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Conclusions

The politics of climate change have intersected with economic politics at least since the 1960s. Yet, in recent years, as the political attention to climate change has increased, this intersection has grown in importance, and climate concerns have been addressed by the institutions created to deal with economic issues. An environmental economist, William D. Nordhaus, received the Nobel Memorial Prize in Economics Sciences, and the Directors of the Bank of England and the IMF have declared climate change a major economic threat (Carney, 2015, 2019; Georgieva, 2019; Lagarde, 2015). More curiously, an article by IMF officials proposed utilising the capacity of whales to be carbon sinks and that the IMF help governments ‘integrate the macroeconomic benefit that whales provide in mitigating climate change, as well as the cost of measures to protect the whales, into their macro-fiscal framework’ (Chami et al., 2019, p. 37). The notion that environmental protection is not only compatible with economic objectives, but also fundamentally constitutes an economic issue to be addressed with economic instruments, is becoming increasingly widespread. What I refer to as the economisation of climate change consists of two aspects: economic institutions addressing climate change (the first aspect) and the issue being framed as an economic issue (the second aspect). In Chapter 1, I argue that it is difficult to imagine a transition to a low-carbon, climate-resilient world in which the international economic institutions maintain their power and central roles *and* do not give serious consideration to climate change.

To understand how far and in what way international economic institutions give serious consideration to climate change, this volume has explored how such economisation has played out as regards fossil fuel subsidies and climate finance. These two issues are essential components of the political efforts to address climate change. More precisely, the volume has analysed how the economisation of these issues have played out at the international level, more specifically with regard to the G20, the IMF and the OECD. The two issues are to a large degree defined in terms

of their relevance both to climate change policy (*climate finance* and *fossil fuel subsidies*) as well as to economic policy (*climate finance* and *fossil fuel subsidies*). Yet, these two dimensions can be highlighted in different ways, and in the output of the institutions studied here, the issues have mainly been framed as instruments for addressing an environmental problem primarily understood in economic terms. Beyond economisation itself, the study of the economisation of the two issues has provided knowledge about the factors that stimulate economic institutions to address climate issues and shape economisation, as well as about the consequences of economisation at the international and domestic levels. Importantly, relations with member states have mainly played a role as a scope condition for factors such as institutional worldview and entrepreneurs within the institutions, which – together with institutional interaction – have been important for inducing the institutions to address the issues and how they addressed them.

The analysis demonstrates that the G20, the OECD and the IMF are capable of giving serious consideration to climate change issues, but also that there are limitations to economisation and its consequences. Comparing climate finance and fossil fuel subsidies allows for a comparison of two issues that are similar in many ways but differ in the three institutions going further regarding fossil fuel subsidies than regarding climate finance, as outlined in the following section. The key conclusions of the analysis are that economic institutions are capable of taking climate issues seriously, but that this is contingent on the issue at hand, pre-existing efforts within other institutions and the autonomy of the institutions vis-à-vis member states. The section is followed by a broader discussion of the institutions addressing climate change including other climate change issues. The subsequent section addresses the broader theoretical implications of the findings, regarding economisation and the role of international (economic) institutions, while the final sections outline the prospects for future research, policymaking and practice.

14.1 Summary of the Findings: Economisation Comes in Different Shapes

The defining year was 2009 for both issues, the year of the Pittsburgh commitment, the failed attempt to adopt a G20 commitment on climate finance and the fifteenth Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC COP15) in Copenhagen. This was the year of the most high-level involvement within the G20 concerning both issues, and after 2009, the issues have mainly been addressed on a technical level. Although the overall trend is one of increasing output regarding both issues (on the expert level), the G20 and the IMF have since about 2011 produced less output on climate finance, particularly public climate finance. Thus, there is an overall pattern of high-level involvement

Table 14.1 *Institutional output*

	G20	OECD	IMF
Fossil fuel subsidies	2009: norm of fossil fuel subsidy reform Post-2009: reporting, peer reviews	Knowledge, defining what constitutes fossil fuel subsidies	Fossil fuel subsidies defined as including non-pricing of externalities Incentives for countries under IMF programs to reform subsidies
Climate finance	2009: Attempted agreement at St Andrews (incentive-based) Post-2009: reports and workshops on specific climate finance issues	Development strand: climate finance as subtype of development aid (quasi-monopoly on bilateral climate finance data) Investment strand: climate finance as investment issue	2010–12: Generating climate finance, including through carbon pricing Post-2015: shifting investment and improving resilience (also in country assessments)

followed by technical output, which has gradually increased in volume and to some degree also in political priority.

Fossil fuel subsidies and climate finance have both been addressed by the institutions in ways that frame their environmental impact in economic terms. Yet, the institutions have varied considerably in terms of their output (see also Table 14.1): the **G20** went from addressing both fossil fuel subsidies and climate at the level of state leaders and finance ministers in 2009 to addressing it in technical working groups. This development also includes a change from mainly regulatory and declaratory output (notably to the commitment to fossil fuel subsidy reform) to more knowledge-oriented output. While its 2009 attempt to commit to the norm of fossil fuel subsidy reform was successful, the attempt to provide agreement on climate finance was not, although the latter influenced the subsequent climate finance provisions of the Copenhagen Accord. This difference in successful agreements is reflected in the G20's subsequent output, in which the climate finance output focused on providing knowledge and a shared understanding of technical issues, while the fossil fuel subsidy output focused more on states' adherence to the Pittsburgh commitment, including far-reaching peer reviews. The G20 did not address the issues of what constitutes fossil fuel subsidies and climate finance as explicitly as the OECD and the IMF, but de facto left them to member states and other institutions (e.g. OECD in the case of the fossil fuel subsidy reviews).

