

# Annual Report 2020

## ACKNOWLEDGEMENTS

The Coalition’s various activities would not be possible without the vision, dedication and passion of multiple people working in finance ministries and across many partner organizations. As we look back on a productive first year and a half of climate action and take stock of future challenges and opportunities—particularly given the tumult of 2020—we would like to acknowledge the tremendous leadership of our Co-Chairs, steadfast commitment of our member countries, invaluable guidance from our Institutional Partners, and deft day-to-day coordination of our secretariat. We would also like to recognize the generosity of the German and Swiss governments for financially supporting the activities of the Coalition. Only together can we achieve meaningful progress on the climate change agenda.

## LOGO

The Coalition’s logo and symbology represent meteorological images, heatmaps, and other depictions of the dynamics actively shaping the earth’s climate systems. Rhythmical plywood reliefs by sculptor Tapio Wirkkala, a leading figure of modern industrial art and design, provided further inspiration.

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## ACRONYMS AND ABBREVIATIONS

COP	Conference of the Parties
CO <sub>2</sub>	Carbon dioxide
EIB	European Investment Bank
EBRD	European Bank for Reconstruction and Development
GDP	Gross domestic product
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
NDC	Nationally Determined Contribution
OECD	Organisation for Economic Cooperation and Development
SITRA	The Finnish Innovation Fund (Finnish: Suomen itsenäisyyden juhlarahasto)
WB	World Bank
WRI	World Resources Institute
UNFCCC	United Nations Framework Convention on Climate Change
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme











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## Foreword by the Co-Chairs

The Coalition of Finance Ministers for Climate Action has been in operation for one and a half years, achieving relevant milestones in the organization and rules of procedures, as well as setting an ambitious but balanced work agenda. Indeed, climate aspects are entering into economic policies with high speed and increasing impact.

When the work started in the Spring of 2019, the prospects were uncertain. Our predecessors, Ministers Petteri Orpo and Felipe Larraín, led the Coalition from Helsinki via Washington D.C. and the Vatican to Santiago—these were the critical first steps of the way. Since then, we have grown at a fast pace and Members have been deeply engaged in different workstreams. We have also relied on the valuable support of Institutional Partners who offer sound and varied points of view to enrich our deliberations in the process of making the Coalition function effectively, contribute to the policy-making of our Members, and stimulate international dialogue and actions on climate change.


We are now 52 Members from five continents, covering 30 percent of global GDP and moving towards becoming an important meeting point at the intersection of macro fiscal policies, finance, and climate change. Over the course of the year, we have agreed upon and adopted the Helsinki Principles and the Santiago Action Plan to demonstrate and drive our engagement on climate change.

The Santiago Action Plan details how progress will be made on each of these Principles. Under the Plan, and in line with individual national contexts, Finance Ministers have agreed to work towards our common goals.

The identity of the Coalition is reflected in this first annual report and our new logo, which brings the positive spirit of sharing knowledge and collective engagement. We continue to work towards strengthening the governance arrangements that will reflect our long-term goals.

This is only the beginning. We are still building the necessary expertise and capacities in our Finance Ministries to fully integrate climate into economic policymaking, which will require consistent effort. Finance Ministries still face technical challenges in engaging fully on climate-related policy action.

Our first operating year ended with the unprecedented shock of the COVID-19 pandemic. The world changed substantially, and our task has become more complex. Our work as Finance Ministers to ensure a green recovery and address climate urgency is more relevant than ever. This year



will likely enter in modern history as one of the most challenging in the first two decades of this century due to COVID-19. In the last few months alone, we have witnessed the pain and suffering of people around the globe, the contraction of the global economy and the clear need for a global response.

Our immediate efforts as Ministers of Finance are to deploy human and financial resources to combat the pandemic and save lives. The economic and fiscal impacts of the crisis will be vast. We will have to reshape fiscal policy while addressing climate change in a more comprehensive way. This will be a challenging task, but it must be one of our top priorities.

This Coalition was established with a clear purpose of promoting cohesion between domestic and global action on climate change, with a focus on the implementation of the Paris Agreement.

We are redoubling our efforts to continue advancing an agenda that builds on strong governance, technical expertise, and the development of policy tools to support a sound transition towards greener and low-carbon economic growth.

The most recent scientific data highlights a rapid deterioration of the environment, even beyond our expectations. Our citizens, ecosystems, productive sectors, financial systems, and politics are all affected at the same time. Traditional tools to combat climate change are not enough, which is why we are sharing experiences, examining alternatives and exploring ideas to enhance the scale and quality of investment.

Governments have robust and impactful tools at their disposal: taxation, budgets, subsidies, investment, climate financing, and public procurement, among others, that can be shaped to apply innovative solutions in tackling the financial side of climate change. In addition, fiscal forecasts and expenditure plans can incorporate climate risks, costs and opportunities. Governments also can introduce financial regulations, as well as voluntary frameworks and guidelines, for the financial sector to identify, measure and manage climate-related risk.

Although the UNFCCC Conference of Parties has now been delayed to 2021, this year, 2020, is also a crucial year for climate finance under the Paris Agreement. Countries have committed to communicate or update their Nationally Determined Contributions (NDCs) that demonstrate scaled up ambition and reflect the urgency of action. We look to the Coalition to continue encouraging further support of Ministries of Finance in the development and implementation of NDCs over the next five years.

We recognize that countries may follow different approaches and strategies to achieve their climate goals, based on their own realities, level

of economic development and available resources. However, it is clear that we all share the same philosophy, commitment and ambition to undertake decisive action against climate change.

We see that this effort is already benefiting our individual countries, and we firmly believe that cooperation is the only way to address such a critical global challenge.



**Ignacio Briones**

*Minister of Finance,  
Chile*



**Matti Vanhanen**

*Minister of Finance,  
Finland*



A New Coalition

# Section 1



## The Beginning

At the October 2018 Annual Meetings of the World Bank Group and the International Monetary Fund in Bali, Indonesia, governments from 39 countries came together to boost their collective engagement on climate action. The group recognized the challenges posed by climate change and the unique capacity of Ministers of Finance to address them. Several governments expressed strong support for the establishment of a Coalition of Finance Ministers, which would promote cohesion between domestic and global action on climate change, raise ambition, reaffirm commitment, and accelerate action to implement the Paris Agreement.

In December 2018, the Finance Ministers of Chile and Finland, supported by the World Bank, agreed to co-lead the Coalition and invited other governments to meet in Helsinki to discuss its structure, focus, and goals for the coming two years. The inaugural Sherpas meeting was hosted in Helsinki on 21-22 February 2019, bringing together representatives from 19 countries and seven international institutions.

The Coalition of Finance Ministers for Climate Action was launched on April 13, 2019 when 26 Finance Ministers endorsed the Helsinki Principles.

## Members

Since the launch, an additional 26 Finance Ministers have endorsed the Helsinki Principles, bringing membership to 52 countries. Membership of the Coalition is global, bringing together countries from all regions and levels of development, each facing various challenges brought about by climate change. Member countries represent about 16 percent of global CO<sub>2</sub> emissions and 30 percent of global GDP (2017), with about half the global average of emissions intensity of GDP (0.23 versus 0.41 tons of CO<sub>2</sub> per US\$1,000 of GDP).

“

COVID-19 has demonstrated—with deadly effect—that national borders offer little protection against some calamities. It has underscored the deep connections between economic systems, human health, and global well-being. It has concentrated our minds on building systems that will better protect all countries the next time, especially our poorest and most vulnerable citizens. It is critical that countries work toward their climate and environmental goals.

Amid the pandemic, the World Bank Group has remained the largest multilateral financier of climate action. I'm happy to say that, in Fiscal Year 2020, my first full year as President, the World Bank Group made more climate-related investments than at any time in its history.

