

Climate Finance in a Polycrisis Era
9 November 2022
COP27 Finance Day
Mark Carney

Prime Minister, excellencies, ladies and gentlemen.

We are living in an age of crises—in finance, health, food, energy, and geopolitics. Plagues wrought from our bias towards prioritising efficiency and the present, while undervaluing resilience and the future. Of all these tragedies of the horizon, the most damaging is climate change.

How can we marshal the enormous resources required to address this existential risk before it is too late?

With their budgets strained by the imperatives of defense, health care, disaster relief, and support for households ravaged by the high cost of living, governments have limited spare capacity. Private sector finance will be essential to deliver the trillions of dollars needed to limit global warming to 1.5 degrees.

Unlocking that private finance requires ambition, action, and accountability.

Ambition. Through GFANZ, over 550 of the world’s leading financial institutions have committed to reduce their financed emissions in line with 1.5 degrees. With \$150 trillion of combined balance sheets, GFANZ has the scale of financial resources the world needs to address its most pressing problem.

Action. GFANZ has developed for this COP a comprehensive framework for net-zero transition plans of financial institutions and companies. Of course, transition means financing climate solutions and the growth of companies already aligned with net zero. But it also means going to where the emissions are and backing companies with credible transition plans to get emissions down. And since the world cannot divest itself to net zero, a Just transition requires financial institutions to support the managed phaseout of stranded assets.

Action also means developing strategies to achieve near-term science-based targets. To that end, for this COP, GFANZ members have set over 300 near-term targets— almost twice the number that were due by today. Recall that at the start of last year, not a single bank had a science-based 2030 target.

Accountability. All of GFANZ’s work will be held to account by a new Net-Zero Data Public Utility. By this time next year, the data utility will provide consistent, accurate, openly available climate transition-related data to allow financial institutions, regulators, civil society, and the general public to track climate progress.

Stakeholders will be able to use the utility to determine whether gaps between a financial institution’s targets and its performance are due to the firm itself or the product of broader factors such as inadequate country climate policies or poor enabling environments.

This brings me to a critical point; finance cannot drive the net-zero transition on its own. Finance is an enabler, a catalyst that can speed what governments, companies, and entrepreneurs initiate. Based on real world experience, GFANZ members are calling on governments to do more:

- Develop economy-wide transition plans and sector-specific pathways. Most importantly in energy, that means policies that will ramp up the ratio of clean energy to fossil fuel investment from one to one at present to four to one by the end of this decade.
- Align financial regulation with net-zero by making transition plans mandatory.
- Commit to pricing the externalities of carbon including ensuring that carbon credit markets play a meaningful role channelling capital from the developed to the emerging and developing world.
- And, more broadly, mobilise capital to EMDEs by ensuring official finance crowds-in private finance at scale.

The model announced yesterday is NWFE, the Country Platform of Egypt, which so many on this panel made happen.

NWFE means “fulfilling our promise.” With the ambitions set in Glasgow, the actions and momentum established during the Egyptian presidency, and the accountability to come, the necessary private finance will be there to fulfil the promises of governments to address climate change.