



Green Horizon Summit: The Pivotal Role of Finance Rising to the Challenge

List of speakers

**Rhian-Mari Thomas, CEO, Green Finance Institute, with
Christiana Figueres, Founding Partner, Global Optimism.**

Rhian Marie Thomas

Welcome viewers, my name is Rhian-Mari Thomas, I'm the Chief Executive of the Green Finance Institute, one of the proud hosts of this three day festival of ideas, ambition, announcements, and action. I do hope you're enjoying the Summit, and that the discussions are inspiring you to redouble your commitment to driving the transition to a green and sustainable future. It's my absolute privilege to be joined by someone who literally inspired the whole world to take action, speaking to us from her native Costa Rica, a woman who needs absolutely no introduction. Christiana Figueres, welcome to our Green Horizons Summit.

Christiana Figueres

Well, thank you, thank you very much, for inviting me to join you in this non-emission way, which I honestly don't know why it took us this long to figure out that we could actually exchange views without the heavy emissions and the cost. So thanks very much for having me.

Rhian Marie Thomas

We're delighted to have you. It's obviously five years since COP21, in Paris, where you played such an instrumental role bringing governments together to agree to individually and collectively keep the increasing global temperature to below two degrees this century. You describe yourself as a stubborn optimist. Are you currently optimistic that those commitments will remain under the pressures in the aftermath of the COVID19 pandemic?

Christiana Figueres

Yeah, can I give you two parts of an answer? First, I think it's important to understand what I mean or what we in the growing family of stubborn optimists around the world, to which I hope all of you will be a part of that growing family, what we mean by that, because we don't mean optimism as the output or the result of having achieved something, that in my book is a celebration, and we should celebrate more often than we do. But optimism is very different. Optimism is actually a choice that we make in front of a challenge, as an input to a challenge. It is the choice that we make of our attitude or mindset, when we have a major, major issue in front of us - that's different than celebrating something.

So I think that we have the responsibility and the opportunity, because there's a lot of good here to choose to be optimistic about addressing climate change, a, because frankly, we have to address climate change, there's no other option that is morally or economically responsible, but also because so much transformation is already underway. So that's what I mean by optimism. And stubborn, because, of course we're going to have barriers and challenges along the way, but that doesn't mean that we then sit back in the couch and twiddle our thumbs and go, okay, well, then we're going to give up, we just have to keep on going no matter what happens. So that to my definition of stubborn optimism. And as I said, I hope that by the end of this summit you will all join the growing family of stubborn optimists around the world.

But your question also had another part to it, which was, am I optimistic about what is going on? You know, honestly, I am optimistic. Because there's so much evidence of this transition, which we're in, and all transitions are messy, but just to first rattle off the very important announcements that we've heard just lately. Certainly in the past, let's let me take a timeframe of six months to just a few days ago. So over the last six months, we have heard the European Union come forward and say they understand that their economic recovery from COVID-19 has to be a green and inclusive recovery. And they are focused on a recovery that is going to create jobs in clean technology sectors. They're also going to make it much more inclusive than previously planned. China! China came forward about well, I think it's now about a month ago, President Xi Jinping himself in person came forward to say that he is committing China to peaking emissions before 2030. He didn't say by 2030 he said before 2030, a very

interesting choice there of a word and to be at zero net before 2016. Again, very interesting, the choice of words and very interesting that that announcement came before the US election. Frankly, I thought that China was going to come forward with a very important commitment after the US election, but the fact that they chose to do it before is a very strong geopolitical signal that they're not depending on what United States does. No matter what happens in the United States, they're moving forward, because they know it's good for their economy, and certainly for public health.

Now, moving down the line, just this week, at the beginning of this week, no, sorry. First, if I'm going to do this in chronological order, we heard from Korea, saying that they're going to get to carbon neutrality by 2050. And they're going to end coal financing. And then to crown it all off this week at the beginning, I think it was Monday, we heard from the Prime Minister of Japan, say that they're committing to get to carbon neutrality by 2050, a major shift from where they were just a couple of weeks or months ago. So you know, it's quite exciting just if you take national government, but we can also go into many other many other components, just from the national government point of view, there is country after country after country that is realising that this is not about charity, this is not about saving the planet. This is about stabilising their economy. This is about increasing the resilience of their economies. And that's why they're doing it. So we now have basically the lion's share of the G7 plus these major economies in India that if, sorry, major economies in Asia, minus India, we haven't heard from India yet. But you know, if the United States election goes to the Biden, the Biden camp and if we have a Biden administration, then we have the major economies of the world moving forward in unison. And that is pretty impressive.

