

OECD Secretary-General Report to G20 Finance Ministers and Central Bank Governors on the work of the Inclusive Forum on Carbon Mitigation Approaches

Morocco, October 2023



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The **Inclusive Forum on Carbon Mitigation Approaches**¹ is the OECD's flagship initiative to help optimise the global impact of emissions reduction efforts around the world through better data and information sharing, evidence-based mutual learning and better mutual understanding, and inclusive multilateral dialogue. By taking stock of different carbon mitigation approaches, mapping policies to the emissions they cover, and estimating their comparative impact in terms of emissions reductions, the IFCMA is enhancing understanding of the comparative impact of the full spectrum of carbon mitigation approaches deployed around the world and their combined global impact.

The IFCMA allows its members to:

- Showcase and track progress with climate change mitigation policies;
- Access a wealth of information on climate-relevant policies and learn from other countries' experiences;
- Share expertise on, and improve capacity to evaluate the effect of, emissions mitigation policies;
- Actively shape the initiative to ensure it most effectively serves the interests of the membership;
- Enhance international collaboration on climate policies to support positive crossborder spillover opportunities, minimise negative spillover risks and optimise the global emissions reduction impact of carbon mitigation approaches in individual jurisdictions.

¹ <https://oe.cd/ifcma>

Introduction

I am pleased to report on developments since the official launch of the Inclusive Forum on Carbon Mitigation Approaches (IFCMA) in February 2023 and my most recent report to G20 Leaders, issued last month. The 9-10 February launch meeting brought together over 600 senior officials from 104 countries and several international organisations to set out the broad direction for the IFCMA's work to take stock of different carbon mitigation approaches and estimate their impact on greenhouse gas emissions. Delegates from the climate, tax and structural economic policy communities discussed the direction for the work in the terms of reference and governance arrangements for the IFCMA – including the principle of ensuring all IFCMA members have an equal say at the table – and initiated discussion on a range of substantive questions raised by the proposed technical work as set out in the boxes below.

Stocktaking & mapping of policies

- Develop and apply a **standardised typology** to enable **systematic stocktake** of mitigation and mitigation-relevant policies of IFCMA countries in a single database
- **Map policies to their emissions base** to identify the share of greenhouse gas emissions they cover
- **Complement and support** the work undertaken under the **UNFCCC / Paris Agreement** with improved comparability of policies

Estimating the impacts of policies on emissions

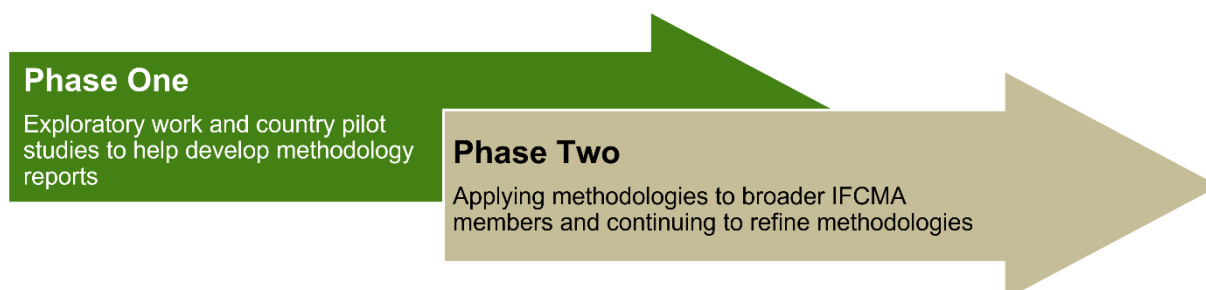
- Develop and apply a consistent methodological approach to **estimate the effects of policy instruments and policy packages** on greenhouse gas emissions
- Work with country experts to **couple country-specific sectoral models with economy-wide models** to develop robust estimates
- Undertake a comprehensive and systematic review of **ex-post empirical evidence** on the effects of mitigation policies on emissions

Exploring methodologies for computing carbon intensity of goods and sectors

- Survey methodologies using **sector, installation, and product-level data**
- **Review challenges** faced by firms in **collecting and verifying supply chain data**
- Explore issues related to **data variability**; and
- Consider **the role of governments in supporting measurement and use of carbon intensity metrics**, whilst **minimising trade frictions and disproportionate costs** for firms.

