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## **PRI in Person 2019**

*Plenary session: Transitioning to a net zero emission economy*

**09.40-10.00h**

Paris, 11 September 2019

(~16 mins)

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**Check Against Delivery**

**Seul le texte prononcé fait foi**

**Es gilt das gesprochene Wort**

Ladies and Gentlemen,

It is a great pleasure for me to open this Plenary session. I would like to thank you for this opportunity. And I would like to thank France for its continued leading role and its strong and –in my view– very positive pressure on the financial community and the EIB Group to do even more than we do today.

Dear friends,

Humanity is at a crossroads. We must act immediately and swiftly if we want to ensure a sustainable transition to a “net-zero” emissions economy. If we wait too long, we risk having to enact an abrupt transition, which would also be disruptive for financial markets. Or worse, we may be unable to transition altogether and face existential consequences for the human race and many forms of life on our planet.

The IPCC clearly indicated the years to 2030 as our last window of opportunity to avert catastrophic climate change. This is also true for the protection of biodiversity and ecosystems

Investment over the next 10-15 years will change the face of our economies and our societies. To quote Nobel Prize Laureate Paul Romer, in the next 10 years we will build the cities where humanity will live forever – a crucial challenge for rapidly urbanizing developing nations.

In Europe and other industrialised countries, we will need to replace the majority of our infrastructure stock. Scientists have clearly shown us the consequences of making the wrong investment decisions and remaining on an unsustainable path.

In this context, the Principles for Responsible Investment will play an ever more relevant role.

For us in the financial community this situation represents an unprecedented opportunity – to play a major role in making our economies carbon-neutral, greener, climate resilient as well as more inclusive, maintaining our societies’ stability. Yet we also face a major challenge – to recognize the right investments and massively redirect capital towards them.

The reality is that sustainable finance flows fall well short of the trillions of dollars that need to be invested in carbon and climate-resilient assets. And the pipeline of high-quality projects reaching the market is insufficient. Something is amiss.

Public finance institutions like ours must play a leading role to facilitate the flow of private capital into sustainable investments at the needed scale globally by supporting the creation of the necessary enabling environment and partnering with the private sector.

Each one of our institutions and each one of us as citizens can choose to be part of the solution or bear the responsibility of continued inaction.

Young people are vigorously reminding us of this and we must listen. I am glad that their voice, so well represented by Miss Martin-Péridier, opened our Plenary today.

The EIB Group has clearly been listening. We have been at the forefront of the fight against the climate emergency, in line with the EU's leading role. Today we are confident that we can do even more thanks to our ability to set increasingly ambitious goals and to deliver on them.

Since 2012 we have provided EUR 150 billion of finance supporting EUR 550 billion of investment in climate action and environmental sustainability. This made the EIB Group the world's largest multilateral provider of finance for projects supporting these objectives.

Since we first set climate finance target in 2010, our ambition has been increasing. In 2015, we pledged to provide USD 100 billion for climate action projects in the five year period to 2020. And we are delivering!

Today we stand ready to embark on a new journey as we finalise the EIB Group's increased ambition to 2030 for climate action and environmental sustainability, which builds around three commitments.

First, we will increase our own financing. Last year, nearly 30% of our new commitment worldwide were dedicated to such goals. I want us to be much bolder and aim for 50% for climate action and environmental sustainability by 2025.

Secondly, we commit to making a real difference in growing sustainable finance from billions to trillions. By working with our public and private partners we aim to help unlock at least EUR 1 trillion of investment by 2030.

This will include a marked increase in support for climate adaptation and resilience.

Finally, we aim to align our direct lending activities with the principles and goals of the Paris agreement by the end of 2020. This builds on our 2015 Climate Strategy, which committed us to mainstream climate change consideration in “everything we do”.

Science tells us that transitioning to a carbon-neutral economy entails ending the use of fossil fuel as soon as possible. Thanks to our emissions performance standard, we have not supported any coal-fired power projects for almost a decade – the first MDB to do so.

...Through the ongoing review of our Energy Lending Policy, we are defining an ambitious exit strategy from supporting energy projects reliant on fossil fuels, a key contribution to the EU’s long-term decarbonisation strategy.

In defining our new ambition, we are aware that meeting the Paris goals will require a profound transformation of our economies and societies. This will affect some areas, communities and sectors more than others...

We therefore commit to increase our support for a “just transition” of the most vulnerable groups.

Currently, 41 regions in the EU are mining coal, providing jobs to about 240,000 people most of whom have limited opportunities to find alternative employment.

In 2016, the EU pledged to support coal and carbon-intensive regions in their shift to a new model, working with all relevant partners. We are committed to supporting this effort. For instance, we are proposing a dedicated Energy Transition Package in our new Energy Lending Policy.



At EIB we have been supporting this “just transition” for a long time. One example is our work with the Polish municipality of Katowice over the past 20 years.

Our EUR 205 million loans contributed to its successful transition from stagnating coal-mining town to vibrant urban centre, offering new business opportunities and a healthier environment for its citizens.

Redirecting our investments to support the transition also makes sense financially, as it reduces the risk of having stranded assets on our books.

