

Opening Remarks, APAC Summit Opening

Monday June 5th 10am - 11am

GFANZ's progress to date and global work for 2023

Good morning and thank you Yuki for that kind introduction. Ravi, Surendra, wider APAC colleagues and partners - thank you for the incredible work you have done since the launch of the GFANZ APAC Network last June. It is wonderful to see familiar and new faces alike, and I am delighted to be here with you for the next few days.

This morning I am pleased to open the first GFANZ APAC Summit with a view to what GFANZ has accomplished in the last year - and what more there is to do. The urgency and complexity of our task - to support financing and planning for the transition to a net-zero global economy, and help the world avoid the worst impacts of climate change while delivering green growth - is particularly relevant in APAC, which is at the frontline of global efforts to achieve net zero in many senses.

As a leading region in the industries that are crucial to the transition, and with dynamic economies and rising energy demand, what happens in Asia will be critical to whether the world limits warming to 1.5 degrees. In seizing the opportunities of net zero, the region can lead the way in showing that climate action will go hand in hand with greater energy security, more resilient cities and infrastructure, and sustainable growth.

At the same time, APAC is home to jurisdictions which are some of the most exposed to climate impacts, and which will shoulder a large share of the costs if we collectively fail. Even as we gather today, the region is experiencing record-breaking and persistent heatwaves, worsening droughts, more frequent extreme storms and floods, and rising sea levels, all which scientists are increasingly attributing to our changing climate.

These physical impacts already have real economic consequences, and will continue to increase costs for families, consumers, and investors; and increasingly threaten financial stability as they worsen over time. Climate change is a risk that cannot be diversified away from.

Recognizing these risks, countries representing over 90% of global GDP have now made net-zero commitments, and, perhaps belatedly, they are increasingly putting in place the policies to back those commitments. That translates into meaningful risk to those companies that do not account for the transition in their business strategies and who do not have a plan for the long term.

Businesses will need robust credible and comparable transition plans which sets out how they will manage this risk, and equally importantly, seize the economic opportunities of the transition.

GFANZ was founded two years ago to bring the net zero-committed financial sector together to address the shared challenges of the transition and build the tools, capacity, and frameworks to implement net-zero commitments. As we pass more than 570 financial institutions across more than 50 countries who have joined GFANZ, we should not forget how much progress has been made in the last two years. At GFANZ's founding not a single bank had a science-based 2030 target. Now over the last year alone, over 300 interim targets were submitted by members of the GFANZ alliances, many ahead of schedule, representing clear progress in implementing commitments.

And we will continue to build out our global outreach to all financial institutions interested in managing the risks and seizing the opportunities of the transition. We launched regional networks in Asia and Africa last year and will be launching a network in Latin America this year, and just recently we launched our first Country Chapter in Japan.

If 2021 was the year of mainstreaming net zero commitments and 2022 was the year of target-setting and developing the frameworks to operationalize these commitments, we are now calling 2023 the year of transition plans. One of our most important priorities this year is working with financial institutions around the world to scale the development of net zero transition plans using a common framework.

Last year, GFANZ members developed a Net Zero Transition Plan framework that has broad application for both financial institutions and corporates. The GFANZ Transition Plan framework can help financial institutions across all sectors – including those they lend to, invest in, or underwrite – to implement their own transition plans and measure progress in a consistent way.

It identifies ten components of a comprehensive and credible transition plan, grouped into five themes:

- governance, or ensuring that there is accountability, incentives, and proper training for meeting the transition plan objectives at all levels of the organization
- objectives and priority setting, or translating the long-term commitment into specific targets and a high-level strategy to achieve them
- implementation strategy, or how you work across the business to align products and services, decision-making processes, and organization-wide policies with transition objectives
- engagement strategy, or how you align your engagement with the public sector, industry peers, and your clients and portfolio companies with transition objectives.
- And finally, metrics and targets, or how you're measuring progress.

