2024 Climate Action Statement
Coalition of Finance Ministers for Climate Action
12th Ministerial Meeting, Washington D.C., 23 October 2024

Five years ago, the Coalition of Finance Ministers for Climate Action ('Coalition') was founded to enable peer learning and knowledge sharing between finance ministers on the economic, fiscal and financial policy levers in the global response to climate change. As a Coalition, we acknowledge that the climate crisis has evolved beyond being merely an environmental and social concern; it is also a serious economic challenge. Climate risks pose serious threats to our macroeconomic resilience, financial stability and debt sustainability. Through the Coalition, finance ministers have been able to better understand their role in addressing the climate crisis, and the Coalition has increasingly focused on making an impact on the ground, by supporting its members in taking climate policy actions inspired and informed by their peers. The Climate Action Statement represents tangible progress on policies designed by ministries of finance to combat climate change within their role, as well as forward-looking intended policies of our members.

In 2023, the Coalition launched its first Climate Action Statement, in which more than 40 members shared over 180 climate actions they were undertaking. This year, over 60 members shared nearly 500 climate actions[1]. Based on these efforts by member countries, this year's ministerial meetings, the Coalition's first-ever regional convenings, and technical deliberations, we jointly present this year's Climate Action Statement. In this statement, we identify key climate action trends by finance ministries around the world and chart the path for scaling up these critical efforts.

Enhancing climate policy coordination and strategic economic planning

The Coalition's finance ministries have more than doubled their actions related to coordination and strategy, reflecting a strong push towards developing and enhancing comprehensive climate strategies and improving alignment between economic and climate policies. The upcoming deadline to submit new Nationally Determined Contributions (NDCs) presents a unique opportunity for further engagement of finance ministries in national climate plans. In previous iterations of NDCs, engagement of finance ministries was limited; only about a quarter of finance ministries were involved according to Coalition analysis.[2]

To develop investable, ambitious and implementable NDCs, it is critical that finance ministries are actively engaged from the start, and that ministries that hold main responsibility for climate plans include and coordinate closely with finance ministries. Finance ministries can help design ambitious and investment-ready NDCs, while integrating climate targets in national development and transition plans, aligning with long-term low-emission development strategies (LT-LEDS), and backing these with coordinated investment plans or country platforms.

Across all regions, many members are stepping up actions to ensure public and private spending aligns with NDCs and broader climate goals, primarily by mainstreaming climate into the budget cycle, using green budgeting practices, and setting up dedicated climate units or committees. Members recognize that successful NDC implementation requires solutions tailored to each country's unique circumstances, capacities, and priorities. Finance ministries have various options to engage

1 The number of member actions has increased by 154% for strategy and coordination, 171% for green finance, 136% for carbon pricing and fossil fuel subsidies, 114% for macroeconomic policies, and 88% for disclosure, taxonomy, and reporting.

2 CFMCA, Survey among Member Countries, 2022.

effectively in the climate policy process, and the Coalition, the NDC Partnership, and other partners remain ready to provide support for these efforts.

Scaling up green finance

Members' climate actions related to green finance have increased more than two-fold, indicating a growing commitment to mobilize public financial resources and create the conditions to foster the mobilization of private financial resources for sustainable investments. The introduction of new actions dedicated to ensuring a green and just transition further reflects an emerging focus on the social dimensions of climate policy. Ministries of finance can play a crucial role in accelerating the transition by supporting the adoption of transition plans and strategies, setting up country platforms, designing policies and incentives that support transition financing, adopting robust identification of transition activities, and supporting climate reporting.

As member countries confront limited fiscal space and high debt levels amid complex climate-related fiscal risks, members from all regions are developing green, sustainability-linked, transition and/or disaster-related bonds and green taxonomies to mobilize private capital. Across the Asia-Pacific, countries are leveraging public-private partnerships such as through de-risking instruments. Members from different regions such as Latin America are developing green and sustainable taxonomies to guide investments towards green, transition and sustainable development objectives. Across Europe, members have established tax credits, loan guarantees and fiscal incentives to support the development of green technologies. Various African members are implementing climate tagging policies, deploying innovative financing mechanisms such as green bonds and debt-for-climate swaps, and focusing on domestic resource mobilization. Moreover, African members identified that national development banks can help leverage domestic savings; and with support from multilateral development banks through equity capital, senior debt, and guarantees can reduce risks and improve creditworthiness – further supporting the development of local currency bonds markets. Within the Coalition, we will continue to explore and engage in global discussions on innovative financing mechanisms to unlock climate finance at scale, including in collaboration with multilateral development banks.

Taking action on carbon pricing

Carbon pricing measures and phasing out of inefficient subsidies by members have intensified over the past year, highlighting a shift towards setting the right incentives for the private sector to reduce emissions, adopt new technologies, and mobilize green investments. Many members across the Asia-Pacific, Latin America, Africa and Europe are developing carbon pricing mechanisms, designing frameworks for carbon markets, introducing new carbon taxation plans, or strengthening existing carbon taxes or Emissions Trading Systems (ETS). Several members are also developing or implementing a carbon border adjustment mechanism.

Finance ministries play a central role in influencing the price of carbon emissions through fiscal policy instruments, such as emissions trading systems, taxes and redirecting inefficient subsidies. Pricing fossil fuel products efficiently, including with market-based methods, and phasing out or repurposing inefficient subsidies and fiscal incentives can be made part of a comprehensive policy package that is socially equitable, politically acceptable, fiscally and environmentally sound, and considering competitiveness. Country experiences highlight the need for a set of tailor-made policies, taking into consideration distributional impact, phased in over time, and effectively communicated to citizens, with public acceptability at their core.

