

## COP28/CFMCA Summary Note

### Role of Finance Ministers in mobilizing public and private climate finance

Finance Ministers play a critical role in driving progress toward the Paris Agreement commitments. The Coalition of Finance Ministers for Climate Action (the Coalition) can support the task of Ministers and Ministries of Finance via strengthening their institutional capacities, increasing interaction among Ministers and Ministries, enhancing international collaboration, and lifting collective climate action.

#### 1. Introduction

A significant increase in climate investment, both public and private, is needed to successfully limit global temperature rise to 1.5°C. While meeting Paris agreement targets requires estimated \$5 trillion per year globally between 2030 and 2050, or 5 percent of global GDP<sup>1</sup>, efforts to dramatically increase climate and nature investments remain far too slow. This need for increased funding is particularly acute in emerging markets and developing countries (EMDCs).

Climate finance mobilization has been a central topic for the Coalition, reflected in its work program and its **Climate Action Statement**. Understanding and strengthening the role of Ministers of Finance in developing fiscal policies to facilitate climate investments, designing mechanisms to scale-up green finance and committing to green the financial system, greening public investments and improving coordination between ministries, have been central to the Coalition’s work programs since its inception in 2019. Moreover, the Coalition published its first Climate Action Statement at the 10<sup>th</sup> Ministerial Meeting in Marrakech in October 2023. This statement describes over 170 forward-looking actions that the Coalition’s members will undertake in their countries in 2024 to increase public and private climate action and financing. When implemented, these actions will have a true impact on the real economy.

#### 2. Impact of member actions

Ministries of Finance have levers of influence that are impactful in mobilizing public and private climate finance. In particular, Coalition members are undertaking the following actions:

Many Coalition members increasingly focus on spearheading innovative climate- and nature-related financing mechanisms. This entails promoting and developing green government loans and green, sustainability, and natural disaster bonds; insurance products and credit guarantees, including deepening coordination with multilateral development banks and developing innovative blended and concessional finance mechanisms through public-private partnerships, and green subsidies and tax incentives. These actions would result in an increase of the volume of climate projects outside of advanced economies and would address the high country and project risks of both mitigation and adaptation investments, and nature-based solutions.

Many Ministries of Finance are also showing leadership in helping establish a strong climate information architecture to further improve investment decision-making and risk pricing, as well as preventing “greenwashing” in the Climate Action Statement. Many of the Coalition’s members are taking concrete policy actions to establish climate-related disclosure standards for the whole economy, develop climate finance taxonomies, and conduct climate-related financial risk assessments. Often facilitated by public-private

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<sup>1</sup> Boehm, S., L. Jeffery, J. Hecke, C. Schumer, J. Jaeger, C. Fyson, K. Levin, A. Nilsson, S. Naimoli, E. Daly, J. Thwaites, K. Lebling, R. Waite, J. Collis, M. Sims, N. Singh, E. Grier, W. Lamb, S. Castellanos, A. Lee, M. Geffray, R. Santo, M. Balehegn, M. Petroni, and M. Masterson. 2023. State of Climate Action 2023. Berlin and Cologne, Germany, San Francisco, CA, and Washington, DC: Bezos Earth Fund, Climate Action Tracker, Climate Analytics, ClimateWorks Foundation, NewClimate Institute, the United Nations Climate Change High-Level Champions, and World Resources Institute. <https://doi.org/10.46830/wrirpt.23.00010>. United Nations Environment Programme (2023). Emissions Gap Report 2023: Broken Record – Temperatures hit new highs, yet world fails to cut emissions (again). Nairobi.

committees, these discussions chart the way for both mandatory and voluntary implementation, ensuring transparency and adherence to global standards.

**Members also recognize that increasing public finance is especially crucial in areas where private finance is insufficient for the pace and speed necessary.** This is important in the areas of public services and infrastructure; research, development and commercialization of new technologies; and reaching underserved and/or marginalized groups. This is why many members take further actions to green their budgeting, public investment management and public procurement as noted in the Climate Action Statement. Moreover, to inform policy decision-making and shape policy outcomes, several members have already planned to incorporate climate risks and opportunities into their macroeconomic models, analytical tools, and budgetary forecasts. Early, targeted and large-scale public investments in both climate and nature can also play a vital role in catalyzing and mobilizing shifts in the private sector.

**Beyond financing, Coalition members focus on policy tools such as carbon pricing to help attract private sector capital toward climate opportunities.** This would help generate incentives for private investment in low-carbon projects, promote a more transparent market and allow investors to make informed decisions in different markets. Recognizing the broad benefits, several Ministries of Finance are moving towards implementing these measures, including by establishing broad consultations, to fast-track their countries' access to financing for shift to low-carbon economies, using tools like carbon taxes, emissions trading systems, or hybrid forms. Due to concerns about equality and social impact of the green transition, there remains a pressing need for international collaboration and exchange on best policy practices tailored to diverse contexts, which the Coalition is at the forefront of.

### 3. COP28 Ministerial Meeting

**Climate finance mobilization was the theme of Coalition's COP28 Ministerial Meeting.** The Coalition meeting commenced with a panel session led by the Independent High-Level Expert Group, highlighting the current state of economic transformation. Upon reflection, the deficiency in investments, particularly within the context of the Global Stock Take, becomes evident. This prompts inquiries into crucial areas warranting increased focus, such as energy transition and adaptation. We have specific figures delineating the sectors and geographic regions that require dedicated attention. Developing countries are faced with a significant demand for a comprehensive investment flow of \$2.4 trillion annually.

**The Ministerial level discussion was useful in sharing experiences and helping inform the Coalition's upcoming 2024-2025 work program, along with the reinforcement of partnerships.** Members explored various strategies to boost public finance mobilization, including implementing sustainable finance policies, developing green economy fiscal plans, and integrating carbon pricing—despite fiscal constraints. In terms of attracting private sector finance, a range of approaches were emphasized, encompassing support for foreign direct investment, bond issuance, and the implementation of sustainable finance frameworks. Attendees discussed the imperative to shift the paradigm regarding the utilization of financial tools as incentives. At COP28, the Coalition has reinforced its collaboration with the NDC Partnership, by announcing close cooperation to offer support to Ministries of Finance from EMDCs members in the process of enhancing Nationally Determined Contributions (NDCs) and Long-Term Strategies (LTSs) for low-emission development ahead of the UNFCCC's next updating deadline in 2025. Ministries of Finance can play a key role in the NDCs, integrating the macroeconomic perspective and aligning climate and development planning.

The Co-Chairs of the Coalition ask the Secretariat in cooperation with the Institutional Partners to continue support the Coalition's member countries with the capacity challenges and take forward these issues using the Coalition platform and its 2024-2025 work program. The Co-Chairs will process members' inputs and propose the strategic work program and enhanced working modalities for the Coalition at the start of 2024.