Our financial community, regulators and policy-makers are increasingly aware of the financial and systemic risks posed by physical and transition climate-related risks. This requires the development of appropriate approaches at both the single operations and the portfolio level.

At the EIB we are enhancing our climate-related risk management system.

...Our approach takes into consideration the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), many of which were already reflected in our Climate Strategy and action plan.

...At project level, for instance, in February of this year we launched our new Climate Risk Assessment system, which is applied to all new operations to help project teams and clients assess and address climate-related physical risks.

Ladies and gentlemen,

The market for green and sustainable bonds has broken the USD 800 billion mark. This is great. However, this progress pales when compared with the scale of the global bond market of around USD 100 trillion. Saying that there is room for improvement is a clear understatement!

As a public finance institution, the EIB Group can play a key role by acting as a market maker and helping to create the necessary enabling environment to redirect private finance towards sustainable investments, particularly when it comes to capital markets instruments.

As the pioneer of the green bond market, we understand well the potential value of this instrument. We issued the first green bond, our “Climate Awareness Bond”, in July 2007 and have issued around EUR 25.8 billion in green bonds in 13 currencies since then.

...In 2018, we also issued one of the first SDG bond, our “Sustainability Awareness Bond”, for which we made a new, very successful issuance last week of EUR 250 million. Our “SABs” extend our ability to use proceeds to support other sustainability objectives, starting with the water, health and education sector.

Our journey is relevant for global capital markets today.

...We understood that the first step was to have clear definitions and a robust tracking system, which we developed based on definitions harmonised with other Multilateral Development Banks. Based on this we laid out the steps for credible green bonds issuance:

1. The identification of the policy objectives that we wanted to support;
2. A clear definition of what types of projects would be financed (in our case starting with renewable energy and energy efficiency), and
3. The provision of transparent reporting to our investors
4. These became the gold standard and are embodied in the Green Bond Principles.

I am happy to say that EIB's approach to green finance is in line with the draft EU regulation on the establishment of a framework to facilitate sustainable investment.

We fully support the objectives of the European Commission's Action Plan on Financing Sustainable Growth. In fact, EIB expects participated in the development of this roadmap and contributed to the development of a proposed EU "taxonomy" or classification of environmentally sustainable activities.

Let me take this opportunity to thank our host, UNPRI, and in particular Nathan Fabian as the rapporteur of the expert group, for their contribution to the EU Taxonomy work.

The current draft is a compromise reached by the institutions and experts that participated in this challenging exercise. As is normal, we do have some reservations on some of its elements.

...But we stand fully behind its goal, which is to give markets a common language – a recognised key ingredient to increase financial flows for sustainable activities.

Going forward, we support the upcoming launch of the European Commission's International Platform on Sustainable Finance, aimed at promoting this dialogue beyond EU borders to achieve transparency and comparability across jurisdictions and regions, without imposing identical eligibility criteria.

Beyond capital market instruments, the EIB pioneered the development of blended finance instruments aimed at addressing market failures that limit private finance flows for sustainable activities. Some of these instruments blend public funds from the European Commission and Member States with financing from capital markets investors and other IFIs.

Our layered funds or EIB-managed funds with innovative risk waterfalls (such as GEEREF) catalyse private investments by providing risk protection. We have set up instruments to demonstrate the validity of new asset classes.

These include the Natural Capital Financing Facility, or the viability of new business models both in developed and developing countries (such as the ELENA programme for energy efficiency).

Our investment in the Amundi Planet Fund supports green bond issuances in emerging markets. We invested in the Sustainable Ocean Fund to support sustainable marine activities in developing countries. And we joined the Land Degradation Neutrality Fund supporting sustainable activities in sectors such as agriculture, forestry, green infrastructure and ecotourism.

Dear friends,

To conclude, let me state again that there is an extremely urgent need for more ambitious action! We have just over 10 years to turn the tide on the climate and environmental emergency.

The warning signs are everywhere. Our forests and oceans have been protecting us by retaining biodiversity, sequestering carbon dioxide, and by absorbing heat, acidity and plastic waste. Yet they are under attack.

We are putting our natural resources, our economies, our communities and our way of life at risk, potentially creating an unmanageable situation for the next generation.

We need to make sure that the voice of our youth is heard beyond this auditorium and we must make sure that we leave no one behind in supporting the transition.



Ladies and gentlemen,

Before I hand over to the next speakers, for what promises to be a fascinating conversation, let me make an offer.

The EIB is already a global Climate Bank and a global Green Bank. Yet we are now committed to doing MUCH more! That is why I am asking my teams to step up our direct financing, our mobilisation and our alignment with the goals of the Paris Agreement and with other environmental sustainability objectives.

The EIB Group and other international financial institutions have a clear role to play in paving the way for other investors to rise to the challenge and seize the opportunity. But we clearly cannot overcome this crisis alone. We need to join forces. We need to work in partnership. We are here to work with all of you to take this agenda forward.

...Let us build a strong coalition for urgent action.

... And let us use this coalition so that the next generation will remember the moment we started reversing the crisis and addressing the greatest of challenge faced by the global community.

Thank you!