Stronger policy action needed for climate goals

27/10/2021 – Almost half of all energy-related CO_2 emissions in G20 economies are now covered by a carbon price, as several countries introduced or extended carbon taxes or emissions trading systems in the last few years.

More needs to be done using the full range of policy tools, if countries are to match their long-term climate ambitions with outcomes, according to a new OECD report.

Carbon Pricing in Times of COVID-19: What has changed in G20 economies? finds that G20 economies priced 49% of CO_2 emissions from energy use in 2021, up from 37% in 2018.

The increase was driven by new emissions trading systems (ETS) in Canada, China and Germany, new carbon levies in Canada, and a new carbon tax in South Africa, as well as Mexico's introduction of carbon taxes at the subnational level.

"G20 economies are lifting their ambition and efforts, including through the explicit and implicit pricing of carbon emissions. However, progress remains uneven across countries and sectors and is not well enough coordinated globally. We need a globally more coherent approach which enables countries to lift their ambition and effort to the level required to meet global net zero by 2050, with every country carrying an appropriate and fair share of the burden while avoiding carbon leakage and trade distortions," **OECD Secretary-General Mathias Cormann** said. "Carbon prices and equivalent measures need to become significantly more stringent, and globally better coordinated, to properly reflect the cost of emissions to the planet and put us on the path to genuinely meet the Paris Agreement climate goals."

G20 economies account for around 80% of global greenhouse gas emissions with energy-related CO_2 emissions making up around 80% of total G20 GHG emissions.

The share of emissions covered by carbon prices varies substantially across G20 economies with Korea in the lead at 97% of emissions priced. G20 emissions pricing is highest in road transport (where 94% of emissions are covered by fuel excise taxes) and electricity (64% of emissions priced) and lowest in industry (24%) and buildings (21%). Recent changes have been concentrated in the electricity sector.

Recent progress has been driven by "explicit" carbon pricing which uses carbon taxes and emissions trading systems to raise the cost of carbon-intensive fuels, thus encouraging firms and households to make more climatefriendly choices. This also generates revenue that can be used to provide targeted support to improve energy access and affordability, enhance social safety nets, or invest in low-carbon infrastructure. Explicit carbon prices also offer an incentive for investment in clean technologies.

In all, 12 G20 economies now have explicit carbon pricing instruments in place or participate in the EU ETS. Explicit carbon prices in the G20 have risen to an average of EUR 4 per tonne of CO_2, with ETS prices at EUR 3 versus EUR 1 in 2018 as carbon prices in the EU's ETS quadrupled. On the other hand, average carbon taxes across the G20 remain below EUR 1 per tonne.

The report also calculates an average "effective carbon rate" – the sum of explicit carbon prices and fuel excise taxes – for G20 economies and finds it has increased by around EUR 2 since 2018 to EUR 19 per tonne of CO_2.

To access the report and country notes, visit https://oe.cd/carbonpricing-g20.

Register to attend a [virtual presentation of the report on Wednesday 3 November]() during COP26, when Mr Saint-Amans will discuss key findings alongside WRI Vice President for Climate Helen Mountford.

For further information, journalists are invited to contact [Catherine Bremer]() in the OECD Media Office (+33 1 45 24 80 97).

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[Three-year reform programme launched]()

26/10/2021 – The OECD and the Government of the Arab Republic of Egypt today signed a Memorandum of Understanding (MoU) to start a three-year [Country Programme]().

The Programme will support a structural reform agenda by providing analysis, advice and guidance to inform the design and implementation of policies to help address Egypt's main economic challenges, while moving towards closer alignment with OECD policy standards.

OECD Secretary-General Mathias Cormann and Dr Mostafa Madbouly, Prime Minister of the Arab Republic of Egypt, signed the agreement at the OECD's Paris headquarters. Prime Minister Madbouly was accompanied by Egypt's Ministers of Finance, Planning and Economic Development, International Cooperation, Trade and Industry, Communications and Information Technology, and Electricity and Renewable Energy.

“Today we have taken an important step forward in our collaboration with Egypt,” Secretary-General Cormann said. “As North Africa’s biggest economy and one of the most engaged Middle East and North Africa (MENA) countries in OECD committees, Egypt is an important partner for the OECD. Egypt’s commitment to this programme demonstrates its clear commitment to necessary structural reforms to benefit the Egyptian people.”

