

THE COALITION OF FINANCE MINISTERS
FOR CLIMATE ACTION

Overview of the Santiago Action Plan for 2020

Madrid | December 9, 2019

The Helsinki Principles set out the key areas for policy engagement of the Coalition of Finance Ministers for Climate Action in support of the implementation of the Paris Agreement.¹ The Santiago Action Plan takes the next step by laying out the priority workstreams and deliverables for 2020 aimed at making progress on each of those principles. The Santiago Action Plan recognizes that a fundamental change is required to bring considerations of climate change into decision-making about economic and financial policies, and reflects Members' engagement to work actively towards common goals of mainstreaming climate change actions.

Transition Strategies Towards Low Carbon Emission and Climate Resilient Economies (Helsinki Principle 1)

Achieving low carbon and climate resilient economies by mid-century requires structural economic changes. Finance Ministries wield fiscal, economic, and planning instruments to facilitate a smooth trajectory of transition and are well positioned to play a lead role in the development of long-term transition strategies. Key actions and deliverables under Helsinki Principle 1 include:

- Reviewing the existing body of long-term transition strategies in select countries, providing comparative analysis of related challenges and opportunities, and delivering country case studies.
- Examining transition implications more broadly to cover the economic impacts and opportunities on citizens, businesses, and economies in order to help inform policy actions. The effort will benefit from ongoing work of Institutional Partners in mapping out the various policy instruments for decarbonization and adaptation that are relevant to Finance Ministries.

Finance Ministries' Roles and Capacities in Climate Policy (Helsinki Principle 2)

Co-chairs noted that enhanced efforts on climate change will require expertise and capacity development in Finance Ministries. Members will be invited to prepare written descriptions about the design, organization and exercise of climate policy (mitigation and adaptation/resilience), and the role of Finance Ministries in these arrangements. Key actions and deliverables under Helsinki Principle 2 include:

- Sharing national approaches and good practices to help Members develop their capacities and roles in policy-making, including in the Nationally Determined Contributions (NDC) processes.
- Reviewing practices, resources, and competencies representing different governance and organizational models.
- Working in collaboration with partners to leverage expertise and bridge the gap between Finance Ministries and those leading on climate action.

Carbon Pricing (Helsinki Principle 3)

Carbon pricing is one of the most important policy levers available to governments for achieving low carbon growth. Carbon pricing refers to measures that put a price on the emissions of carbon dioxide or other greenhouse gases (such as carbon taxes or charges, reduction or elimination of inefficient fossil fuel subsidies, emission trading systems, and other legal and regulatory policies that impact carbon prices). It can also incentivize emitters to reduce emissions by reducing energy use, increasing energy efficiency, or investing in low-carbon technologies. Both the coverage of existing carbon pricing policies – about 20 percent of global green house gas emissions – and prices are currently too low to reduce emissions in line with the Paris Agreement. By endorsing Principle 3, countries in the Coalition are working towards measures, including effective carbon price mechanisms, consistent with their countries’ emission reduction targets and in alignment with their NDCs, subject to their national circumstances.

Carbon pricing mechanisms are typically best implemented as part of wider environmental tax reforms, while being mindful of the distributional impacts and using the revenues to support development objectives. Key actions and deliverables under Helsinki Principle 3 include:

- Reviewing the current experience and state of play in carbon pricing, identifying key bottlenecks to achieving the necessary levels of carbon pricing, and developing policies that can be widely accepted and implemented.
- Increasing knowledge on the technical requirements for carbon pricing, including measurement, targeted compensation for vulnerable groups, carbon border adjustments, national and sub-national carbon taxation or charges, and mechanisms for coordinating carbon prices across countries.
- Developing toolkits that allow Finance Ministries to design and assess, adapted to their country context, the effects of carbon pricing reforms. Considering transition challenges and economic impacts so as to enable a better understanding of the benefits of carbon pricing, and ensuring that policies address political economy, distributional, and competitiveness concerns.

