

Green Finance Initiative Annual Summit

17th July 16:40 – 17:00

Guildhall, Gresham St, London EC2V 7HH

SPEAKING NOTE

Introduction:

- I am delighted to be here at this second Green Finance Initiative Summit, to close what I'm sure has been a fascinating day of discussions.
- Minister Perry would very much like to be here to celebrate everything the Green Finance Initiative and the finance sector has achieved in such a short space of time, and sends her apologies that she was unable to attend due to business in the House.
- This event really serves to demonstrate why green finance is such a strength for the UK. The expertise, passion, and appetite for action held within this room alone is incredible. I hope you have all had an enjoyable day, engaging with each other and covering a wide array of topics – including standards and reporting, risk management, infrastructure, fintech - and even Blue Finance and the importance of climate-proofing the economy.
- The Green Finance Initiative has played a crucial role in the establishment of the UK as a world leader in green finance. Their membership base spans across the financial sector, academia, civil society and Government Departments - they are the best platform for cross-sector collaboration. It is fantastic to be here at the second annual conference.

The environmental challenge:

- We face a broad **environmental challenge**.
- We must both mitigate and adapt to climate change, meeting our commitments under the UK's Climate Change Act and the global Paris Agreement.
- We also need to deliver a greener country. Making our air and water cleaner, reducing our reliance on plastics, and protecting and enhancing our natural environment.
- We know that the financial sector will play a key role in delivering these ambitions, and ensuring we make an orderly transition towards cleaner, more resilient economic growth.

- The UK is already demonstrating global leadership. We have shown that clean economic growth is achievable. Since 1990 we have cut our emissions by more than 40 percent, while growing our economy by two thirds. This feat is unmatched in the rest of the G7.
- We were the first country to introduce legally binding emission reduction targets, and this October marks 10 years since Parliament adopted the Climate Change Act.
- This progress has revolutionised sectors. In the electricity sector, UK-wide coal consumption is now at its lowest recorded level since the start of the industrial revolution.
- On Friday, the UK passed the threshold of 1,000 coal free hours this year, and the use of coal in power generation is 86% lower than in 1990.
- We now have the largest installed offshore wind capacity in the world, with around 40% of the global capacity.
- As we build on the successful decarbonisation we have seen in the power sector, we will transform our economy and create new industries. As we reduce our emissions we will also cut consumer bills, drive economic growth, create high value jobs and continue to improve our quality of life.
- It is for this reason that clean growth is placed at the heart of our Industrial Strategy. We want to maximise the advantages from the global shift to clean growth for UK industry.
- And we are seeing the evidence of our work to date:
 - the low carbon economy in the UK is set to grow four times faster than the rest of the economy between 2015 and 2030;
 - In 2016, we were the fastest of any country in the G20 to decarbonise;
 - And turnover for clean businesses grew faster than GDP overall.
- There is more to do. The Prime Minister recently announced the first missions under the Industrial Strategy Grand Challenges. For Clean Growth, this was to at least halve energy use in all new buildings by 2030, cutting bills and waste for people and businesses.
- We want to launch other ambitious missions for the Clean Growth Grand Challenge, so that we remain at the forefront of the global transition to a low carbon economy.

Green finance - private sector and public sector action

- **Green finance** is central to delivering our domestic transition to cleaner economic growth, and in delivering our ambitious Clean Growth Strategy and our wider Industrial Strategy objectives.
- This definition of green goes beyond stimulating clean growth however. 'Green finance' includes all the finance needed to deliver the investment encompassed by our 25 Year Environment Plan, build resilience, and green our cities.
- And that is why the Economic Secretary to the Treasury and Minister Perry established the Green Finance Taskforce - to accelerate and galvanise public and private action.
- The Taskforce brought together some of the UK's sharpest minds, many of whom are here today, to produce a set of wide reaching and ambitious recommendations to accelerate the growth of green finance. The Taskforce worked with over 150 organisations throughout their work – which has been instrumental in building momentum in the sector.
- The Taskforce's work will be a key resource as we continue to make progress, and we have shown our commitment to quick and decisive action. Less than three months after the publication of their report, the Chancellor of the Exchequer announced the establishment of a new Green Finance Institute, delivering on the first of the Taskforce's wide-reaching recommendations.
- As the Economic Secretary to the Treasury outlined this morning, the Institute will provide a compelling and supportive focal point for green finance in the UK, helping London and the rest of the UK enhance its leading role in green finance.
- And this work very much builds on the UK's strengths.
- The UK is home to a world-leading financial sector. Our insurance market is the largest in Europe and the London Stock Exchange is the world's most international exchange.
- The UK has already demonstrated its deep regulatory and market expertise in sustainable finance, including on fiduciary duty, corporate reporting and mobilising capital for clean infrastructure.