“Such a comprehensive Country Programme can help Egypt to increase its competitiveness and integration in the global economy,” said Prime Minister Madbouly. “The Country Programme will enable Egypt to advance on its priorities under the second phase of the National Programme for Economic and Social Reform. It will also serve as guidance for the implementation of the recently revised sustainable development strategy Egypt Vision 2030.”

The Country Programme envisions 35 projects with a co-ordination function to ensure that it is implemented and monitored effectively. The work will proceed across five thematic pillars:

- **Pillar 1: Inclusive and sustainable economic growth** will address bottlenecks to productivity growth, promote competition in the economy, develop financial markets, and address other priorities to nurture a more competitive and inclusive economy. Egypt was the only country in the MENA region to see positive GDP growth in 2020 despite the global Covid-19 pandemic. According to the latest projections of Egypt’s Ministry of Planning and Economic Development, real GDP is expected to grow by 3.3% in 2020/21, before reaching 5.6% in 2021/22. Distributing the dividends of such growth is a key priority for the Egyptian government.
- **Pillar 2: Innovation and digital transformation** includes projects that will intersect with education policy and human capital development to better take advantage of the digital transformation and promote innovation. Egypt invests 0.72% of GDP in R&D, a third of the OECD average (2.37%). While digital connectivity has improved, significant room for growth remains.
- **Pillar 3: Governance and anti-corruption** will address a series of priority issues such as administrative reforms, better legislation, regulations and institutions, digital government, the rule of law and anti-corruption. Improving governance, strengthening the rule of law and the fight against corruption remains an important priority for Egypt as it aims to promote a greater level playing field for the private sector.
- **Pillar 4: Statistics** will aim to improve data in specific themes, including the economy, private sector performance, gender, and trade in value-added. Improving the availability and governance of statistics in Egypt is essential to gather comprehensive evidence, including on the state of the economy, the population, the territory, and the environment.
- **Pillar 5: Sustainable development** includes projects on strengthening

frameworks governing the implementation of the SDGs, as well as promoting green growth, clean energy and quality infrastructure investments. Egypt recently revised its sustainable development strategy Vision 2030 to adapt to the most recent changes in the economy and ensure better alignment with the Sustainable Development Agenda 2030 and the African Union's Agenda 2063.

All pillars will have a strong focus on gender equality and the inclusion of women and young people in the economy and society, as well as on supporting the formalisation of SMEs. Currently, informality accounts for up to 40% of GDP and unemployment rates for youth and women are among the highest in the MENA region, at 30% and 22% respectively.

The Programme will also support the regional work of the OECD in the MENA region such as the MENA-OECD Initiative on Governance and Competitiveness for Development. As a key partner in this Initiative, Egypt can help disseminate and bring policy perspectives to and from the MENA region.

For further information, please contact Mr. Carlos Conde, Head of the Middle East and Africa Division, OECD Global Relations Secretariat (GRS). Media queries should be directed to the OECD Media Office (tel: +33 1 4524 9700).

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The USD 100bn climate finance goal

25/10/2021 –

Developed countries likely to reach USD 100 billion goal in 2023

Climate finance provided and mobilised by developed countries for climate action in developing countries looks likely to reach USD 100 billion in 2023, according to new OECD analysis.

The annual goal for developed countries to provide and mobilise USD 100 billion of climate finance per year for climate action in developing countries was due to have been met in 2020 and to be sustained to 2025.

The last OECD assessment of progress, released in September, showed that climate finance provided and mobilised by developed countries totalled USD 79.6 billion in 2019, up only 2% from 2018. The USD 100 billion mark is unlikely to have been met in 2020, although the necessary verified data needed to finalise this determination officially will not be available before

2022.

At the July Ministerial meeting preparing for COP26, Canada and Germany agreed, at the request of the incoming UK COP 26 Presidency, to develop a collective Delivery Plan towards meeting the goal as soon as possible. The OECD was asked to provide technical support to this Delivery Plan.

Since that meeting and the release of the OECD 2019 numbers in September, further commitments were made to increase bilateral public climate finance by around USD 10 billion a year on average over the period 2022-2025 relative to the period 2018-19 for those same donors. This is on top of commitments made in 2020 and earlier in 2021 by other countries and increased projections of future climate finance from the multilateral development banks.

Other announcements will be forthcoming over the coming days, with some already provided to the OECD for inclusion into its analysis.

The new OECD analysis released today – **Forward-looking scenarios of climate finance provided and mobilised by developed countries in 2021-2025** – sets out two scenarios for future climate finance.

These are based on detailed OECD analysis of forward-looking public climate finance commitments received from developed countries and projections of climate finance from Multilateral Development Banks (MDBs), communicated in the context of the donors' Delivery Plan.