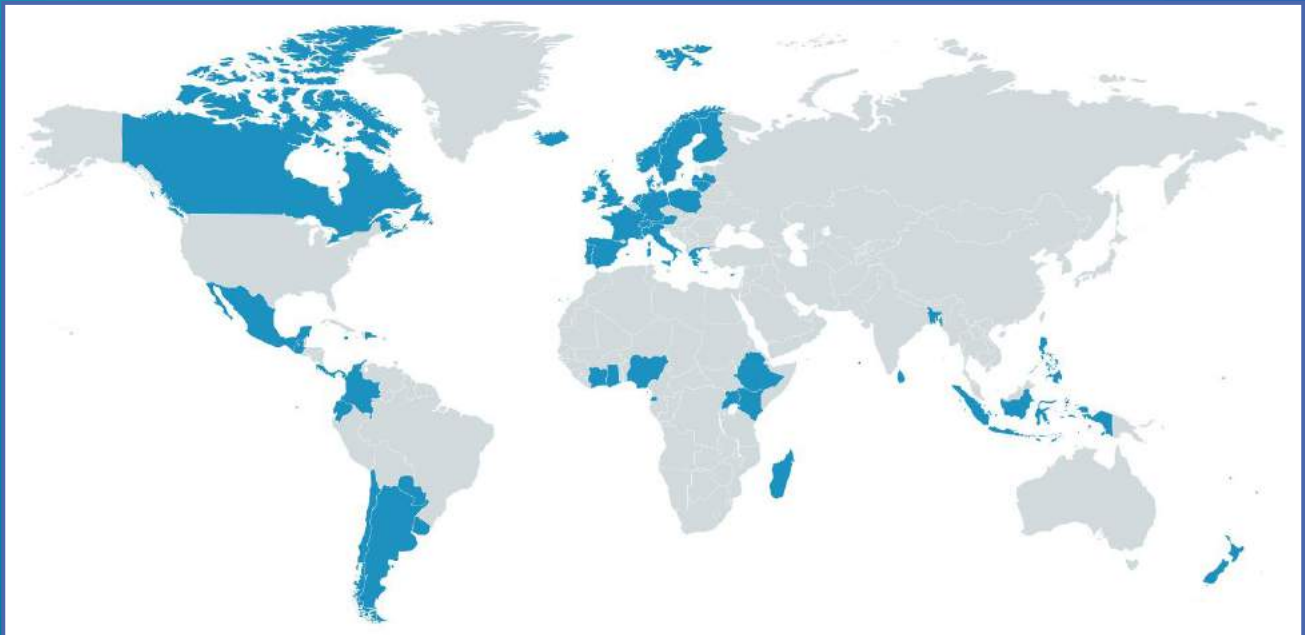
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**David Malpass**

*President,  
World Bank Group*



*Map of Coalition Members (August 2020)*



## List of Coalition Members

Argentina	Ghana	New Zealand
Austria	Greece	Nigeria
Bangladesh	Guatemala	Norway
Canada	Iceland	Panama
Chile	Indonesia	Paraguay
Colombia	Ireland	Philippines
Costa Rica	Italy	Poland
Côte d'Ivoire	Jamaica	Portugal
Cyprus	Kenya	Spain
Denmark	Latvia	Sri Lanka
Dominican Republic	Lithuania	Sweden
Ecuador	Luxembourg	Switzerland
Equatorial Guinea	Madagascar	Tonga
Ethiopia	Maldives	Uganda
Finland	Marshall Islands	United Kingdom
Fiji	Mexico	Uruguay
France	Monaco	
Germany	Netherlands	



## Institutional Partners

The Coalition has benefited greatly from active collaboration with various Institutional Partners, listed below (in alphabetical order). They have a key role to play in supporting the efforts of Finance Ministers in designing and implementing policies to address climate change.



**BROOKINGS**



“

Congratulations on an exciting first year! The Coalition of Finance Ministers for Climate Action provides a vital forum for members to learn from each other about practical policies to achieve climate goals, while promoting economic and social well-being.

The role of the Coalition is even more important as countries seek to develop COVID-19 rescue and recovery plans that take climate change and green recovery into account. The IMF is fully aligned with the objectives of the Coalition and pleased to provide technical and analytical support to its work.

”

**Kristalina Georgieva**

*Managing Director,  
International Monetary  
Fund*

## Governance and Set-up of Functions

During its first year of operations, the Coalition relied on a basic governance structure consisting of Members, Co-Chairs and a Secretariat. With Membership rising from 26 to 52 countries, there is a felt need to become a more permanent body, and governance arrangements have been adapted and strengthened accordingly.

Coalition Members engaged actively on developing an enhanced governance structure during the London and Abidjan Sherpas meetings in November 2019 and February 2020 respectively. Based on feedback received, the Co-Chairs presented a proposal for an enhanced governance structure, which is being finalized in consultation with all Sherpas. The updated governance structure will be proposed to Ministers, and once agreed will be published on the Coalition website. The objective is to bring the arrangements and working methods onto a more permanent footing to underline the need for continued long-term efforts of Finance Ministers, and to solidify the Secretariat functions and necessary resources.

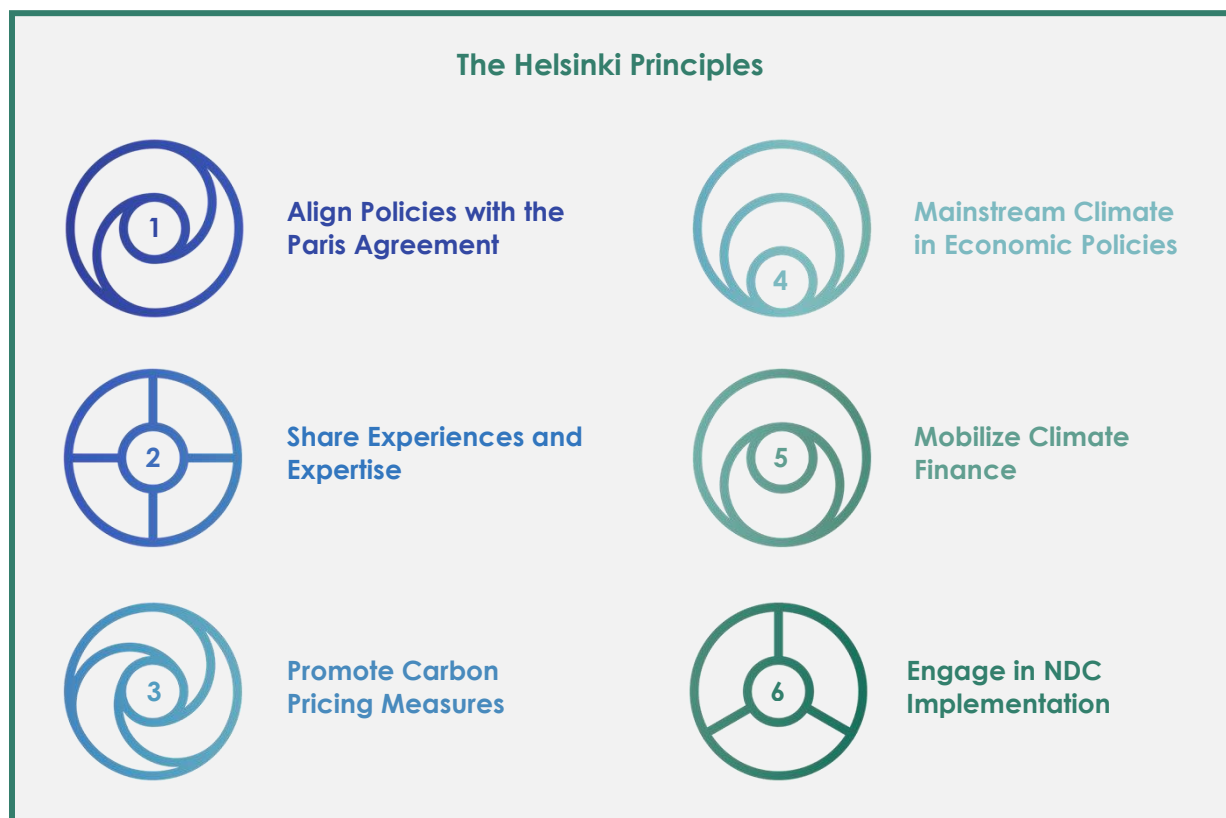
The Coalition operates with full transparency. A new website ([www.financeministersforclimate.org](http://www.financeministersforclimate.org)) was launched in July 2020 to facilitate the availability of information on the Coalition’s activities and products, and will continue to develop over the coming months.