Climate Change in Macroeconomic Management and Public Finance (Helsinki Principle 4)

Mainstreaming climate change mitigation and adaptation policies in macro-fiscal and other relevant policy planning, budgeting, public investment management and public procurement is essential to avert the effects of climate change. Some countries have made progress in these areas, building on robust, evidence-based planning and financial management systems. Members are encouraged to share their experience and contribute to the development of tools that can be applied in other countries, including those with more limited capacity. Key actions and deliverables under Helsinki Principle 4 include:

- Developing tools to address knowledge and expertise gaps in macroeconomic forecasting and fiscal planning for climate change impacts, as well as disaster risk management, among others.
- Preparing toolkits and guides on whole of government approaches that integrate climate in the policy and budget process, such as green budgeting where appropriate, green procurement and climate-informed public investment management.
- Supporting macroeconomic and fiscal assessments of adaptation, resilience and mitigation policies, including NDCs.

Financial Sector Development that Underpins Mitigation and Adaptation (Helsinki Principle 5)

A financial sector that incorporates risks and opportunities resulting from climate change will enhance investment decisions and increase the flow of finance. Members can be instrumental in mobilizing private sources of finance toward climate action in their capacity as Finance Ministers, and by complementing Central Banks and market regulators. Mindful of the different stages of financial market development and positions of Members, key actions and deliverables under Helsinki Principle 5 include:

- Supporting the preparation of national financial strategies / roadmaps for greening finance.
- Exploring approaches to encourage financial institutions to align their practices with the NDCs and the goals of the Paris agreement.
- Sharing experience on the issuance of green bonds and use of other financial instruments.
- Identifying strategies to incorporate climate risks and opportunities into investment decisions, such as supporting global efforts for transparency and disclosure of climate-related financial risks and impacts, identifying risks to financial stability posed by climate change, and considering ways to manage these risks. Institutional Partners are undertaking stress tests on climate related risks and developing tools for supervisors that will also help Members manage risk.
- Identifying measures to address the issue of high cost of capital for adaptation and mitigation investments in developing countries.
- Supporting the efforts of multilateral development banks in mobilizing climate finance, and accelerating the dissemination of international best practices.

Preparation and Implementation of the NDCs (Helsinki Principle 6)

The efforts under Helsinki Principle 6 build on the work programs of all other Helsinki Principles, and aim to help Members improve their ability to evaluate the macro-fiscal impacts of NDCs and long-term climate strategies, and provide effective guidance to the NDC development process. Key actions under Helsinki Principle 6 include:

- Identifying a list of economic-fiscal guidelines and requirements that Finance Ministries could issue to sector ministries and agencies for the NDC development process in future, as well as increasing the awareness of tools, resources, and support available to assess the macro-fiscal impacts of NDC and Long Term Strategy implementation.
- Providing opportunities for peer exchange informed by related institutions on good practices and instruments that Members can use to support other Ministries in the NDC implementation and validation process.
- Facilitating access to networks for information, resource sharing, and visibility of success stories.

This Overview of the Santiago Action Plan was prepared by the Sherpas of the Coalition. The work started at the Sherpa meeting in Santiago on June 4-5, 2019. Finance Ministers endorsed the overview on October 19, 2019 in Washington D.C., and it was further developed and finalised on the basis of the Sherpa meeting in London on November 18-19, 2019.

The Calendar of Meetings and Workshops for 2020 is in Annex 1.

The primary areas of engagement and support by Institutional Partners are noted in Annex 2.