Rhian Marie Thomas

So evidence based optimism is what I'm hearing, which I think meets both your criteria as both a reason for celebration and a reason for hope.

Christiana Figueres

Yes, indeed, well, well identified.

Rhian Marie Thomas

You once said that financial services, there is no other sector that holds more leverage in determining whether by 2030, our emissions will be half of where we are today. This is a

conference that is very much focused on mobilising capital addressing the financial sector. And we've seen a lot of progress by the private financial sector over the last five years with increasing recognition that climate risk does pose financial risk. Do you agree that message has come through strongly enough?

Christiana Figueres

I would say it is coming through. I wouldn't say it has come through strongly enough. I think we're still in the process. But again, there's a lot of evidence to use your good word, a lot of evidence that we're moving in the right direction. And interestingly enough, I think that direction is being given because of the increasing understanding of the risk of not doing so. And so how do I reach that conclusion? Well, let's first understand that climate change has both a physical destruction risk because of the ravages of climate change can literally physically destroy your infrastructure. But also there's value destruction risk, right? Because, because you can have stranded assets quite quickly, and we're already beginning to see that happen. So those two risks that have been identified by the task force of climate disclosure, the TCFD, has really moved and grabbed the attention of the financial sector, and moved us in a very important direction. The TCFD started just a few years ago, I think it was 2015 if my memory doesn't deceive me, 2015 with a couple of financial institutions and organisations. Today, there are 1400 institutions and organisations that are reporting their climate risk. They represent a market capitalization of over \$12.6 trillion. Those are the ones that are reporting on their credit, reporting transparently on the climate risk that is embedded in their investments.

Now even more impressive, if you understand that those are the companies and the organisations that are reporting their own risk. Even more interesting is if you understand that that is the supply of risk disclosure, even more interesting than the 12.6 trillion, is the demand side of climate risk disclosure because there is about \$150 trillion of capital, on the demand side, wanting to have the information of climate risk that is embedded in companies. That is unheard of. that is from where we started with to TCFD just a few years ago to where we are, that is no longer marginal, that is no longer

incremental. That is total exponential growth. Now, furthermore, we know about financial disclosure of risk is mandatory in France, only country where it's mandatory, but there is pretty advanced conversation going on about making it mandatory in many other

countries over the next 12 months as we prepare for COP 26. On top of that, just staying on the risk side, on top of that, on the International Accounting Standards Board, has just recently, about a week or two weeks ago, has recently emitted an opinion, saying that climate change risks must be incorporated into financial reporting. So now the ball is in the court of the Big Four accounting firms. Because once they understand that opinion, from the Accounting Standards Board, they will understand that now their role is to inform the companies that they audit, that they will actually only be able to sign off on financial statements from companies that include the climate change financial risk. So you know, you can see where we are moving with this, and what is the biggest lever.

Now, on the other side, not a risk, but I think actually also of opportunity, you we also have something entitled the Asset Owner Alliance, which started again with just a few institutional investors, and that is now up to 30 institutional investors with a total investment portfolio of \$5 trillion, who have come together to say 'we together are committed to bring our investment portfolio to net zero by 2050'. And since it hasn't been done before, they are working in small working groups to figure out how they are going to do that, to develop protocols and standards for how to move investment portfolios from wherever they are now, to investment portfolios of net zero by 2050. And, you know, I could go on and on down the list because the financial sector is moving very definitively. Is it moving fast enough? Frankly, I don't think anyone is moving fast enough. And we are totally running out of time. But there is very concrete evidence of the financial sector, understanding the risk and moving toward the opportunities of clean technology, clean, energy, regenerated soil, opportunities for investment and for lending.

Rhian Marie Thomas

I'm really, well for one thing isn't it fantastic that there is a list of these different initiatives that we could spend all afternoon discussing. But I did want to pick up on that last point about mobilising private capital more quickly and at greater scale into net zero solutions. And there is a role there, a specific role, for government policies and actions

and what actions taken by governments do you feel could speed up that mobilisation of capital at scale?

Christiana Figueres

Well, one I've already mentioned, which is to make financial risk disclosure mandatory that you know, just goes to the heart of the matter very, very quickly. And as I say, there is a conversation among quite a few countries to make it mandatory as it is in France, has been for several years and be able to take that to COP26 next year. So that is a very direct intervention on the part of governments.