Eight months on, the first phase of the IFCMA's ambitious technical work is under way. The initial 30 months (Phase One) are primarily focused on **developing and refining the methodologies for the IFCMA's work through four to six country pilot studies, developing a first version of the stocktake and mapping database, and further exploratory work, with first deliverables on specific**

methodological issues to be released over the coming months. The goal of the pilot studies is to draw lessons on how to approach the stocktake, mapping and effectiveness estimates in ways that can be scaled up to the broader IFCMA membership in Phase Two. In addition, a draft scoping note exploring methodologies for computing sector and product level carbon intensity metrics and the challenges faced by firms that seek to calculate them was circulated to IFCMA delegates at the end of last month for comment. The final scoping note will be released later this year.



In June 2023, over 400 technical-level delegates came together to advance this work at the first technical-level meeting of the IFCMA. Delegates discussed methodological approaches proposed by the Secretariat for stocktaking market- and non-market-based policies and mapping them to the emissions they cover, including the IFCMA's detailed data collection strategy. Delegates also considered technical challenges related to the work to estimate effects of individual policies or policy packages on emissions as well as broader economic impacts, including the questions of how to link sectoral and economy-wide models and how to design modelling scenarios. Finally, delegates advanced discussion on the scope of the IFCMA's currently envisaged work to explore methodologies for computing carbon intensity of sectors and products.

The June meeting prepared the ground for the selection and initiation of the country pilot studies and discussed a draft work plan for the IFCMA, elaborating on next steps for the IFCMA's technical work. A broad range of countries has submitted constructive feedback on the work plan, suggesting topics for the inclusive multilateral dialogue, highlighting their interest to be closely engaged in the development of the technical work via informal, intersessional working groups, and proposing options to further expand the work on carbon intensities, among other feedback. The revised work plan is in the process of being endorsed by technical-level IFCMA delegates for submission to senior-level IFCMA delegates for final approval.

The first session of the IFCMA's inclusive multilateral dialogue will take place at the 14-15 November meeting of the IFCMA in Paris. Member-driven, the dialogue is designed to support the IFCMA's primary objective to optimise the global impact of individual jurisdictions' emission mitigation efforts and help ensure that individual country efforts do not shift emissions to other parts of the world. Following discussions in the IFCMA Steering Group last month on the topics suggested by members, the first session of the inclusive multilateral dialogue will focus on sharing experiences with designing and implementing mitigation policy strategies, and will allow an initial exchange between countries on how to channel finance to optimise carbon mitigation outcomes, links with mitigation policy design and implementation, and the potential role of information and insights from the IFCMA. IFCMA member and invitee delegates will also advance the technical work by discussing progress on the IFCMA databases, country experience with domestic modelling approaches and selected technical modelling issues at that meeting.

Membership and partnerships

Since its launch, the IFCMA has welcomed 56 members, comprising thirteen G20 countries including Argentina and South Africa, the European Union, and five G20 invitees (Mauritius, the Netherlands, Nigeria, Singapore and Spain). Productive discussions are ongoing with many more countries, including other G20 countries currently participating as invitees. Several of these countries are well advanced in their cross-ministerial approval processes to formally join and we hope to welcome more countries as IFCMA members in the coming months. Insights and perspectives from as broad a range of countries as possible are essential to shape the IFCMA's work in a way that is globally relevant and reflects the full spectrum of country contexts.

IFCMA members as of 1 October 2023

1. Argentina	16. Finland	31. Malta	46. Slovenia
2. Australia	17. France	32. Mauritius	47. South Africa
3. Austria	18. Germany	33. Mexico	48. South Korea
4. Belgium	19. Greece	34. Monaco	49. Spain
5. Bulgaria	20. Hungary	35. Netherlands	50. Sweden
6. Cameroon	21. Iceland	36. New Zealand	51. Switzerland
7. Canada	22. Ireland	37. Nigeria	52. Türkiye
8. Chile	23. Israel	38. Norway	53. United Kingdom
9. Croatia	24. Italy	39. Peru	54. United States
10. Czech Republic	25. Jamaica	40. Philippines	55. Uruguay
11. Colombia	26. Japan	41. Poland	56. Zambia
12. Costa Rica	27. Kazakhstan	42. Portugal	
13. Denmark	28. Latvia	43. Romania	
14. Estonia	29. Lithuania	44. Singapore	
15. European Union	30. Luxembourg	45. Slovakia	

The IFCMA is working with key international organisations, including the United Nations Framework Convention on Climate Change (UNFCCC), World Trade Organisation, World Bank Group, International Monetary Fund, and International Energy Agency, to build synergies and avoid duplication of efforts. The consistent and comparable information being generated by the IFCMA can contribute to important international efforts, especially those under the UNFCCC and the Paris Agreement, and can support dialogue in the G20. This year, initial work developed under the IFCMA has informed debate across the G20 Indian Presidency's priorities, including those on the macroeconomic impact of climate change and transition pathways (under the Framework Working Group), on transition finance in emerging market economies (under the Sustainable Finance Working Group) and on green development (under Development Working Group and at Sherpa level).

