The Paris Agreement 5 years on: Taking stock and looking forward

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This week marks the anniversary of not one but two historic international agreements signed in Paris. The 5th anniversary of the Paris Agreement is a moment to take stock of what has been achieved and to refocus on the challenges that remain. And as the OECD turns 60 this week, it is a chance to reflect on how we at the OECD can ramp up yet further our support to members and key partners as they seek to drive global action on climate change while also recovering from the COVID-19 crisis.

When world leaders gathered in Paris in 2015, they succeeded in agreeing a comprehensive, ambitious and universal global agreement on climate change. The Paris Agreement established the goals and the framework for accelerating climate action in three main areas: reducing emissions to limit global temperature rise to well-below 2°C, even to 1.5°C; enhancing resilience and adaptive capacity; and making finance flows consistent with low-emissions and climate-resilient development pathways. For the first time, the Paris Agreement gave equal political priority to adapting to climate change and reducing emissions. This was a major step forward in recognising the existential threat posed by climate change for large parts of the world's population.

The temperature goal was a major breakthrough in ambition. As the special report by the Intergovernmental Panel on Climate Change subsequently made clear, even 1.5°C of warming carries significant risks. Temperatures are hitting record levels and many developing countries have been hit by devastating cyclones this year. We are sleepwalking into a catastrophe if we let climate change rise unchecked. We are on a collision course with nature.

Despite progress, atmospheric CO_2 concentrations continue to increase

The Paris Agreement has proven to be remarkably resilient, and there have been encouraging signs of action. We have witnessed a notable acceleration of countries, cities, regions and companies announcing targets for net-zero emissions by 2050 including (so far) 21 OECD countries. I am delighted to see the international community coming together around the concept of net-zero, which I first suggested in my inaugural biennial climate lecture in 2013. If achieved, these goals would bring the Agreement's upper bound temperature stabilisation objective firmly into view for the first time. Nevertheless, atmospheric CO_2 concentrations continue to increase. There is no time for hesitation.

Long-term targets are only as good as the policies put in place to achieve them, and that is where we have been falling short. While emissions will fall heavily this year because of the recession, the IPCC tells us that to stand a good chance of limiting warming to 1.5°C, emissions must continue to fall at nearly the same rate *every year* until 2030. Despite progress, notably on renewable energy, around 70% of emissions are completely unpriced. Governments continue to spend billions on fossil fuel subsidies, with the OECD's latest estimates at USD 178 billion in 2019 across 50 countries. That represents a 5% year-on-year increase, driven by a 30% rise in production support in OECD member countries.

The donor community is still catching up. The OECD's update on progress by developed countries in providing and mobilising climate finance for developing countries showed steady progress in 2018, totalling USD 78.9 billion in aggregate, up 11% from 71.2 billion in 2017. However, too little of this money was for the most vulnerable, with less than 30% spent on adapting to climate impacts.

Despite progress, we are also still a long way from aligning financial flows with the Paris objectives. Positive developments include the rapid scaling up of instruments such as green bonds, initiatives such as the Task Force on Climate-related Financial Disclosure and the development of taxonomies to guide financial decisions, including in the European Union. Nevertheless, the lion's share of financing is not yet sustainable, even though, according to OECD estimates, making infrastructure climate-compatible would require only a 10% increase in expenditure over known levels.

The next 5 years

In the next five years, countries need to do more to drive the Paris Agreement forward.

First, all countries need to come forward with more ambitious Nationally Determined Contributions (NDCs), clarifying how these short-term contributions are consistent with their long-term objectives on climate and, more broadly, the Sustainable Development Goals. These plans need to integrate the COVID-19 context and strive to leave no one behind. The OECD's well-being approach to climate mitigation is an important tool in this regard. Broadly speaking, climate policies, including carbon pricing, need to be ambitious and progressive, putting people at the centre.

Second, we need to accelerate the shift towards a financial system that fully takes into account critical environmental challenges. Great progress has been made on disclosing the risks climate change poses for financial returns (i.e. financially material climate-related risks). However, in order to achieve climate and other environmental objectives, there also needs to be improved disclosure and management of corporates' impact on the environment (i.e. environmental materiality). A double materiality approach (financial and environmental) is reflected in the EU's Non-Financial Reporting Directive, as well as the OECD Guidelines for Multinational Enterprises. For finance to be truly environmentally sustainable, the financial markets need globally comparable, high quality data as well as more standardised methodologies.

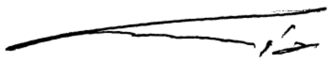
Third, we need to integrate resilience in our economic development strategies. This year has exposed our vulnerabilities to unexpected global shocks and has underlined the challenge of responding to and recovering from compounding risks, such as extreme weather events during a health crisis. Nature is a key element to build resilience and to address mitigation and adaptation challenges simultaneously. A good example of this is the restoration of mangroves that provide crucial and effective natural carbon sinks, while protecting us against increasing climate-related coastal risks.

The OECD at 60: a champion of climate action

The OECD has been a pioneer of global environmental policy since the 1970s. Recently, the Organisation has been instrumental in providing evidence that tackling climate change is a global policy priority, in the interest of all countries. The OECD has been at the forefront of advising countries on their immediate and longer-term responses to the pandemic, including by highlighting the opportunities and the imperative of ensuring that economic recovery policies are sustainable.

Looking ahead, the OECD will continue to support governments to fight climate change and preserve biodiversity as they navigate the COVID-19 crisis and engineer the recovery. If we do not seize the opportunity to use the unprecedented scale of stimulus spending to make our economies low-carbon, green, resilient and competitive for the future, our efforts to achieve the Paris Agreement goals may be in vain. The OECD's country-by-country tracking of recovery measures points to some potentially game-changing investments in a green economy. Nevertheless, so far, the overall balance of funding is still in favour of less sustainable options. More needs to be done before it is too late. The OECD stands ready to help countries to achieve their de-carbonisation objectives through an integrated framework and to measure progress through relevant indicators.

The year 2021 promises to be the environmental ''super year'' (that 2020 should have been), with major conferences on deserts, climate, biodiversity and the ocean. I call on countries to embrace a revitalised multilateralism that will build the transparency and trust we need to overcome these challenges collectively, with the full support of the OECD. By the time OECD turns 90, we will have reduced global emissions to net-zero.



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