

## **OVERVIEW OF THE SANTIAGO ACTION PLAN The Coalition of Finance Ministers for Climate Action**

The Helsinki Principles set out the key areas for policy engagement of the Coalition of Finance Ministers for Climate Action. The Santiago Action Plan takes the next step by laying out the Coalition's 2020 work priorities to make progress towards the goals of those principles. The Action Plan<sup>1</sup> recognizes that a fundamental change is required to bring considerations of climate change into the mainstream decision-making about economic and financial policies, and reflects Members' engagement to actively work towards common goals.

### **Transition strategies towards low carbon emission and climate resilient economies (Helsinki Principle 1).**

Achieving low carbon and climate resilient economies by the mid-century, requires structural economic changes. Finance Ministries wield fiscal, economic, and planning instruments to facilitate a trajectory of smooth transitions toward that goal and are well positioned to play a lead role for such long-term transition strategies. As reflected by Principle 1, the Action Plan will:

- Review the existing body of long-term strategies in select countries, and analyze transition challenges and opportunities with the help of relevant research institutions; and
- Examine transition implications more broadly to cover the economic impacts and opportunities on citizens, businesses, and economies in order to help inform policy actions.

### **Finance Ministries' Roles and Capacities in Climate Policy (Helsinki Principles 1, 2, and 6).**

Climate change will require expertise and new thinking beyond conventional economic policies. Finance Ministries are building up the necessary capacities, but priority should be given to the most relevant areas of climate expertise within each specific country context, and to strengthening horizontal coordination for the design of policy actions. As reflected by Principles 1, 2 and 6 under the Action Plan, Members will promote the integration of climate change into economic policy by:

- Sharing national approaches and good practices to help Members develop their capacities and roles in policy-making, including the NDC process; and
- Reviewing practices, resources, and competencies representing different governance and organizational models.

### **Carbon Pricing (Helsinki Principle 3).**

Carbon pricing can be an effective way to reduce carbon emissions while sustaining growth. The coverage of existing carbon pricing policies – about 20 percent of global GHG emissions – is too low to meaningfully reduce emissions, and new tools need to be developed and used more effectively. Carbon pricing can include measures for reducing and eliminating inefficient fossil fuel subsidies. These subsidies encourage wasteful consumption, although the importance of providing those in need with essential energy services needs to be recognized. Carbon pricing can also include taxes, emission trading systems, and other legal and regulatory policies that impact carbon prices. As reflected by Principle 3, the Action Plan will:

- Review the current experience and state of play in carbon pricing, and identify key bottlenecks to achieving the necessary levels of carbon pricing, and develop policies that can be widely accepted and implemented;
- Raise the level of knowledge on the technical requirements for carbon pricing, including measurement, reporting, and verification of emissions reductions; and

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<sup>1</sup> Just like the Helsinki Principles, the Santiago Action Plan is an aspirational document that does not bind Members to specific actions. The specific 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.

- Consider transition challenges and economic impacts so as to enable a better understanding of the benefits of carbon pricing, and ensure that policies address political economy, distributional, and competitiveness concerns.

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

One of the goals of the Action Plan is to support the mainstreaming of climate change mitigation and adaptation policies in macro-fiscal planning, budgeting, public investment management and public procurement. Some countries have made progress in these areas, enabled by their robust, evidence-based planning and financial management systems. Therefore, Members are encouraged to share their experiences and tested practices, and to develop techniques that can be applied in even more countries, including those with limited capacity. As reflected by Principle 4, the Action Plan will:

- Develop tools to address knowledge and expertise gaps in macroeconomic forecasting and fiscal planning for climate change impacts, and disaster risk management, among others;
- Facilitate the adoption of climate-smart budgeting where appropriate, climate-smart decision-making on public investments, and green procurement practices; and
- Support macroeconomic and fiscal assessments of adaptation, resilience and mitigation policies, including Nationally Determined Contributions (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. As reflected by Principle 5, and taking into account the different stages of financial market development and positions of Members, the Action Plan will:

- Support the preparation of national roadmaps for greening the financial system;
- Identify strategies to incorporate climate risks and opportunities into investment decisions, including: supporting global efforts for transparency and disclosure of climate-related financial risks and impact, identifying risks to financial stability posed by climate change, and considering ways to manage these risks;
- Identify measures to address the issue of high cost of capital for adaptation and mitigation investments in developing countries;
- Review the efforts of Multilateral Development Banks (MDB) in mobilizing climate finance.