The UNFCCC Secretariat strongly supports the IFCMA and has recognised its potential to contribute to the Enhanced Transparency Framework, Global Stocktake and Mitigation Work Programme under the Paris Agreement, and support countries design and implement more ambitious Nationally Determined Contributions. In recognition of this potential, the IFCMA and UNFCCC Secretariats are organising a high-level event on 3 December at COP28 in Dubai on the links between the IFCMA and the UNFCCC and Paris Agreement, and how best to exploit synergies. Beyond the UNFCCC, several existing datasets,

reports, and analyses from other organisations have been identified as useful inputs for the IFCMA. Discussions continue on how best to build on them.

I believe the IFCMA has great potential to contribute to more coherent and better co-ordinated approaches to global mitigation efforts, including in the G20. The IFCMA's work can continue to support the discussions ongoing in several G20 working groups, including in the Finance Track, and G20 initiatives to support cross-cutting, international collaboration on climate change. It can help enhance connections across work streams and policy communities. Following the G20's successful co-operation and leadership in the area of international taxation, I invite G20 Finance Ministers and Central Bank Governors to support G20 members taking an active role in this landmark climate initiative as formal IFCMA members. This report provides further detail on the IFCMA's technical work and forthcoming deliverables to accompany that invitation.

Developing methodologies for the IFCMA's technical work

The first phase of the IFCMA's work is focused on developing methodologies for the stocktaking and mapping of policies as well as for estimating their effects on emissions, primarily through country pilot studies. The idea is to deliver a first full version of the database and methodology-related reports by the end of 2025, on how the IFCMA's work can be applied to the diverse range of IFCMA member countries in a coherent and systematic way in a second project phase.

The IFCMA will undertake four to six country pilot studies to support the development of the methodologies and inform discussion among delegates. These pilot studies will serve as the testing ground for various methodological approaches and help to:

- **Identify and address potential challenges, as well as good practices;**
- **Explore ways to scale methodologies to the wider IFCMA membership,** taking into account potential data and resource limitations that some countries may face; and
- **Converge towards a set of methodological options that is relevant for a wide set of countries** while taking into account their economic development, emission profile, and mitigation policy approaches.

The selection of the country pilot studies is being made on a rolling basis in consultation with the IFCMA membership based on set criteria outlined in the box below. The criteria seek to ensure that the IFCMA's diverse membership is reflected in the pilot country selection. Discussions are at an advanced stage for pilot studies of Chile and Switzerland in the first instance.

Selection criteria for pilot studies:

- Regional diversity;
- Sectoral and policy diversity;
- Diversity of the level of economic development to support approaches to the development of the reference scenario and adapt to different policy settings;
- Diversity of the availability of country data and modelling capacity;
- Potential to inform development and scale-up of methodological approaches, in light of both previously selected pilot studies and country-specific characteristics; and
- At least one federal country since these could present additional data challenges.

In parallel, IFCMA delegates are advancing work on specific methodological options and challenges. The June 2023 meeting was a first opportunity to discuss a range of methodological issues, technical challenges and possible solutions in greater detail, including those in the boxes below.

Stocktaking & mapping of policies

- **Delegates discussed the scope of the stocktaking exercise**, focusing on which policies and policy attributes the IFCMA database should cover, while limiting reporting burden for member countries.
- **Delegates welcomed the proposed approach to mapping policies to their emissions base** and discussed concrete examples of this approach for the transport sector. This work will help determine the share of greenhouse gases a policy covers and enables policy makers to assess to what extent a policy can affect emissions in a certain sector.
- **Delegates explored how the IFCMA can build on existing databases**, both within the OECD and beyond, to avoid duplication and guide development of an integrated IFCMA database.