## Helsinki Principles

The [Helsinki Principles](#) are a set of six principles that guide the Coalition and encourage Finance Ministers to address climate change, associated risks and growing impacts through macroeconomic and fiscal policymaking. Finance Ministers endorse the Helsinki Principles, thereby signaling their collective leadership in steering the transition towards low-carbon, sustainable growth.

Launched in February 2019 at the inaugural Sherpas meeting of the Coalition, the Helsinki Principles underpin the commitment of Finance Ministers to align policy actions with the Paris Agreement (Principle 1); promote capacity building, and mutual exchange of knowledge and expertise (Principle 2); work towards measures that result in effective carbon pricing (Principle 3); integrate climate change in macroeconomic management and public finance (Principle 4); mobilize private climate finance and develop a financial sector that recognizes mitigation and adaptation (Principle 5); and engage as a key stakeholder in the preparation and implementation of the NDCs (Principle 6).

The Helsinki Principles are designed to be aspirational; they are non-binding and are not listed in any order of priority.



## Santiago Action Plan

The [Santiago Action Plan](#) is a vision document that outlines the Coalition's strategy in making collective progress on the Helsinki Principles in 2020 and beyond. It reflects Members' engagement to work actively towards common goals of mainstreaming climate change and lays out in detail the priority work areas and deliverables under the Helsinki Principles.

Released at the COP25 in December 2019, the Santiago Action Plan reiterates that a fundamental change is required to bring considerations of climate change into decision-making about economic and financial policies, and recognizes that Finance Ministers hold the keys to unlocking climate-fiscal reform. The Santiago Action Plan aims to help reaffirm commitments, accelerate action, and boost ambition to operationalize and implement fully the Paris Agreement.



“

Risk mapping and environmental regulation, paired with digital and green investments and a more climate-resilient infrastructure, are key to transform the COVID-19 crisis into a unique opportunity for a more sustainable, resilient and inclusive economic system.

The Italian incoming G20 Presidency and the COP26 Co-presidency will play a key role in promoting a sustainable economic recovery capable of responding to the economic recession while tackling the climate crisis. I am confident the Coalition will build the necessary political momentum to make sure these issues remain on top of the global agenda.

”

**Roberto Gualtieri**

*Minister of the Economy  
and Finance,  
Italy*

## Mainstreaming and the Role of Finance Ministries

The long-term goal of the Coalition is to mainstream climate change in economic and financial policies, thereby supporting a sustainable future for the global economy. This means that climate is featured in the decision-making of economic policy, as reflected in three of the Helsinki principles: carbon pricing (Helsinki Principle 3); macro-fiscal policies (Helsinki Principle 4) and finance related policies (Helsinki Principle 5). Mainstreaming is also about how we work, develop competencies, and engage and interact with stakeholders and partners nationally and internationally to achieve our goals (Helsinki Principles 2 and 6).

All of these areas should be reflected in the alignment of policies with the Paris goals and long-term strategies (Helsinki Principle 1). Mainstreaming is the long-term goal and it will require fundamental changes in our tools, methodologies and the ways in which we function.

“

Climate change is real, we have seen the impacts; long droughts, heavy floods, landslides displacing and killing people, rising lake water levels and increased cases of diseases and viruses; we are all responsible. The time to act is now! At global level, under united nations we have put up ambitious agendas.

The responsibility now is with us specific countries to ensure our actions are in consonant with the global agendas and our mitigation, adaptation and emission reduction strategies are realistic. I therefore implore ministries of finance in the global economy, with their mandate of stimulating sustainable economic development to be at the center of climate change action within their countries.

The Coalition of Finance Ministers has given us an opportunity to learn from each other through exchange programmes and sharing of experience. Most importantly for us to work together at global level as ministries of finance in ensuring that opportunities for the future generation are not compromised. I am thereby calling upon other countries that have not joined the Coalition to come on board.

Together we can save Mother Nature.”

”

**Matia Kasaija**

*Minister of Finance,  
Uganda*



# Section 2

Events



To date, the Coalition has held three in-person Ministerial Meetings, a Ministerial visit to the Vatican, and four in-person Sherpas Meetings (in addition to numerous virtual Sherpas meetings), as detailed below:

## First Sherpas

*Helsinki, Finland; February 21-22, 2019*

The purpose of the Helsinki Sherpas meeting was to prepare the principles that are broadly acceptable to current and prospective Members of the Coalition.



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## First Ministerial

*Washington, D.C., USA; April 13, 2019*

During the WB and IMF Spring Meetings, Finance Ministers from 23 countries endorsed the Helsinki Principles and launched the Coalition of Finance Ministers for Climate Action, which aims to drive stronger collective action on climate change and its impacts. The Coalition promotes national climate action, especially through fiscal policy and the use of public finance.



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### Vatican Ministerial Visit

*The Vatican; May 27, 2019*

The Coalition, at the Ministerial level, met with Pope Francis. The Pontifical Academy of Sciences invited the Coalition to meet with eminent persons of climate science to discuss the climate crisis. Members of the Coalition learned about new data, enhanced their awareness on climate change, and discussed climate actions.



## Second Sherpas

*Santiago, Chile; June 4-5, 2019*

The meeting featured technical experts from 18 member countries, as well as representatives from partner institutions such as the EIB, IDB, NDC Partnership, WB, WRI, and UNEP. The Coalition engaged with countries leading action on the Helsinki Principles, and initiated the development of an Action Plan to organize its governance and streamline its activities.

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## Second Ministerial

*Washington, D.C., USA; October 19, 2019*

During the Annual Meetings of the WB and IMF, Finance Ministers from more than fifty countries met and agreed on key elements of the Santiago Action Plan.





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Climate change knows no borders. As the world continues to grapple with COVID-19, we need to work together to ensure our eventual recoveries include actions that fight climate change and build cleaner, more resilient economies. Canada is proud to be a part of this global coalition of countries working to integrate climate resilience into policy.

”

**Chrystia Freeland**

*Deputy Prime Minister  
and Minister of Finance,  
Canada*

### **Third Sherpas**

*London, United Kingdom; November 18-19, 2019*

The Sherpas of the Coalition met to: (1) set out member and institutional partner activities arranged by Helsinki Principle under the Santiago Action Plan, (2) clarify governance and work arrangements to facilitate effective organization and full participation of Members and Institutional Partners, and (3) prepare for the COP25 in December that included the launch of the Santiago Action Plan and a Joint Ministerial Statement.



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### **Third Ministerial**

*Madrid, Spain; December 9, 2019*

At the UN Climate Change Conference (COP25), the Coalition launched the Santiago Action Plan and a Joint Ministerial Statement, signaling commitment to accelerate the transition to low-carbon and climate-resilient economies. The meetings also featured a Roundtable of Ministers of Finance and representatives from the Global Financial Sector that sought to identify opportunities to scale up climate action among the financial sector building on the experiences of initiatives from financial institutions, such as those reflected in the Investor Agenda. The Roundtable was organized by the COP25 Presidency in collaboration with the Global Climate Action Hub of the UNFCCC. In addition, the WB organized a Lunch of the Ministers.



## Fourth Sherpas

*Abidjan, Côte d'Ivoire; February 24-26, 2020*

The Ministry of Finance, Côte d'Ivoire, and the African Development Bank hosted the 4th Sherpas Meeting, providing an opportunity for Members to move forward on their shared journey towards a low-carbon and climate-resilient economy. Key policy issues and analytical efforts under the Helsinki Principles were discussed in preparation for the Ministerial meeting in April, which was subsequently cancelled due to the COVID-19 pandemic. Sherpas also crystalized the direction of the Coalition's work-plans and considered ways to strengthen working arrangements and governance. This year, 2020, brings a renewed focus on raising the ambition of the Nationally Determined Contributions (NDCs), and Ministries of Finance have a central role in supporting effective preparation and implementation of NDC plans. Hence, the Sherpas Meeting placed additional emphasis on the NDCs, showcasing Côte d'Ivoire with the launch of their NDC Partnership Plan.





“

The Greek Ministry of Finance’s participation in the Coalition of Finance Ministers for Climate Action constitutes an important driver in our effort to achieve Greece’s ambitious National and European climate goals. These goals include a total lignite-phase out by 2028 and the active promotion of sustainable investments for the green transition of our economy. The adoption of the Helsinki Principles and the Santiago Action Plan reflects our shared ambition towards environmentally sustainable economic growth.

