

U.S. DEPARTMENT OF THE TREASURY

Remarks from Secretary of the Treasury Janet L. Yellen at the G20 Finance Ministers and Central Bank Governors Meeting's High Level Symposium on International Tax

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Remarks as Prepared

This discussion focuses on one of the most challenging aspects of international policy coordination today and one that will increasingly be the responsibility of forums like the G20 Finance Track. Addressing the impacts of climate change and taking meaningful steps to decarbonize our economies by mid-century will require significant new public and private investments and difficult economic decisions. G20 countries are responsible for more than 80 percent of global carbon emissions and thus it is our responsibility to take action and do so immediately.

Collectively, we must take concrete and measurable steps. Individually, we must assess which policy tools will best achieve the desired domestic climate and environmental outcomes in our countries, while minimizing negative spillover effects and maximizing the benefits to the global community. The most important step is for countries to finalize updated and robust Nationally Determined Contributions (NDCs) to set a target for achieving net zero emissions that is consistent with the goals of the Paris Agreement, and to develop robust domestic strategies, laws and regulations to meet the NDC targets.

In doing so, it is important to recognize that there are numerous policy levers and paths that countries will take to create incentives for decarbonization. Those could include regulatory measures, standards, direct public investments, public subsidies to incentivize private investments, and carbon markets. Our policies should have the common goal of giving the public and private sector the clarity, incentives, and resources to reduce emissions.

President Biden has committed to an ambitious NDC to reduce U.S. emissions from 2005 levels by at least 50 percent. The American Jobs Plan, which aims to dramatically reduce U.S. emissions primarily by greening the electricity and transportation sectors, is the cornerstone of the Administration's approach.

The global nature of greenhouse gas emissions and trading patterns means that as countries take different paths and timeframes to decarbonize, these approaches could create frictions in terms of global competitiveness and the potential for carbon leakage. The G20 Finance Track could provide a platform for economic policymakers to work together to avoid damaging international spillovers if policy approaches are not well-aligned. I see two key areas where further G20 Finance Track coordination will be critical. The first is in improving the availability of climate-related data and information. The G20 and international bodies like the FSB fortunately have several initiatives underway on this front, which I look forward to discussing with you all in the coming days. These efforts include the Sustainable Finance Working Group's work on climate-and sustainability-related financial disclosures and the Infrastructure Working Group's efforts to develop voluntary environment, social, governance, and resilience indicators. Second, we have an opportunity to use the G20 Finance Track as a forum to discuss measures that countries are considering to counter negative spillovers, such as carbon leakage.

We welcome further discussions on proposed policy levers for addressing carbon leakage, such as carbon border adjustments and climate clubs. It is important that any carbon border adjustment system focus on the degree to which a country's climate policies reduce emissions (and hence carbon content), rather than focus only on explicit carbon pricing.

Recognizing the different paths countries are taking to address climate change could help avoid policy measures to address carbon leakage inadvertently creating new international risks and spillovers. In the U.S. case, the President's clean energy strategy charts an ambitious and well-conceived path to achieving significant emissions reductions through substantial investment in efficient, low-emissions, and resilient U.S. infrastructure and technology. We are still considering a range of policies to reduce our carbon emissions. Some measures under consideration could put an implicit price on carbon that could be a useful point of comparison to other countries. We think future discussion of this topic should occur through an existing G20 channel, such as the Sustainable Finance Working Group—bringing in relevant experts from G20 countries and, as needed, relevant organizations to support members' discussion. I look forward to continuing the conversation on how we can come together to tackle the critical global challenge that climate change presents.