Estimating the impacts of policies on emissions

- **Delegates discussed the approach to link sectoral and economy-wide models to provide robust estimates on the effects of policies on greenhouse gas emissions.** Delegates welcomed this approach and shared experience from domestic efforts.
- **Delegates explored ways in which the modelling work can be conducted in different countries and across IFCMA members, including in the context of capacity constraints.** For the pilot studies the Secretariat will develop tailored and flexible approaches to conduct the technical work in the most feasible way, including working methods for countries where there are significant data or modelling capacity constraints.
- **Delegates discussed scenario design (i.e. time horizons, geographical domain, overall scope) for the modelling exercise.**

Carbon intensity

The IFCMA is also exploring methodologies for computing sector and product level carbon intensity metrics and the challenges faced by firms that seek to calculate them, and will report on these efforts in 2024.

The development and use of sector and product level carbon intensity metrics play an important role in supporting the transition to net zero, particularly for the industry sector. Sector and product level carbon intensity metrics can be useful in designing, implementing and evaluating mitigation policies and can provide crucial information to steer firms' and consumers' decisions towards low-carbon products, thus supporting the development of the global market for low-carbon goods.

The IFCMA will produce a report outlining the challenges that have inhibited the development and widespread use of sector and product level carbon intensity metrics to date, including heterogeneity in methodological approaches to computing carbon intensity, challenges in collecting and verifying data across supply chains, and data variability. It will also explore how governments might support the widespread calculation and use of carbon intensity metrics, whilst minimising trade frictions and disproportionate costs for firms, including through international coordination and cooperation. A first discussion on this work took place at the June meeting, where **delegates welcomed the proposed approach to the report and suggested significant expansion of its scope in the future.**

Building on a scoping paper shared with IFCMA delegates last month and to be discussed at the meeting on 14-15 November 2023, a **first report on the carbon intensity work is expected to be finalised by the IFCMA in 2024**. Based on this report, **IFCMA members may consider further work to support the international discussions on carbon intensity**.

Ex-post empirical evidence on the effects of mitigation policies on emissions

The IFCMA will undertake a **systematic and comprehensive review of existing literature on empirical evidence on the effects of climate change mitigation or mitigation-relevant policies on GHG emissions**.

This work will enable a comprehensive assessment of key parameters, including the expected impact of policies on emissions, information on the stringency and coverage of policy instruments, specific evidence on the responsiveness of emissions to policy changes (elasticities), and other relevant information.

The review can inform the design of the ex-ante modelling of the impact of policies on emissions and complement evidence based on ex-ante models. This work will **be delivered in the second half of 2024**, with regular progress updates in the interim.

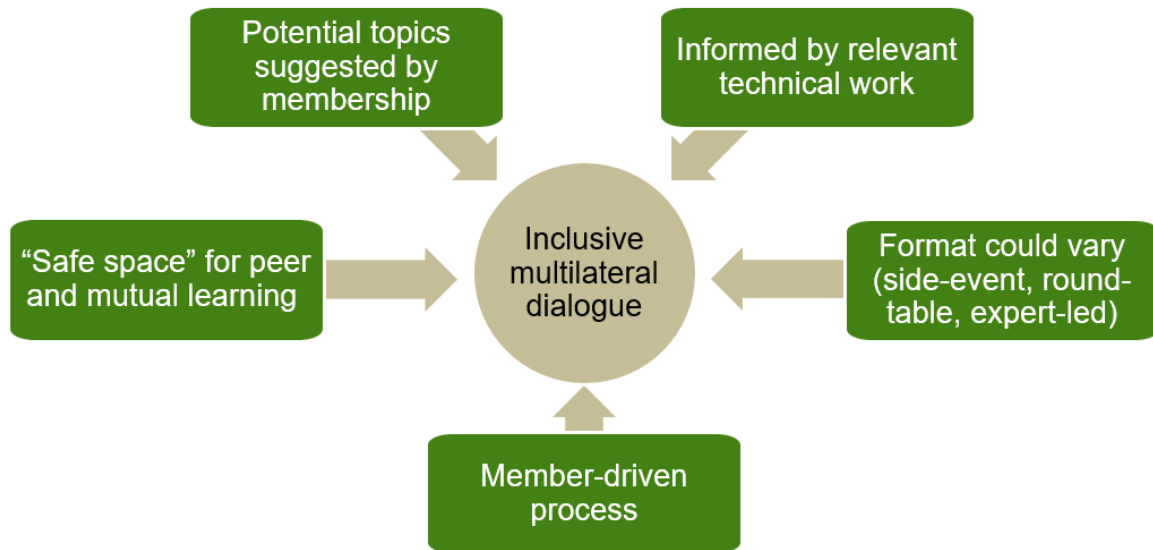
Inclusive multilateral dialogue

As a “safe space” for peer exchange and mutual learning, the inclusive multilateral dialogue – to hold its first session during the meeting on 14-15 November 2023 – will enable countries to consider a wide range of climate change issues in a non-negotiation setting. The IFCMA does not seek to set standards or “rank” countries.

