Using SEEA for policies on climate change and sustainable finance

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Climate change and the IMF

“The world is currently focused on one crisis—namely, the COVID-19 pandemic. But lurking “the day after” is another crisis—slower moving, perhaps, but equally critical. I’m talking, of course, about climate change. We’ve known for years that urgent action is needed, but it’s perhaps even more apparent now, in the wake of this pandemic, that we shouldn’t mess with Mother Nature. Moreover, the two crises are interlinked, because some of the economic policy decisions taken today will affect climate outcomes tomorrow.”

Deputy Managing Director – Zhang: From Awareness to Action
The IMF’s Climate Change Indicators Dashboard

There is a need to modify the IMF’s policy, economic and financial frameworks to better consider the implications economic activity is having on the environment and more specifically the climate.

The IMF Statistics Department is tasked with ensuring the IMF’s surveillance, lending and policy functions are supported by high quality data. There is a need to expand our traditional data holdings to include the environment.

The SEEA Ecosystem Accounting and its strong link to existing macroeconomic frameworks provides institutions like the IMF with an ideal source of information to develop policies on climate change and sustainable finance.
Climate Change Indicators Dashboard

In order to support the IMF’s surveillance and policy program the IMF Statistics Department is establishing a Climate Change Indicators Dashboard. The indicators are broken down into four categories. Many of the indicators utilize data from the SEEA-CF.

1. Economic Activity and Climate Indicators
2. Cross-border Indicators
3. Financial Indicators, Physical and Transition Risk Indicators
4. Government Policy Indicators
There is a need to put the timeliness and frequency of environmental data on equal footing with macroeconomic statistics.

COVID-19 has resulted in a temporary (?) reduction in emissions...

Unfortunately, the data policy makers require to monitor progress is lagged. GHG emissions on a quarterly basis will provide policy makers with an emissions “leading indicator” - comparable in concept, timeliness and frequency to leading macroeconomic indicators.
There is a need to increase the global coverage of emissions data – and track progress towards targets.

National emissions are well above targets in most countries...

- A large share of the increase in emissions is a result of use of fossil fuels when producing or consuming goods and services. Countries have established mitigation targets under the Paris Climate Accord. Most countries will need significant policy adjustments in order to achieve their targets.
There is a need to monitor whether the necessary economic structural changes are taking place.

Most countries will need to undertake structural reforms in order to reduce CO₂ emissions...

Structural changes in the way goods and services are produced and delivered is required. Direct and Indirect CO₂ emissions per US$ (m) of output can be used to track the source of the immediate direct and indirect impact of production on CO₂ emissions. Comparing countries will allow the Fund and member countries to understand the extent of the changes required from one country to another.
There is a need to track both the “production of” and “demand for” emissions

- Some countries are able to reduce the domestic production of “CO₂ emissions” by offshoring emissions to other jurisdictions. Changes in both production and consumption are required.
There is demand to identify the sources of funds to combat climate change.

- Green bonds gain momentum.
- …. but represent a fraction of total issuances.
Government intervention will be required in order to combat climate change. Some information is available from SEEA, but more granularity is required.

Across OECD, environmental taxes average 2.2% of GDP.

Netherlands - Share of Government Expenditures 2019

- General public services
- Defense
- Public order & safety
- Economic affairs
- Environment protection
- Housing & community amenities
- Health
- Recreation, culture, & religion
- Expenditure on education
- Social protection
Climate Change and Sustainable Finance

In order to advance the use of SEEA for policy on climate change and sustainable finance it would be beneficial to:

1. Increase the frequency and timeliness of key SEEA outputs.
2. Improve coverage – especially among developing economies.
3. Develop and elaborate a “sustainable finance” conceptual and methodological framework coherent with the SEEA-CF and SNA.