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JOINT AFD-OECD[2] HYBRID WORKSHOP ON MINISTRIES OF FINANCE, PUBLIC DEVELOPMENT BANKS, FINANCIAL AUTHORITIES AND THE LEGACY OF COP30: TOWARDS JUST TRANSITION, CLIMATE AND NATURE ECONOMIC POLICY SCENARIOS

In collaboration with the Coalition of Finance Ministers for Climate Action (CFMCA), Finance in Common (FiCS) and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS).

OVERVIEW AND PURPOSE OF THE WORKSHOP

The "*Ministries of Finance, Public Development Banks, Financial Authorities and the Legacy of COP30: Towards Just Transition, Climate and Nature Economic Policy Scenarios*" Workshop was held on 10 December 2025 at the OECD Conference Centre in Paris. It was jointly hosted by the French Development Agency (AFD) and the Organisation for Economic Co-operation and Development (OECD), through its Clean Energy Finance and Investment Mobilisation (CEFIM) Programme, with involvement from the Finance for Climate Action (FCA) team in the Environment Directorate and the Directorate for Financial and Enterprise Affairs, and in collaboration with the Coalition of Finance Ministers for Climate Action (CFMCA), Finance in Common (FiCS), and the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). OECD's contribution to the event is being held with support from the Governments of Canada and Denmark to the CEFIM Programme.
The workshop convened over 60 participants in-person and more than 180 participants virtually via Zoom, including representatives from Ministries of Finance, central banks, financial supervisors, public development banks, ministries of environment and development co-operation, research institutes, and academia. The event comprised a technical workshop in the morning and high-level sessions in the afternoon, both held under the Chatham House rule.

The objective of this event was threefold: (i) to collectively reflect on the scope, scale and time horizon of tailored Just Transition, Climate and Nature Economic Policy Scenarios for Ministries of Finance as part of the implementation agenda following the 30th Conference of the Parties (COP30) of the United Nations Framework Convention on Climate Change

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[2] On the OECD side, CEFIM's co-hosting of the workshop is supported by funding from the Governments of Canada and Denmark.

(UNFCCC) in Belém; (ii) to foster dialogue and co-operation between ministries of finance, public development banks and financial authorities, including central banks and financial supervisors, as well as environment ministries; and (iii) to discuss outstanding knowledge priorities for both ministries of finance and financial authorities in support of scenario building. This note summarises the discussions and highlights key takeaways from the workshop.

CONTEXT: FROM PERIPHERAL AWARENESS TO CENTRAL GOVERNANCE OF CLIMATE AND NATURE GOALS

The COP30 in Belém marked a further shift in placing climate and nature goals at the heart of economic policy and national planning. In this context, ministries of finance are increasingly positioned at the forefront of the climate implementation agenda. Alongside central banks, public development banks (PDBs), and other financial authorities, they are required to design and implement policy under heightened uncertainty—seizing emerging opportunities while managing new risks associated with rapid structural change, technological transformation, escalating climate impacts, tightening fiscal space, increased financial fragility and rising environmental and social pressures.

Despite these challenging circumstances, the use of climate- and nature-related scenarios is still limited within ministries of finance. A 2025 CFMCA survey indicates that around 70% of surveyed ministries have not yet incorporated physical climate pathways into their policy frameworks. In this context, scenario analysis—a forward-looking approach that can assist decision-makers to explore plausible extremes, anticipate shocks, and stress-test economic policy options—have been gaining traction, increasingly applied by central banks and the broader financial sector, but remains less embedded in fiscal policy processes.

Opening remarks set the broader context for discussions on climate and nature economic policy scenarios. Participants welcomed the organisation of the workshop and emphasised the importance of sustaining dialogue and technical cooperation despite an increasingly challenging geopolitical environment. While a dense ecosystem of institutions, initiatives, and analytical tools has emerged over recent years, several speakers cautioned against the risk of an "islands of excellence" paradox, whereby fragmentation and lack of alignment could limit collective effectiveness. Deepening coordination—through sustained dialogue, consistent narratives, and a shared grammar for macroeconomic scenarios—was seen as essential to mitigate this risk.

In this regard, speakers highlighted the role that international organisations, in close collaboration with development finance institutions, can play in fostering coherence and coordination. Experience accumulated over the past decade, notably through the work of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), was frequently cited as an important reference point. NGFS-led efforts have substantially advanced the integration of climate-related financial risks in decision making and the use of scenarios within central banking, financial supervision, and the broader financial sector, helping to align long-term decision-making horizons across the financial system.