The **OECD** has been very prolific in terms of regularly producing knowledge about both fossil fuel subsidies and climate finance in the shape of reports, data, meetings and workshops. While there have been important normative dimensions to OECD output on both issues (e.g. promoting the norms that countries should reform fossil fuel subsidies and developed countries provide efficient climate finance), the cognitive aspects of this output is the most important. These cognitive aspects have particularly concerned defining what constitutes fossil fuel subsidies and climate finance, in the former case including a range of policies under its definition. In the latter case, the OECD has implicitly defined public climate finance as a kind of development aid and linked (public and private) climate finance to investment.

The **IMF's** output went much further regarding fossil fuel subsidies than climate finance. Technical reports on the scope of fossil fuel subsidies, how to reform them and how to mobilise climate finance constitute the bulk of the IMF's output. Yet, unlike the other two institutions, the IMF produced important distributive output in the shape of incentives for countries under IMF programmes to reform their fossil fuel subsidies. As regards cognitive output, the IMF's most important output was its definition of fossil fuel subsidies as including non-priced externalities. Both this definition and the IMF output on mobilising climate finance through carbon pricing had significant normative components focused on 'getting prices right' through pricing externalities. Specifically, the IMF provided knowledge about fossil fuel subsidies as macroeconomic distortions and about the possibilities for mobilising and using climate finance through economic instruments such as carbon pricing and de-risking. The linking of the two issues to carbon pricing is key to the way the IMF has framed the issues in terms of Pigouvian environmental economics, the most ideal-typical case of economisation of the book.

The three institutions primarily addressed their membership circles, in the case of the IMF all countries, in the case of the OECD developed countries and the G20 twenty of the largest economies. Yet, the G20 and to a lesser degree the OECD also produced output intended for a global (state and non-state) audience, for example, publications on how to leverage private climate finance. Their audience was more overlapping in terms of whom they interacted with in the different countries: all three institutions interacted regularly with finance ministry officials, the OECD also with development and environment ministry officials, the G20 also with officials working directly for state leaders, and the IMF with central bank officials.

The differing approaches to climate finance and fossil fuel subsidies among the three institutions underscore that economisation of climate change does not entail one singular way of addressing these issues (or other issues). On both issues, the

IMF framed carbon pricing as the solution to climate change, unlike the other two institutions, which treated carbon pricing as one instrument among many. The IMF's approach to carbon pricing did not only entail giving polluters an economic incentive to reduce their emissions, but also that they should bear the social costs of their pollution, an approach more in line with Pigou's (1932) work on pricing externalities than Coase's (1960) on creating markets for externalities (see also Chapter 1). The G20 and the OECD were more closely aligned and adopted positions on the two topics more in line with the approach of domestic economic actors (e.g. finance ministries) in their member states. These two institutions treated fossil fuel subsidies as more of an economic problem than climate finance, which both institutions to a large degree framed as a subtype of development aid or increasingly as an issue of investment (the latter being in line with the IMF's current approach). The investment approach constitutes a, less 'pure' different approach to economisation than the externality oriented, Pigouvian and Coasean approach that dominates neoclassical environmental economics. Although it is also rooted in mainstream economics, it is finance rather than environmental economics. Furthermore, the investment approach does not address the causes of climate change but rather the impact of climate change and climate change policies on the risks associated with investment (Hong et al., 2019, 2020; Krueger et al., 2020).

The IMF's definition of fossil fuel subsidies as including the non-pricing of externalities puts it at times at odds with the OECD, underscoring that different kinds of economisation may lead to non-synergistic relations between institutions. Nonetheless, the overall picture is one of predominant synergy among the institutions, which treated both issues as primarily economic issues to be addressed in ways maximising economic welfare and efficiency, and which could be measured in economic terms and addressed with economic instruments.

Regarding the *causes* (see also Table 14.2) shaping how the institutions addressed the two issues, factors stemming from within the institutions rather than their environment – specifically their worldviews and entrepreneurs – played key roles. The worldviews were important in shaping how the institutions framed both issues as economic issues to be addressed with economic instruments. They were particularly influential in the case of the IMF, which has a more entrenched economic worldview, due to a more 'purely economic' mandate and staff training than the other two institutions, and unlike the G20 it has a bureaucracy within which the worldview is strongly institutionalised. Perhaps unsurprisingly, the IMF also adopted a 'purer' (in terms of relying on neoclassical environmental economics) kind of economisation than the other institutions, due to differences in worldviews as well as fewer extra-institutional constraints to the influence of the worldviews and entrepreneurs, as discussed later in this section.

Table 14.2 *Important causal factors*

	G20	OECD	IMF
Fossil fuel subsidies (factors <i>inducing</i> the institution to address the issue)	Entrepreneurship (US Presidency); institutional interaction (UNFCCC inaction)	Institutional interaction (G20 commitment)	Entrepreneurship (IMF staff)
Fossil fuel subsidies (factors <i>shaping</i> how the institution addressed the issue)	Worldview Membership circle (including large emerging economies) Entrepreneurship (US; in 2009) Institutional interaction (with OECD, IEA, World Bank and OPEC; post-2009)	Worldview (experience with subsidies) Autonomy (scope condition for intra-institutional factors)	Worldview (neoclassical economics) Autonomy (scope condition for intra-institutional factors)
Climate finance (factors <i>inducing</i> the institution to address the issue)	Institutional interaction (desire to influence UNFCCC) Entrepreneurship (UK, Mexican Presidencies)	Institutional interaction (UNFCCC) Member states (preferring OECD over UNFCCC)	Institutional interaction (G20) Entrepreneurship (IMF staff)
Climate finance (factors <i>shaping</i> how the institution addressed the issue)	Worldview Institutional interaction (economic institutions) Membership circle (including large emerging economies)	Worldview (experiences with development aid, investment) Autonomy (scope condition for intra-institutional factors)	Worldview (neoclassical economics) Autonomy (scope condition for intra-institutional factors)

Policy entrepreneurs within the institutions, from IMF and OECD staff to the US and UK G20 Presidencies, were important in ensuring that both issues were on the agenda of their institution and also in promoting particular framings of the issues. For instance, the US G20 Presidency was important in placing the norm of fossil fuel subsidy reform on the G20 agenda and getting the G20 to commit to this norm, and IMF staff was important in promoting the definition of fossil fuel subsidies as including the non-pricing of externalities. Entrepreneurship has been more important as regards fossil fuel subsidies than climate finance, which is one of the explanations for the institutions going further (also compared to institutions not studied here) regarding the former rather than the latter.

