Speech by European Investment Bank Vice-President Jonathan Taylor

Increasing and improving climate finance: the role of non-state actors

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Check Against Delivery

Seul le texte prononcé fait foi

Es gilt das gesprochene Wort

The uncertainty of politics and the rising risks of climate change make it more important than ever before that we have a clear vision on how to protect the environment and make the earth more sustainable. Fortunately, it is clear now that private investors and non-state actors can work together to improve the planet.

For the private sector, climate action is an area of finance where innovation and business interests are currently the most profound. And for non-state actors, climate action is the area where cities, regions and municipalities can make a real improvement in society by implementing meaningful environmental strategies. Today, I can tell you that I am more confident than ever about climate finance. Never before at the European Investment Bank have we seen as many private and public-sector initiatives that are focused on building a sustainable financial system.

Examples of such initiatives include the recent recommendations of the Task Force on Climate-related Financial Disclosures and the EU High-level Expert Group on Sustainable Finance. Task forces and other initiatives like these that focus on transparency in climate investing and full disclosure of climate risks show that we are finally mapping out the route for large-scale and successful green investments.

To reinforce the chances of success, governments now must provide a clear and consistent regulatory framework. This will create confidence in the markets and encourage more investors to put their money into projects that support low-carbon and climate-resilient paths. Globally, there has been progress in transparency and regulatory guidelines, but we need regulations and solutions that people will follow in every country.

Multilateralism is the best path forward.

A promising example of multilateralism can be found at the non-state level, where the Global Covenant of Mayors for Climate and Energy brings together some 7500 cities worldwide that have subscribed to the Paris climate goals. These cities represent nearly 10% of the global population.

But we need to do more than just come up with climate action ideas and start laying the foundations. We also need the financing to let people complete their plans. The G20 Hamburg Climate and Energy Action Plan for Growth calls on Multilateral Development

Banks, like the EIB, to illustrate how we can encourage more private-sector financing to help the world meet the objectives of the 2030 Agenda and the ground-breaking Paris Climate Agreement.

I speak often about the role Multilateral Development Banks can play in helping the climate, but we must not forget that businesses are stepping in more and more to protect the environment. For example, according to a recent report by the Carbon Disclosure Project organisation, nearly 1 400 companies are ready to put a price on carbon emissions. Clearly these companies understand that carbon risk management and protection of the climate are imperative for running a successful business.

The EIB will be there to help all the players – the private sector, public sector and non-state actors.

On the lending side, the EIB has pledged to provide 100 billion dollars for climate action projects in the five-year period to 2020. This pledge is expected to attract other investments from the public and private sectors. A large amount of this pledge will be invested in cities and urban areas that face pressing energy and urbanisation challenges.

To illustrate this point, we know today that Africa's urban population will triple by 2050, reaching 1.34 billion people. To avoid the harmful effects of high-carbon economic growth, Africa will have to undergo a "climate smart" energy revolution. African countries will need to build climate-resilient infrastructure and tap into the continent's abundant renewable-energy resources.

There is just no alternative.

Encouraging climate friendly projects, for example in Africa, is not just a question of more money. It is also a question of lifting barriers to new projects and making investments less risky and more palatable for the private sector. I can't stress enough that we must make more progress in persuading the public and private sectors to work together.

I want to highlight three examples of how the EIB promotes innovative climate financing.

First, the EIB has created the Global Energy Efficiency and Renewable Energy Fund, which we call GEEREF. This fund provides global risk capital to unlock private investments in energy efficiency in developing countries. GEEREF is one of the first instruments to prove that we can attract cooperation from the private sector by using public funds as risk capital to finance climate projects in emerging markets and economies in transition. Areas we target include the African, Caribbean and Pacific region as well as Eastern Europe, Latin America and Asia.

Another example of our effort to mobilise investments from the private sector is the Luxembourg-EIB Climate Finance Platform. The Luxembourg government will make available EUR 30 million over the next three years to finance high-impact climate projects. This funding will allow the EIB to co-invest and we will also bring in investors from the private sector.

On the borrowing side, the EIB is proud to be the pioneer of the green bond market and the largest issuer of this type of investment. The bank has issued around EUR 20 billion in green bonds over the past 10 years. With our Climate Awareness Bonds, the EIB has financed more than 160 projects in almost 50 countries, contributing to investments in renewable energy and energy efficiency worth around 84 billion euros. The EIB also is a leader in making green bonds more transparent. The bank chairs the Executive Committee of the

Green Bond Principles, a global panel that provides guidelines for transparency and accountability in green bond across the world.

With this in mind, in March we announced a project to map out green bond standards in China that would comply with regulations used by multilateral development banks. We presented the results of this work in the form of a joint White Paper with the People's Bank of China on 11 November. This work is expected to increase Chinese investment in green bonds across the globe and boost investment in Chinese green bonds – a win-win situation.

The big shift in the market to green bonds is another way we are proving that it is possible to bring a lot of private capital into climate finance. There is much more work to be done on green bonds. The global green bond market is worth around EUR 200 billion, but the total fixed-income market is worth more than USD 90 trillion. We now must move green bonds from billions to trillions. This requires progress on areas that still lack a global agreement, such as reporting metrics, definitions of green projects — what market participants refer to as taxonomies — as well as verifiable standards.

Let me conclude with three messages on how the EIB supports provinces, regions, cities and businesses in their transition to a low-carbon future:

Financing: The EIB's co-financing can be used to create private investments, which will fill the financing gap that exists for cities' sustainable infrastructure projects in areas such as transport, energy and affordable housing.

Advisory and planning: If we want to see real solutions to climate challenges in cities, local officials need to integrate this issue into their urban planning and strategies. The EIB's advisory and technical assistance can help cities identify and implement sustainable and bankable climate projects.

Knowledge sharing: Cities organisations, such as the Global Covenant of Mayors, are playing an important role in promoting climate action and in transferring knowledge from advanced countries to developing nations.

The EIB is the only Multilateral Development Bank that, in addition to providing lending across Europe, operates in all developing countries and emerging economies where the EU has a working relationship.

The EIB is uniquely qualified to transfer its knowledge and experience not only across Europe, but also around the globe.