



## INTEGRATING CLIMATE AND ECONOMIC RESILIENCE

### **This OECD flagship project aims to ensure that an effective response to climate change is at the heart of governments' efforts to improve economic and societal resilience after COVID-19.**

Carried out over 2021-22 and drawing on expertise from across the OECD, this horizontal project will reframe the climate challenge for the pandemic-affected world and will ultimately deliver a practical policy toolkit for an integrated approach to strengthening climate and economic resilience. While resilience is a complex concept, it broadly comprises the ability of systems to variously resist, absorb, recover from and adapt to shocks. In the case of climate change, reducing the severity of the shocks in the first place – by rapidly decreasing greenhouse gas emissions – is a clear prerequisite for improving overall systemic resilience. The project will therefore cover both ensuring a resilient transition to net-zero emissions – with a focus on ensuring fiscal sustainability and macroeconomic stability – and adapting to the impacts of climate change.

The project also comprises the pilot phase of a major new initiative to track climate action and encourage greater climate ambition, the International Programme for Action on Climate (IPAC).

#### **WHY FOCUS ON INTEGRATING CLIMATE AND ECONOMIC RESILIENCE?**

COVID-19 has caused profound economic and social hardship around the world, exposing major vulnerabilities in the economic systems of many countries. Very significant government interventions have started to set the stage for economic recovery, focusing on health, growth, and jobs. As the recovery takes hold, building and reinforcing economic resilience for the longer term is rapidly becoming a key priority.

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At the same time, climate change poses an increasingly severe threat to the economic and social resilience of societies. Global temperatures continue to rise and the last decade was the warmest ever recorded. Physical effects of climate change are increasingly being felt around the world, and there is increasing evidence that a number of “tipping points” in the climate system may be triggered sooner than previously thought, even if action to reduce emissions accelerates rapidly. Climate tipping points could lead to cascading and irreversible effects that would greatly exacerbate potential economic and social damage from climate change. Such shocks are likely to increase inequalities across and within countries, especially if they come on top of other global crises – such as a global pandemic – and they can act as a risk multiplier.

In addition, while a rapid global transition to net-zero emissions is the most effective strategy to reduce the risks and severity of climate impacts, this implies a fundamental and far-reaching transformation affecting almost all sectors of the economy. This transformation will bring substantial economic benefits in its own right. However, it needs to be managed to avoid a disorderly transition that could itself pose risks to economic and social resilience, especially in relation to macroeconomic and fiscal outcomes.

While both the implications of cascading and intersecting climate and economic impacts and the outlook for macroeconomic and financial stability have been widely studied, there has been limited policy and quantitative analysis of the interaction between these two broad areas. Bringing these dimensions together through this

project will add considerably to the current policy debate, in particular as the world seeks to recover sustainably from the crisis triggered by the COVID-19 pandemic.

Finally, current policies and actions on climate change in the near term are insufficient to meet global climate goals, despite the recent wave of national, sub-national and corporate targets to achieve net-zero emissions by around mid-century. CO<sub>2</sub> emissions are rising rapidly again and are set to almost regain 2019 levels in 2021. There is a strong need for clear and precise monitoring of action on climate as a means to track action and encourage ambition. The pilot phase of IPAC, incorporated in this project, will deliver clear and policy-relevant indicators, and a targeted peer-review process.

### What is an OECD horizontal project?

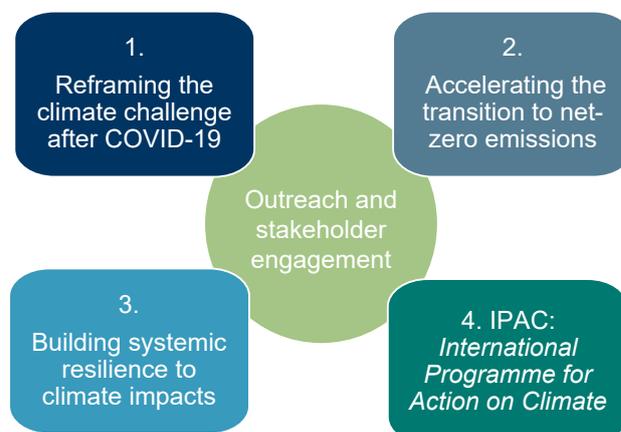
Horizontal projects are flagship endeavours by the OECD, overseen by the OECD Council and drawing directly on the full range of policy expertise across the OECD's numerous directorates and agencies. The high priority that member countries have attached to this project, even in the midst of the COVID-19 pandemic and major ensuing economic crisis, attests to the critical need for strong, informed and coherent policy guidance on how to address the climate challenge despite the current strained economic and social conditions.

## OVERALL OBJECTIVES AND OUTCOMES

The project's main outcome will be a whole-of-OECD perspective on tackling climate change in the aftermath of COVID-19, with a particular focus on economic resilience. The project aims to deliver a practical policy toolkit for tackling climate change while improving economic resilience. This will comprise state-of-the-art evidence-based analysis and guidance for governments on developing effective planning, financing, and policy coordination mechanisms to help them better mitigate, prepare for, recover from, and adapt to economic and social shocks related to climate change. Through the IPAC pilot, the project will also act as a driver of greater ambition on climate change by measuring and monitoring countries' action and providing a platform for best-practice sharing.

## PROJECT STRUCTURE

The ambitious objectives of this project will be delivered across four substantive modules:



## MODULE 1: FRAMING OF CLIMATE AND ECONOMIC RESILIENCE POST-COVID-19

This module will focus on framing the climate challenge after the COVID-19 crisis and exploring how climate factors can better be integrated into economic resilience planning in the context of economic recovery. There will be an emphasis on systems thinking, drawing on recent OECD work on systemic resilience. The implications of different types of climate impacts will be considered, including in particular the risks of crossing irreversible “tipping points” in the climate system, drawing on input from leading scientists. In addition, the nexus between the ocean, climate and economic systems will be explored from a resilience stand-point.