Concerning extra-institutional factors, relations with the member states, including both the degree of autonomy of International Organisation (IO) bureaucracies, decision-making procedures, which countries are members and the ministries that represent them have played indirect roles. The high degree of autonomy of the IMF bureaucracy meant it was able to go against the preferences of powerful member states (Bauer and Ege, 2016), even the United States in the case of climate finance, in a way the OECD Secretariat was not. Thus, autonomy from the collective principal acted as a scope condition for the institutional worldview and the entrepreneurship of IO staff. The differences in autonomy explain why the IMF was able to address the two issues in ways that were more purely economic and less influenced by member state preferences.

Differences in membership, the ministries involved and decision-making procedures play less important roles in explaining differences between the institutions. There is relatively little correlation between the aggregated preferences of the member states (taking into consideration the differences in decision-making rules) and the differences in positions of the institutions. Although the G20 reflected the preferences of major emerging economies to a greater degree than the other institutions, the IMF (especially as concerns climate finance) went against the preferences of the United States and also Japan, the countries with the largest vote shares. The institutions are rather similar in terms of interacting with finance ministries, although OECD interaction with development ministries regarding climate finance played a role. Hence, interaction with finance ministries played a role for their approaches, including the economisation of the two issues, but does not explain the difference between them.

Another extra-institutional factor, institutional interaction, played a more substantial role. Particularly the G20 and the OECD interacted closely, with the G20 inducing the OECD to move particularly fossil fuel subsidies up its agenda, and the OECD shaping how the G20 addressed both issues by providing reports and other analyses for G20 meetings. The only case of the IMF interacting closely with

another institution was in 2010, when the G20 induced the IMF to address climate finance, by requesting reports on mobilising climate finance which in return influenced G20 output. As regards other institutions, the three institutions interacted to a large degree with the same institutions, particularly the World Bank, other development banks and think tanks. Such interaction with a similar set of institutions pulled in the direction of convergence among the institutions. Finally, the perceived deadlock within the UNFCCC regarding climate finance spurred G20 member states to place the issue high on the G20 agenda.

The identifiable *consequences* (see also Table 14.3) of the economisation by the three institutions are more pronounced as regards the international level than the domestic one. Besides influencing each other, the three institutions also influenced a range of other international institutions. Especially regarding fossil fuel subsidies, the G20 was crucial for getting the norm of fossil fuel subsidy reform on the agenda of other international institutions, including Asia-Pacific Economic Cooperation (APEC), the North American Leaders' Forum and the Sustainable Development Goals (SDGs), and for the creation of the Friends of Fossil Fuel Subsidy Reform. The three institutions, especially the OECD, provided important new knowledge about both issues, knowledge that was used by institutions including the UNFCCC (particularly climate finance), the SDGs (particularly fossil fuel subsidies), the World Bank and other multilateral development banks (MDBs), United Nations Environment Programme (UNEP), United Nations Development Programme (UNDP) and a range of other economic, development and environmental institutions. Furthermore, without the IMF's output, carbon pricing and the non-pricing of externalities would not have been linked to fossil fuel subsidies in a very ideal-typical case of economisation.

Influences on incentive structures are rather absent among the international influences, except for the important influence of the G20 on the UNFCCC Copenhagen Accord provisions on climate finance in 2009. The G20 process established an understanding among the finance ministries of both developing and developed countries, which meant that the G20 representatives involved in the drafting of the Copenhagen Accord¹ had an understanding of what would be acceptable to the other G20 countries. The understanding included the climate finance target, that private finance would count as climate finance and that developed countries had an obligation to fund adaptation and made reaching an agreement easier. This agreement, together with other output from particularly the G20 and the OECD, helped establish and maintain an international climate finance system in which key decisions regarding the allocation of climate finance was left to the contributor countries. The more recent focus on investment has contributed to

¹ The Copenhagen Accord was drafted by a small group of countries in which G20 countries constituted the majority.

Table 14.3 *Important consequences of the institutions' output*

	G20	OECD	IMF
Fossil fuel subsidies (international level)	Promoted norm of fossil fuel subsidy reform Induced other economic institutions to address fossil fuel subsidies	OECD's definition influenced how fossil fuel subsidies are addressed (including within G20 peer reviews and the SDGs).	Limited influence, except for its definition being considered in G20 and SDG processes
Fossil fuel subsidies (domestic level)	Promoted the norm of fossil fuel subsidy reform, consequently most countries had to address it. Self-reporting and peer reviews forced G20 members to consider the norm's relevance to domestic policies (United Kingdom) and increased knowledge about countries' subsidies (the United States and Indonesia).	OECD Secretariat most influential when chairing G20 peer reviews, yet difficult to distinguish OECD influence from the G20's	Definition of fossil fuel subsidies used by opponents of fossil fuel subsidies (the United Kingdom and Denmark) Countries under IMF programs induced to reform subsidies (Indonesia)
Climate finance (international level)	Helped clear the way for climate finance provisions in the Copenhagen Accord Moved climate finance up the agendas of other institutions	Cognitive influences on UNFCCC Standing Committee on Finance (regarding bilateral climate finance estimates), G20 and MDBs (regarding investment)	Limited influence (mainly on G20 in 2010–12)
Climate finance (domestic level)	Contributed to climate finance system driven by the providers of finance Influenced cognitive ideas about climate finance among domestic economic institutions	OECD data used by governments and NGOs to normatively shame developed country governments for not providing enough public climate finance	Not discernible (but future integration of climate change in Article IV consultations)

the wider trend of focusing on such finance among international institutions also including UNEP and UNDP.

