

Belt, Road & Bridge: Creating New China-Europe Connections Conference
Session 3: Sustainable Futures - Mainstreaming Green Finance
Remarks by Alderman Prem Goyal

Good afternoon Ladies and Gentlemen

Thank you to Michael Mainelli and his team for the invitation to join this panel.

I am going to talk about three important areas of green finance: opportunities for mainstreaming, policy instruments and innovation.

First, I'll start with three main ways we can mainstream green finance.

1. Changing practices – mainstreaming must change industry, institutional and individual practices so that green finance becomes the best and standard financial services practice.
2. Irreversible adoption of concepts and practices throughout the investment chain – if we embed green finance practices, all finance professionals can make a meaningful contribution to mainstreaming green finance.

For example, Barclays has put both of these mainstreaming elements into action. They have embedded environmental risk management within their wholesale credit risk process and required their relationship managers to engage with clients on environmental challenges and opportunities.

3. Flow of capital based on outcomes – capital should flow irreversibly towards projects and activities which support green finance. Having started with green bonds, the sector now provides green loans, equities, insurance and indices.

Therefore, mainstreaming green finance should neither be seen as a cost nor just as a commercial opportunity. Instead, it should be seized as an opportunity to reconnect the financial services sector and society.

This brings me to the second area: policy instruments.

By 2016, there were 217 policy and regulatory measures supporting green finance across 60 countries. Norway for example will ban petrol and diesel cars by 2025 and drop 52 companies linked to coal from its sovereign wealth fund.

In Green Finance, policy instruments can also contribute to sustainability in three ways:

1. Increasing or reducing the availability of capital – investments in green should receive greater liquidity and be subject to lower cost of capital than investments in brown.

2. Establishing new norms – aligning economic activity with environmental and social sustainability. For example, the 5p plastic bag charge that the UK introduced in 2015 has since taken 15 billion bags out of circulation.
3. Reducing risks – faced with the risks and societal responses that come with environmental change, governments can increase exposure to companies and investments that are well placed to outperform relative to less sustainable peers.

I'm delighted that under Governor Mark Carney's leadership, the Bank of England has become a centre of excellence for assessing climate-related financial risk and calibrating policy responses.

This brings me to the third, and final, area: innovation.

The UK and the City of London is already providing a powerful innovation ecosystem. As many of you will be aware, under the leadership of Sir Roger Gifford, the Corporation will launch a Green Finance Institute in July, jointly funded by the UK Government. This institute will further solidify London's place as the world's most innovative and committed green finance centre.

Innovation in green finance also includes green fintech, green mortgages and car loans, green leasing and green insurances. I'll focus only on green insurances.

Residential homes account for between 20% and 25% of all global man-made CO2 emissions. Green homes however use up to 40% less energy and up to 50% less water than comparable standard homes. Thus, green personal insurance providers offer premium discounts for those whose homes meet sustainability standards.

Climate risk insurance can help mitigate the impact of climate change in the developing world through sovereign risk pooling or weather-related index insurance. The G7's InsuResilience programme aims to expand climate risk insurance coverage to an additional 400 million poor people in developing nations by 2020.

Given the pipeline of new products, green finance innovation is accelerating. Our challenge is to keep this pace up.

In summary, I've focused on mainstreaming green finance, policy instruments in green finance and innovation in green finance. Together they present a major opportunity for the global economy. I hope we can seize it.

Thank you