At the same time, participants emphasised that ministries of finance face distinct policy challenges that require tailored scenario approaches. While existing experiences offer valuable lessons, fiscal authorities operate under different mandates, time horizons, and political constraints. Furthermore, several interventions stressed that the need for strategic planning is increasing alongside uncertainty, making climate competency integral to budget planning, fiscal policy, and public debt management. Some contributors underlined biodiversity loss and nature-related risks—often insufficiently captured in existing macroeconomic models and foresight exercises—as these are increasingly recognised as macro-critical, with important consequences for economic resilience, public finances, and long-term development prospects.

The call for tailored scenario analysis at global, regional, and national levels was further reinforced by reflections on the evolving global economic landscape. The transition to a net-zero economy is unfolding amid rising geopolitical tensions, including competition over critical minerals, trade frictions, and green industrial policies, with direct implications for food and energy security. Forward-looking analyses must therefore account for these interlinked dynamics, as ministries of finance are gradually more operating at the intersection of climate action, nature preservation, industrial strategy, and geoeconomic risk. In the "age of consequences", where escalating climate impacts are compounded with rapid structural change and geopolitical tensions, scenario analysis was seen as a critical tool to navigate not only climate-related physical and transition uncertainty, but also broader industrial, trade, and geostrategic transformations.

THEORETICAL FOUNDATIONS: SCENARIOS IN A WORLD OF RADICAL UNCERTAINTY

Discussions throughout the workshop explored why scenario analysis, in general, and tailored analytical frameworks for ministries of finance in particular, are becoming increasingly relevant in the current global context. Drawing on diverse technical backgrounds and institutional perspectives, participants broadly viewed scenario analysis as an important tool for navigating radical uncertainty in an environment marked by deep structural change.

Scenarios provide a window into plausible future states of the world, enabling policymakers to explore alternative pathways, assess plausible extremes, and anticipate the consequences of shocks before they materialise. Several participants emphasised the untapped potential of scenario exercises to inform macro-fiscal strategy and public risk management, allowing ministries of finance to stress-test economic policy options and evaluate trade-offs under different assumptions about climate impacts, technological change, and global conditions. Some contributors noted that this role becomes particularly salient in what can be described as a "mid-transition" phase, characterised by heightened uncertainty, non-linear dynamics, and potential tipping points, where the range of plausible futures widens and conventional baseline projections become less informative.

Beyond their analytical value, scenarios were repeatedly described as narrative vehicles that can support coordination and alignment across multiple layers of decision-making. Within governments, co-developed scenarios can help align ministries, financial authorities, and public development banks around shared narratives and consistent analytical reference, fostering dialogue and clarifying policy trade-offs among institutions with different mandates. Participants emphasised that this coordinating function is particularly important in the context of climate and nature objectives, where fiscal, monetary, industrial, and financial policies interact closely, while underlining that such coordination must respect institutional responsibilities and preserve central bank independence. When credible and co-owned, scenario frameworks were also seen as a means to shape private-sector expectations by signalling policy direction and investment priorities, thereby reducing uncertainty and supporting the mobilisation of private capital toward climate, nature, and resilience objectives.

Several contributions stressed that scenario analysis can help make the political economy of the transition more explicit, by identifying distributional impacts across households, workers, and regions, and by clarifying the fiscal and social protection measures required to maintain social cohesion during periods of structural change. In this sense, scenarios were seen as tools not only for assessing economic efficiency, but also for supporting politically feasible just transition pathways that align climate and nature objectives with employment, equity, and social stability considerations.

Scenario exercises were also discussed as a key enabler of coordinated investment planning and the operationalisation of country platforms. Participants emphasised that country platforms have emerged as promising mechanisms to align public and private actors around clear, government-backed investment pipelines. Public development banks are one of the key actors through which finance ministries channel resources and implement projects. Scenarios can also support public development banks in validating the credibility and bankability of these pipelines, and linking long-term development strategies with short- and medium-term financing realities. Several contributors further argued that, given their mandate and sectoral expertise, public development banks should progressively shift from being passive users of scenarios to active contributors to their design, particularly given their key role in supporting long-term structural transformation.

