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**Statement by Mr. Tanaka, Ms. Kashima, Mr. Naka, and Mr. Kuretani on IMF Strategy to Help Members Address Climate Change Related Policy Challenges—Priorities, Modes of Delivery, and Budget Implications  
(Preliminary)  
Executive Board Meeting  
July 16, 2021**

We thank staff for the informative paper on a comprehensive strategy for the Fund’s engagement on climate related issues. We welcome that the Fund has discussed rapidly its role under MD’s leadership responding to the growing demand of the membership.

**It is very clear that climate change is macro-critical, and we understand the Fund’s direction toward strengthening surveillance and CD on climate issues and providing appropriate policy advice to member countries.** However, before discussing the operational modality and resource implication focused on in the report, we should discuss and organize thoroughly at the board on the overall picture of the Fund climate change policy, including what the Fund competitive advantage is and what type of policy advice should be made. In addition, it is essential for the Fund to tackle this issue in a transparent manner through, for example, presenting a roadmap for the Fund’s analysis and policy advice on climate change going forward. Furthermore, given that climate change is a global challenge, establishing such policy requires a comprehensive approach with the participation of all major emitting countries.

As we discussed at the board, **the Fund should pay due attention to “flexibility” and “pragmatism” in their analysis and policy advice on climate change, and it is important that the proposals do not fall into one-size-fits-all approach.** It is also paramount for the Fund to exercise deep analysis and balanced discussions of mitigation, adaptation and transition measures based on the Fund’s own expertise, considering each countries’ own circumstances. For example, for the countries committed net zero emissions by 2050, explicit carbon pricing should not be the only option, but rather several policy options should be

considered to make the best policy mix based on each countries' circumstances, such as implicit carbon pricing, preferential treatment of renewable energy, and regulations.

**Furthermore, ensuring “evenhandedness” among member countries is also a necessary factor in policy advice.** For example, staff proposed last month differentiated carbon pricing floors according to the level of economic development, such as with a higher price floor for advanced economies and a lower price floor for EMEs. However, given that the Fund is not a standard-setting body and that EMEs account for the large portion of emissions, we are cautious about differentiating the carbon pricing floors according to the level of economic development, to ensure a fair competitive environment and achieve net zero emissions by 2050. Going forward, it is necessary to comprehensively analyze and discuss this issue from various perspectives, including evenhandedness and effectiveness, together with the Border Carbon Adjustment.

**On resource issues, we would like to ask staff to present further analysis of both budget and human resource implication from the holistic perspective including other emerging issues.** We have received several requests for resource increases in such areas as FCS, digital money and inclusion. We are a bit concerned that these proposals could lead to a permanent net increase in budget and human resources without prioritization. It is important to exercise a comprehensive periodic review of the adequacy of human resources, considering both as to whether there are sufficient resources to address emerging issues and whether it is possible and appropriate to streamline conventional areas. As number of macroeconomists majoring in climate change is very limited, *we would ask staff to elaborate on detailed plan on how to hire such economists.*