The Coalition’s substantial work is combining the promotion of global climate action with the enhancement of domestic expertise, efficiently taking place through the exchange of policy tools and experiences between members. The Covid-19 pandemic has further revealed the urgency for global cooperation on issues that affect us all, like environmental sustainability, making the Coalition’s role even more essential. Achieving a green and resilient recovery is crucial for the economies of today as well as for future generations.

”

**Christos Staikouras**

*Minister of Finance,  
Greece*





Workstreams

# Section 3



The Coalition commissions and engages in a wide-ranging work program in order to generate, curate and tailor the extensive analytical underpinnings needed for Ministries of Finance to engage effectively on the climate agenda. Our efforts are guided by the [Helsinki Principles](#) and the Santiago Action Plan described above. The Coalition also functions as a platform for sharing experiences, mutual learning, and capacity building, informed by surveys that take stock of where Members are in mainstreaming climate into economic policies, as well as serving to gauge progress over time. Survey results help focus work priorities according to the respective needs of Members and in line with the Santiago Action Plan. The aim is not to rank countries, but measure progress and the value added of the Coalition over time. The following sections present key deliverables and workshops (in addition to the presentations made at the Sherpas meetings) over the past year, as well as survey results by Helsinki Principle.

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## Helsinki Principle 1

### Align our policies and practices with the Paris Agreement commitments

Aligning with the Paris Agreement has wide-ranging, structural implications for the economy, and a key step is the development of long-term strategies. In order to support the efforts of Members on Helsinki Principle 1, a report was delivered: “Long-term strategies for climate change: A review of country cases”, prepared by SITRA and the World Bank. The report gathers qualitative data through case studies covering nine countries, including economies that are industrialized and energy intensive (Finland, Germany, the Netherlands, Spain and the UK), as well as developing economies that are highly reliant on agriculture or vulnerable to severe weather conditions (Costa Rica, Ethiopia, Fiji and Uganda). By documenting country practices and analyzing trends at a high level, the compilation of case studies provides a resource and a reference point for countries wishing to embark on or improve their own transition planning. Key lessons include the following:

1. Good cooperation and inclusion of the various stakeholders in the strategy process is important.
2. Climate policy is as much politics as it is economics. Political backing, as well as rigorous impact assessments and technical work, are both essential.



3. Long-term plans are important to have, even if detailed policies can only be identified for the immediate next few years. But as technologies are changing fast, plans should include regularly scheduled updates.
4. Just transition plans and protection of vulnerable groups are important for political buy-in and social stability.
5. Good integration of general development objectives and different sectoral policies is important.
6. Progress monitoring and clear governance mechanisms are essential.
7. Long-term strategies also need to address issues of adaptation and resilience.

The next phase of work will seek to implement a survey on the status of countries in their preparation of Long-Term Strategies (LTS), prepare guidance notes on specific topics, and facilitate the LTS process in countries where requested.

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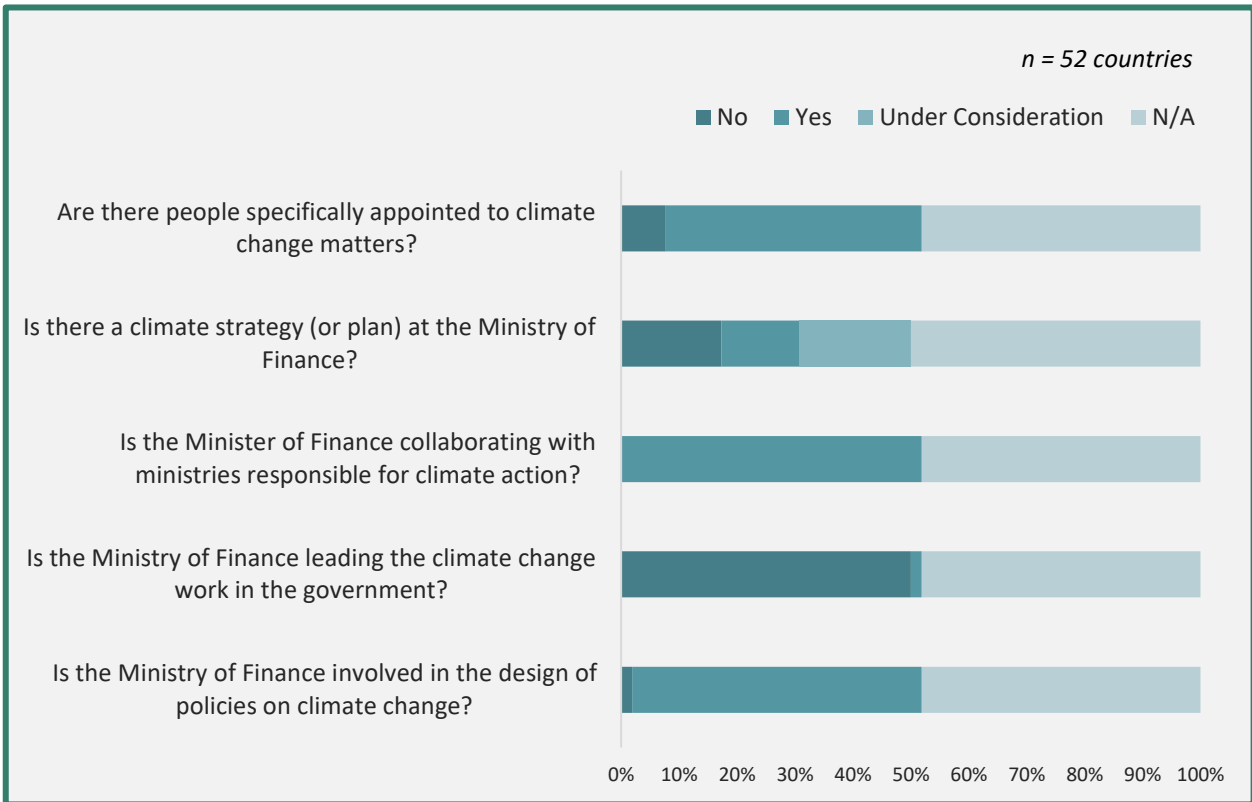
## Helsinki Principle 2

*Share our experience and expertise with each other in order to provide mutual encouragement and promote collective understanding of policies and practices for climate action*

Under Helsinki Principle 2, Members share experiences and expertise with each other in order to provide mutual encouragement and promote collective understanding of policies and practices for climate action. Members prepared descriptions about the design, organization and exercise of climate policy (mitigation and adaptation/resilience), and the role of the Ministry of Finance in these arrangements. The reviews cover resources and competencies representing different governance and organizational models. The survey shows that, in many cases, resources and capabilities are being built. The findings indicate that Ministries of Finance are engaged in many areas related to climate change policy, but few have a climate plan or strategy in place. This is also reflected in the resources dedicated to climate matters and related operational priorities.



## Country Responses for Survey on Helsinki Principle 2



Going forward, further descriptions could be prepared that enable comparability of various elements and help identify key bottlenecks and areas of development in different administrations and organizational cultures.

### Helsinki Principle 3

*Work towards measures that result in effective carbon pricing*

Finance Ministers have identified carbon pricing (measures that put a price on the emissions of carbon dioxide (CO<sub>2</sub>) and/or other greenhouse gases) as a key economic policy tool to address climate change. Effective carbon pricing means that countries adopt measures to achieve carbon price levels that are sufficient to incentivize the emission reductions needed to meet national targets, subject to each country's circumstances

and with a view to reaching carbon price levels consistent with the Paris Agreement’s long-term objectives. To date, 31 countries have implemented carbon pricing initiatives in some form, of which 19 countries are members of the Coalition.

Key deliverables under Helsinki Principle 3 included an Informal Note prepared jointly by the IMF and World Bank: “Implications of the Global Economic Crisis for Carbon Pricing: A Quantitative Assessment for Coalition Member Countries.” The note was aimed at helping Members assess the potential role of carbon pricing for achieving climate objectives and raising revenue post-COVID 19, reflecting the most recent GDP and energy price projections. Two workshops were undertaken under Helsinki Principle 3.

