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.

Future ranges of climate finance provided and mobilised by developed countries

Based on two forward-looking scenarios, in USD billion

	Component	2021	2022	2023	2024	2025
Scenario 1	Public finance	70.5	77.7	85.3	91.1	94.5
	Export credits	2.6	2.6	2.6	2.6	2.6
	Private finance mobilised	15.2	16.7	18.4	19.6	20.4
	Total	**88**	**97**	**106**	**113**	**117**
Scenario 2	Public finance	66.5	74.6	82.5	89.3	94.0
	Export credits	2.6	2.6	2.6	2.6	2.6
	Private finance mobilised	14.0	15.0	16.0	16.5	16.6
	Total	**83**	**92**	**101**	**108**	**113**

Note: Future levels of climate finance are inherently uncertain. The scenarios presented here aim to reflect and illustrate such uncertainty. However, these scenarios may not span the full range of possible outcomes in a given year.
The components may not precisely add to the totals because of rounding.

Source: OECD analysis of developed countries' and multilateral development banks forward looking stated intentions, pledges, or targets subject to assumptions, including to avoid double counting

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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Also Available

Shared values: “Building a green and inclusive future”

06/10/2021 – OECD Ministers have issued a joint statement at the conclusion of this week’s Council meeting at Ministerial level. Under the chairmanship of the United States, with Korea and Luxembourg as vice-chairs, Members met for discussions around the theme “Shared Values: Building a Green and Inclusive Future”.

Read the final statement from the Ministerial meeting.

The Ministerial Council Meeting (MCM) is the OECD’s highest-level forum, attended by ministers of finance, economy, foreign affairs, trade and other government departments from the Organisation’s Member and Partner countries, as well as by representatives of other International Organisations.

During the two-day meeting, Ministers welcomed:

– the Indicator Dashboard to Guide a Strong, Resilient, Green and Inclusive Post-COVID-19 Recovery

– the International Programme for Action on Climate (IPAC) Preliminary Dashboard;

– the Policy Framework for Gender-sensitive Public Governance;

– and the Report on the implementation of the Recommendation of the Council on Integrated Mental Health, Skills and Work Policy.

Additionally, Ministers adopted:

– the OECD’s 60th Anniversary Vision Statement;

– the OECD’s Global Relations Strategy;

– the Recommendation of the Council on Enhancing Access to and Sharing of Data;

– the Recommendation of the Council on Transparency and Procedural Fairness in Competition Law Enforcement;

– the Recommendation for Agile Regulatory Governance to Harness Innovation;

– and the 2021 Ministerial Council Statement.

More detailed information and supporting documents on meeting outcomes and key issues will be available on the Ministerial Council Meeting website at http://www.oecd.org/mcm/.

Additional background is also available across the OECD platform:

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Also AvailableEgalement disponible(s)

