

Joint Ministerial Statement

The Coalition of Finance Ministers for Climate Action

October 12, 2021

We, the Coalition of Finance Ministers for Climate Action, chaired jointly by Annika Saarikko, Minister of Finance of Finland, and Sri Mulyani Indrawati, Minister of Finance of Indonesia, convened virtually for our Sixth Ministerial Meeting, along with our Institutional Partners. The recognition of the critical role that finance ministries have to play in addressing climate change, and the continuing efforts of the Coalition at the macro-fiscal-finance and climate change nexus, is reflected in the expansion of the Coalition, which now includes 65 Member countries representing over 39% of global carbon emissions and 63% of global GDP (2018). The Coalition is supported by 25 Institutional Partners and collaborates closely with other networks, including the G20 and V20.

The COVID-19 pandemic has had significant adverse impacts on our economies and public finances, complicating efforts also to address climate change. The Coalition expresses its strong appreciation for the work conducted by the Intergovernmental Panel on Climate Change, and the findings emphasizing the unprecedented scale of human-induced climate change impacts and the heightened risks associated with the current trajectory of greenhouse gas emissions. While our countries are at different stages of addressing the economic fall-out from the COVID-19 crisis, the prospects of a strong economic recovery mean that governments have an important window to pursue green policies and make significant progress in tackling the climate crisis. We recognize that global climate and nature goals are closely intertwined and that the loss of biodiversity and ecosystem services will likely have an impact on financial stability.

The Coalition recognizes the imperative for meaningful climate action and the need for a systemic change in economic and financial policies. We remain committed to working collectively through the framework of the Helsinki Principles toward mainstreaming climate into our economic policies, achieving a sustainable, resilient and inclusive recovery, and meeting key climate goals (including net zero emissions). We are working to develop knowledge and awareness collectively, supporting efforts to understand climate-related risks, develop tools and design reforms that will both accelerate the transition to a low-carbon economy and facilitate adaptation to the impacts of climate change. Recognizing Members' differing circumstances, we seek to facilitate policies that are broadly applicable and effective.

At this critical juncture, and on the occasion of the Sixth Ministerial Meeting of the Coalition of Finance Ministers for Climate Action, we recognize the following:

Helsinki Principle 1: We remain mindful that long-term strategies (LTSs) provide an essential roadmap for achieving sustainable economic development in a low-carbon and climate change impacted world. We will continue to deepen our efforts to build case studies, modeling tools and analysis for the preparation of LTSs that accelerate transitions and are both just and aligned with the Paris Agreement.

Helsinki Principle 2: We recognize that effective mainstreaming of climate change considerations into economic and financial policies hinges on building capacity, expanding training, deploying sound analysis backed by research, and sharing country cases. In line with Coalition efforts to mainstream climate action in Ministries of Finance, a whole-of-government approach is needed that considers also the particular strategies and governance arrangements at the country level. We stress the importance of launching a training program together with our Institutional Partners and welcome recommendations for good practices on mainstreaming climate action.

Helsinki Principle 3: We recognize that carbon pricing instruments are a useful tool for tackling climate change. We are focused on efforts to achieve the goals of the Paris Agreement, which can be carried out using carbon pricing schemes, rationalizing and phasing out inefficient fossil fuel subsidies, improving regulations, and enhancing the effectiveness of emissions trading schemes, among other steps. These policy priorities will be pursued while considering how reform initiatives can best be tailored to local fiscal and political economy contexts, building on a deeper understanding of transition strategies and technical requirements for making progress, while protecting the most vulnerable. We will further consider policy perspectives of border carbon adjustment mechanisms and other international proposals, and share best practices.

Helsinki Principle 4: We face varying challenges in our efforts to rebound from the economic fallout of the COVID-19 pandemic, but we recognize the importance of reflecting climate change considerations in economic policies, especially in enhancing green recovery efforts. We are focused on meeting the challenge of including climate change in macroeconomic modeling, as well as making progress towards effective and transparent green budgeting. We underline the growing need to better understand and manage climate-change induced fiscal and financial risks, and seek to develop tools and analysis to support effective policy responses.

Helsinki Principle 5: We recognize the centrality of private finance in addressing climate change, especially in a period of exceptional economic stimulus. Climate needs to be mainstreamed in financial decisions at every level, enabling private investment and financial sector development that enhance mitigation, adaptation and resilience, including in low- and middle-income countries. We strongly support Members' efforts to strengthen climate-related financial risk management and ensure the alignment of global financial flows with the goals of the Paris Agreement. We understand that applying methods that adequately take into account the

transition of companies will be important for the private financial sector to achieve Paris alignment. Sustainable finance roadmaps have a key role to play in driving this alignment, and we continue to develop and share best practices. We recognize the importance of ensuring comparable disclosure of climate-related financial information for decision making. We also welcome the establishment of an International Sustainability Standards Board by the International Financial Reporting Standards Foundation and other efforts of Members in this area. We look forward to engaging with the G20 Sustainable Finance Working Group, which recently developed the G20 Sustainable Finance Roadmap, and expanding collaboration.

Helsinki Principle 6: We underscore that Finance Ministries wish to deepen their involvement in the development, revision, and implementation of impactful and ambitious Nationally Determined Contributions (NDCs), as well as LTSs. This is essential to ensure that NDCs and LTSs are aligned, inform one another, and shift trajectories of greenhouse gas emissions meaningfully, through policies that support a just and affordable transition, promote sustainable growth, maintain financial and fiscal stability, support employment, and contribute to the reduction of inequality.

Overall, we recognize the central role of our Institutional Partners in supporting the Coalition and our Members at the country level. We encourage international development partners and the Multilateral Development Banks to align fully their activities with the Paris Agreement, and mainstream climate change and the Helsinki Principles into operations and policies through their regional platforms and local presence. The Coalition stands ready to support these efforts actively.

We welcome the progress made with the organization and governance of the Coalition, and appreciate the efforts and resources provided by the World Bank and International Monetary Fund in co-hosting the Secretariat. As part of our work to mainstream climate into economic and financial policies, we encourage the Coalition to maximize synergies between Finance Ministries and Central Banks through close cooperation with the Network of Central Banks and Supervisors for Greening the Financial System and other networks.

We look forward to working together with Members, Institutional Partners, and stakeholders to better understand the technical and political challenges of implementing the Helsinki Principles. We stand ready to support strong, inclusive, sustainable and climate-friendly recoveries, and contribute to a successful COP26 in November 2021.