### Workshops under Helsinki Principle 3

#### Workshop on Carbon Taxation

*Stockholm, Sweden; October 3-4, 2019*

Carbon taxes are one of the most effective instruments to address carbon emissions. For Ministries of Finance, they serve as an administratively easy and self-sustaining resource for mobilizing domestic revenues, while also ensuring compliance with climate change commitments. During the workshop, participants shared their experiences addressing carbon tax-related challenges in their countries. By discussing different examples, participants learned from each other and helped create a better understanding of how a cost-effective carbon tax can work in different national contexts.



“

Many countries do not only not tax carbon emissions or its externalities, but they subsidize fossil fuels. That negative tax on carbon distorts the energy market while -in most of the cases- having perverse social, health and distributional effects on top of the environmental ones. The richest segments of a society receive the bulk of the subsidy. Ecuador had been one of these countries, finding itself in a loop where more oil needs to be extracted to fund an increasingly hard to control subsidy. An additional problem was the illegal trading of gasoline internationally contributing to worsening drug trafficking issues.

As part of our commitment to this coalition, we have taken measures to eliminate these distortions. We have reduced the incentives to consume -and smug - fossil fuels allowing: (i) cleaner technologies to compete in a fair manner, (ii) less pressure on natural resources to fund subsidies to carbon, and (iii) allocation of fiscal resources to people who need them.

”

**Richard Martínez Alvarado**

*Minister of Economy and Finance,  
Ecuador*

“

Switzerland has already one of the world's highest carbon taxes. On top of that, revising the Swiss CO<sub>2</sub> law, the Swiss parliament decided this summer to almost double the maximally allowed carbon tax for heating and process fuels to 220USD per tCO<sub>2</sub>. It also made transportation subject to carbon compensation (revisions are subject to a potential popular vote). We encourage the Coalition to increase the level and broaden the coverage of carbon taxes globally.

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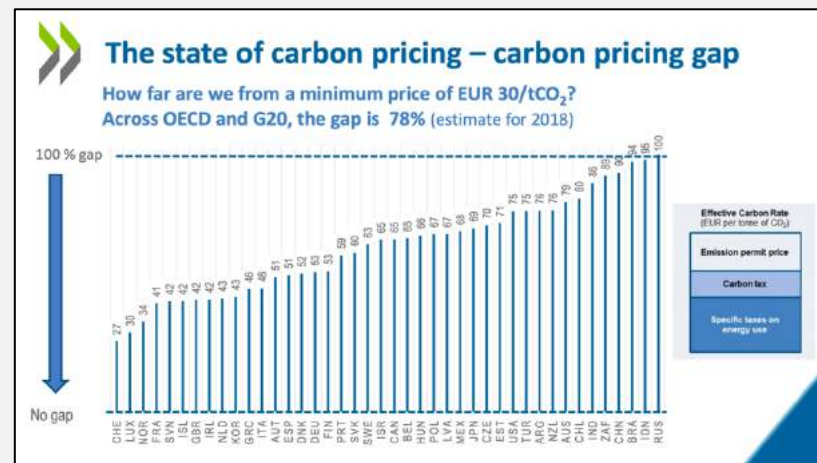
**Ueli Maurer**

*Finance Minister,  
Switzerland*

## Virtual Workshop on the Political Economy of Carbon Pricing Post COVID-19

June 22-23, 2020

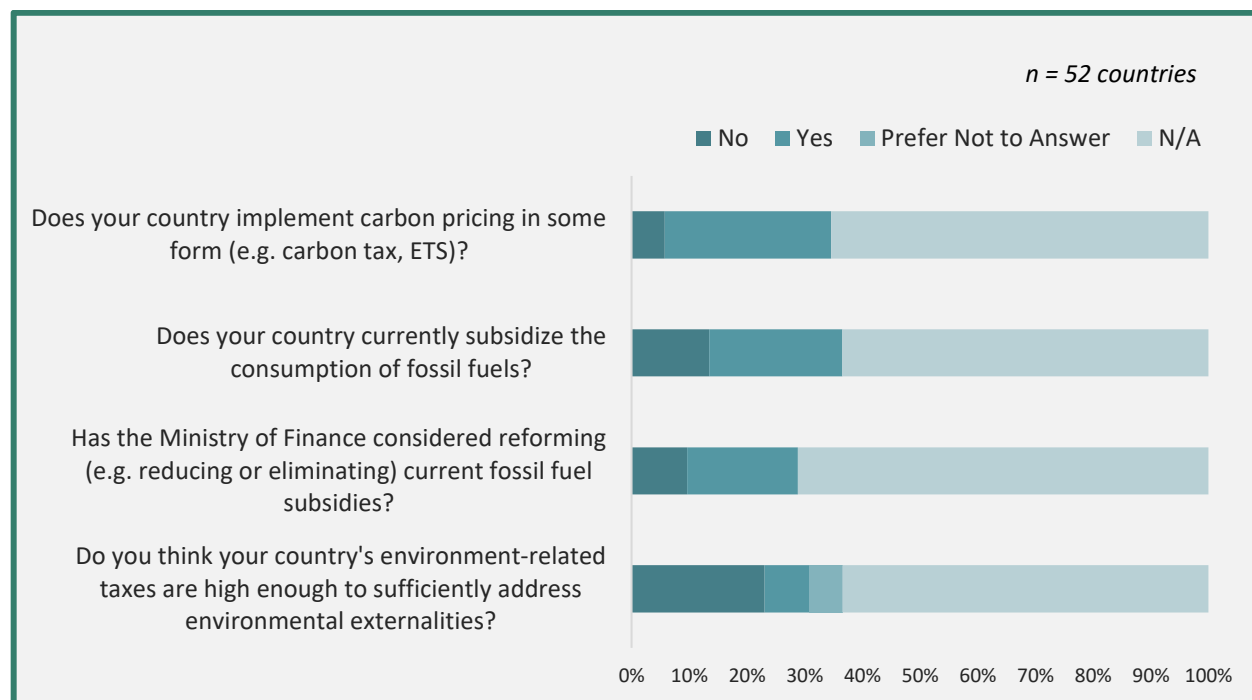
The workshop, delivered jointly by the OECD and the World Bank, discussed the key aspects of the political economy of carbon pricing reform post COVID-19. Technical design and environmental effectiveness issues were integrated into a political economy perspective, broken down into several broad categories, including carbon leakage and competitiveness, household incidence, and employment impacts. The workshop also considered the full set of carbon pricing tools against the background of the COVID-19 crisis, including, for example, fuel and carbon taxes, emissions trading, fossil fuel subsidy reform, border carbon adjustments, carbon contracts-for-difference, consumption charges and feebates. The objective was to go beyond principles and identify concrete options for meaningful reform in the challenging economic situation during and after COVID-19.



The survey among Members to identify the state of play and key challenges indicates that countries recognize that environmental taxes are not sufficiently high to address environmental externalities, and about 65 percent of respondents have fossil fuel subsidies. Still, about 60 percent of respondents have some form of carbon taxation in place and are considering reforms on subsidies or carbon taxation. Key motivations behind these considerations are revenue savings or a reduction of carbon emissions. The main obstacles to introducing carbon pricing reforms are concerns about growth, employment, competitiveness, and the vulnerability of the poorest. Making progress towards effective carbon pricing will also be aided by addressing critical methodological and capacity gaps.



## Country Responses for Survey on Helsinki Principle 3



## Helsinki Principle 4

*Take climate change into account in macroeconomic policy, fiscal planning, budgeting, public investment management, and procurement practices*

Under Helsinki Principle 4, Institutional Partners and member countries recognize that further research and guidance needs to be developed such that both mitigation and adaptation are taken into account in a wide range of institutional contexts. Toolkits and knowledge products are currently being developed with applicability across all member countries while taking regional and country-specific technical limitations into consideration.

Issues Notes covering climate-smart public investment management and emerging expenditure tagging and classification methodologies were presented during the Fourth Sherpas Meeting in Abidjan, Côte d'Ivoire, in

February 2020. An introductory presentation covering the PEFA Secretariat's new PEFA Climate Module was also presented in Abidjan. An analysis of current climate change expenditure tagging methodologies was undertaken by the World Bank and will feed into further guidance by Institutional Partners later this year.

