

OECD Submission to the First Global Stocktake

Together with governments, policy makers and citizens, the OECD works on establishing evidence-based international standards and finding solutions to a range of social, economic and environmental challenges. From improving economic performance and creating jobs to fostering strong education and fighting international tax evasion, we provide a unique forum and knowledge hub for data and analysis, exchange of experiences, best-practice sharing, and advice on public policies and international standard-setting.

The OECD provides this submission, gathering information from peer-reviewed material related to finance, in response to the call for inputs for the First Global Stocktake.

More information related to OECD work on climate change mitigation, resilience and finance can be found at: <https://www.oecd.org/climate-change/>

Finance

Article 2.1c

Assessing progress towards the goal of “making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development” requires producing evidence about investments and financing (flows and stocks) across both the financial sector and the real economy.

Three OECD country-sector pilot studies conducted to assess the consistency with climate mitigation policy objectives of real economy investments in Norway’ manufacturing industries ([Dobrinevski and Jachnik, 2020a](#)), Latvia’s transport sector ([Dobrinevski and Jachnik, 2020b](#)), and the United Kingdom’s buildings sector ([Jachnik and Dobrinevski, 2021](#)) yielded the following overarching conclusions:

- Real economy investments are currently only partially consistent with Article 2.1c of the Paris Agreement;
- Different reference points for assessing consistency (such as international- and national-level scenarios or performance thresholds) lead to varying results;
- Conducting robust assessments is dependent on accessing granular data on climate mitigation-related targets and pathways, greenhouse gas and energy performance of assets, corporate and household investments, as well as on financing sources;
- It is very challenging to link financing sources to real economy investments.

From the perspective of the financial sector, further OECD work has found that:

- Under current investment regulations in OECD and G20 countries, pension funds and insurance companies can only allocate a small portion of their assets under management (i.e. finance stocks) towards infrastructure in the real economy, and that, within this, less than a third can be considered “green” ([OECD, 2020](#)).

- The lack of transparency, comparability, and interoperability in current climate transition and ESG investing practices results in fragmentation which undermines market integrity ([OECD, 2021](#)). In this context, ongoing OECD work seeks to take stock existing consistency assessment methodologies in use by the financial and corporate sectors, in order to analyse their scope, assumptions, as well as links to climate mitigation policy objectives at both international and national levels (Noels and Jachnik, forthcoming), and coherence with OECD Responsible Business Conduct guidelines and due diligence processes ([OECD, n.d.](#)).

Looking ahead, the OECD will continue its efforts to contribute to the development of robust and policy-relevant approaches, methodologies, assessments and indicators to assess progress towards Article 2.1c, from the perspectives of both “low greenhouse gas emissions” and “climate-resilient development” goals. In addition to analysing finance as such, these efforts also intend to provide evidence about public policies, instruments and broader conditions that facilitate or hinder the mobilisation and redirection of financial flows and stocks to climate-consistent activities, building on OECD analytical expertise on this area (see for instance [Ang, Röttgers and Burli, 2017](#)).

References:

- Dobrinevski, A. and R. Jachnik (2020a), "Exploring options to measure the climate consistency of real economy investments: The manufacturing industries of Norway", *OECD Environment Working Papers*, No. 159, OECD Publishing, Paris, <https://doi.org/10.1787/1012bd81-en>.
- Dobrinevski, A. and R. Jachnik (2020b), "Exploring options to measure the climate consistency of real economy investments: The transport sector in Latvia", *OECD Environment Working Papers*, No. 163, OECD Publishing, Paris, <https://doi.org/10.1787/48d53aac-en>.
- Jachnik, R. and A. Dobrinevski (2021), "Measuring the alignment of real economy investments with climate mitigation objectives: The United Kingdom's buildings sector", *OECD Environment Working Papers*, No. 172, OECD Publishing, Paris, <https://doi.org/10.1787/8eccb72a-en>.
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- OECD (n.d.), OECD Centre for Responsible business conduct (RBC), <http://mneguidelines.oecd.org>
- Ang, G., D. Röttgers and P. Burli (2017), "The empirics of enabling investment and innovation in renewable energy", *OECD Environment Working Papers*, No. 123, OECD Publishing, Paris, <https://doi.org/10.1787/67d221b8-en>.

Climate finance and the USD 100 billion goal

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. Since 2015, the OECD has produced a number of analyses to assess progress towards this goal.

These OECD analyses provide both:

- Historic figures of actual progress towards the goal: The most recent analysis (based on 2019 data) indicated that developed countries remained USD 20 billion short of goal, and that more finance ought to be provided and mobilised for adaptation as well as LDCs and SIDS ([OECD, 2021a](#)). Due to time lags in official reporting of the required datasets, figures for 2020 will not be available before Q2 2022. The OECD output to be released at that point (OECD, forthcoming) also intends to include lessons learnt to date based on a granular analysis of the underlying data, further deepening the level of disaggregation (financial instruments, sectors, previously published disaggregated analyses (see [OECD, 2020](#))).
- Forward looking scenarios: Most recent OECD analysis is based on forward-looking public climate finance commitments received from developed countries and projections of climate finance from multilateral development banks, communicated in the context of the donors' [Delivery Plan](#). This analysis that 2023 is the year when the goal is likely to be met ([OECD, 2021b](#)), while highlighting the inherent uncertainty of any attempt to quantify future levels of aggregate climate finance.

References:

- OECD (2021a), *Climate Finance Provided and Mobilised by Developed Countries: Aggregate Trends Updated with 2019 Data*, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, <https://doi.org/10.1787/03590fb7-en>.
- OECD (forthcoming), *Climate Finance Provided and Mobilised by Developed Countries: 2013-2020 trends and lessons learnt*, OECD Publishing,
- OECD (2020), *Climate Finance Provided and Mobilised by Developed Countries in 2013-18*, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, <https://doi.org/10.1787/f0773d55-en>.
- OECD (2021b), *Forward-looking Scenarios of Climate Finance Provided and Mobilised by Developed Countries in 2021-2025: Technical Note*, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, <https://doi.org/10.1787/a53aac3b-en>.