A list of initial activities under the Santiago Action Plan and the support provided by Institutional Partners are annexed to this overview.

This “Overview of the Santiago Action Plan”, prepared by the Sherpas of the Coalition, is provided for discussion at the Meeting of the Finance Ministers’ Coalition for Climate Action (Saturday October 19, 2019 in Washington, DC). Agreement on the overview will be an important signal ahead of the Conference of Parties (COP25) in Chile, when the Action Plan will be launched.

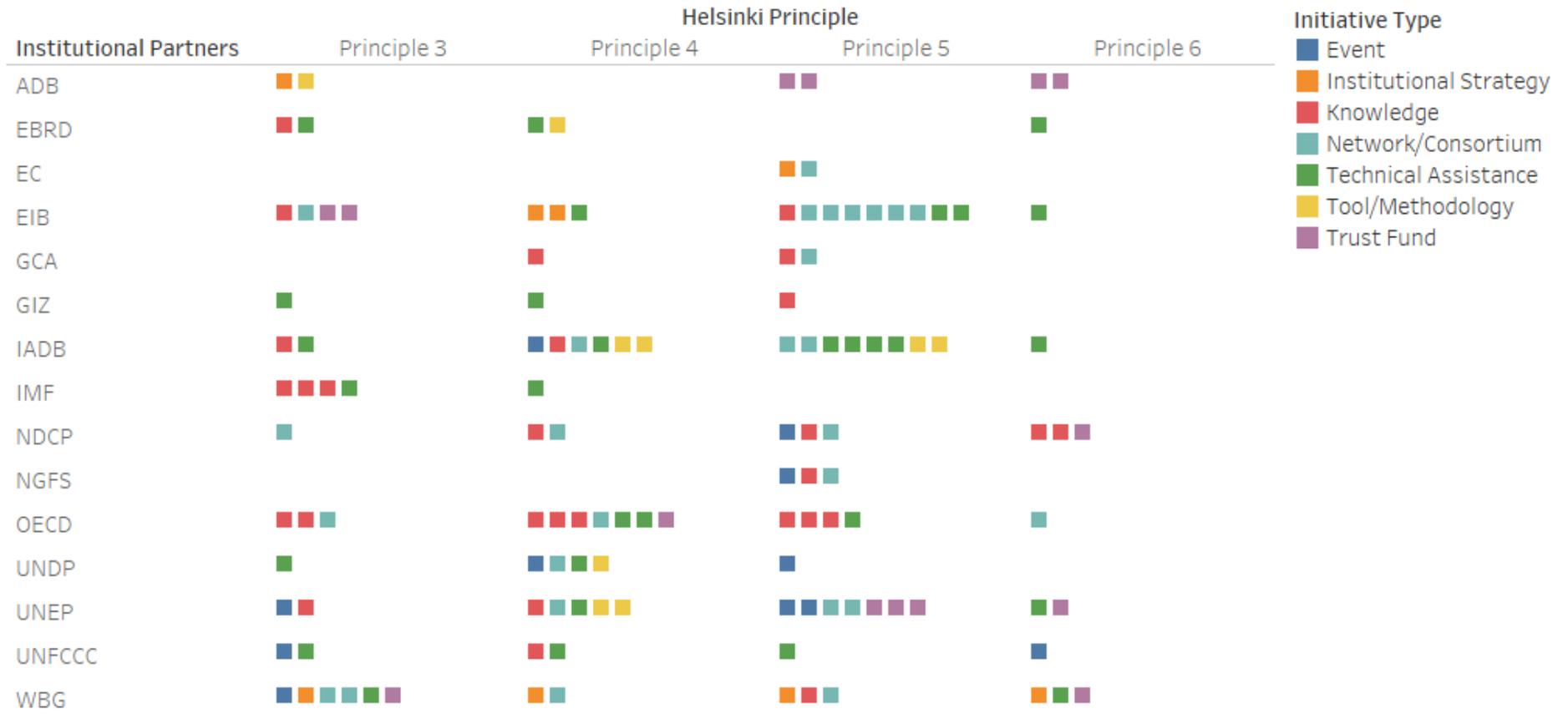
### Activity Highlights under the Santiago Action Plan

