

# Revitalising Global Economic Growth through the Net Zero Transition

**Mark Carney**  
B20 Summit  
26 August 2023

**GFANZ**  
Glasgow Financial Alliance for Net Zero



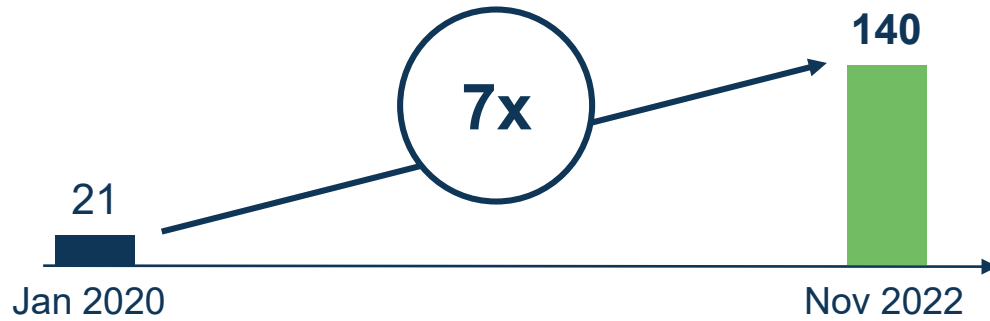
# Trend Global Growth has Slowed with Shocks



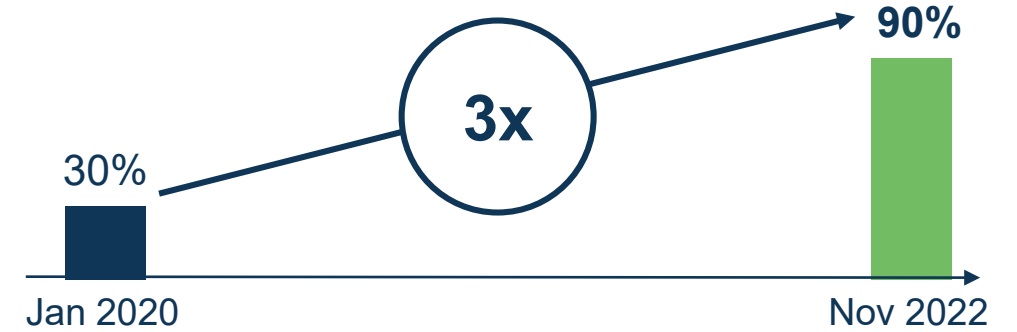
Global GDP (\$T)

# Net-Zero Transition Accelerating

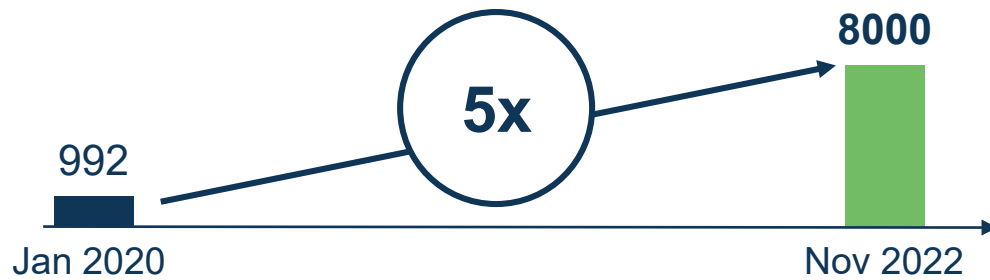
Countries with net-zero commitments



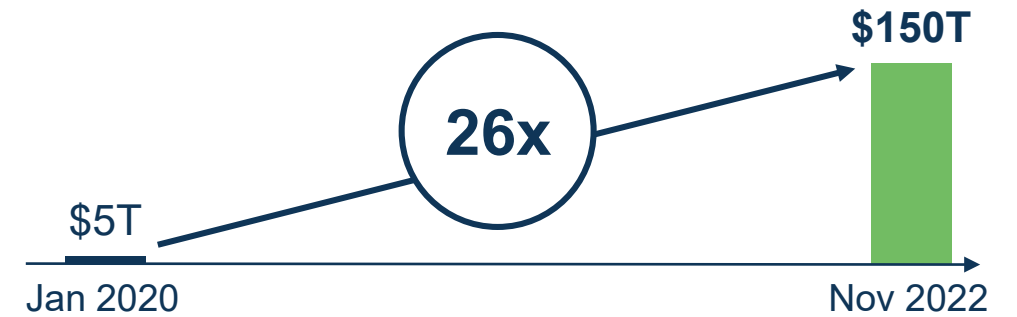
Emissions covered by country net-zero commitments