The domestic consequences are more difficult to discern. The IMF has played a very significant role in making countries under its programmes reform their subsidies, although this incentive-based influence was motivated by the Fund's dislike of subsidies in general for economic rather than environmental reasons. The institutions in general played more of a discernible role regarding fossil fuel subsidies, getting the hitherto overlooked subject on the policymaking agenda in countries including the United Kingdom and providing knowledge about how to reform such subsidies to countries which undertook reforms, including India and Indonesia. The G20 voluntary peer review of fossil fuel subsidies – which also involved the OECD and initially also the IMF – held the participating member states accountable for the norm of fossil fuel subsidy reform. Yet, with the exception of the IMF programmes, the institutions helped prepare the ground for and shape the content of fossil fuel subsidy reform but with actual reforms being directly driven by domestic rather than international factors.

Concerning climate finance, the domestic influences are generally difficult to pinpoint, and perhaps the most significant consequence comes in the shape of contributing to a climate finance system in which the important decisions regarding climate finance allocation are made by the contributor countries. In this context, the OECD's data on climate finance has constituted an incentive and a normative pressure to provide more climate finance inter alia via other governments and non-governmental organisations (NGOs) shaming developed countries for not providing sufficient amounts of climate finance. All three institutions, especially the G20 and the OECD, yielded cognitive and normative influence through meetings and workshops enhancing the participants' understanding of climate finance. This was relevant as many of them came from finance ministries and were new and more susceptible to new framings of climate finance, especially as regards defining climate finance in terms of investment.

14.1.1 Comparing Climate Finance and Fossil Fuel Subsidies

All things considered, the institutions' economisation of fossil fuel subsidies has had more far-reaching consequences both at the international and domestic levels than the economisation of climate finance. But what are the factors that explain this difference? The causal factors influencing how the institutions addressed the two issues overlap and are similar to some degree. Yet, the output of the G20 and the IMF has gone further on fossil fuel subsidies than on climate finance. This difference explains an important element as to why the subsidy output had a greater

impact than the climate finance output: the Pittsburgh commitment and the IMF's programmes and its definition of fossil fuel subsidies do not have equivalents as regards climate finance. The output of the G20 and the IMF constitute more far-reaching action than the two institutions engaged in regarding climate finance, although the G20 attempted (but ultimately failed) to produce a similar agreement on climate finance in the run-up to COP15. OECD output was more voluminous concerning climate finance in terms of data and the number of reports, but it is difficult to discern whether it was more substantive in terms of content.

However, while it is possible to explain the difference between the consequences of the fossil fuel subsidy output and the climate finance in terms of the G20 and the IMF, going further regarding the former issue than the latter, this explanation begs the question of why they acted as they did. Some of the factors studied in the analysis, relationships with member states and institutional worldview, are more or less constant between the two issues. Regarding the other factors studied, institutional interaction mattered in terms of the institutional environments the three economic institutions operated in when they addressed the issues. Climate finance was already an established issue by the time the institutions started addressing it, unlike fossil fuel subsidies which were included on international and domestic agendas mainly because of the G20 commitment. Consequently, regarding climate finance, the institutions were forced to operate in a system in which other international institutions (particularly the UNFCCC) were already addressing the issue and in which particular equity normative ideas were already institutionalised and promoted by a range of actors. Importantly, the fact that climate finance was already being addressed in these institutions as an issue of environmental protection and development (including Common but Differentiated Responsibilities and Respective Capabilities [CBDR]) rather than an economic one, also mattered, especially since countries were quite polarised on this issue.

Altogether, there was less scope for framing climate finance as an economic issue compared to fossil fuel subsidies. Hence, promoting efficiency-oriented normative ideas was an endeavour that, although to some degree successful, could lead to competition with other institutions and opposition from developing country member states, as evident in the case of the G20. Fossil fuel subsidies were an issue the economic institutions were able to address without infringing on the turf of other institutions. In fact, one driver of the G20 influencing the issue was the UNFCCC's complete inability to do so. This distinguishes it from climate finance, which was addressed within the UNFCCC, although the deadlock during these negotiations was one of the main reasons why the G20 took up the issue. The UNFCCC's established role regarding climate finance also made developing countries more sceptical of letting economic institutions address the issue, as they feared this would undermine the equity-oriented discussions within the UNFCCC.

In addition, entrepreneurship in the case of fossil fuel subsidies within the G20 was driven by the United States rather than the United Kingdom (as was the case with climate finance), and within the IMF by a more institutionalised group of officials. Yet, the influence of the entrepreneurs regarding fossil fuel subsidies is not sufficient to explain the difference between the output of the institutions regarding the two issues and the consequences of this output.