Date	Event / Topic	Location	Sponsoring Member/ Institutional Partner
Aug 28-29	<b>Principle 4:</b> Regional Workshop on Climate Change Expenditure in Public Sector. See summary. 	Santiago	Chile, IADB
Sept 27	Up to 26 Member countries have responded the Country Surveys ( <b>Principles 4, 5, and 6</b> ), with interim results compiled. Survey on <b>Principle 3</b> commences.		WB
Oct 3-4	<b>Principle 3:</b> Coalition Workshop on Carbon Taxes, and survey on carbon pricing	Stockholm	Sweden
Oct 11-12	<b>Principle 5:</b> Seminar on ESG Factors in the Financial Market. See agenda. 	Santiago	Chile
Oct 17	<b>Principle 5:</b> Summit on Sustainable Finance Policy See registration <a href="#">link</a> .	Washington, DC	UNEP FI
Oct 18	<b>Principle 5:</b> Workshop on Mainstreaming Sustainable Finance See agenda. 	Washington, DC	UNEP FI
<b>Oct 19</b>	<b>Ministerial Meeting</b>	<b>Washington, DC</b>	
Oct 31	All Members to respond to Surveys (deadline);		WB
Nov 5-6	<b>Principles 1 and 4:</b> 2019 LAC Regional Policy Dialogue Covering “whole-of-government” approaches, and macroeconomic and fiscal policy framework for eventual decarbonization and adaptation plans) See agenda. 	Santiago	Chile, IADB, IMF
Nov 11-15	<b>Principle 6:</b> Joint Side Event at the African Ministerial Conference on the Environment	Durban	NDPC
Nov 15	APEC Summit - Investors Forum <b>Principle 5:</b> Blended finance discussion, and engagement with Network for Greening Financial Systems	Santiago	Chile
Nov 18-19	<b>Coalition Sherpa meeting – organization of further actions</b> Technical sessions to be included	London	UK & EBRD host  OECD, NGFS, IMF, UNDP, others support
Dec 9	COP25: Unveiling of <b>Santiago Action Plan</b> ; <b>Side events on Principle 5:</b> e.g. Long-Term Finance, Climate risks and opportunities; and links to Art. 2.1c of Paris Agreement; Chile’s Strategy; and High-level Climate Finance Panel on strategies and financial sector commitments	Santiago	Chile
Feb 25-26	<b>Coalition Sherpa meeting – all key areas of work</b> Policy discussions and workshops (on various areas)	Abidjan	Cote D’Ivoire
March	<b>Principle 3: Workshop on Carbon Pricing (2<sup>nd</sup> session)</b>	Paris	OECD, IMF WB, others
March	<b>Principle 4:</b> Workshop on Green Budgeting	Paris	OECD, IMF, WB, IADB, UNDP, others
April	<b>Principle 5:</b> Technical workshop with TCFD/IMF stress testing	To be determined	To be determined
<b>April</b>	<b>Ministerial Meeting</b>	<b>Washington, DC</b>	

*For Discussion at the Meeting of the Finance Ministers’ Coalition for Climate Action  
(Saturday, October 19, 2019, Washington, DC.)*

## Indicative Institutional Partner Activities in support of the Coalition of Finance Ministers for Climate Action<sup>2</sup>

### IP Mapping by Helsinki Principle



<sup>2</sup> [Dashboard of Institutional Partner Activities](#)