## Workshops under Helsinki Principle 4

### Joint OECD Virtual Green Budgeting Workshop

*March 17, 2020*

This was the third OECD Paris Collaborative on Green Budgeting Expert Group Meeting and the first Workshop of the Coalition of Finance Ministers on Climate Action on Helsinki Principle 4. The UNDP, OECD, World Bank/, MF and other partners are developing guidance on climate budget tagging to integrate climate change into the budget planning process. This is key because it was part of the request made by the Co-Chairs to seek consistency in different methodologies.

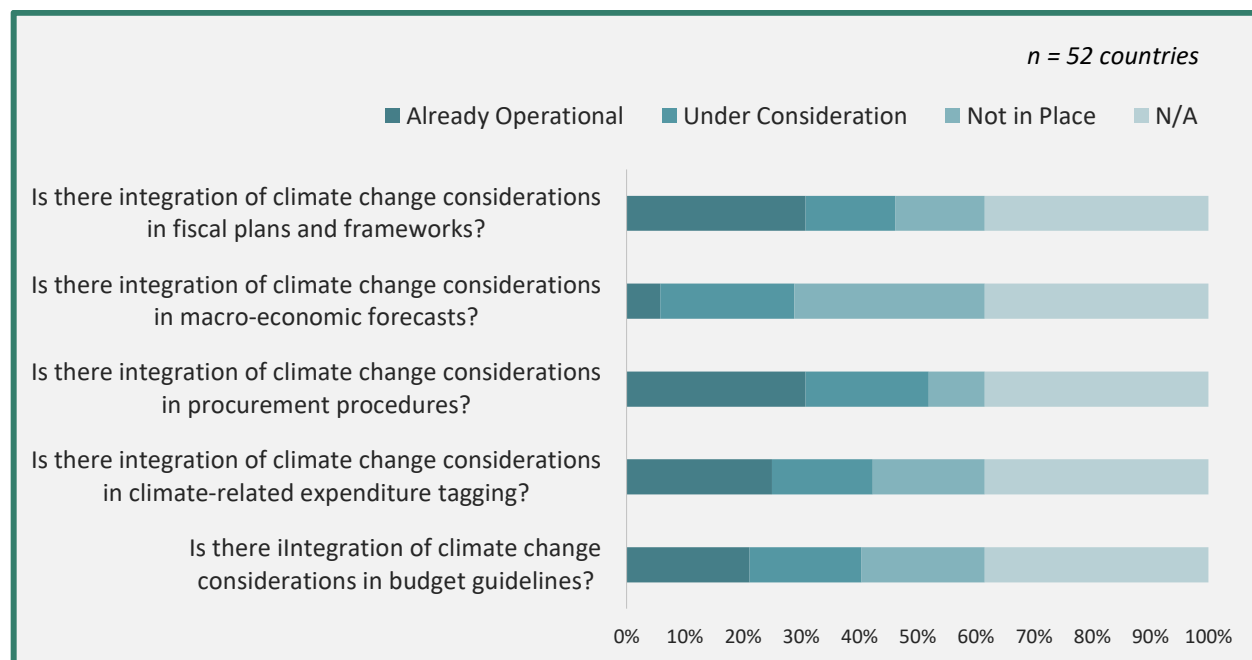
### PEFA Climate Module Webinar

*May 28, 2020*

The PEFA Secretariat led a webinar highlighting its new Climate Module (PEFA Climate) for assessing how well public financial management systems can support the implementation of government climate change policies. The webinar was co-organized with the World Bank team working on Helsinki Principle 4 and was attended by 165 participants, including 89 Coalition members. The PEFA Secretariat plans to pilot PEFA Climate in the coming months.

The survey results under Helsinki Principle 4 show that progress is being made in mainstreaming climate change in economic planning, with many of the highlighted initiatives being considered, developed, trialed, or put into practice. In some areas, such as economic forecasting, the work has just begun. Continued methodological work of the Members and Institutional Partners will be crucial to further mainstreaming.

## Country Responses for Survey on Helsinki Principle 4



## Helsinki Principle 5

*Mobilize private sources of climate finance by facilitating investments and the development of a financial sector which supports climate mitigation and adaptation*

The goal under Helsinki Principle 5 is to develop tools for mobilizing private sector financing, share experiences, support international standard setting, and share best practice among Members.

### Workshops under Helsinki Principle 5

#### Workshop on Climate Related Financial Disclosure

*June 10, 2020*

This was the first workshop organized under Helsinki Principle 5 and provided an overview on the development of the Taskforce on



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Within its first year, the Coalition of Finance Ministers for Climate Action has become an important player in supporting international climate policy-making as described in the Helsinki Principles. For Germany as the current holder of the Presidency of the Council of the European Union, building consensus in the EU on the EU Commission's proposals for the implementation of the European Green Deal and strengthening international climate-policy cooperation are top priorities.

In the current pandemic, the Coalition has proven a valuable forum for analysis and exchange of views on how to support a better recovery. Restoring growth while ensuring sustainability are also guiding principles of the German stimulus package. We are looking forward to continuing the work in the Coalition to adequately and effectively address the challenges that climate change poses to all of us.

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**Olaf Scholz**

*Federal Minister of  
Finance,  
Germany*

Climate-related Financial Disclosures (TCFD) framework. The workshop aimed to: i) further build Members' understanding of climate-related financial disclosure; ii) identify a range of approaches to the implementation of disclosure requirements; and iii) enable a discussion on political issues and lay the ground for a potential further technical-level discussion later in the year.

### **Workshop on Financial Preparedness Against Disasters in the Time of COVID-19**

*June 18, 2020*

Members that are vulnerable to tropical cyclones and other natural disasters are facing significant challenges, given the toll that COVID-19 has taken on disaster response budgets and economies. The World Bank Crisis and Disaster Risk Finance team presented considerations and tools for financial decision makers to mitigate and manage possible compound shocks. The Philippines presented its experience building resilience to disasters in the time of COVID-19. Additionally, Indonesia, Colombia, Fiji, and Jamaica gave brief remarks on their own experiences.