Rather, an important part of the explanation can be found beyond the factors inherent to the analytical framework, namely in the characteristics of the two policy issues (Biermann et al., 2009b). Crucially, the different fiscal impacts mattered, with climate finance constituting expenditure to the countries providing it, and fossil fuel subsidy reform constituting a way of reducing expenditure. Consequently, fossil fuel subsidy reform fit with economic institutional worldviews (and mandate in the case of the IMF) with an emphasis on reducing fiscal deficits, as is evident in the IMF pressing countries under IMF programmes to reform their subsidies. The framing of fossil fuel subsidy reform as a policy instrument that reduced emissions *and* saved public money *and* removed macroeconomic distortions also resonated strongly in finance ministries. Climate finance did not provide such a fit, which meant it was more difficult to integrate in the everyday operations of the institutions, especially the IMF, although the recent focus on climate resilience in country consultations might lead to such integration. In this way, economic institutions may generally favour limiting rather than expanding policies that constitute expenditure, as both climate finance and fossil fuel subsidies do, but when one of the policies is an anti-climate policy and the other a climate policy, this disposition is only climate-friendly in the case of the anti-climate policy (fossil fuel subsidies).

Altogether, the key conclusions of the analysis are that economic institutions are capable of taking climate issues seriously, but that the degree to which they do so and how is contingent on the issue at hand, pre-existing efforts in other institutions, and the autonomy of the institutions vis-à-vis member states. The concept of economisation is essential for understanding this dynamic, particularly how the institutions address climate issues in economic terms. Yet, economisation can take different shapes depending on which strand of mainstream economics it draws on and its degree of interdependence from other concerns such as member state preferences.

14.2 Limitations to Economisation

This book has found that the economic institutions have contributed to the fight against climate change. Although their impact has varied from being a driving force (G20 and fossil fuel subsidies) to supporting roles (IMF and climate finance), one

conclusion is that their involvement has constituted a positive force for addressing climate change. However, there are important limitations to such a positive impact. First, the analysis shows how economisation may work under conducive circumstances, but also how it can be limited when such circumstances are not in place (e.g. when the IMF paid limited attention to climate finance since it was considered beyond its mandate). It is far from certain that economisation will work in other circumstances.

Second, another concern relates to their involvement adding to the fragmentation of the climate complex. Such fragmentation concerns the number of institutions involved and their relations (nested or distinct), the alignment of norms within the complex and which states are members (Biermann et al., 2009a). The institutions' contribution to fragmentation is evident as concerns climate finance, where they have added to the number of institutions, promoted normative ideas such as efficiency often at odds with UNFCCC norms (e.g. CBDR), and diverged from the UN institutions in terms of membership and decision-making procedures. Regarding the latter issue, as discussed in the following paragraph, the institutions grant developed countries more influence than the UNFCCC does. Unsurprisingly, the involvement of economic institutions contributes more to conflictive fragmentation when they address an issue already being addressed by other institutions than when they address a 'new' issue such as fossil fuel subsidies.

Third, while it may be beneficial for the climate to involve powerful institutions in climate policymaking, it may also have negative repercussions for justice concerns. As discussed earlier, the institutions have emphasised efficiency over equity, especially as regards climate finance. While the increased involvement of economic institutions may enhance the efficiency of climate finance measures (especially mitigation) it may also downplay the equity of such measures. For instance, the institutions have prioritised mitigation over adaptation (although they pay increasing attention to the latter), financing measures in emerging economies over Least Developed Countries (due to efficiency) and avoiding issues of historical responsibility and equal per capita emissions. Yet, regarding fossil fuel subsidies, the institutions have emphasised that reforms should prevent 'adverse impacts on the poorest' (G20 Heads of State and Government 2009b), thus adding a justice-oriented normative idea to a policy discussion that hitherto had been very efficiency oriented. In terms of procedural justice, the membership and decision-making procedures of the institutions also allow richer countries a greater say within the institutions than the poorest and most vulnerable countries. The OECD covers only developed countries, the G20 only twenty of the largest economies (and thus only developed and emerging countries) and voting within the IMF is determined on the basis of the level of income. Unsurprisingly, their output tends to reflect the

preferences of richer and developed countries rather than those most affected by climate change, which are for the most part residents of developing countries.

Furthermore, when assessing their roles it is important to look beyond the cases of climate finance and fossil fuel subsidies. Climate finance, fossil fuel subsidies and climate change in general constitute only a small corner of the activities of the three institutions, but many of their activities that do not have an explicit climate focus still have an impact on the climate and on resilience to climate change. This includes output addressing energy, trade, development and economic growth in general. The question is how and how far the institutions address climate change within these policy areas, in other words how far the climate has been integrated within them (on climate policy integration and environmental policy integration; see *inter alia* Adelle and Russel, 2013; Nilsson and Pallemmaerts, 2009; Tosun and Peters, 2018). A ‘silo’ approach where climate change is addressed solely within its policy domain separate from other issues is unlikely to bring about the transition to a low-carbon society (Boas et al., 2016; Jordan and Lenschow, 2010; Tosun and Peters, 2018). Although it is beyond the scope of this book to provide a full survey of the climate policy integration of the three institutions, even a cursory overview reveals that there are limits to such policy integration.

The institutions pay increasing attention to climate issues across policy domains, as witnessed in how they address energy. For instance, since 2014, the G20 state leaders and energy ministers have consistently framed being ‘clean’ or low-carbon as a necessary feature of future energy (Downie, 2015; G20 Energy and Environment Ministers, 2019; G20 Energy Ministers, 2015, 2016, 2018; G20 Heads of State and Government, 2014). Yet, this framing has not prevented the G20 energy and environment ministers from – even in 2019 – defining gas as potentially playing an important role in supporting the transition to low-emission societies (G20 Energy and Environment Ministers, 2019; G20 Energy Ministers, 2016). Furthermore, the G20 has continued to focus primarily on economic issues without integrating climate change into these issues, but treating it as a distinct (and less important) issue (G20 Heads of State and Government, 2017, 2018, 2019). The Trump administration’s refusal to address climate change within the G20 has further limited the integration of climate change into other G20 policy areas. The OECD (which has a division of labour with the International Energy Agency [IEA] according to which energy is mainly an IEA responsibility) has increasingly addressed energy through a climate framing stressing the necessity of a transition to low-carbon energy.