To ensure that the focus is on financing emissions reductions, rather than just reducing financed emissions, the framework also lays out four key strategies of transition finance:

- The first is to support climate solutions - the technologies and products that will enable the economy to decarbonize.
- The second is to finance business models already aligned with a science-based pathway to achieve net zero.
- The third strategy is going where the emissions are and backing those companies with credible transition plans to converge with a science-based decarbonization pathway. The world cannot divest its way to net zero.
- And finally, climate transition means backing the managed phaseout of those high-emitting assets otherwise at risk of being stranded in the transition to net zero. We are, of course, excited to launch today the consultation on GFANZ guidance on Financing the Managed Phaseout of Coal-fired Power Plants in Asia Pacific, which we hope will help underpin transactions across the region that accelerate the retirement of coal assets.

These aren't one-size-fits-all rules – every institution will need to define its own path based on its business model, client base, and regulatory exposures.

Building on our learnings from this framework, and my experience leading the TCFD, we are engaging with regulators and standard setters globally to discuss the importance of transition planning in meeting global climate goals and mitigating risks to financial stability, as well as the importance of using a

common global approach to minimize fragmentation and ensure that transition plans are useful to stakeholders.

We are also working on the ongoing data challenges faced by all stakeholders. Even with the advancements of the past several years, we are still far from having the level of climate-related disclosure and access to data that all stakeholders need. That is why last June, Mike Bloomberg and President Emmanuel Macron announced the formation of a Climate Data Steering Committee to address the lack of broadly accessible, high-quality, and consistent data that can enable organizations and governments to turn net-zero pledges into action and provide public accountability.

This group is helping inform the development of a Net-Zero Data Public Utility. With a planned launch of the NZDPU beta pilot at COP28, financial institutions and other stakeholders will have open access to consistent data on companies' Scope 1, 2, and 3 GHG emissions, carbon credits, and emissions reduction targets.

Ultimately, the NZDPU is being designed for use by the UNFCCC to make accurate, trusted, and verifiable climate transition-related data available in a single place for the first time so that regulators, investors, civil society, and other stakeholders can hold businesses to account for their commitments.

In addition to scaling the availability of data and the adoption of net zero transition plans, there are other urgent areas where we need to mobilize the financial sector to achieve our shared net-zero goals.

First, we need to accelerate clean energy investment to phase out fossil fuels. We will only phase out coal, oil, and gas by displacing demand for them through ready alternatives without disruptions in access to energy.

Research by Bloomberg NEF found that in practice, this requires that by the end of the decade, for every dollar invested in fossil fuels, another four must be dedicated to clean energy. Today, that ratio is one to one. This means that the main challenge for the transition will be how quickly we can scale up investment in renewable energy.

Moreover, there is no transition to a net-zero global economy without mobilizing more capital to emerging markets and developing economies. Unlocking international private finance requires addressing the higher real and perceived risks of investing in those economies as well as building capacity to address the shortage of bankable projects.

GFANZ is helping on these fronts with our work to support the G7's Just Energy Transition Partnerships in Indonesia and Vietnam, which are mobilizing tens of billions of dollars in transition finance. We are also working to make the case for Multilateral Development Banks to play a more significant role in mobilizing private investment and blended finance for the transition.

And we are supporting efforts to help build high-integrity voluntary carbon markets that mobilize much needed finance for the energy transition and preservation of nature in emerging markets and developing economies. Voluntary carbon markets can play an important role in making early retirement of coal economically viable, and we need to ensure that common, robust standards are adopted this year on both the supply and demand sides of the market.

While private finance and investment are vital for success, the financial sector cannot achieve the transition on its own. It acts as a catalyst and enabler for what governments and companies initiate.

That is why, threaded throughout all our work, is engagement with policymakers to create the public policies required to enable the transition: from mandating transition plan disclosure to pricing the externalities of carbon emissions and phasing out fossil fuel subsidies.

I'm looking forward to 2023 truly being the year of the transition plan, as firms across the financial sector and the broader economy produce credible, comprehensive, and comparable plans to finance the transition to a net-zero economy. We invite all firms in the Asia Pacific region—whether members of GFANZ or not—to develop transition plans and highlight to all stakeholders the efforts they are making to manage risks and seize opportunities in the net-zero transition.

Once again, it is my pleasure to welcome you to the Summit, and I look forward to the discussions today. Thank you.

