



MINISTRY OF FINANCE

Update on Coalition of Finance Ministers and Finland's Ambitious Climate Policy

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What sparked the idea of a Coalition?

- The idea of a 'Coalition' was conceived at a meeting convened at the 2018 Annual Meetings to discuss Finance Ministers' collective engagement for climate action.
- In December 2018, Minister Orpo (Finland) and Minister Larrain (Chile) invited other Finance Ministers (FM) to discuss the design of the Coalition.
- Representatives from 19 FM joined a 'Sherpas' meeting in Helsinki on February 21-22, 2019 to produce common Principles for economic policy, public finance and climate finance to guide work on climate action.
- The Coalition of Finance Ministers for Climate Action was launched at the WB/IMF Spring Meetings in Washington on April 13, 2019

Coalition Members

ARGENTINA	AUSTRIA	BANGLADESH	CANADA	CHILE	COLOMBIA
COSTA RICA	CÔTE D'IVOIRE	CYPRUS	DENMARK	DOMINICAN REPUBLIC	ECUADOR
EQUATORIAL GUINEA	ETHIOPIA	FINLAND	FIJI	FRANCE	GERMANY
GHANA	GUATEMALA	GREECE	ICELAND	INDONESIA	IRELAND
ITALY	JAMAICA	KENYA	LATVIA	LITHUANIA	LUXEMBOURG
MADAGASCAR	MALDIVES	MARSHALL ISLANDS	MEXICO	MONACO	NETHERLANDS
NEW ZEALAND	NIGERIA	NORWAY	PARAGUAY	PHILIPPINES	POLAND
PORTUGAL	SPAIN	SRI LANKA	SWEDEN	SWITZERLAND	UGANDA
		UNITED KINGDOM	URUGUAY		



What is the Coalition?



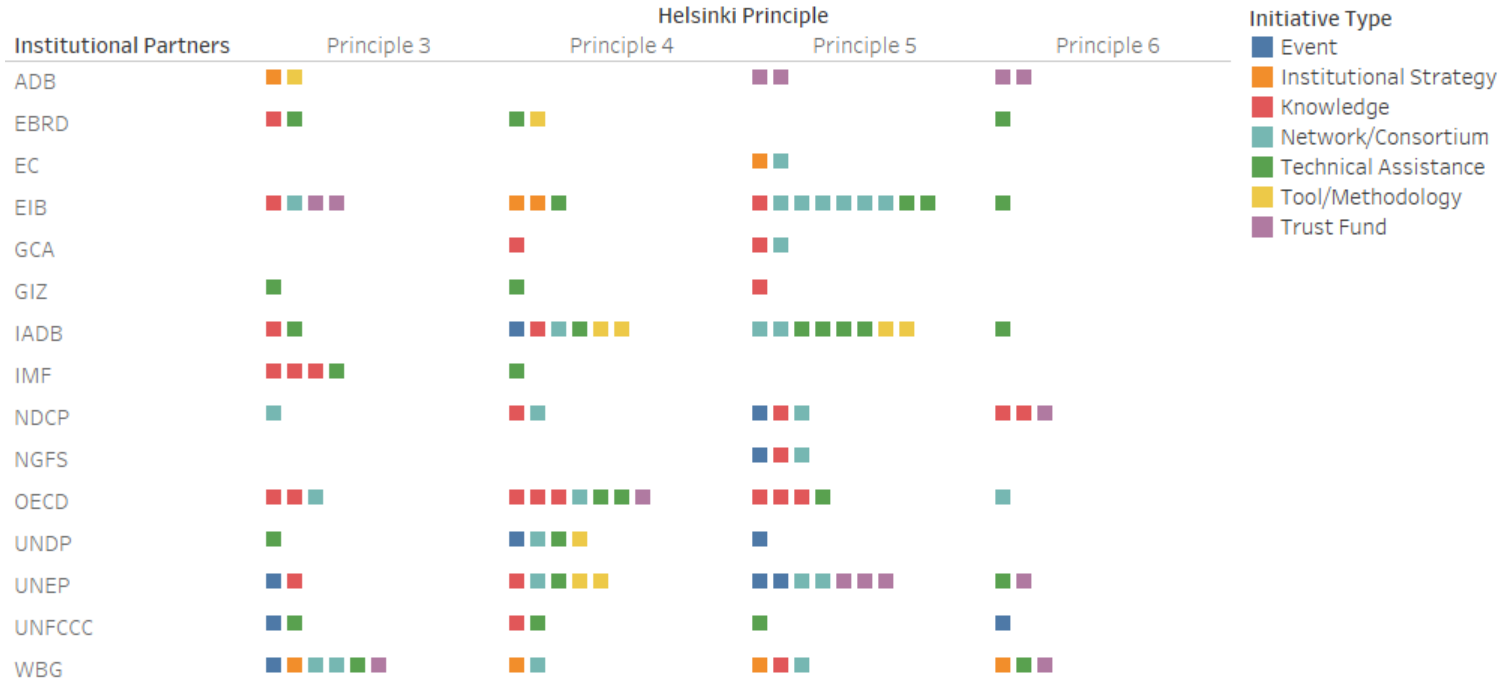
- Brings together Finance Ministers committed to taking collective actions to achieve the Paris Agreement objectives.
- Demonstrates leadership in advocating domestic and international responses to climate change.
- Subscribes to a number of common '**principles**' that are aspirational, embrace ambition and signal collective commitment to work towards effective measures to address Climate Change
- Shares best practices and experiences on macro, fiscal and financial policies for low-carbon and climate-resilient growth.
- Builds on partnerships with institutions (IMF, OECD, UNEP, UNDP, etc) and other initiatives (eg. NGFS, IPSF),



