

OECD Secretary-General Report to G20 Leaders on the Establishment of the Inclusive Forum on Carbon Mitigation Approaches

Indonesia, November 2022

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Dear G20 Leaders,

In recent years, you have discussed the possibility of coordinating on climate mitigation measures, as G20 countries account for around 80% of greenhouse gas emissions and, without coordination, the diversity of mitigation policies adopted by countries on the basis of their individual level of development and circumstances may result in negative spillovers.

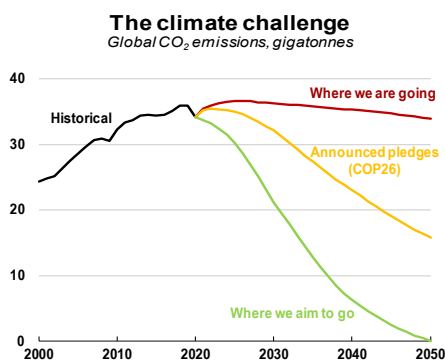
In Venice last year, under the Italian G20 Presidency, your Finance Ministers and Central Bank Governors agreed that closer international co-ordination on climate action could help achieve common goals and better inform your discussions on effective, nationally-determined policy mixes to shape just and orderly transitions to sustainable and inclusive economies, taking into account national circumstances.

One year on, the OECD launched the Inclusive Forum on Carbon Mitigation Approaches (IFCMA), which aims for the **participation** of a diverse set of countries – developed, emerging and developing – on an equal footing.

Inclusive Forum on Carbon Mitigation Approaches

In the transition to greener economies and to enable countries to meet ambitious emissions reduction targets, there is a need for greater multilateral dialogue, informed and facilitated by technical and objective analysis. This will help ensure that carbon mitigation efforts are effective and avoid negative international spillovers, such as carbon leakage.

To date, there is no global, comprehensive and systematic international analysis of policies to address climate change in terms of their effectiveness. Recognising the centrality of the UNFCCC negotiations, the



Source: IEA World Energy Outlook 2021

IFCMA will support Paris Agreement goals by fostering exchange among countries, facilitating easier access to systematic data and analysis to support better understanding of the combined effect of diverse policy approaches and enabling countries to share their climate change mitigation policy experiences.

By improving mutual understanding of the expected impact of a full range of policy approaches to reduce emissions, the IFCMA will help governments to enhance national actions, including under Nationally Determined Contributions (NDCs), taking into account their different starting points and circumstances.

Connecting key experts and policy communities

The IFCMA will bring three key policy communities, working on climate, tax and structural economic policy, together for the first time. This is reflected in the OECD **multidisciplinary support** for the project, to be carried out across the OECD's Economics Department, Environment Directorate and Centre for Tax Policy and Administration, and in recognition that effective climate mitigation requires a whole-of-government response.

“Countries may rely on a mix of policy instruments to reduce greenhouse gas emissions and may achieve their climate objectives with different speed and trajectories, taking into account national specificities, differing degrees of technological development, different availability of resources needed to finance the green transition. At the same time, Ministers acknowledged the importance of enhanced international cooperation to avoid potential spillovers stemming from unilateral approaches.”

Summary of the G20 High Level Symposium on Tax Policy and Climate Change
Italian Presidency, 9 July 2021

The IFCMA will involve the **equal footing participation of OECD member and non-member countries**. This approach was used in successful initiatives in international tax spearheaded by the G20, including the OECD/G20 Inclusive Framework on BEPS (over 135 members) and the Global Forum on Transparency and Exchange of Information (over 160 members). The OECD has an established track record with both of these initiatives in ensuring the equal footing involvement of developing and emerging

Every country has a different starting point and faces different circumstances and likely impacts of climate change. This leads to a legitimate diversity of climate mitigation approaches among countries in pursuit of the same global objective of achieving carbon neutrality.

countries in decision-making and steering the work programme. For instance, the majority of the members of the Global Forum are developing countries. Over one-third of the membership of the Inclusive Framework on BEPS is comprised of low or middle income countries that are not members of the OECD or G20 and are not considered financial centres. In the Inclusive Framework on BEPS, a developing country Co-Chair also helps to amplify the voices of developing countries, and half of the Steering Group comprises developing country representation. Similarly, the IFCMA will be centred on the equal footing involvement of a diverse range of countries.

Multilateral dialogue informed by systematic technical analysis to support carbon mitigation efforts

The IFCMA will undertake technical and objective analyses of the effectiveness of the range of climate change mitigation policies across countries at different stages of development. The initiative will not serve as a standard-setting body, as an alternate venue for negotiations, nor will it “rank” countries. The IFCMA will support the existing UNFCCC multilateral process by developing a rigorous assessment of cross-country and country-level mitigation policies by taking stock of price-based and non-price-based climate change mitigation policies and assessing the impact of different policy approaches on greenhouse-gas emissions.

The work of the IFCMA will be carried out in close co-ordination with other relevant international organisations to exploit synergies and avoid duplication, including the UN, IMF, World Bank and IEA, by collecting data, developing tools and providing results in consultation with country experts. The IFCMA will also build on the work of other fora such as the Coalition of Finance Ministers for Climate Action and existing OECD initiatives such as the International Programme for Action on Climate.

How will it work?

The main aim of the work is to build a database of mitigation policy approaches and to estimate their effectiveness in terms of emissions reductions. Over time, this approach could form the basis for a more rigorous assessment of the cost-effectiveness of different policy approaches.

The proposed substantive elements of the IFCMA will take place through the following modules:

Module I: Stocktaking & mapping of mitigation policies

- A **typology** will enable a **stocktaking** and **classification** of mitigation policies
- Policies will be **mapped** to the emissions base to identify **the share of emissions** they cover
- **Improved comparability** of policies will **complement** and support work undertaken by the UNFCCC

Module II: Assessing the impacts of policies on emissions

- Review methods for **assessing effectiveness** and apply a **common approach** across countries
- **Assess effectiveness** of individual policies or policy packages in reducing emissions
- Explore **methodologies** for measuring **carbon intensity** of goods or sectors

As the IFCMA now gets under way, I sincerely hope that G20 countries will join and I look forward to welcoming you to the **first meeting of the IFCMA in Paris in February 2023**.