- We are also a global hub for environment research and science, with an extensive ecosystem of NGOs, consultancies and world leading universities.
- We are established world leaders in climate science, with our MetOffice Hadley Centre named the best geosciences research centre in the world by the Times, and Government invests more than £90 million each year in climate research.
- And green finance is where these strengths come together. We have seen significant action, ambition and innovation from the financial sector that has served as an example to the rest of the world.
- The Economic Secretary to the Treasury highlighted the strength of our stock exchange in attracting international green bond listings.
- Last year we saw green bonds from Anglian water, SSE, Barclays and Thames Tideway.
- HSBC have announced that they will seek to end financing new coal fired power and restrict the expansion of tar sand oil.
- Legal and General Investment Management has named companies it regards as leading and lagging on climate change issues.
- This action by both private sector and Government has delivered significant results; since 2010, £52bn has been invested in renewables in the UK, and in the last two years alone the cost of offshore wind has halved.
- This shows the powerful positive role that the finance community can play and why green finance is one of the sectors where the UK's global leadership position is widely recognised.

Shared challenge

- As we seek to build on our progress to date, and maintain our global leadership, the public sector and private sector must continue to work together to deliver our vision.

International Leadership

- We want our financial services sector to be at the centre of the international shift to a low-carbon economy. This is a global challenge and the opportunity spreads far beyond the UK.
- Momentum is building to meet this challenge; global investment in renewables has doubled globally in the last 10 years. But we must accelerate this trend if we are to shift investments into the tens of trillions.
- Over 85% of the global projected \$10trillion investment in global power generation over the next two decades is expected to be in zero-carbon sources.
- Ultra low emission vehicles are projected to make up over half of global car sales by 2040, up from around 2% now.
- We are already tapping into this global opportunity;
 - UK legal and finance advice is estimated to be behind one in three new clean energy projects globally between 2007 and 2012,
 - The UK was the 3rd highest global investor in renewable energy in 2016.
 - And in 2017, one in every 8 zero emission cars bought in Europe was built in the UK.
- The new Green Finance Institute will have a key role in exporting our expertise, building on the successful work of the GFI to date.
- Within Government, BEIS recently launched a flagship technical assistance programme to showcase and share the best UK expertise with developing countries.
- Our know how is in high demand; last week was the deadline for the programme's first call for proposals, on green finance in China, and we received 60 applications.

National Investment

- We need to attract the investment to deliver our Clean Growth Strategy and 25 Year Environment Plan. Both focus on areas where we get clear joint benefits: cleaner air from low emissions vehicles; lower energy bills from improved energy efficiency; reducing waste and using resources more efficiently.

- Green finance will be central in protecting our environment, protecting our oceans, cutting our reliance on plastics and moving towards a circular economy.
- Whether it's reducing plastics in our oceans; peatlands purifying our water; healthy soils providing food and raw materials; or our urban green spaces helping to improve our air quality and health - these benefits have been taken for granted or undervalued. But a natural capital approach helps us to quantify and track them – so they can be factored into planning and investment decisions.
- These documents set out our ambitious plans, and they reflect the huge opportunities within the UK for investors.
- In delivering this opportunity, we must also integrate the need to make our economy resilient to the physical effects of climate change.
- There are around 5.2 million homes and businesses in England at risk of flooding today, but there is no such thing as 100% flood protection anywhere. As climate change impacts are increasingly felt there are significant investment opportunities in property level resilience and in large scale infrastructure projects.
- We can create multi-billion pound opportunities for businesses by making investments in the UK resilient to the physical impacts of climate change. The Thames Estuary 2100 Plan is internationally recognised as a leading example in climate adaptation. It will maintain and upgrade the Thames Barrier and the mosaic of flood defences that protect London, so that the capital can remain a world leading financial centre for the next 100 years.
- We must also ensure that the transition to a low-carbon economy is an inclusive one. Grounding our green finance work in the Industrial Strategy enables a holistic approach, connecting environmental and social pillars of responsible investment and ensuring areas and communities of the United Kingdom are not left behind as we transition.
- Social impact investing is a means of bringing capital to the UK's biggest opportunities for social progress, including in places where traditional investment capital does not flow in sufficient quantity.

- In June, Government published its response to the report: 'Growing a culture of social impact investing in the UK', which was produced by a government appointed advisory group chaired by Elizabeth Corley, vice-chair at Allianz Global Investors.
- The government endorsed the ambition of the report, reiterating our determination 'that social impact investment should become 'business as usual' for individual and institutional investors'.
- Our common challenge is to scale up this investment approach in a way that delivers social outcomes as well as financial returns.

Mainstreaming green finance

- Beyond delivering this investment and leading this global revolution, the Green Finance Taskforce made it clear that we need systemic change across the financial sector. So we must ensure that green principles are mainstreamed across the sector, such that environmental risks and opportunities are incorporated in all financial decision making.
- The Bank of England has shown real leadership here, stressing the importance of an orderly transition to a low carbon economy, and highlighting the financial risks posed by climate change.
- The Task Force on Climate-related Financial Disclosures, formed at the request of G20 leaders, has been pivotal in galvanising global action to effectively manage and report on financial risks arising from climate change.
- The TCFD recommendations have been backed by more than 250 businesses worldwide representing more than \$6.5 trillion in market cap. And this includes more than 60 institutions in the UK. This shows the real impact the TCFD's work is already having, and we believe that work has the potential to be truly game changing.
- As mentioned the UK Government was one of first to endorse their recommendations.
- Mainstreaming both green and social considerations into the financial-decision making process also offers an opportunity for increased engagement with millennials and young professionals in the role for the financial sector as a whole, in supporting the global low-carbon transition.