Annex 1: Calendar of Meetings and Workshops—2020

As in 2019, an active calendar of meetings and workshops is planned for 2020, including several regional workshops. Four Sherpa meetings are scheduled (one by video-conference), aimed at preparing policy guidance for Ministerial meetings. Organizers will endeavor to ensure that meetings are well planned and prepared, using video-conferencing as much as possible for information sharing and taking work forward. While the full participation of all Members and Institutional Partners may not be feasible in many gatherings, preparations and follow-up will aim to facilitate opportunities to participate and receive related information for all members. The following calendar is planned:

Calendar of Meetings and Workshops—2020

Date	Event / Topic	Location	Sponsoring Member/ Institutional Partner
December 9, 2019	COP25: Ministerial Meeting, Launch of the Santiago Action Plan, Side Events	Madrid	Chile, Spain
February 25-26, 2020	Sherpa Meeting, Preparation of Ministerial Policy Discussions, Workshop and Policy Review—Across All Helsinki Principles	Abidjan	Cote D'Ivoire
March 9-13, 2020	Helsinki Principle 6: Workshop on Ministries of Finance and NDC Implementation—Africa Climate Week.	Kampala, Uganda	Uganda / NDCP, WB
March 16-17, 2020	Helsinki Principle 4: Workshop on Green Budgeting	Paris	OECD, UNDP, WB
April 2020	Helsinki Principle 5: Workshop on Key Strategic Issues for Finance Ministries in Mobilizing Climate Finance.	(TBC)	(TBC)
April 16-18, 2020	Ministerial Meeting, Policy-Oriented Discussion on Carbon Pricing (World Bank/IMF Spring Meetings)	Washington, DC	WB, IMF
May/June, 2020	Sherpa Meeting, Implementation of Work Plan Across All Helsinki Principles	Asia (TBC)	(TBC)
June, 2020	Helsinki Principle 6: Workshop on Ministries of Finance and NDC Implementation - LAC Climate Week	Dominican Republic	WBG, NDCP, IADB
July, 2020	Helsinki Principle 3: Workshop on Carbon Pricing (2nd Session)	Paris (TBC)	OECD, IMF WB
September, 2020	Sherpa Meeting, Preparation of Ministerial Meeting	Teleconference	(TBC)
October, 2020	Ministerial Meeting (World Bank/IMF Annual Meetings)	Washington, DC	WB, IMF
November, 2020	COP26, Ministerial Meeting (TBC)	Glasgow	UK

- **Ministerial meetings** (in different forms) can be organized in the context of the World Bank / IMF Annual and Spring Meetings, and in the context of COP Meetings.
- **Sherpa meetings** shall be organized in all regions; Co-chairs and the full Secretariat team are expected to participate and contribute to the preparations.
- **Workshops** (including regionals) that are organized under the Coalition of Finance Ministers for Climate Action label shall contribute to agreed policy objectives and bring together experts from Members and Institutional Partners. In workshops, at least one of the (Sherpa) Co-chairs, relevant Secretariat officials of the particular work stream, and lead Institutional Partners are expected to participate.

Annex 2: Indicative Institutional Partner Activities in Support of the Coalition of Finance Ministers for Climate Action²

Institutional Partners	Principle 3	Principle 4	Principle 5	Principle 6
ADB	■ ■		■ ■	■ ■
EBRD	■ ■	■ ■	■ ■	■
EC			■ ■	
EIB	■ ■ ■ ■	■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■
GCA		■	■ ■	
IADB	■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■
IMF	■ ■ ■ ■ ■	■		
NDCP	■	■ ■	■ ■ ■	■ ■ ■
NGFS			■ ■ ■	
OECD	■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■	■
UNDP	■	■ ■ ■ ■ ■	■	
UNEP	■ ■	■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■
UNFCCC	■ ■	■ ■	■	■
WBG	■ ■ ■ ■ ■ ■ ■ ■	■ ■	■ ■ ■	■ ■ ■

- = Event
- = Institutional Strategy
- = Knowledge
- = Network/Consortium
- = Technical Assistance
- = Tool/Methodology
- = Trust Fund

1. Just like the Helsinki Principles, the Santiago Action Plan is an aspirational document that does not bind Members to specific actions. The responsibilities of Finance Ministers may differ from one country to another, and it is acknowledged that Members will work within their respective national frameworks, competencies, and mandates.
2. Dashboard of Institutional Partner Activities.



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Ministerio de
Hacienda

Gobierno de Chile