Companies with net-zero commitments

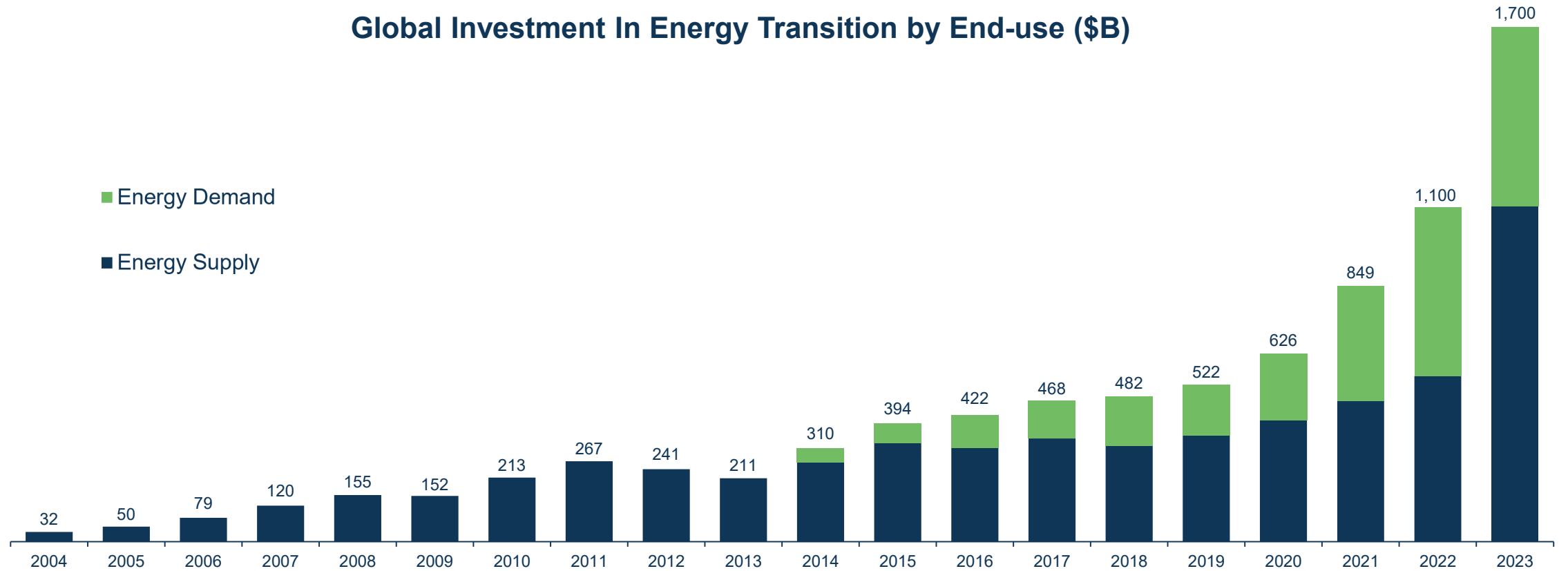


Financial commitments to net zero

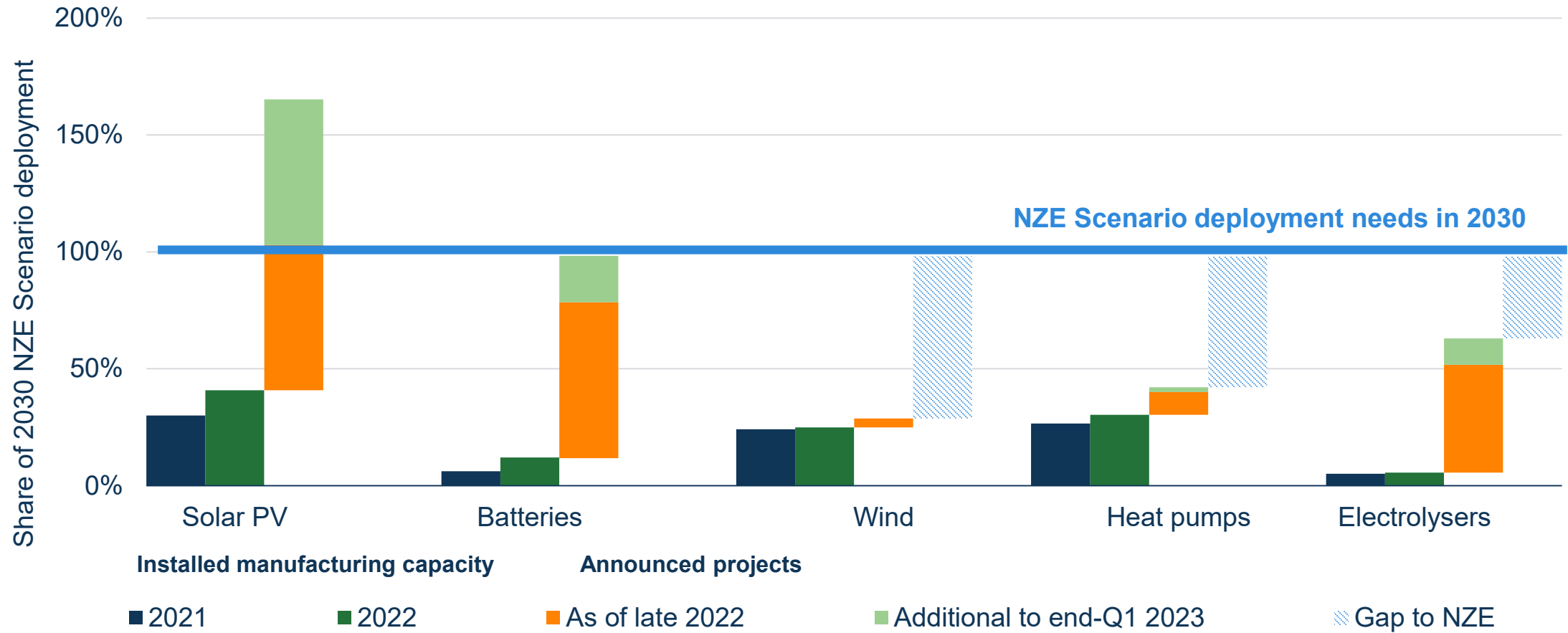