- The future of their generation and generations to come is an enormous challenge and they can play a huge role in driving action as both current and future customers of the financial sector.

EST's advisory board announcement, Green GB week, and close

- In closing, we will only achieve our shared ambitions in partnership.
- The Chancellor's announcement last week demonstrates our commitment to continue working closely with industry to deliver this vision together.
- And the Advisory Board welcomed by the Economic Secretary earlier today represents yet a further step.
- The Board will serve as a valuable resource to Government, helping to deliver our long-term ambition to accelerate the growth of green finance and maintain the UK's global leadership. This is only the start of our work.
- The challenge is great, but so is the opportunity.
- On 15th October we will launch our first Green GB Week to showcase the best of our green innovations, raising awareness of clean growth, and shining a light on the contributions that we can all make.
- Green GB week will also provide an opportunity to celebrate the tenth anniversary of the Climate Change Act, which has laid the foundations for so much of our success to date.
- During the week we have an entire day dedicated to green finance, recognising and broadcasting the power of our green finance sector and the central role it will play in delivering our clean growth ambitions.
- We can lead from the front, decarbonising our economy and raising living standards for the British people, whilst capturing the global market in green finance as we deliver a Green Great Britain.
- I look forward to taking on that challenge with the new Green Finance Institute. Thank you.

BRIEFING

Top Lines

- Green finance is a key priority for the Government –
 - to support delivery of our ambitious Clean Growth Strategy,
 - to drive UK economic benefit as part of our Industrial Strategy,
 - and to enable the global transition to a low carbon economy.
- Managing climate-related risk whilst capturing new investment opportunities will help us meet our objectives of ensuring that our economy is resilient and best placed to seize global opportunities.
- Our domestic climate change commitments, and the global targets of the Paris Agreement, present a great investment opportunity for the private sector as we seek to maximise the UK's advantage from the global shift to clean growth.
- The UK leads the world in green finance, with nearly 80 green bonds already listed on the London Stock Exchange raising more than US\$24bn in 7 currencies.
- BEIS and HMT jointly convened the Green Finance Taskforce to build on these strengths and consolidate the UK's international leadership. The Taskforce convened leading experts from the financial sector in order to provide government with recommendations on how to accelerate the growth of green finance in the UK.
- The Taskforce published their report at the end of March, outlining a set of wide ranging and ambitious recommendations for Government.
- The Taskforce consulted over 300 stakeholders through their work, showing real strength of commitment from government and the private sector.
- The work of the Taskforce will form an important first step in setting the direction of travel for longer-term green finance policy, and we will work closely with industry to maximise the impact of these important recommendations.
- We are currently considering the Taskforce's recommendations in advance of responding to them

Q & A

Q. When will Government respond to the Taskforce's recommendations?

- The Taskforce's recommendations were ambitious, wide-ranging and formulated in consultation with over 300 stakeholders. As such the report represents a valuable resource as we progress our green finance work.
- We are currently considering the Taskforce's recommendations in advance of responding to them.

Q. Does the UK Government have plans to issue its own green bond?

- Before issuing a new type of bond, such as a green bond, the government would need to be satisfied that they would provide cost-effective financing for the taxpayer, and there would be suitable demand.

Q: Aren't we seeing investment go down from the low carbon sector?

- The latest official statistics on the UK's low carbon sector show turnover across clean businesses was up 5% in 2016 (on 2015), with turnover in the low carbon sector growing more quickly than UK GDP.
- The UK is a world-leader in cutting emissions and driving investment in low carbon technology, with 50% of our electricity coming from low-carbon sources and recently going 76 hours without burning coal.

Q. Will Brexit impact on green investment in the UK?

- The Referendum result does not change UK's commitment to the Paris Agreement and tackling global climate change.
- We retain our ambitious domestic legislation; we are a Party to the UNFCCC individually, as well as through the EU. The UK will continue to lead and engage with international green finance fora ensuring that it remains an innovative and attractive place for green investment and raising green capital.

Q. Should the Taskforce on Climate-Related Financial Disclosure recommendations be mandatory?

- The UK Government was one of the first in the world to endorse the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures
- The TCFD recommendations have been backed by over 250 businesses worldwide representing more than \$6.5 trillion in market capitalisation – demonstrating their widespread support.
- We welcome businesses like HSBC, Barclays and Aviva who have voluntarily committed to report against TCFD and we look forward to hearing their feedback after the next reporting period.
- We want to encourage transparency in the private sector, without creating burdens on business.