

Policy Brief

Green financial policies are growing rapidly in the OECD, though many countries limit their action to narrow or non-binding interventions

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The policy problem

The mitigation of dangerous climate change requires massive investments in low-carbon technologies. Accordingly, the redirection of finance flows is a key objective of the Paris Agreement, and countries have started to enact policies to influence financial actors to this end. However, transparency on such policies is low, limiting policy learning. From an international perspective, it is hardly possible to compare the green financial policy activities of different countries, which would be the starting point for stakeholders to demand a ratcheting-up of policies in this area.

The findings

Since the Paris Agreement, green financial policy output accelerated rapidly: The number of policies grew by 24% p.a., up to a total of 136 policies in 2019 across the OECD. But there are huge differences between countries: Especially France, the United Kingdom, and policymakers on the EU level have been very active, while some other countries that host important financial centers have implemented few policies to date, and have focused on less substantial instruments (e.g. voluntary information policies, as compared to mandatory requirements).

We identify 22 different policy instruments that emerged, with many countries using both “softer” information policies (e.g. government labels and voluntary guidelines), and binding disclosure requirements, though often with limited scope (e.g.

Cumulated number of green financial policies in OECD countries

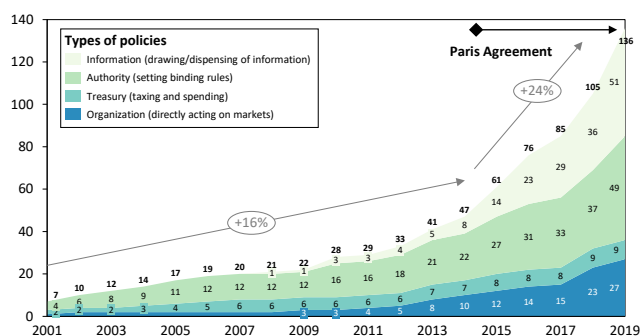


Figure: Green financial policy output over time

Messages for policy

- Green financial policies address the financial sector to redirect finance flows from polluting to green sectors
- A broad range of policy instruments has been developed across OECD countries, many of which leverage direct financial market activity of public authorities
- There are clear leaders and laggards in green financial policy output, also within the group of countries where the financial sector is an important part of the economy
- To make finance flows consistent with their climate commitments, laggards should build on international policy learnings for effective interventions

disclose whether climate aspects are considered in portfolios). Importantly, governments also directly act on financial markets, e.g. through guidelines for public funds, and via green state investment banks. Treasury policies are rarely used. Overall, our policy categorization can help to evaluate options from a versatile green financial policy toolbox.

Our study

We compiled an extensive inventory of green financial policies in OECD countries and on the EU level (available online). A comparative analysis then draws on Hood's classification of policies by governing resources employed, as well as regressions concerning the relation of green financial policies to general climate policies and economic factors.

Link to the full article (free download), and related work at www.cfp.ethz.ch

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