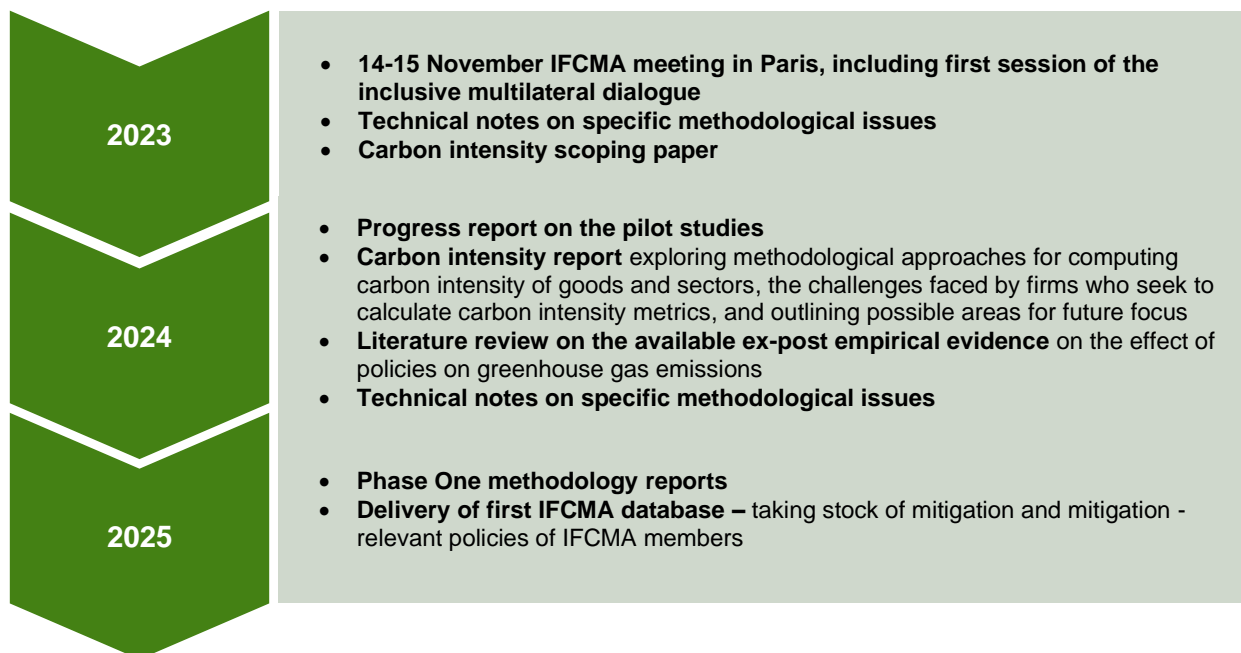
The inclusive multilateral dialogue selects issues for discussion using a member-driven process. At the 19-20 June meeting, members **suggested a number of topics**:

- Experiences with domestic modelling efforts;
- Experiences with policy design of price-based and non-price-based policies;
- The intersection of IFCMA work with climate investments and technological development;
- Differences in national statistical systems and building capacity to address data gaps; and
- International spill-over effects of mitigation policies.

Taking members' suggestions into account, the Steering Group has decided to organise future discussions around four main pillars, including mitigation policy design and implementation, technical capacity and enabling conditions, international spill-overs, and other topics. For the first session of the inclusive multilateral dialogue in November, the IFCMA's Steering Group has proposed a two-part focus bridging across the first two pillars (experiences with designing and implementing mitigation policy strategies; how to channel finance to optimise carbon mitigation outcomes). It is foreseen that the dialogue may also take the form of topical roundtable discussions, technical workshops, and/or country or expert-led structured discussions, depending on the needs and interests of IFCMA members. The dialogue may be informed by the outputs of the technical work when they become available, to discern best practices, further support evidence-based mutual learning, and inform policy decisions.



Next steps



Phase Two: Applying the stocktaking, mapping and work to estimate the impacts of policies on emissions to all IFCMA members and continuing to refine methodologies



For more information:



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<https://oe.cd/ifcma>