A key output will be a conceptual framework and narrative for addressing the low carbon transition and climate and economic resilience in the aftermath of COVID-19. A strategic foresight exercise will be an important component of this module, aiming to elaborate alternative futures related to tipping points and economic factors.

## MODULE 2: ACCELERATING THE TRANSITION TO NET-ZERO EMISSIONS

This module will focus on policies to accelerate the low-carbon transition, including by applying a resilience lens to the transition in the context of the economic recovery from COVID-19. A key component of the module will be updated OECD modelling and analysis on the wider implications of macroeconomic, fiscal and budgetary policies for accelerating progress towards net-zero emissions. A further component will be analysis of the linkages between recovery policies and longer-term objectives around climate and economic resilience. The work will draw on inputs from across the OECD, for example exploring fiscal sustainability in the transition and the importance of ensuring a “just transition” for workers and communities.

## MODULE 3: BUILDING SYSTEMIC CLIMATE RESILIENCE

This module will focus specifically on opportunities to build systemic resilience to the impacts from climate change, with outputs including case studies, policy papers and targeted workshops. The work will draw on the findings of the first two modules and focus on the inter-linkages between climate and both economic and social resilience.

The module will build on and extend work from across the OECD, including on understanding losses and damages from climate change and adapting to climate change, and the importance of factoring climate change risks into infrastructure financing. The work will include specific case studies across a range of sectors and systems, such as on the resilience of agriculture and food systems – a critical sector that is heavily exposed to climate change in several ways – and challenges for building climate resilience in cities and regions.

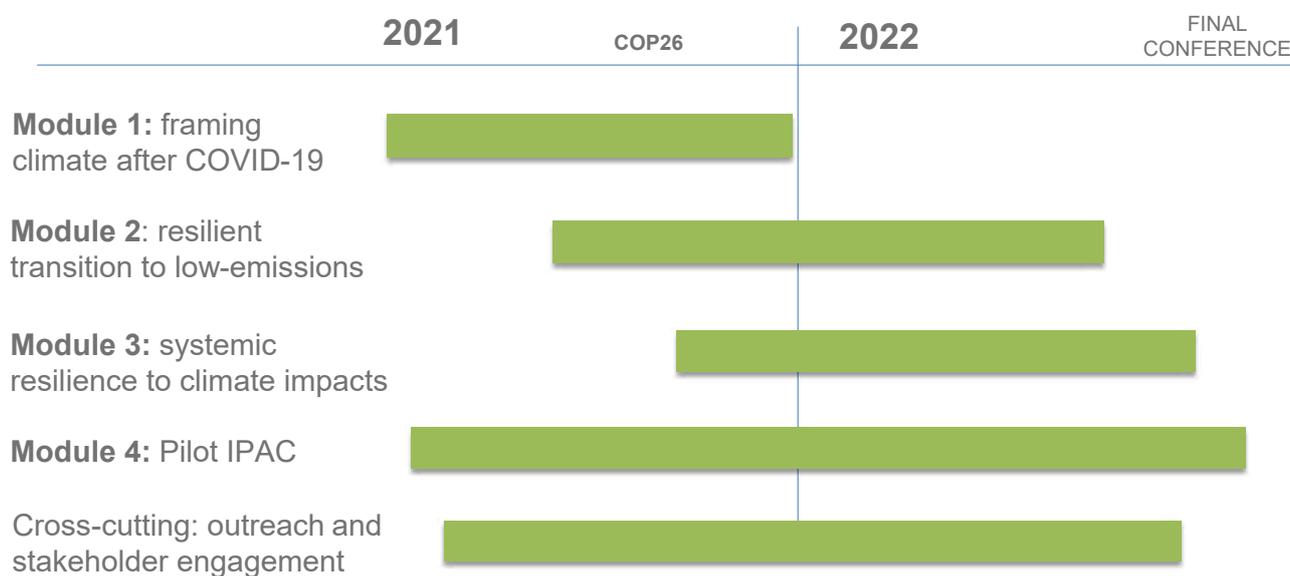
## MODULE 4: MONITORING AND REVIEWING COUNTRIES’ ACTION FOR CLIMATE

As the pilot for IPAC, the measurement-oriented work in this module will be a strong complement to the policy and modelling focus of the rest of the horizontal project. IPAC will support countries in the implementation of climate commitments, leveraging the OECD’s proven working methods to develop evidence-based analysis and benchmarking. It will build on existing data and indicators, policy tools, advice and guidance developed by the OECD family, including the International Energy Agency, the International Transport Forum and the Nuclear Energy Agency.

IPAC will contain four components: an annual climate action monitor, a dashboard of climate-related indicators, country notes and an online interactive platform for dialogue and mutual learning across countries. Visit the dedicated IPAC webpage for more detail: [www.oecd.org/climate-change/IPAC](http://www.oecd.org/climate-change/IPAC).

## MILESTONES, OUTREACH AND GOVERNANCE

The four modules will advance in sequential but overlapping fashion, beginning in early 2021 and culminating in a final conference in late 2022.



Cross-cutting activities related to outreach and stakeholder engagement will run throughout the project.

The power of an OECD horizontal project comes through combining guidance from OECD member governments (and key partner countries) with the multidisciplinary policy expertise housed right across the OECD Secretariat. A governance structure has been designed that allows oversight through both the OECD Council and the OECD Committee Structures, in parallel with both operational and director-level coordination with the OECD Secretariat. In addition, the project benefits from external high-level guidance through a high-level External Advisory Panel and a Technical Expert Group focused in particular on IPAC.

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