Nonetheless, climate change, including the risk climate change poses to the economy both in terms of climate impact and of stranded fossil fuel assets (Campiglio et al., 2018), is only beginning to be integrated into the core activities

of the institutions. In December 2019, the IMF Executive Board agreed with the suggestion of the IMF bureaucracy (specifically Managing Director Georgieva) that climate change could have macro-critical (essential to economic stability and growth) implications (Bretton Woods Project, 2019; IMF, 2019f). Consequently, the Fund – which has considerable power to influence all states through Article IV consultations and conditionalities – plans to integrate discussions of the fiscal and macro-economic consequences of both climate mitigation policies and climate change impacts into its consultations with states (IMF, 2019f). The Fund has already integrated mitigation policies into some of its Article IV consultations. The OECD also increasingly treats climate change as a cross-cutting priority, yet it is only to a limited degree addressed among the ten key actions proposed by Secretary General Gurría in his 2020 report (OECD, 2020b). The G20 is a clear laggard in this respect, *inter alia* due to the climate scepticism of the Trump administration.

Altogether, the three institutions have hardly embarked on paradigm changes. Rather, they have addressed climate change issues according to core ideas and largely within predefined policy domains (although there is increasing climate policy integration). This verdict corresponds to similar findings regarding how the IMF has addressed inequality (Clift and Robles, 2020). While shifts to de-growth or post-growth paradigms seem extremely unlikely for institutions established predominantly to improve growth, there are attempts to reconcile sustainability with economic growth in other corners of global governance and academia. These attempts exist as more or less strong or weak versions of concepts such as ecological modernisation, green growth, the Green Economy and the Green New Deal (Eckersley, 2004; Jacobs, 2012; Klein, 2019; Meckling and Allan, 2020; Mol and Spaargaren, 2000; Tienhaara, 2014). Common to these approaches is the importance of integrating environmental objectives into all aspects of economic policymaking, and in the stronger versions also to de-prioritise growth and elevate justice-oriented political objectives such as interracial and gender justice to top priorities (Eckersley, 2004). Yet, these notions have rarely been integrated into the output of the three institutions, even though the OECD (2011b) has stressed the importance of green growth. The OECD has defined green growth as ‘fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies’ (OECD, 2011b, p. 114), that is, a weaker version stressing that environmental protection can enhance growth. Thus, unsurprisingly the three institutions do not support radical change, but wish instead to address climate change within existing economic paradigms. As discussed in Section 14.4, future research could explore to which degree these paradigms would constitute stumbling blocks for the transition to sustainability, even if they bought the world badly needed time to transition.

14.3 Theoretical Implications

The perspectives and findings outlined in this book have wider theoretical implications. Beyond having contributed to the literature on international environmental governance and on the international economic institutions, the book contributes to more general theoretical discussions. By developing and exploring the concept of economisation in the case of the international economic institutions, the book contributes to the literature on environmental-economic relations (see Ekins, 2000; Grubb et al., 2014; Katz-Rosene and Paterson, 2018; Newell and Paterson, 2010; Stevenson, 2019) and on international institutions and organisations (see e.g. Barnett and Finnemore, 2004; Biermann, Siebenhüner, et al., 2009; Gutner and Thompson, 2010; Young, 2001). Regarding the former, by developing and applying the concept of economisation, including its causes and consequences, the book has shown that it is possible to reconcile economic and environmental objectives in economic institutions, albeit in a way that is predicated on core economic tenets. As discussed in Section 14.2, there are also limitations to this approach in terms of economisation being contingent on other factors, for example, the downplaying of justice concerns, fragmentation at the international level, and perhaps most importantly the absence of more widespread and paradigmatic change.

Importantly, the findings of the book underscore that economisation does not entail one, monolithic approach. Rather, as demonstrated in the divergence between the IMF and the OECD regarding the definition of fossil fuel subsidies, the economisation of a subject may result in diverging, even conflicting approaches. Furthermore, much of the recent focus on climate finance as investment draws from a different, but not conflicting strand of mainstream economics, namely finance, rather than neoclassical environmental economics. The former kind of economisation (framing in terms of investment) may be less ideal-typical than the latter kind (based on neoclassical environmental economics), but still constitutes economisation. The diverging approaches are not surprising given that mainstream economics differ on a range of issues, even if they agree on fundamental tenets such as economic growth and stability constituting the key objectives and all kinds of costs and benefits being measurable in economic terms (see Chapter 1). The finding that economisation does not inevitably produce one kind of output, but rather acts as a framing device making certain kinds of (economics-based) output possible, leaves room for the role of the individual economic institution as well as for individual agency. Thus, it matters which institution undertakes the economisation, but there is also scope for individual actors within the institution to shape the economisation.

In spite of economisation not leading to one fixed output, the consequences of economisation are rather similar in terms of stressing the economic impact of policy problems, framing them in economic terms (e.g. as externalities) and economic solutions (taxes, positive economic incentives such as risk reduction). As regards climate change, economisation has already played a role beyond the institutions studied here in terms of finance ministries, central banks and other economic institutions promoting carbon taxes, emissions trading, fossil fuel subsidy reform and the incorporation of climate risks in financial risk assessments (Campiglio et al., 2018; Carney, 2015; Skovgaard, 2017c). Economisation has arguably also taken place within a range of other fields, including education, health, energy, science and sustainability (see also Alvial-Palavicino and Ureta, 2017; Bina, 2013; Schimank and Volkmann, 2012; Wilshusen and MacDonald, 2017). Given the power of economic institutions and discourses, economisation holds major (within established paradigms) transformational potential. While such transformational potential may be beneficial for bringing about the transformations urgently needed to mitigate and adapt to climate change and other environmental issues, economisation has tended to downplay concerns about social justice and inequality (Momani and Hibben, 2018; Stieglitz, 2002). Thus, economisation is not only much stronger on the environmental aspects of sustainable development compared to social ones, but it also hardly constitutes radical change, as discussed in Section 14.2.