### **Workshop on Green Taxonomies**

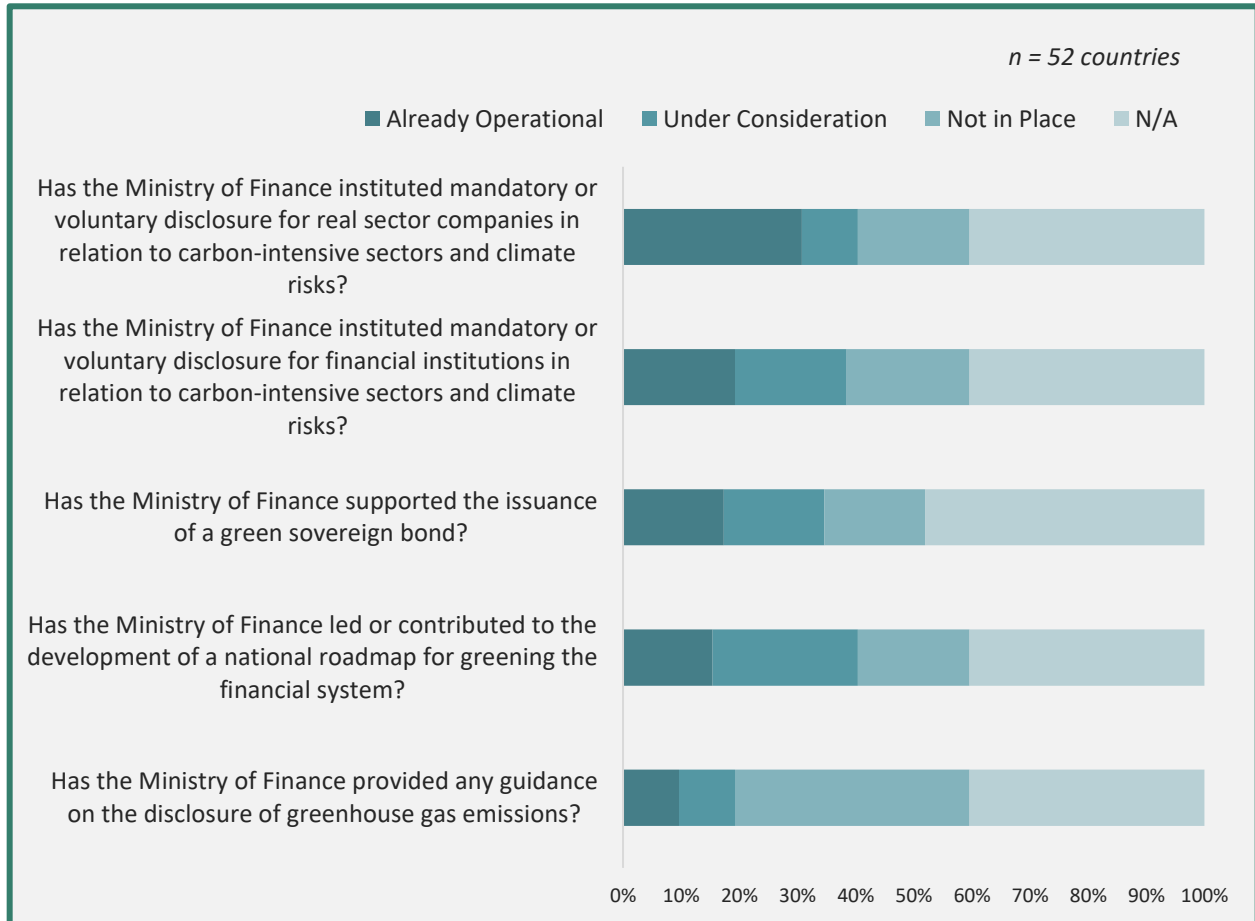
*June 29, 2020*

Green taxonomies are becoming an increasingly popular policy tool for classifying economic activities according to their contribution to national sustainability goals. The International Platform on Sustainable Finance (IPSF) was launched in 2019 to facilitate exchange of good practices on taxonomy development and implementation, as well as underpin dialogue on harmonization. The OECD is an observer to the IPSF and presented the results from its research mapping taxonomies across five jurisdictions. Additionally, the IFC gave an overview of green taxonomy development in emerging markets and developing countries and the European Commission spoke about its experience designing and implementing a green taxonomy. Representatives from Indonesia and Argentina acted as discussants.

Survey results show that, in many key areas, such as instituting mandatory disclosure in relation to carbon-intensive sectors and climate risks, policy measures are not in place for about half of respondents. In other areas, such as green bonds or developing national roadmaps, policies are in place

or being considered. Progress over time will be measured in terms of uptake compared with the baseline survey results, showing implementation of relevant policies by Members.

### Country Responses for Survey on Helsinki Principle 5



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We live in a world of increasingly unpredictable and complex shocks and as such, building resilience, underpinned by robust risk management, is critical. The Coalition of Finance Ministers for Climate Action provides an important platform for Finance Ministries to understand their role in managing risk and building resilience. As a member of the Coalition, Jamaica will continue to advance climate efforts with determination, agility and in collaboration with international partners.

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**Nigel Clarke**

*Minister of Finance and  
the Public Service,  
Jamaica*

## Helsinki Principle 6

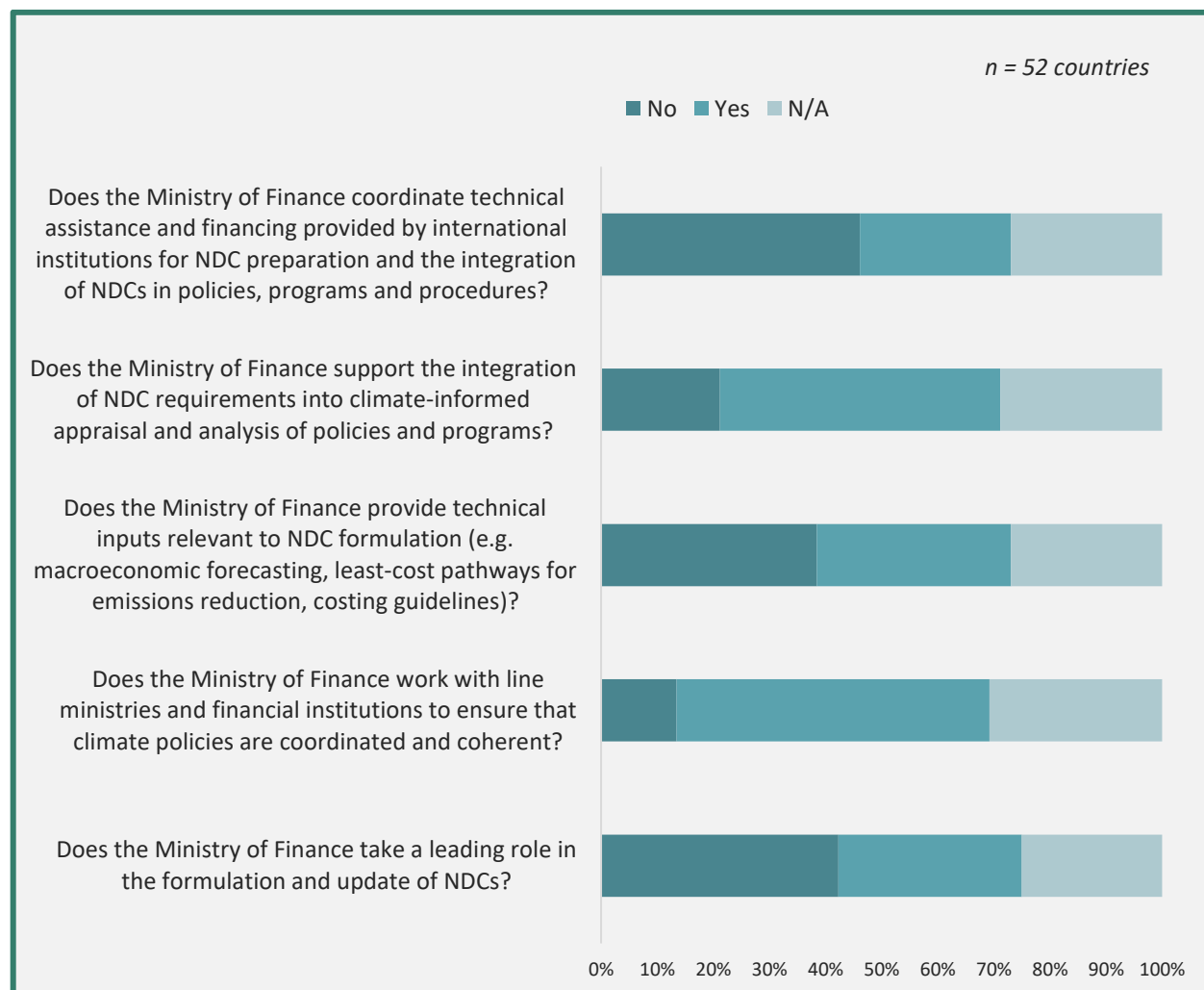
*Engage actively in the domestic preparation and implementation of Nationally Determined Contributions (NDCs) submitted under the Paris Agreement.*

Members are exchanging experiences and developing guidelines related to their role in NDC planning, implementation, and review. Ministries of Finance are playing an important role in the inter-ministerial coordination to update or communicate the NDCs, which can be updated at any time. However, the Paris Agreement currently assumes a 5-year cycle, with each new submission expected to be more ambitious than the previous one.

Responsibility for NDC development and implementation can vary widely across countries, but mostly fall under environment ministries. In practice, Ministries of Finance have traditionally been less directly involved in these activities, a point made clear by the survey results of Coalition Members. With 39 countries completing the survey, more than half indicate that their Ministries of Finance do not coordinate technical assistance and financing in support of NDC development and integration, nor provide technical inputs for NDC formulation or take a leading role. The surveys indicate that Ministries of Finance do support integration of NDC requirements into policy formulation, and efforts to ensure that climate policies are coherent and coordinated. Progress over time would translate into a greater share of affirmative responses to these key questions.



## Country Responses for Survey on Helsinki Principle 6



This year, 2020, is crucial as countries are to submit NDCs demonstrating scaled up ambition. It is against this background that the Working Group for this Principle under the leadership of Jamaica and Uganda, with contributions from Chile, Colombia, Ireland and Philippines, and support from the NDC Partnership Support Unit and the World Bank prepared the report, [Ministries of Finance and Nationally Determined Contributions – Stepping Up for Climate Action](#). Released in July 2020, the report shares knowledge and experiences on how Ministries of Finance can support the development and mainstreaming of NDCs to achieve the goals of the 2015 Paris Agreement. Key findings from the report include:

- Ministry of Finance leadership and coordination strengthens the realization of socio-economic and climate benefits.