"It is critical that we reach the USD 100 billion goal of climate finance provided and mobilised by developed for developing countries as quickly as possible. Based on the information we have received, our analysis shows that developed countries intend to significantly increase climate finance provided and mobilised in coming years, which is of course welcome. Our OECD analysis of donor information indicates that 2023 is the year when the goal is likely to be met. This level of finance must then be sustained throughout 2024 and 2025." **OECD Secretary-General Mathias Cormann** said. He added that, "While a number of factors, such as the capacity to get relevant projects underway within the intended time frames, will influence exactly when the USD 100 billion goal is achieved, it is vital for developing countries to have a good understanding of developed countries' intentions in advance of COP26 in Glasgow starting next week."

Following an analysis in 2016 of estimated climate finance in 2020, thisis the second forward-looking output by the OECD in relation to the USD 100 billion goal. Such analyses complement regular OECD assessments of progress towards the goal, using the same methodology and definitions but carried out retrospectively when the necessary verified data becomes available.

The information on future levels of public climate finance provided to the OECD as part of this exercise varies greatly in level of precision, detail and implied assumptions.

The pace at which climate finance can be scaled up in practice will depend on many factors including macroeconomic conditions, globally and in developing countries, as well as capacity building and the development of climate project pipelines.

Attempts to quantify future levels of aggregate climate finance are, therefore, inherently uncertain.

The two scenarios used by the OECD provide two distinct developments for future levels of climate finance in order to illustrate the range of uncertainty. They should not be interpreted as forecasts and may not cover the full range of potential outcomes.

The first scenario assumes that public finance is scaled up in line with the information provided, subject to OECD checks to standardise the information and avoid double counting. It also assumes that private finance mobilised by this public finance increases in line with the lowest value of the private to public ratio observed in the 2016-19 period. Given shifts in the expected composition of public finance portfolios, this implies increased rates of private finance mobilisation for relevant projects over the period and results in rising volumes of private finance over the period.

The second scenario factors in issues that may result in lower-than-targeted levels of climate finance. These include the potential impact of near-term macroeconomic risks in developing countries, capacity constraints exacerbated by the COVID-19 pandemic, and intended shifts in the composition of providers' portfolios in relation to increasing the share of adaptation finance, of grant financing, and of financing for Least Developed Countries (LDCs) and Small Island Developing States (SIDS). The nature of this exercise did not allow for a quantitative aggregate estimate of these portfolio changes over time. However, many providers have made clear their intention to scale up finance for adaptation in both relative and absolute terms within their climate finance portfolios. This shift in portfolio composition is built into the calculations, but the precise numbers used represent the OECD's best estimate informed by historic trends rather than any quantified information from donors.

In this context, **Mr Cormann** emphasised that, "It is of utmost importance that climate finance is aligned with the priorities of partner countries – for example, as highlighted in their Nationally Determined Contributions or reports to the UNFCCC. This will allow climate finance to respond to stated needs, particularly to support poor and vulnerable countries building resilience against the growing impacts of climate change. I welcome the increased emphasis on this in the developed countries' Delivery Plan."

Note to Editors

At the 15th Conference of Parties (COP15) of the UNFCCC in Copenhagen in 2009, developed countries committed to a collective goal of mobilising USD 100 billion per year by 2020 for climate action in developing countries. The goal was formalised at COP16 in Cancun, and at COP21 in Paris, it was reiterated and extended to 2025.

At the request of developed countries, the OECD produces regular analysis of progress towards this goal based on a robust accounting framework, consistent with the COP24 outcome agreed by all Parties to the Paris Agreement as regards funding sources and financial instruments. The OECD figures capture four distinct components of climate finance provided and mobilised by developed countries: bilateral public climate finance, multilateral public climate finance attributed to developed countries, climate-related officially supported export credits, and private finance mobilised by bilateral and multilateral public climate finance, attributed to developed countries.

In the lead up to COP26, developed countries have been preparing a Delivery Plan towards meeting the USD 100 billion goal. In this context, they sought support from the OECD to analyse future levels of climate finance from individual counties and MDBs.

In addition to public and mobilised private finance, the two scenarios also include flat projections of future export credits based on 2019 levels.

For further information journalists are invited to contact [Catherine Bremer](#) in the OECD Media Office (+33 1 45 24 80 97).

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[OECD agreement to support climate action](#)

22/10/2021 – In support of efforts to address climate change and in the context of the approaching COP26, the Participants to [the OECD Arrangement on Officially Supported Export Credits](#) have agreed to end support for unabated coal-fired power plants.