Participants agreed that ministries of finance require scenario analysis tailored to their specific policy mandates and constraints. While central banks have been at the forefront of climate scenario development to assess price and financial stability, fiscal authorities face a distinct set of analytical questions, such as:

- the macroeconomic and fiscal impacts of physical climate and nature-related risks on tax revenues, expenditures, and public debt sustainability;
- the implications of alternative climate and transition policy options for businesses, households, and public budgets;
- investment needs and prioritisation for green, resilient, and inclusive transitions under constrained fiscal space;
- the distributional consequences of climate- and nature-related physical and transition risks, and the effectiveness of policies to support affected communities and firms;
- and the identification of key barriers and frictions—such as supply constraints, financing conditions, or institutional bottlenecks—that could shape transition trajectories over the coming years.

TECHNICAL PILLARS FOR DEVELOPING POLICY-RELEVANT SCENARIO ANALYSIS

The CFMCA survey highlights a critical gap: while ministries of finance are increasingly aware of climate- and nature-related risks, many lack the analytical capacity and institutional arrangements required to integrate their macroeconomic and fiscal implications into policy-making frameworks. Workshop discussions showcased ongoing efforts to incorporate climate risks and damages into macroeconomic modelling, energy demand and supply projections, and public debt sustainability analysis. Building on these experiences, participants contributed by highlighting key analytical and methodological elements. We summarise these contributions in the form of essential pillars that can help guide the future development of scenario exercises tailored to finance ministries.

Clarity of purpose, scope, and governance emerged as a foundational requirement. Lessons from past experiences suggest that scenario development benefits from a shared understanding of the distinction between forecasts, scenarios, and stress tests, as this clarity facilitates co-building processes across institutions. Equally important is the explicit identification of what is being tested and for what purpose—for example, fiscal balances, debt sustainability, tax revenues, or expenditure pressures—which helps guide model choice and simplify quantification strategies. Participants also stressed that scenario exercises must be iterative by design, allowing for updates as new information becomes available or major shocks occur. Contributors also highlighted that effective scenario building processes require broad collaboration across disciplines and institutions—including fiscal policy, macroeconomics, finance, climate science, and nature-related expertise— and appropriate governance arrangements to ensure credibility and continuity.

Internal consistency, path dependency, and cross-border spillovers were identified as essential design principles. Scenario narratives and quantitative inputs must be coherent across policy assumptions, behavioural responses, and macroeconomic outcomes. Participants emphasised that policy decisions accumulate over time, creating path dependencies that can lock economies into trajectories that are difficult or costly to reverse. As a result, scenarios should illuminate how alternative policy choices shape future economic structures, sectoral composition, fiscal space, and debt dynamics, which in turn determine resilience to shocks. Several contributions also highlighted the importance of capturing cross-border spillovers, as domestic policy choices increasingly have international repercussions. For small open economies in particular, scenarios that incorporate global and regional dynamics are critical, as external shocks often dominate domestic policy effects. In this sense, scenarios can serve as coordination tools by making spillovers visible ex ante and highlighting the collective consequences of unilateral actions.

Multi-horizon analysis and granularity were repeatedly underscored as technical necessities rather than optional features. Ministries of finance operate within short-term political and budget cycles, facing immediate challenges such as integrating physical risks into budget baselines, assessing distributional impacts on households and firms, and managing large upfront investment needs under constrained fiscal space. At the same time, participants cautioned that an excessive focus on the near term risks obscuring long-term structural challenges associated with climate change, nature loss, and the transition to a low-carbon economy. Experiences shared by central banks illustrated the value of developing scenarios that span short- to long-term horizons, with internal consistency across timeframes and a learning-by-doing approach reflected in successive iterations of NGFS scenarios. The growing use of such scenarios by private-sector actors further reinforced the importance of transparency and coherence across horizons.

Global, regional, and country-level differentiation was identified as another critical pillar. While global scenarios play an important role in shaping shared visions and coordinated international approaches, participants agreed that they must be complemented by regional and country-specific analyses. The regional perspective can draw light on intraregional trade linkages, supply-chain dependencies, and shared exposure to physical and transition risks, which are likely to become increasingly relevant in a context of geoeconomic fragmentation. Scenarios at the national scale are necessary to understand the local implications of global narratives and build decision-oriented tools. In this regard, a country-led and ownership approach for scenario design appeared as critical to effectively reflect relevant structural and institutional country features, as well as economic and social policy priorities. Participants stressed that scenarios are most valuable to ministries of finance when they make trade-offs explicit, tracing the potential consequences of policy choices for fiscal balances, employment, inflation, and financial stability. Regional, sectoral and country-level scenarios were therefore seen as essential bridges between high-level global frameworks and operational policy decision-making.