Institutional Partners play an important role



IP Mapping by Helsinki Principle



The Helsinki Principles



1

Align our policies and practices with the Paris Agreement commitments

2

Share our experience and expertise with each other in order to provide mutual encouragement and promote collective understanding of policies and practices for climate action;

3

Work towards measures that result in effective carbon pricing

4

Take climate change into account in macroeconomic policy, fiscal planning, budgeting, public investment management, and procurement practices;

5

Mobilize private sources of climate finance by facilitating investments and the development of a financial sector which support climate mitigation and adaptation

6

Engage actively in the domestic preparation and implementation of Nationally Determined Contributions (NDCs) submitted under the Paris Agreement.



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Surveys to establish a baseline



		16	Iceland	Mexico	República Dominicana	Latvia	The Netherlands	Côte d'Ivoire	UK	Austria	Germany	France	Uganda	Spain	Finland	Philippines	Luxembourg	Ireland				
Macro	Macro-economic forecasts	2	Under consideration	Not in place	Not in place	Not in place	Not in place	Not in place	Not in place	Not in place	Not in place	Not in place	Not in place	Already operational	Already operational	Not in place	Not in place	Not in place	Under consideration			
	Debt sustainability analysis	2	Not in place	Not in place	Under consideration	Not in place	Not in place	Already operational	Not in place	Under consideration	Not in place	Not in place	Not in place	Not in place	Already operational	Not in place	Not in place	Not in place	Not in place			
	Fiscal risk assessments	4	Under consideration	Not in place	Under consideration	Not in place	Already operational	Already operational	Not in place	Under consideration	Not in place	Not in place	Not in place	Already operational	Under consideration	Not in place	Not in place	Not in place	Not in place	Already operational		
Fiscal	Assessment of tax expenditures	6	Not in place	Not in place	Already operational	Not in place	Not in place	Already operational	Not in place	Under consideration	Not in place	Not in place	Not in place	Already operational	Already operational	Already operational	Not in place	Not in place	Not in place	Already operational		
	Fiscal plans and frameworks	7	Already operational	Not in place	Not in place	Under consideration	Already operational, Willing to share	Under consideration	Already operational, Willing to share	Already operational	Already operational	Not in place	Not in place	Already operational	Under consideration	Under consideration	Under consideration	Not in place	Not in place	Already operational		
	Expenditure and spending reviews	6	Under consideration	Under consideration	Not in place	Not in place	Already operational, Willing to share	Under consideration	Already operational, Willing to share	Under consideration	Under consideration	Already operational	Not in place	Not in place	Under consideration	Already operational	Already operational	Not in place	Not in place	Already operational		
	Program evaluations	4	Not in place	Not in place	Not in place	Not in place	Already operational, Willing to share	Under consideration	Already operational, Willing to share	Under consideration	Under consideration	Already operational	Not in place	Not in place	Under consideration	Under consideration	Under consideration	Not in place	Not in place	Not in place	Already operational	
	Budget guidelines	4	Not in place	Under consideration	Not in place	Not in place	Not in place	Under consideration	Already operational, Willing to share	Under consideration	Under consideration	Not in place	Not in place	Not in place	Already operational	Under consideration	Already operational	Already operational	Not in place	Not in place	Under consideration	
Budgeting	Budget documentation	8	Already operational	Under consideration	Not in place	Not in place	Not in place	Already operational	Already operational, Willing to share	Under consideration	Already operational	Already operational	Already operational	Already operational	Under consideration	Already operational	Already operational	Not in place	Not in place	Under consideration		
	Climate-related expenditure tagging	8	Not in place	Under consideration	Under consideration	Not in place	Not in place	Already operational	Already operational	Not in place	Already operational	Not in place	Not in place	Already operational	Under consideration	Already operational, Willing to share	Already operational	Not in place	Not in place	Not in place	Already operational, Willing to share	
	Inter-governmental transfers	6	Not in place	Under consideration	Not in place	Not in place	Not in place	Already operational	Already operational	Already operational	Not in place	Not in place	Not in place	Already operational	Already operational	Under consideration	Under consideration	Not in place	Not in place	Not in place	Not in place	
	Reporting	9	Already operational	Under consideration	Not in place	Not in place	Not in place	Already operational	Under consideration	Already operational	Already operational	Already operational	Already operational	Already operational	Under consideration	Under consideration	Already operational, Willing to share	Already operational	Not in place	Not in place	Under consideration	
	Project selection and appraisal	9	Already operational	Under consideration	Already operational	Not in place	Not in place	Under consideration	Under consideration	Already operational, Willing to share	Not in place	Not in place	Not in place	Already operational	Already operational	Already operational	Already operational	Already operational	Not in place	Under consideration	Under consideration	
PIM	Shadow price for carbon	5	Not in place	Under consideration	Not in place	Not in place	Not in place	Already operational	Under consideration	Already operational, Willing to share	Under consideration	Not in place	Not in place	Already operational	Under consideration	Not in place	Not in place	Not in place	Not in place	Not in place	Not in place	Already operational, Willing to share
	Assessment of climate risks	8	Already operational	Under consideration	Already operational	Not in place	Not in place	Not in place	Already operational	Already operational, Willing to share	Under consideration	Not in place	Not in place	Under consideration	Already operational	Already operational	Already operational	Already operational	Not in place	Not in place	Not in place	Not in place
	Procurement: procedures	11	Already operational	Already operational	Not in place	Not in place	Already operational	Already operational	Already operational	Already operational	Under consideration	Under consideration	Under consideration	Under consideration	Under consideration	Already operational, Willing to share	Already operational	Under consideration	Under consideration	Under consideration	Under consideration	Under consideration
Procurement	Energy efficiency criteria	8	Under consideration	Already operational	Not in place	Not in place	Already operational	Already operational	Under consideration	Under consideration	Under consideration	Under consideration	Not in place	Not in place	Not in place	Already operational, Willing to share	Already operational	Under consideration	Under consideration	Under consideration	Under consideration	
	Life-cycle costing	8	Under consideration	Already operational	Not in place	Not in place	Already operational	Already operational	Under consideration	Under consideration	Under consideration	Under consideration	Not in place	Not in place	Not in place	Already operational, Willing to share	Already operational	Under consideration	Under consideration	Under consideration	Under consideration	