- Ministries of Finance can help design an achievable NDC by supporting reliable costing and macroeconomic assessments of climate interventions, as well as NDC feasibility within macro-fiscal constraints.
- Ministries of Finance are in a unique position to assess how public financial management (PFM) laws and regulations will affect NDC implementation and for institutionalizing NDCs into national PFM systems.
- Ministries of Finance can pursue a variety of entry points along the PFM cycle and phased approaches to suit their economic situation. Ministry of Finance engagement is an iterative process and countries have been ‘learning by doing’, assisted by interagency collaboration, peer learning, and international support.

Moving forward, the Helsinki Principle 6 workstream will continue to assess and share experiences on the role of Ministries of Finance in the revision and implementation of NDCs and the use of NDCs to inform climate-sensitive COVID-19 response measures.

## Workshops under Helsinki Principle 6

### Workshop on The Role of Ministers of Finance in NDC Development, Review and Implementation

August 19, 2020

The Coalition together with the NDC Partnership hosted a virtual workshop to disseminate the results of the *Ministries of Finance and Nationally Determined Contributions – Stepping Up for Climate Action* report. Opening remarks were delivered by the Finance Ministers and Sherpas from country champions, Jamaica and Uganda, followed by a panel of country experts.



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The ultimate goal of the Coalition of Finance Ministers for Climate Action to mainstream climate issues into economic policy makes it a fundamental player in shaping policy agendas in the years to come. The sharing of best practices between countries and institutions is much needed considering the enormity of the challenge that lies ahead in the task of tackling climate change.

Spain has been very supportive with the work of the Coalition, actively participating since its creation. In this respect, we were keen to host the Coalition’s ministerial meeting during the COP-25 held in Madrid.

In today’s economic context, the Coalition’s work has become ever more relevant. The work structured around the six Helsinki Principles, adapted to the current situation which demands a more flexible and urgent response, will certainly prove essential in the design of recovery packages with which to restore growth potential on a sustainable basis. Further on, we will continue to offer our unwavering support to the Coalition and contribute to consolidate its growing influence.

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**Nadia Calviño**

*Third Vice-President of the Government and  
Minister for the Economy and Digital Transformation,  
Spain*





An aerial photograph of a vast solar farm. The solar panels are arranged in long, parallel rows, creating a strong sense of perspective. The panels are a deep blue color, and the ground between them is a mix of brown and green, suggesting a semi-arid environment. In the center of the image, there is a small, rectangular concrete structure, possibly a water reservoir or a maintenance building, surrounded by a small pool of water. The overall scene is one of large-scale industrial agriculture.

Present Challenges &  
New Opportunities

# Section 4



## The Impact of COVID-19

The immediate impacts of the Coronavirus outbreak led to the suspension of all travel and physical meetings after mid-March 2020. Consequently, the benefits of technology in our work become clearer. Weekly virtual meetings were initiated at the Sherpas level.

The use of the virtual workshops and meetings provided all Members and Institutional Partners the opportunity to participate and engage effectively, and the Coalition to work more efficiently. Indeed, working remotely enables all Members and Institutional Partners to participate, and reduced our carbon footprint. We are planning all our meetings through August 2020 as virtual events.

The pandemic will significantly affect the economic and fiscal situations in our countries and will have important implications for our short-, medium- and long-term growth, employment, debt, and emissions trajectories. In the immediate period, the COVID crisis is multilayered, involving health shocks, domestic lockdowns, plummeting consumer demand, smaller global trade flows, collapsing commodity prices and financial volatility. As a result, we expect the world economy to substantially contract this year. In fact, the IMF, in its [April 2020 World Economic Outlook](#), stated that, “it is very likely that this year the global economy will experience its worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago.” (IMF 2020)

It has also pushed climate issues into the background, at least for the moment. Yet the pandemic could also raise understanding of the need to take collective action to improve the balance of human activity with nature, and to take policy measures accordingly.

### Designing Economic Policies in the Aftermath of COVID-19

Member countries will need to design and implement recovery strategies after the acute phase of the pandemic is over. Since Members have set climate goals as key policy priorities, the Coalition aims to help Members in the design of recovery policies that enable inclusive, sustainable, low-carbon, and climate-resilient growth. The design of such policies will take place in a much more challenging financial and economic environment.

In this spirit, the Coalition initiated work to analyze the implications of the COVID-19 crisis on the Coalition’s work agenda and how economic climate policies can yield the best results for the recovery phase, taking into account different circumstances while sharing the goal of a transition to a more inclusive and low-carbon sustainable growth. We are grateful to the

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The Ministries of Finance have an important role to play in securing budgetary resources and mobilizing private capital to fight climate change in the upcoming years. We should aim to finance new investments through innovative instruments and vehicles.

An example of such an innovative instrument is the recently issued SDG Sovereign Bond that Mexico launched in September. This new instrument will enable Mexico’s Ministry of Finance to mobilize private sector capital into projects that support the broad 2030 Agenda. Moreover, it will give the opportunity to the Ministry of Finance to report back to investors how their money is spent and what developmental impact is achieved. This new bond reaffirms Mexico’s commitment to sustainable finance.

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**Arturo Herrera**

*Minister of Finance and  
Public Credit,  
Mexico*

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I call on the coalition to work closely together to recalibrate and strengthen our approach to financial cooperation. Our policies must be targeted towards enhancing each country's fiscal position to withstand future shocks. At the same time, they should help shape our societies toward greater resilience and inclusiveness.

Unlike COVID-19, for which a vaccine will likely be produced soon, there is no quick solution for the climate crisis. We need to act now with the same sense of urgency that we have for the ongoing pandemic.

With our stronger collaboration, I am confident that we can build back better economies that future generations deserve.

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**Carlos G. Dominguez**

*Secretary of Finance,  
the Philippines*

Grantham Research Institute for leading the preparation of a report, [Better Recovery, Better World: Resetting Climate Action in the Aftermath of the COVID-19 Pandemic](#), focusing on the implications of the pandemic on long-term growth strategies, with inputs from the IMF, OECD, World Bank and World Resources Institute. This insightful and far-reaching work articulates policy options for the post-pandemic world.

## The Coalition in International Climate Discussions

The Coalition's role as a new initiative and its efforts in climate discussions have been impactful in international climate discussions. As climate change is a multilayered challenge, and one of the Coalition's aims is to avoid duplication of efforts, the Coalition seeks to engage in international climate work in ways that support the realization of the Helsinki Principles, and as such is collaborating closely with other coalitions and international organizations. Co-Chairs have been invited to speak at several high-level conferences and contribute to workstreams regarding finance and climate change, such as at the Petersburg Climate Dialogue.

## Outlook

The Coalition will continue to work in accordance with the Helsinki Principles and Santiago Action Plan, and will seek to maintain momentum in an uncertain and distressed economic and fiscal environment. Besides the long-term goal of mainstreaming, the Coalition must be able to support Members in dealing with climate-related economic policy challenges in a responsive manner. The Coalition will set in motion the implementation of a new governance structure and work arrangements. A key objective is to organize work streams in a way that will enable all Member countries to engage actively, with the support of Institutional Partners. We will continue to work virtually, as much as possible, in the post-COVID-19 world.





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The Coalition of Finance Ministers for Climate Action is a key forum for sharing knowledge and experiences on how economic and financial policies can contribute to reaching climate goals. We, as Economy and Finance Ministers, have to make ecological transition the cornerstone of all our decisions. For the first time in October 2020, the French government released a “green budget” tagging government expenditures according to their climate and environmental impact. This complements French green sovereign bond emissions and climate-related risk disclosure for companies.

Choosing between climate action and economic growth is not an option. The post-Covid 19 recovery is an opportunity to accelerate the transition towards a low-carbon and resilient economy. This is why the first pillar of France’s recovery plan is the green transition of the economy, with 30% of investments targeting innovation in green hydrogen, energy savings for buildings, industry decarbonation, green mobility and agroecology.

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**Bruno Le Maire**

*Minister for Economy, Finance and Recovery,  
France*



