



Planet Budapest 2021 Summit: Leaders for a New World

**Keynote remarks by Mathias Cormann
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President Janos Ader,

President Duda

Excellencies, colleagues,

Thank you for inviting me.

I will focus this morning on climate change.

Our planet urgently needs more ambitious, more effective and globally more coherent and better coordinated action on climate change.

Recent momentum with more and more countries committing to the global net zero emissions by 2050 target is encouraging.

But in the end it is real action securing real outcomes, not just commitments that will matter.

As the recent UNFCCC report shows, the current level of ambition, let alone actual effort, as set out in Nationally

Determined Contributions, is not nearly enough for the world to reach Net-Zero Emissions by 2050.

Tackling climate change effectively and efficiently requires shared responsibility and stronger, globally better coordinated action.

We need a lifting of ambition and effort around the world in a way that is effective and fair.

Effective in that efforts in individual jurisdictions help reduce global emissions rather than just shift emissions into other parts of the world where for the same level of output they may even be higher.

Fair in that every country carries an appropriate, proportionate and verifiable share of the burden.

And the fact is that at this point we do not have sufficient details on how countries aim to achieve their announced targets on mitigation, adaptation, and financing.

There are a range of different levers governments can use to maximise their emissions reduction outcomes.

We have to recognise and embrace the fact, as the Paris Agreement does, that different countries, facing different circumstances, will pursue different combinations of climate measures.

However, we need much better data, to track, measure, report, compare and over time better coordinate globally more coherent climate action efforts.

The OECD's International Programme for Action on Climate (IPAC) will help participating countries better track and assess their progress against commitments and help improve their climate action plans through targeted policy advice and comparable indicators that are complementary to the UN Framework Convention on Climate Change (UNFCCC).

Our Climate Action Monitor, launched at COP26 and to be released annually, provides a digest of country progress towards climate objectives and alignment with the Paris Agreement goals.

It reviews key developments and highlights areas for further policy action.

It also showcases best practice examples of climate policies, and overall, strengthens transparency of climate action.

If we are to stay on track to achieve our 2030 objectives and ultimately, our global net zero by 2050 objective, then countries will have to reduce emissions or limit their increase

to a much larger extent over the next 10 years than they have done over the past 30 years.

In particular, the Climate Action Monitor points to five cross-cutting challenges, drawing also on wider OECD analysis.

First, carbon is unevenly and insufficiently priced.

About 50% of carbon emissions from energy use in OECD and G20 countries remained entirely unpriced in 2021.

The 44 OECD and G20 countries analysed still have 80% of the way to go to reach the pricing benchmark needed to move towards a low-carbon economy.

Second, many policies still support carbon-intensive investment, production, and consumption.

OECD and Partner economies provided around USD 183 billion worth of subsidies for fossil fuels in 2020. With government recovery packages and the gradual re-opening of the global economy driving up energy prices, it is expected that overall fossil fuel support will rise again.

Third, green budgeting is not yet sufficiently adopted to allow for fiscal policy to effectively support climate action.

Less than half of 39 countries studied by the OECD were identified as having green budgeting practices in place, while nine plan to introduce some of these practices.

Fourth, climate policies within countries remain fragmented and often misaligned.

Most governments have yet to operationalise their 2030 targets into whole-of-economy strategies.

Then, fifth, there is insufficient support for innovation.

Research, Design & Development spending, while on the rise in some countries, remains unsatisfactory, considering that almost 50% of CO₂ emissions reductions are anticipated to come from technologies currently in the prototype phase.

Securing a globally coherent properly globally coordinated approach to climate change – in particular in relation to the appropriate pricing of emissions – has proven difficult.

The challenge is to ensure the level of ambition and effort in individual jurisdictions can be lifted to the level required, while maintaining a global level playing field, avoiding counterproductive trade distortions carbon leakage and maintaining public support for ambitious and effective climate policies over the long run.

Building on the successful experience of the Inclusive Framework on International Tax Reform, we have suggested an appropriately comprehensive multilateral process to help facilitate, over time, an appropriately ambitious, multilaterally agreed, internationally more coherent and

globally better-coordinated approach to the pricing of emissions.

Recognising the diversity of policy approaches to cater for a diversity of circumstances around the world, our aim should be to create an objectively comparable basis to assess and report on equivalency of effort using different policy levers to reduce emissions - taking into account both explicit and implicit carbon pricing efforts around the world.

Regular transparent reporting of effort, cost and impact using different policy approaches from explicit to implicit carbon

pricing will help inform better decisions and, over time, an internationally more coherent approach.

This approach would complement not seek to substitute for other initiatives to address the risk of trade distortions and carbon leakage. Rather, it can and should be pursued in parallel of other relevant measures designed to address the same negative spillover risks.

We must also find ways to unlock the trillions of private investment needed for effective climate action around the world.

This must involve making all finance flows climate-aligned, transforming the financial system to better incorporate long-term climate risks and opportunities.

Around USD 40 trillion in assets has been subject to some form of Environmental, Social and Governance (ESG) assessment.

Yet, our recent research has found that scores from major ESG ratings providers lacked legitimate consistency and links with environmental outcomes.

Some current portfolios could score well on environmental metrics while having a higher carbon footprint than existing market benchmarks.

Greater transparency, convergence and clarity among transition finance taxonomies and approaches are also needed to help build robust markets for low-carbon transitional finance while avoiding market fragmentation and greenwashing.

The OECD will advance a policy framework to integrate ESG factors which support a net-zero transition, including developing definitions, principles, and due diligence guidance for transition finance and the climate alignment of finance by 2022.

Finally, the climate challenge is global, but it is at the regional, national, and subnational levels that policies are designed and implemented.

For example, cities account for more than 70% of energy-related CO₂ emissions and two-thirds of energy demand. Without ambitious climate action, these shares are expected to increase significantly over the coming decades.

Resource efficiency and circular economy principles need to be mainstreamed in domestic policies while taking into account the specifics of different national contexts.

The OECD is delighted to be working with the government of Hungary to scale-up the use of nature-based solutions by municipalities and to help identify policy reforms and support municipalities in accessing funding for green infrastructure.

We must find better ways to get countries around the world to work together in fighting climate change and protecting the environment.

Through the OECD hosted GREEN Action Taskforce, Visegrad countries have shared valuable experience on strengthening environmental regulation and supporting other Eastern European countries, the Caucasus and Central Asia in improving their environmental performance.

We look forward to continue strengthening this collaboration to promote a successful green transition in these regions, with a renewed focus on climate.

Thank you.