
  - Probabilistic Scenarios
  - Robust Decision-Making
  - Real Options

# Managing Extreme Events

Insured and Uninsured Cost of Disasters  
(US\$ billion, Constant 2017 prices)



Source: Swiss Rei.

- **Assign responsibility and define liability to avoid moral hazards:** households, private sector, local government, central government
- **Promote risk reduction:** information, regulation, invest protection
- **Manage financial risk proactively:** layering instruments
- **Manage public assets proactively**
- **Plan for response to extreme events**

# Public Procurement

|   |  |
|---|--|
| <b>Energy Consumption Labels</b>                        | Requirement for products purchased to have energy efficient label from certification program                             |
| <b>Catalogue Specification</b>                          | Government catalogue lays out energy efficiency specifications for commonly purchased items                              |
| <b>Preferences</b>                                      | Point or price preferences for GHG emissions in bid evaluation   |
| <b>Lifecycle Costing</b>                                | Price of product calculated as cost over its economic lifetime, including purchase, operations, maintenance and disposal |
| <b>Qualifying Product List</b>                          | Database of products that qualify with energy efficiency standards   |
| <b>Performance standards and technical capabilities</b> | Requirements in terms of environmental impacts and evidence of past performance  |

**Public procurement 12% of GDP and 29% of general government expenditure in OECD amounting to US\$ 4,800 Billion in 2013**

- Public sector as market maker and standard setter
- Procurement strategy, standards and regulatory framework



# Discussion: What commitments would be included in a fiscal principle on climate-informed public investment management and procurement?

- To publish and disseminate information on climate change risks and vulnerabilities?
- To embed climate-informed analysis in the regulatory framework and technical guidance for public investment management?
- To apply climate-informed analysis in the appraisal and selection of major investment projects?
- To adopt climate-sensitive public procurement policies?
- To apply specific measures to implement climate-sensitive public procurement policies?