51st Session of the UN Statistical Commission New York: Taking the Environment into Account

MARCH 2, 2020 (10:00 AM - 1:00 PM)
CONFERENCE ROOM 4

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Three Examples of Policy Issues: Carbon Pricing

- "Of the various mitigation strategies to reduce fossil fuel CO₂ emissions, carbon taxes... are the most powerful and efficient..."
  - The IMF Fiscal Monitor – How to mitigate climate change

- IMF research shows that the impact of carbon prices on CO₂ emissions differs from one country to another.

- Carbon Taxes will lead to higher energy prices – it will be important to understand the transition costs and distributional effects of these higher prices on households and businesses.

<table>
<thead>
<tr>
<th>Tax</th>
<th>Coal</th>
<th>Natural Gas</th>
<th>Electricity</th>
<th>Gasoline</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Baseline %</td>
<td>Baseline %</td>
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<tr>
<td>$75</td>
<td>3.5 214</td>
<td>7.0 68</td>
<td>0.1 43</td>
<td>1.3 14</td>
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<tr>
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<td>0.1 32</td>
<td>1.3 9</td>
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<td>$25</td>
<td>3.5 71</td>
<td>7.0 23</td>
<td>0.1 19</td>
<td>1.3 5</td>
</tr>
</tbody>
</table>

Source: IMF Fiscal Monitor, How to mitigate climate change, October 2019

Figure 1.2 Reduction in Fossil Fuel CO₂ from Carbon Taxes in 2030, Selected Countries

Source: IMF staff
Three Examples of Policy Issues: Financial Resiliency

The IMF’s Executive Board recently endorsed the recommendations that countries prone to natural disasters develop a Disaster Resilience Strategy (DRS). The Disaster Resilience Strategy has three pillars:

- building infrastructure and making other investments to limit the impact of disasters;
- building financial resilience by creating fiscal buffers and using pre-arranged financial instruments to protect fiscal sustainability and manage recovery costs; and
- planning for post-disaster resilience through contingency planning and related investments ensuring a speedy response to a disaster.

2Source: IMF Board Paper, BUILDING RESILIENCE IN DEVELOPING COUNTRIES VULNERABLE TO LARGE NATURAL DISASTERS June 26, 2019

Panel A. frequency of Natural Disasters: 1980-2017
(Number, in each year)


Source: Munich RE

Source: EM-DAT, WEO, and IMF staff estimates.

*Frequency is the annual of all natural disaster incidents from 1980-2017 per 10,000 Km sq. of land area.
Three Examples of Policy Issues: Sustainable Finance

- Sustainable finance is becoming increasingly important for borrowers and investors.
- Environmental issues can have a material impact on firms’ corporate performance and risk profile and on the stability of the financial system.
- Environmental, social and governance (ESG) funds (while still only 2% of total mainstream funds) are rising fast. Institutional investors are also divesting from fossil fuels.
Taking the Environment into Account

- The first thing we need to do is mainstream System of Environmental-Economic Accounting (SEEA) so that policy makers and analysts see SEEA in the same way they see the BPM, SNA, GFS and MFS – as an indispensable tools in policy formulation and macroeconomic-environmental analysis.

- Second, we need to make the environment more visible in our existing data products. "Green" and "Clean" need to be build into our classification systems – industries, products and most importantly for the Fund – financial instruments all need to all take on a green hue.

- Finally, we need to think globally. Ecosystems are global resources offering global eco-services – the environmental policies and consumption behavior in one country impacts all countries.