Quantification under radical uncertainty remains one of the most demanding technical challenges. Several speakers highlighted limitations of traditional economic models in capturing the scale and nature of climate- and nature-related disruptions. Climate change introduces forms of uncertainty characterised by non-linear dynamics and tipping points—often described through the concept of "Green Swans"—that are poorly represented by assumptions of normally distributed shocks. Participants emphasised the need to better capture cascading effects, systemic perturbations, and country-specific vulnerabilities that shape exposure and transmission mechanisms. This includes accounting for heterogeneity across countries and, where relevant, incorporating sub-national dimensions and the role of local governments in climate-related investment and risk management. At the same time, some contributors cautioned against delaying action in pursuit of perfect models, advocating instead for pragmatic approaches that start simple, build institutional capability over time, and progressively incorporate greater complexity as experience accumulates.

LOOKING AHEAD: FROM SCENARIO DESIGN TO POLICY IMPACT

Concluding remarks reframed the technical discussions within a broader political economy and governance perspective, focusing on how just transition, climate and nature economic policy scenarios can be developed and used by ministries of finance in support of the post-COP30 implementation agenda. Participants widely acknowledged that effective coordination cannot be taken for granted; it must be actively built through shared analytical frameworks, iterative dialogue, and co-owned processes. In this context, scenarios were repeatedly described as one of the few tools capable of creating a shared analytical space across ministries of finance, central banks, public development banks, and line ministries, while respecting differences in mandates and institutional roles.

Several interventions highlighted that, alongside the significant technical challenges involved in developing robust and credible scenario frameworks, two broader policy challenges will increasingly shape their effectiveness. The first relates to how scenario exercises are co-built across institutions and stakeholders, requiring processes that foster shared ownership, trust, and mutual understanding among ministries of finance, public development banks, financial authorities, and line ministries. The second concerns how scenario analysis is integrated into policy and decision-making frameworks, including budget preparation, investment planning, and risk management processes, rather than remaining a stand-alone analytical exercise. Country platforms were frequently cited as a promising institutional setting in which these challenges can be addressed, by translating global and regional scenarios into actionable national strategies grounded in country-specific realities. In this context, the complementary roles of scenarios and public development banks were emphasised, particularly in supporting transformational scaling by identifying systemic investment barriers, aligning financing with long-term development objectives, and strengthening coordination with fiscal authorities and other public institutions.

Discussions further highlighted the value of drawing lessons from the experience of scenario development within the NGFS, while recognising the risk of fragmentation in the broader scenario landscape. Several speakers noted that the growing proliferation of models, assumptions, and frameworks can generate confusion for policymakers and investors alike. A recurring message was the need for greater clarity and comparability: transparency around shared assumptions, explicit documentation of divergences, and regular updates to reflect rapid technological, economic, and geopolitical change. This was framed not as a call for standardisation or uniformity, but for interoperability across scenario frameworks and institutional users.

Several contributions placed renewed emphasis on adaptation and nature-related dimensions. While significant progress has been made in developing mitigation-oriented tools, participants observed that adaptation metrics, biodiversity loss, and nature-based solutions remain insufficiently integrated into scenario analysis and financial decision-making. This gap was seen as particularly challenging for ministries of finance, which must justify adaptation investments politically while operating under tight fiscal constraints and competing priorities.

Looking ahead, participants also reflected on the importance of strengthening peer learning and foresight capabilities within ministries of finance. Some interventions pointed to the potential benefits of more structured exchanges among fiscal authorities, allowing them to share practical experience, analytical approaches, and lessons learned from scenario development and use.

The final reflections reaffirmed the role of international networks and collaborative initiatives in sustaining momentum beyond COP30, through continued methodological innovation, targeted capacity building, and the gradual integration of emerging risk dimensions, including nature. The overarching message was that the "decade of implementation" will not only depend on new commitments, but increasingly on whether countries are equipped with the analytical, institutional, and financial tools needed to act on existing knowledge. In this regard, participants stressed that scenarios designed for ministries of finance must ultimately be usable and impactful—supporting credible narratives that help address political economy constraints while guiding fiscal decision-making in an increasingly uncertain and transitional global context.