

**EXECUTIVE
BOARD
MEETING**

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November 23, 2015

To: Members of the Executive Board

From: The Secretary

Subject: **Addressing Global Climate Change—The Role of the Fund—Draft Press Release**

Board Action: Executive Directors' **consideration** (Formal)

Tentative Board Date: **Wednesday, November 25, 2015**

Publication: Proposed with main paper

Questions: Mr. Keen, FAD (ext. 34442)
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INTERNATIONAL MONETARY FUND



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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Sets Out the Role of the Fund in Helping Members Address Climate Change

The International Monetary Fund has a significant role to play in helping members address climate change. Some of the most effective policies for climate mitigation, adaptation and climate finance are the macroeconomic, fiscal, and financial tools that are at the core of the Fund's mandate.

The Executive Board discussed a paper prepared by Fund staff titled: "*Addressing Global Climate Change—The Role of the Fund*" which sets out the areas in which, working closely with organizations with environmental expertise, the IMF can support members aiming to reduce emissions and cope with the challenges and risks associated with climate change.

Background

The paper highlights the important role that fiscal instruments, including carbon pricing, can play in meeting countries' mitigation commitments. Gradual but credible improvements in energy pricing are an important tool in guiding consumption and investments towards less damaging patterns (including in relation to outdoor air pollution and other damages arising at national level), and can also promote much-needed innovation. Care is needed, however, to ease the transition for vulnerable households and firms. Finance ministries have a key role to play in promoting and implementing these policies and in ensuring efficient use of the revenue raised.

Macroeconomic policies will also need to be calibrated to accommodate more frequent weather shocks, including by building policy space to respond to shocks; infrastructure will need to be upgraded to enhance economic resilience. In adapting to climate change there is a role for government policies in overcoming market failures and providing public goods and services to facilitate private sector adjustments. And financial markets will play an important role in helping economic agents and governments in coping with climate change-related shocks and re-directing investments towards cleaner technologies.

The United Nations' climate conference being held in Paris during November 30–December 11 provides an historic opportunity to put economies on a path consistent with both economic

development and a stable climate system. In that context, the IMF can play an active and constructive role, including, as requested by members, in its technical assistance and, where macro-critical, its surveillance work.

Executive Board Assessment¹

¹ An explanation of any qualifiers used in summings up can be found here: <http://www.imf.org/external/np/sec/misc/qualifiers.htm>.