Climate finance for developing countries reached USD 79.6bn in 2019

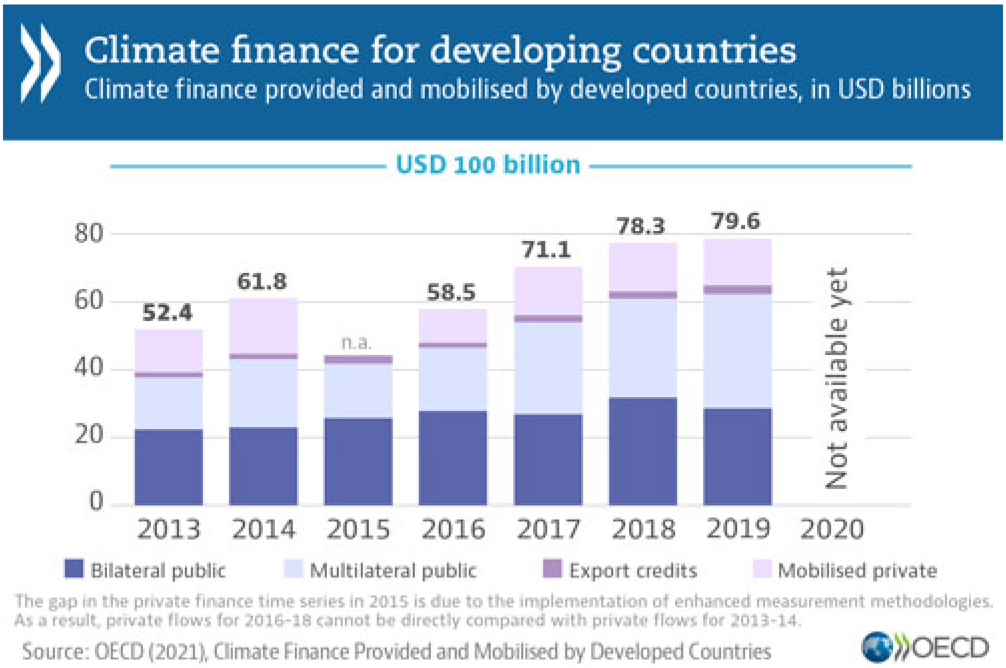
17/09/2021 –

Climate finance for developing countries rose to USD 79.6 billion in 2019 – OECD

Climate finance provided and mobilised by developed countries for developing countries totalled USD 79.6 billion in 2019, up 2% from 78.3 billion in 2018, according to new figures from the OECD.

The small increase was driven by a rise in public climate finance provided by multilateral institutions, while bilateral public climate finance commitments dropped, as did climate finance mobilised from private sources.

Climate Finance Provided and Mobilised by Developed Countries: Aggregate trends updated with 2019 data is the OECD’s fourth assessment of progress towards the UNFCCC goal of mobilising USD 100 billion per year by 2020 to help developing countries tackle and adapt to climate change.



"Climate finance continued to grow in 2019 but developed countries remain USD 20 billion short of meeting the 2020 goal of mobilising USD 100 billion," **OECD Secretary-General Mathias Cormann said**.

"The limited progress in overall climate finance volumes between 2018 and 2019 is disappointing, particularly ahead of COP26. While appropriately verified data for 2020 will not be available until early next year it is clear that that climate finance will remain well short of its target. More needs to be done. We know that donor countries recognise this, with Canada and Germany now taking forward a delivery plan for mobilising the additional finance required to reach the USD 100bn a year goal."

The report finds that public climate finance from developed countries reached USD 62.9 billion in 2019. Bilateral public climate finance accounted for USD 28.8 billion, down 10% from 2018, and multilateral public climate finance attributed to developed countries accounted for USD 34.1 billion, up by 15% from 2018. The level of private climate finance mobilised was down 4% at USD 14.0 billion in 2019, after USD 14.6 billion in 2018. Climate-related export credits remained small at USD 2.6 billion, accounting for just 3% of total climate finance.

The report also shows that out of the overall climate finance in 2019, 25% went to adaptation (up from 21% in 2018), 64% went to climate change mitigation activities (down from 70% in 2019), and the remainder to crosscutting activities. More than half of total climate finance targeted economic infrastructure – mostly energy and transport – with most of the remainder going to agriculture and social infrastructure, notably water and sanitation.

Asia has been the main beneficiary of climate finance over 2016-19 with 43% of the total on average, followed by Africa (26%) and the Americas (17%). Climate finance for Least Developed Countries rose strongly in 2019 (up 27% on 2018) but funding for Small Island Developing States fell back to 2017 levels (from USD 2.1 billion to 1.5 billion) after a temporary increase in

2018.

This data confirm that SIDS face specific challenges in accessing climate finance. The international community needs to consider financing for climate that is appropriate for the challenges that SIDS face, less fragmented, easier to access, predictable and long-term.

Mr Cormann emphasised that, “It is more urgent than ever that developed countries step up their efforts to deliver finance for climate action in developing countries, particularly to support poor and vulnerable countries to build resilience against the growing impacts of climate change.”

In terms of public finance instruments, public grant financing jumped by 30% from 2018 to reach USD 16.7 billion in 2019, after having remained stable the three previous years. In contrast, the volume of public loans, which had increased significantly up to 2018, fell by 5% in 2019. As a result, the share of grants in overall public climate finance was 27% in 2019, while loans (both concessional and non-concessional) represented 71%.

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Due to time lags in official reporting of the various datasets, data for 2020 will not be available before 2022. At that point, a thorough analysis will be conducted to inform the period to 2025 and assess the extent to which the COVID-19 crisis may have affected climate finance flows. Meanwhile the 2021 update report adds 2019 to the 2013-18 series and adds data for US bilateral public climate finance in 2018. This data was previously unavailable and had been estimated as the average level of US bilateral public climate finance over 2016-17. Actual US bilateral public climate finance in 2018 was USD 0.6 billion lower than this estimate.

The year-on-year time series is consistent from 2013 to 2019 for bilateral and multilateral public climate finance and export credits, however data for private climate finance from 2016 on are not directly comparable with those for 2013-14 due to the application of improved methodology and a resulting gap in the time series in 2015.

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