The literature on economic–environmental relations has long argued that environmental (and other kinds of) policymaking predicated on economic principles have been successful *inter alia* due to support from powerful economic actors and resonance with economic discourses (Bernstein, 2001; Newell, 2012; Newell and Paterson, 2010; Wilshusen and MacDonald, 2017). The concept of economisation contributed to this literature by focusing more explicitly on the role of economic institutions, including the agency of individual institutions and actors within them. The book has also identified factors that may enable economisation, including entrepreneurship, autonomy from principals, and economic (fiscal) benefits and costs, as well as factors that may hinder economisation, including economic (fiscal) benefits and costs and the policy issue already being addressed by other institutions.

The concept of economisation also contributes to ongoing debates about similar dynamics, including whether the world is characterised by the climatisation of other policy domains (Aykut and Castro, 2017). While economisation, climatisation (Aykut and Castro, 2017), securitisation (Buzan et al., 1998), marketisation (Massey, 1997) and financialisation (Epstein, 2005) are not mutually exclusive concepts, they draw attention to different aspects of political phenomena. It is possible that the world is experiencing climatisation within some policy spheres

and economisation of climate change within others. Yet, unlike climatisation the concept of economisation not only allows for comparison with other policy issues experiencing similar economisation dynamics (e.g. gender and education), it also draws attention to economic institutions and framings which historically have been very important. In a time when the role of economics, economic thinking and economic institutions are being intensely debated, the concept of economisation can bring the dual dynamic of economic institutions addressing an issue and framing it in economic terms into the spotlight. The focus on the agency of individual institutions means that economisation (in the sense used here) is not portrayed as a development progressing due to its own inherent dynamics (the way some accounts of marketisation and economisations do, see, for example, Bina, 2013; Çalışkan and Callon, 2009, 2010; Massey, 1997; Schimank and Volkmann, 2012; Wenzlaff, 2019). Rather, it is the agency of economic institutions and actors that can drive economisation forward or block it.

The second broader theoretical strand that this book has contributed to is the literature on international institutions and organisations. First, the book has added to the literature on institutional output by constructing a framework for studying the causes and consequences of institutional output that included institutional interaction as well as more ‘traditional’ factors such as institutional worldview, entrepreneurship and membership relations. While the latter factors (worldview, entrepreneurship and membership relations) are often included in studies of institutional output (Biermann et al., 2009b), the inclusion of institutional interaction means that each institution is not treated as an isolated entity, but that the influences from its institutional environment are also studied. Expanding the focus beyond the individual institution draws upon and contributes to the literature on institutional complexity or polycentricity of global climate governance (for institutional complexity see Biermann et al., 2009a; Keohane and Victor, 2011; for polycentricity see Jordan et al., 2018; Ostrom, 2010) as well as institutional interaction (Oberthür and Stokke, 2011; Stokke, 2001, 2012). Thus, the framework allowed for studying intra (worldview, policy entrepreneurs) and extra-institutional factors (relations with member states, institutional interaction) as well as the relationship between these factors, an approach that could be useful for the study of other institutions and issues.

Second, the book has contributed to the literature on international institutions and organisations by demonstrating the importance of the intra-institutional factors of institutional worldview and entrepreneurs operating within the institutions. The importance of such factors may have been well established by inter alia Barnett and Finnemore (2004) and Jeffrey Chwieroth (2010), but by showing that autonomy constituted an important scope condition whereas membership was less important,

the book has developed our understanding of the circumstances under which worldviews and entrepreneurs play a role. Third, the book has contributed to this literature by studying how institutions address issues beyond their normal portfolio, and by identifying scope conditions (autonomy, economic consequences of the policy at hand, the degree to which the issue was already addressed by other institutions) for how far they could go regarding new issues. In this way, the book contributes to the literature on how international institutions deal with new issues (e.g. Hall, 2016; Nielson and Tierney, 2003; Park, 2010).

14.4 Future Research

The findings open up new pathways for future research. While this volume has focused on the economisation of just two issues at the international level, analysis of how economisation has played out at the domestic level, within other institutions at the international level and regarding other issues would be fruitful. Such research could enhance the understanding of the extent of economisation, particularly which policy issues that have been subject to economisation and which policy issues have not. This kind of research could also further explore the causes and consequences of economisation, particularly whether the same causal factors have played similar roles regarding other issues and institutions at the international level, and which causal factors enable, hinder and shape economisation at the domestic level. In the latter respect, it would be highly relevant to include economisation at the international level as a factor, and thus expand on the domestic consequences of the international economisation undertaken in this book.

In empirical terms, future research should also focus on non-environmental issues such as gender. Gender is, like climate change, an issue historically seen as non-economic and even as standing in opposition to economic paradigms. Nonetheless, in 2015, the IMF identified gender (and climate change and inequality) as an emerging structural issue (IMF, 2015b), and has argued in favour of women's economic participation referring to its inherent value and its positive impact on growth (IMF, 2020a). Likewise, the G20 and the OECD have also addressed gender issues, including the OECD providing reports to the G20 on the economic benefits of gender equality (OECD and International Labour Organization, 2015; OECD et al., 2014). All three institutions have focused on economic aspects of gender issues, such as pay gap, economic empowerment and entrepreneurship. Future research could focus on the economisation of gender issues by these three institutions or by other, public or private, international or domestic economic institutions.