The other one, of course, would be to finally decide on a global price of carbon or at least on rules for the carbon market. And that has been a leftover, I would call it a leftover from the Paris Agreement. That was the main issue that was not agreed, everything else was agreed, at least at top level. And we've been going into much more granularity on all of those agreements. But on the carbon market and on a price for carbon, we haven't been able to go into granularity because the big overall this agreement has not been reached. And we've been dragging that decision for five years. And hence the carbon market is pretty depressed. I mean, those jurisdictions that have a price on carbon either through a tax or a cap on trade are definitely still moving forward, and they're trading with each other, etc, etc. So it's not like it's dead, but it doesn't have the vibrancy that it could and should. And so unsurprisingly, there is another initiative going on to be able to move on that issue also by COP26, either for a global agreement, or perhaps even for a coalition of willing countries or willing governments that are willing to move forward even in the absence of a global decision. Those to me are, you know, one on the risk and the other on pricing pollution, basically, I think, are the two highest impact measures that governments can take.

Rhian Marie Thomas

And we mentioned, COP26. Obviously, it was meant to be taking part this very week. And obviously, this summit is a key milestone on that road to COP26 in Glasgow next year. So if we were to be sitting here, this time, next year, post the COP26, what do you hope we would be able to be saying?

Christiana Figueres

Aha, you're inviting me to crystal ball here? Well, you know, anytime you crystal ball, you run the danger of just breaking in front of your feet. So it's a very dangerous question that you're asking me, but let's put out a couple of things. Um, first of all, it's understand that



COP26 are all COPs, especially since COP21 in 2015, actually are both moments for governments to come together and take global decisions. But they're also what I would call forcing moments for all other stakeholders, private sector, insurance companies, financial sector, civil society, to come together to crown or solidify or land initiatives that they have been contemplating. So it's both a moment for governments as well as a moment for non-governmental or not central governmental initiatives. On the government side, I can't hide my, my hope and my wish for, for a carbon market. It's been long time coming, I think all countries would be benefited by it. I spent many years of my, my much younger life in the carbon market. And I am a market believer I know not everyone is, I definitely agree that there are many improvements that can be made to what used to be the CDM, the previous carbon market, you know, everything always benefits from improvement. But I don't think not having a vibrant market is an improvement over what we had in the CDM. And so I would, I would actually argue for the lessons learned there, to come out of COP26 with a governmental decision to revitalise, revamp, reset, reinvent the carbon market. So that would be my wish, it's not a crystal ball, it's a wish that that would be the case.

Secondly, what is scheduled for COP26 is what we call the first round of the global stocktake. And what that means is 2015 plus five is 2020. We should have had COP26. This year, it's been delayed. But it doesn't mean that the tasks that were assigned to COP26 fall out. The task that is assigned to COP26 primarily, is what we call the global stocktake which is the feature in the Paris agreement that every year, countries will every five years sorry, every five years countries will come together the governments of countries that will come together to review what they have done with respect to their previous registered ambition five years before and then be able to increase their ambition for the next five years. And every five years there will be a global stocktake because we will take stock of what has been done. So COP26 is the first global stocktake and my prediction there and this is I think more than more than a wish. My prediction is that we're on pretty good path toward that with the announcements that

I just shared, because those will be harvested next year at COP26. And they will probably be taken down to more short and medium term targets than only the 2050 target that that every all that all of these countries have announced. That is important because that is a very important feature of the Paris Agreement that we realised in 2015, that whatever



countries registered in 2015, was definitely not going to get us to well below two or let alone 1.5 degrees as maximum temperature increase. We know that. And that's why the Paris Agreement is structured in these five year periodicity or five year cycles, at which every five years countries come take a look at what they've done and increase their ambition. So the Paris Agreement is not a static, it is a it is a moving agreement structure that moves with the decarbonisation of the global economy across several decades, until we can get to zero net, hopefully even before then 2050. So that global stocktake is absolutely key for the credibility of the Paris Agreement. But more importantly than that, it's absolutely key for all of us to know, are we progressing or we walking back or we standing still, that's the point of the global stocktake. And that will happen next year.

Rhian Marie Thomas

Well, on that note of optimism, I'm afraid we're gonna have to bring our conversation to an end. It just leaves me to thank you very much for sharing your insights. Thank you so much for your leadership. And thank you so much for joining us at the Green Horizons Summit.

Christiana Figueres

Thank you very much and enjoy the summit.