

March 11th, 2022

Framework Law on Climate Change is approved and the MoF publishes the update of the Financial Strategy for Climate Change.

Santiago, March 11th, 2022.- On March 9, the climate change framework law was approved by Congress, marking a milestone in climate action in Chile. This is one of the first of its kind in Latin America, strengthening the leadership that Chile has assumed in actions against climate change. Along with this, last Monday, March 7, was published the updated Climate Change Financial Strategy, a document that proposes a vision for the development of sustainable finances in the country.

Climate Change Framework Law

This law seeks to strengthen and give continuity to the policies, plans, programs and actions, with a state view that transcends the government of the day. It establishes the goal of carbon neutrality and resilience for 2050; it recognizes the principles of non-regression and progressivity and incorporates the principles of ecosystem approach, equity and climate justice, territoriality, transparency and participation.

This law establishes the Ministry of the Environment as the authority on climate change and the responsibility for preparing and updating the Long-Term Climate Strategy and the National Determined Contribution (NDC) and the National Report on Climate Change, which will compile the policies, climate change plans, programs and measures.

Among the main elements established in the law are:

- Mitigation goal for the country
- Institutionality of climate change
- Long, medium and short term climate change management instruments
- Incorporation of climate change in other policies
- Financing and economic instruments
- Information systems

Climate Change Financial Strategy's 2022 Update

The Financial Strategy against Climate Change (EFCC, by its Spanish acronym) is part of the international efforts to curb global warming in the context of the global commitment arranged in the Paris Agreement in 2015, to limit the increase in the global average temperature below 2 °C and to make efforts so that the increase does not exceed 1.5 °C with respect to the pre-industrial era. Within the framework of this Agreement, each member assumed various commitments to deal with climate change, which have been reflected in

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the National Determined Contribution (NDC) of each country. In the case of Chile, in the first version of our NDC (2015), goals were set for the period 2020 - 2030 based on five pillars:

1. Mitigation
2. Adaptation
3. Capacity building and strengthening
4. Technology development and transfer
5. Financing

Regarding this last pillar, the EFCC incorporates a periodic analysis of public spending on climate change, the creation of an institutional framework that allows coordinating Chile's relationship with the Green Climate Fund and the design of financial instruments that could be used for purposes such as adaptation and technology transfers.

Given the update of the NDC in 2020, which seeks to align international climate commitments with national guidelines in a more ambitious manner than its last version, it is necessary an update of the EFCC published in 2019. This updated NDC, which raises with greater emphasis on the issues of transparency, clarity and monitoring, explicitly mentions that the EFCC must be updated every 5 years (along with the update of the NDC), with a first review in 2021.

In this context, the update document reports the review exercise from the first publication in 2019 to January 2022. Keeping the main objective of the first version, but updated to the current context, both nationally and internationally, this new document rethinks and strengthens its three pillars. These are:

1. "Greening" the financial system
2. Promote "green" financing
3. Strengthen the competitiveness of the "greening" system

Likewise, the document compiles in detail the state of progress of the goals committed to in the first EFCC. Finally, based on these three strengthened pillars and aligned with the materialized progress, a new action framework is proposed that allows continuing to drive and align financial flows towards climate action.

More information is available [here](#) (only in Spanish).