

## Co-Chairs' Meeting Summary

### 8<sup>th</sup> Ministerial Meeting of The Coalition of Finance Ministers for Climate Action

**October 12, 2022**

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The Coalition of Finance Ministers for Climate Action gathered in-person for our 8<sup>th</sup> Ministerial Meeting on October 12, 2022, chaired jointly by Annika Saarikko, Minister of Finance of Finland, and Sri Mulyani Indrawati, Minister of Finance of Indonesia.

The Coalition continues to grow and now includes 78 Member countries—representing 39% of global carbon emissions and 66% of global GDP<sup>1</sup>—and 25 Institutional Partners.

We are convening at a time when the global economic outlook is uncertain: the recovery of the global economy has slowed and is facing a major setback as a result of Russia's unprovoked invasion and war against Ukraine, and the increasing frequency and cost of natural disasters adds further economic uncertainty. Members of the Coalition acknowledge the potential risk of backsliding on our climate goals under pressure from current macroeconomic challenges. Even so, we continue to view concerted and accelerated climate action as essential, and stress the need to move forward with the climate transition as part of our inclusive growth strategies while striving to cushion the economic impact on the most vulnerable.

For this reason, we focused our attention on the economic and financial aspects of the green transition<sup>2</sup>; discussing ideas for effective policy approaches and sharing experiences with overcoming transition-related challenges. It is vital that our short-term policy responses to current pressures are aligned with long-term sustainable growth strategies as well as strategies to address climate change.

Considering the significant contribution of the energy sector to global greenhouse gas emissions, it is of particular importance that we speed up the transition toward cleaner energy, while also managing the current energy and food crises and challenging economic and fiscal circumstances globally. The current crisis shows our vulnerability to fossil fuel dependence and reminds us of the urgent need to take climate action. Finance Ministers have a key role to play in supporting the green transition—including the energy transition—while considering country-specific circumstances.

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<sup>1</sup> Based on IMF and World Bank 2020 data

<sup>2</sup> Green transition encompasses four elements, as defined by Coalition Members: (i) economic, fiscal, and financial sustainability; (ii) a just energy transition that ensures energy access, affordability, and security, while pursuing the 1.5-degree objective; (iii) accelerating progress on adaptation and resilience; and (iv) protecting and restoring natural capital, including biodiversity protection.

Reaching the goals of the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, as well as implementing our COP26 commitments, will require a comprehensive approach. Accordingly, our policy mix toward carbon neutrality and net zero greenhouse gas emissions should include a full range of fiscal, market, and regulatory mechanisms. Such tools may include, where appropriate, green budgeting, carbon pricing mechanisms and incentives, well-designed expenditure and subsidy policies, regulatory policies, targeted public investment, and measures to incentivize investments in low-carbon technologies. Taking into account the cross-border nature of green transition-related issues, such as energy markets, the design of policies at the national level will benefit greatly from regional and international exchanges.

Investment and private finance will play a central role in the transition, and as such we need to continue to strengthen the enabling environment to further catalyze the involvement of our private sector partners. To this end, the development of a financial system able to support the whole-of-economy transition and that is also resilient to climate and nature-related risks is crucial, as is the coordinated and strategic involvement of international financial institutions, multilateral development banks, regulatory bodies, and other financial partners.

The importance of addressing climate adaptation challenges in the context of the green transition was also underlined, as was the need to enhance awareness and understanding of nature-related risks and dependencies, and their impacts on our economies. We welcomed the enhanced engagement of the Coalition to deepen countries' understanding of the macroeconomic and financial impacts of climate change—and of policies designed to tackle it.

The obstacles we face in achieving an orderly, just, and inclusive transition are varied and multifaceted. Countries face different challenges depending on their national circumstances, including a lack of long term and affordable financing options (particularly for low- and middle-income countries), lack of access to green technologies, challenges in accessing renewable sources of energy, unaddressed market failures, the lack of comprehensive and comparable climate-related data, and poverty, inequality and just transition challenges. As such, our chosen policy mixes will differ. Even so, by sharing and learning from each other in global fora such as the Coalition of Finance Ministers for Climate Action, our policymaking will be stronger, better informed, and more coordinated.

The Coalition continues to benefit from the technical expertise of its Institutional Partners, and from the daily support provided by the Secretariat, co-hosted by the World Bank and IMF. The Coalition welcomes enhanced collaboration with the OECD and the Network for Greening the Financial System, and is increasing its knowledge network with a variety of multilateral development banks and research institutes. The Coalition will also foster collaboration with the G20 to develop further work on climate economics under the 2023 G20 Indian Presidency.

The Coalition will actively support and contribute to global efforts at COP27 in Sharm el-Sheikh in November 2022. Following a successful COP26 meeting in Glasgow in 2021, the Coalition welcomes the efforts of the UNFCCC's COP Presidency to deepen the involvement of Finance Ministries in COP climate discussions, as well as efforts to incorporate economic, fiscal, and financial matters in the design of global climate policies in a durable way.

We believe that achieving climate goals efficiently and effectively will require well-designed economic, fiscal, and financial policies and investments, as well as close collaboration with other Ministries—especially Ministries of Environment and Ministries of Development—and the further development of capabilities and analytical tools within our Ministries. The Coalition is well-placed to support the efforts of Finance Ministries to integrate climate priorities into economic policies and, more broadly, to support the climate efforts of our member countries as well as global efforts. We look forward to regular and deeper engagement in these discussions.

Overall, we are pleased the Coalition is gaining momentum and increasing its membership. To keep apace of this growth, it will be important to further develop governance structures, as well as our capacity to act efficiently. We are grateful to the World Bank and the IMF for the plans to develop the Coalition's Secretariat functions further.

As Finland's term as Co-Chair reaches the maximum four years in April 2023, the Coalition agreed that the Netherlands will take over the role for an initial two-year term from April 2023 until April 2025. The Coalition further agreed that Indonesia's term as Co-Chair will be extended by one year, from April 2023 until 2024.