



Green Horizon Summit: The Pivotal Role of Finance

Kristalina Georgieva

International Monetary Fund

Thank you for inviting me to address you today at the 2020 Green Horizon Summit, taking place as the world struggles to overcome the worst recession since the Great Depression. This year, we expect the global economy to shrink by 4.4%. And it could have been much worse in the absence of the extraordinary and synchronised actions taken to date. Governments have deployed around \$12 trillion in fiscal measures, and major central banks have expanded balance sheets by \$7.5 trillion. These measures have put a floor under the global economy and helped prevent the destructive macro financial feedback we saw in previous crises. And we are now projecting a partial recovery next year; it will be what we are calling a long ascent, uneven, uncertain, and prone to setbacks. Many countries will see long lasting scars from this crisis and will not recover quickly.

Against that background, it is natural that policymakers are focused on near term policies to ensure that we remain headed in the right direction. But we must also seize this opportunity to create a more resilient and sustainable future. A great deal of fiscal stimulus will be laid on in the coming year. It will be critical to ensure that it is designed not only to boost near term economic prospects, but also to address some of our longer term challenges, including, of course, climate change. We estimate that financing of 2.3% of global GDP per year will be required to meet the goals of the Paris Agreement. So this summit has a well chosen name, the pivotal role of Finance. The good news is that public investment in support of the economic recovery from the corporate crisis can help us meet climate goals. In our latest World Economic Outlook, we

show that the right policies can pave a road toward net zero emissions by 2050 and support the growth of jobs and income equality that are needed for the recovery to both. Importantly, we show that well designed carbon taxes paired with measures to cushion the impact they may have on businesses and consumers can deliver rapid emission reductions without major negative impacts on output or on employment.

To win the fight against climate change, we also must harness the firepower of the financial sector and this means we need policies that nurture sustainable finance and mobilise funds for green investments. Let me mention three important policy areas highlighted in our recent global financial stability report where we would like to see improvement. First, regulators should promote the standardisation and transparency of information about sustainable products to increase investor confidence and help leverage the trillions of dollars needed to achieve net zero emissions by 2050. Second, stronger disclosure standards about climate risks go hand in hand with taxonomies to provide reliable, comparable and consistent information that is needed. To fully price-in climate risk, investors need more than voluntary reporting. Third, international cooperation is needed to ensure consistency and avoid fragmentation of sustainable asset markets. And on this agenda, the IMF is working closely with our global partners to harmonise existing frameworks and facilitate mandatory adoption of global climate related disclosure standards. In just 12 months, we will meet in Glasgow for COP26. We have a chance to make it there with a record of achievements.

This current crisis has confronted us with the southern social and economic challenge. Getting out of it offers a unique opportunity for transformation, an opportunity not to be missed. To seize this chance for the sake of our children and grandchildren, we must act. We must act now. No time to waste. Thank you.