Understanding and addressing macroeconomic climate and nature risks and financing gaps

Climate change and the transition to a low-carbon economy pose macro-critical risks to countries, including shocks to growth, employment, productivity, public debt, inflation, and trade. Finance ministries can provide sound economic analysis, of both climate-related risks and opportunities. Their analysis can inform the formulation of NDCs, LT-LEDS, National Adaptation Plans (NAPs) and their implementation and financing plans, thereby driving climate action. Members across different regions use modeling to integrate climate considerations in macroeconomic and fiscal policy frameworks, supporting better-informed decision-making. At the same time, there is widespread recognition among members of the need to further revamp economic analysis and modeling to enhance the core economic capabilities of finance ministries for climate leadership. This is why the Coalition, championed by its members, is undertaking cutting-edge work related to mainstreaming climate in macroeconomic modeling.

Through the Coalition, countries are also building an increased understanding of the macroeconomic risks and opportunities related to the transition, climate adaptation, as well as nature and biodiversity. In response, some finance ministries are adjusting economic, fiscal, and financial policies. This not only reduces risk, but investments in adaptation action can yield a triple dividend of avoiding economic losses, stimulating economic benefits, and promoting developmental co-benefits.[3] Several members in the Asia-Pacific and Africa are supporting the achievement of adaptation objectives by costing adaptation policies, and members across all regions are involved in the development of adaptation policies including NAPs as well as integrating adaptation objectives in NDCs. However, much work needs to be done to enhance inter-ministerial coordination and finance strategies for NAPs. Importantly, there remains a significant adaptation investment gap estimated at US$194-366 billion per year for developing countries,[4] and adaptation investments often remain uninteresting for international private investors. Several members are matching NDCs and NAPs with adaptation financing plans aiming to close this gap. Some members in the Asia-Pacific, Africa and Europe are further mobilizing finance for adaptation by auctioning blue and disaster risk bonds, whilst developing innovative insurance schemes with private sector stakeholders. Further work is needed to better understand fiscal challenges of climate change impacts, approaches to addressing barriers for attracting private adaptation finance, and opportunities for adaptation investment.

Moreover, about half of worldwide GDP (USD 44 trillion) depends on nature in some way,[5] making a clear economic case for nature and biodiversity protection. The UN Global Biodiversity Framework (GBF) aims to catalyze transformative action to halt and reverse biodiversity loss. Some members are integrating GBF targets and commitments in financial strategies, taxonomies and budgets, and several members in Africa and Asia-Pacific are mobilizing finance for nature through debt-for-nature swaps. In the Coalition, efforts continue on improving disclosure frameworks, access to more robust nature-related data using natural capital valuation tools for policy- and decision-making, and scaling nature financing through innovative financial instruments and addressing environmentally harmful subsidies.

Driving climate action by strengthening collaboration between ministries of finance globally

By fostering a platform for open dialogue and constructive knowledge exchange, the Coalition helps member countries adapt successful practices to their own contexts, thereby enhancing their policy effectiveness. Countries report capitalizing on the Coalition's support to better align their national policies with global climate goals as set out in the Paris Agreement, ensuring that climate considerations are systematically embedded in economic planning and budgeting processes.

3 Global Commission on Adaptation, Adapt Now: A Global Call for Leadership on Climate Resilience, 2019.
4 UNEP, Adaptation Gap Report, 2023.
5 WEF, Nature Risk Rising: Why the Crisis Engulfing Nature Matters for Business and the Economy, 2020.

The Coalition has also had an impact on the mobilization of climate finance, as several countries highlight how Coalition discussions have been linked to developing innovative financial instruments. Many member countries continue to report a need for technical assistance, capacity building, and practical examples from the Coalition. To effectively support these efforts, the Coalition and its partners are deploying a framework to help finance ministries assess and identify country-driven, context-based priority areas, and connect them with the requisite technical assistance to scale up their ongoing and new climate actions.

Accelerating the global economic transition and building resilience with the tools of finance ministries

The Coalition represents a highly diverse group of 90+ countries from all regions of the world working towards the same goal, while using our country-specific approaches and suitable actions. Our diversity is our strength, and we will continue sharing our experiences and encouraging others to take more action. The collective spirit of our forum embodies what is needed at this critical moment in time to tackle the climate crisis effectively. We welcome the call to action in the first Global Stocktake and we will continue to engage closely in the Finance Days of the upcoming COP16 UN Biodiversity Conference and the COP29 UN Climate Summit, the G20 Sustainable Finance Working Group and Climate Taskforce, as well as other relevant international and regional fora that are working towards the necessary global economic transition addressing climate and nature-related risks and leveraging economic opportunities.

In the coming year, we will continue to scale up our climate actions, including in the areas of climate policy coordination and strategic economic planning, innovative green finance and carbon pricing, and better understanding and addressing climate adaptation, just transition, and nature risks. We will continue implementing our 2024-2025 Work Program and undertake a strategic update in early 2025 based on guidance from members. Finally, we continue calling on our institutional and knowledge partners to use their technical expertise and financial resources to support this important community of finance ministers and ministries on taking efficient, effective, and affordable climate action.

For the detailed overview of member actions, please refer to the Annex for all country-specific information.