In more strictly theoretical terms, the concept of economisation needs further development. Especially the relationship between, on the one hand, economisation and, on the other, the concepts of depoliticisation (Burnham, 2001; Hay, 2007) and politicisation (Zürn, 2014) could benefit from further development. Is the economisation of climate change studied in this book inherently a case of depoliticisation? Arguably, this would be the case only if the issue had been previously politicised, as was partially the case with climate finance during the UNFCCC negotiations. The economisation of a hitherto depoliticised issue would hardly constitute depoliticisation. Perhaps the more important questions are how to conceptualise (de)politicisation when an issue already addressed within one (non-economic) set of institutions and framed in one (non-economic) way is economised? What kinds of conflicts or synergies would we expect, and under what conditions would economic institutions and framings prevail? Arguably, the economisation of climate change and other issues provide ample empirical material for exploring these questions. Likewise, there is ample material for studying the relationship between climatisation (Aykut and Castro, 2017) and economisation: These two concepts are different heuristic lenses for studying developments that may be distinct or overlap, for example, the efforts to make investments climate-friendly, which can be understood both as an instance of climatisation and of economisation. Since the different concepts capture different dynamics, the question of which concept to employ largely depends on the theoretical interest that motivates the inquiry. Yet, future research could explore which of the two concepts that are most theoretically enlightening, and which best capture current developments in climate politics. On one level, economisation has the advantage of being a broader concept that can be used to understand developments outside environmental politics, such as gender or education.

Moving away from economisation, future research could also draw on and further develop the analytical framework for studying the role of intra- and extra-institutional factors determining institutional output. Particularly the question of the relationship between the different sets of factors could be explored further. The analysis found that member state relations (autonomy of the bureaucracy, membership circle) acted as a scope condition for intra-institutional factors (entrepreneurship, institutional worldview), but what kind of relationship exists between institutional interaction and these intra-institutional factors? More specifically, to what extent does it matter if the institutional worldview of the institution in question, fits or conflicts with the worldviews of the institutions it interacts with? Moreover, to what extent can entrepreneurship shape institutional interaction, for example, by establishing particular kinds of interaction, and how far can institutional interaction shape the possibilities for entrepreneurship, for example, by

opening up windows of opportunity? These questions and others could be developed further theoretically and tested empirically on a wider set of cases.

14.5 Recommendations for Future Policy and Practice

The present book has studied the economisation of climate change in two cases, as well as its limitations. Fundamentally, the analysis indicates that economic institutions are capable of taking environmental issues seriously, but they do so according to their own economic worldview and often struggle to integrate these environmental concerns into their wider practices. These findings matter, as economic institutions – both at the international and domestic levels – are much more powerful than environmental ones.

Perhaps the most instructive set of recommendations emerge from the comparison between fossil fuel subsidies and climate finance. That the economisation of fossil fuel subsidies had more far-reaching consequences than the economisation of climate finance was due to the latter issue already being addressed by a set of international institutions and having negative economic consequences for a large number of actors (in contributor countries), whereas fossil fuel subsidies have fiscal and macroeconomic benefits. This tells us that while economisation may be worth pursuing when the issue has not already been addressed by other institutions and the issue fits with an economic agenda, it can be counterproductive if other institutions address it and the economic ‘fit’ is less evident. In the case of climate finance, economisation added to the fragmentation of the international climate finance system in terms of institutions, norms and actor constellations. In terms of fit with an economic agenda, issues such as carbon pricing, fossil fuel subsidies and the integration of climate concerns into long-term policymaking, are conducive to economisation because they overlap more with the economic institutions portfolio and fit with environmental economics as well as economic priorities such as removing market distortions and reducing public expenditure. The emphasis on reducing expenditure also means it may be more fruitful that these institutions address anti-climate policies (besides fossil fuel subsidies policies such as agricultural subsidies and spending on road or aviation infrastructure) than climate policies.

In this respect, it is important that economisation implies prioritising efficiency and effectiveness over equity. Hence, it makes less sense that economic institutions address issues with important equity dimensions such as biodiversity, climate refugees and the role of indigenous peoples. On a related note, while the urgent state of climate politics may mean that it is better to prioritise immediate and effective action over concerns of equity and justice (be it procedural or in terms of outcomes), this is inherently a political choice. The trade-off between on the one

hand equity and on the other effectiveness and efficiency is very much salient in the case of economisation because of the power and centrality of economic institutions at the international and domestic level. This book has shown that these institutions can be part of the solution, but likely at the expense of equity concerns. Making the right choices regarding this trade-off requires an acute awareness of the implications of economisation. In this respect, the differences between the different kinds of economisation rooted in different strands of mainstream economics also play a role. More Keynesian approaches may be suitable for times when economic stimulus is needed, for example, following the Corona pandemic, whereas carbon pricing may be easier to adopt once the need for economic stimulus is over, and governments need new, sustainable sources of revenue. Specific kinds of economisation may also be more conducive for alliances between economic and environmental actors, for example, economisation rooted in Pigouvian economics may be conducive to alliances between environmentalists, economic experts and finance ministries in favour of carbon taxes, while more Keynesian kinds of economisation may be conducive to alliances between environmentalists, trade unions and industry associations in favour of green recovery packages. The latter kind of alliance may be more relevant in the immediate aftermath of the pandemic, the former more in the longer run.

The political nature of the choice of whether to pursue economisation or not underscores the importance of bringing the political sphere back in and of *politicising* the question of economisation. In other words, the meta-question of whether and how to economise should not be left to the economic institutions, but should instead be subject to public debate about collectively binding decisions concerning the common good (Zürn, 2014).