Specifically, the ban will apply to officially supported export credits and tied aid for:

- new coal-fired power plants without operational carbon capture, utilisation and storage (CCUS) facilities; and
- existing coal-fired power plants, unless the purpose of the equipment supplied is pollution or CO_2 abatement and such equipment does not extend the useful lifetime or capacity of the plant, or unless it is for retrofitting to install CCUS.

The ban will come into effect once Participants complete their formal internal decision making processes, which are expected by the end of October 2021. The Participants to the Arrangement are Australia, Canada, the European Union, Japan, Korea, New Zealand, Norway, Switzerland, Turkey, the United Kingdom, and the United States.

Media enquiries should be directed to Lawrence Speer (+33 1 45 24 79 70) in the OECD Media Office (+33 1 45 24 97 00).

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A ground-breaking tax deal for the digital age

08/10/2021 – Major reform of the international tax system finalised today at the OECD will ensure that Multinational Enterprises (MNEs) will be subject to a minimum 15% tax rate from 2023.

The landmark deal, agreed by 136 countries and jurisdictions representing more than 90% of global GDP, will also reallocate more than USD 125 billion of profits from around 100 of the world's largest and most profitable MNEs to countries worldwide, ensuring that these firms pay a fair share of tax wherever they operate and generate profits.

Following years of intensive negotiations to bring the international tax system into the 21st century, 136 jurisdictions (out of the 140 members of the OECD/G20 Inclusive Framework on BEPS) joined the ***Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy***. It updates and finalises a July political agreement by members of the Inclusive Framework to fundamentally reform international tax rules.

With Estonia, Hungary and Ireland having joined the agreement, it is now supported by all OECD and G20 countries. Four countries – Kenya, Nigeria, Pakistan and Sri Lanka – have not yet joined the agreement.

The two-pillar solution will be delivered to the G20 Finance Ministers meeting in Washington D.C. on 13 October, then to the G20 Leaders Summit in Rome at the end of the month.

The global minimum tax agreement does not seek to eliminate tax competition, but puts multilaterally agreed limitations on it, and will see countries collect around USD 150 billion in new revenues annually. Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest and most profitable multinational enterprises. It will re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there. Specifically, multinational enterprises with global sales above EUR 20 billion and profitability above 10% – that can be considered as the winners of globalisation – will be covered by the new rules, with 25% of profit above the 10% threshold to be reallocated to market jurisdictions.

Under Pillar One, taxing rights on more than USD 125 billion of profit are expected to be reallocated to market jurisdictions each year. Developing country revenue gains are expected to be greater than those in more advanced economies, as a proportion of existing revenues.

Pillar Two introduces a global minimum corporate tax rate set at 15%. The new minimum tax rate will apply to companies with revenue above EUR 750 million and is estimated to generate around USD 150 billion in additional global tax revenues annually. Further benefits will also arise from the stabilisation of the international tax system and the increased tax certainty for taxpayers and tax administrations.

“Today’s agreement will make our international tax arrangements fairer and work better,” said OECD Secretary-General Mathias Cormann. “This is a major victory for effective and balanced multilateralism. It is a far-reaching agreement which ensures our international tax system is fit for purpose in a digitalised and globalised world economy. We must now work swiftly and diligently to ensure the effective implementation of this major reform,” Secretary-General Cormann said.

Countries are aiming to sign a multilateral convention during 2022, with effective implementation in 2023. The convention is already under development and will be the vehicle for implementation of the newly agreed taxing right under Pillar One, as well as for the standstill and removal provisions in relation to all existing Digital Service Taxes and other similar relevant unilateral measures. This will bring more certainty and help ease trade tensions. The OECD will develop model rules for bringing Pillar Two into domestic legislation during 2022, to be effective in 2023.

Developing countries, as members of the Inclusive Framework on an equal footing, have played an active role in the negotiations and the Two-Pillar Solution contains a number of features to ensure that the concerns of low-capacity countries are addressed. The OECD will ensure the rules can be effectively and efficiently administered, also offering comprehensive capacity building support to countries which need it.

Further information on the continuing international tax reform negotiations is also available at: https://oe.cd/bepsaction1.

Media enquiries should be directed to Pascal Saint-Amans (+33 6 26 30 49 23), Director of the OECD Centre for Tax Policy and Administration, or to Lawrence Speer (+33 1 4524 7970) in the OECD Media Office (+33 1 4524 9700).

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