Santiago Action Plan – work streams

- Transition strategies towards low carbon emission and climate resilient economies (Helsinki Principle 1).
- Finance Ministries' Roles and Capacities in Climate Policy (Helsinki Principles 1, 2, and 6).
- Carbon Pricing (Helsinki Principle 3).
- Climate Change in Macroeconomic Management and Public Finance (Helsinki Principle 4).
- Financial Sector Development that underpins Mitigation and Adaptation (Helsinki Principle 5).



Sustainable development budgeting - Carbon-neutral and resource-wise Finland

- Finland's budget proposal for 2019 included a chapter 6 in the general strategy and outlook section of the budget
- Contains an overview of the appropriations relevant to the priority area of a carbon-neutral and resource-wise Finland. (Promoting biodiversity and the wellbeing of the environment and nature, reduce emissions, advance bio-economy solutions, and develop Finland towards a low-carbon society)
 - The chapter includes information on appropriations, taxes and environmentally harmful subsidies.
 - Transparency crucial also on negative effects
 - In conclusion, our results show that the amount of positive subsidies was 1,7 bn €
 - However, we still have about 3,5 bn € of environmentally harmful subsidies



Tax reforms in 2015-2019

- Energy tax levels increased (+)
- CO2 tax on heating, power plant & machinery fuels increased and harmonized with the CO2 tax of motor fuels (+)
- Life-cycle emissions of heating, power plant & machinery fuels taken into account in the basis of CO2-tax (+)
 - Not just those emissions that are generated by the burning of the fuel are taken into account (as was before), but also the emissions from production and transport of the fuel.
 - (Life-cycle emissions have been taken into account in the motor fuel taxation since 2012.)
- Car tax was decreased in phases in 2016-2019. Makes acquiring cars more attractive (-). However, tax decreases were targeted primarily to low-emission cars (+)
- Motor vehicle tax on cars & vans was increased in 2017 (+) and decreased at the beginning of 2019 (-). Net effect (+)



Finland carbon neutral 2035?