# Energy Transition Investment at an Inflection Point

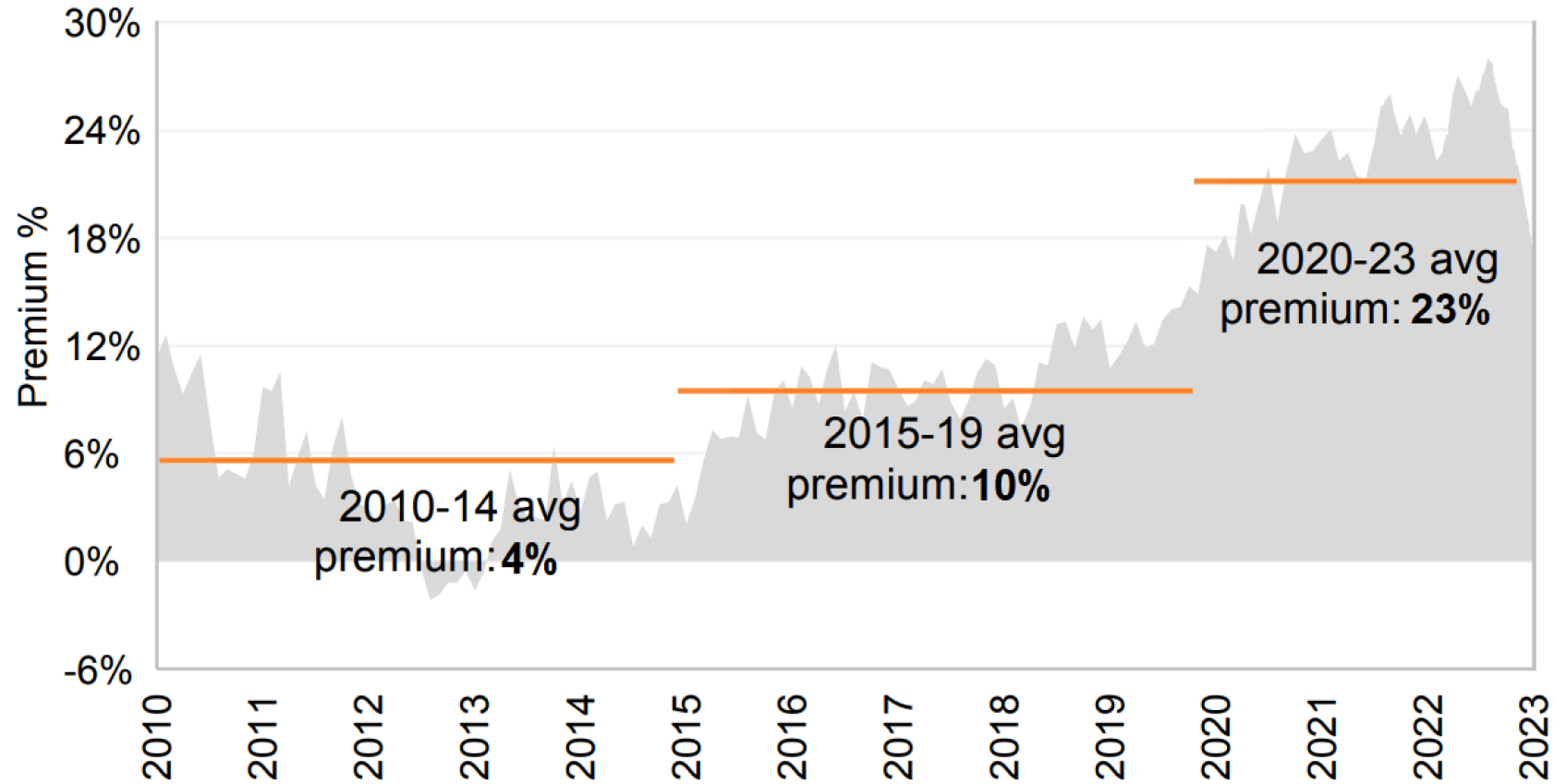
Global Investment In Energy Transition by End-use (\$B)



# Investment Surging into Manufacturing Capacity

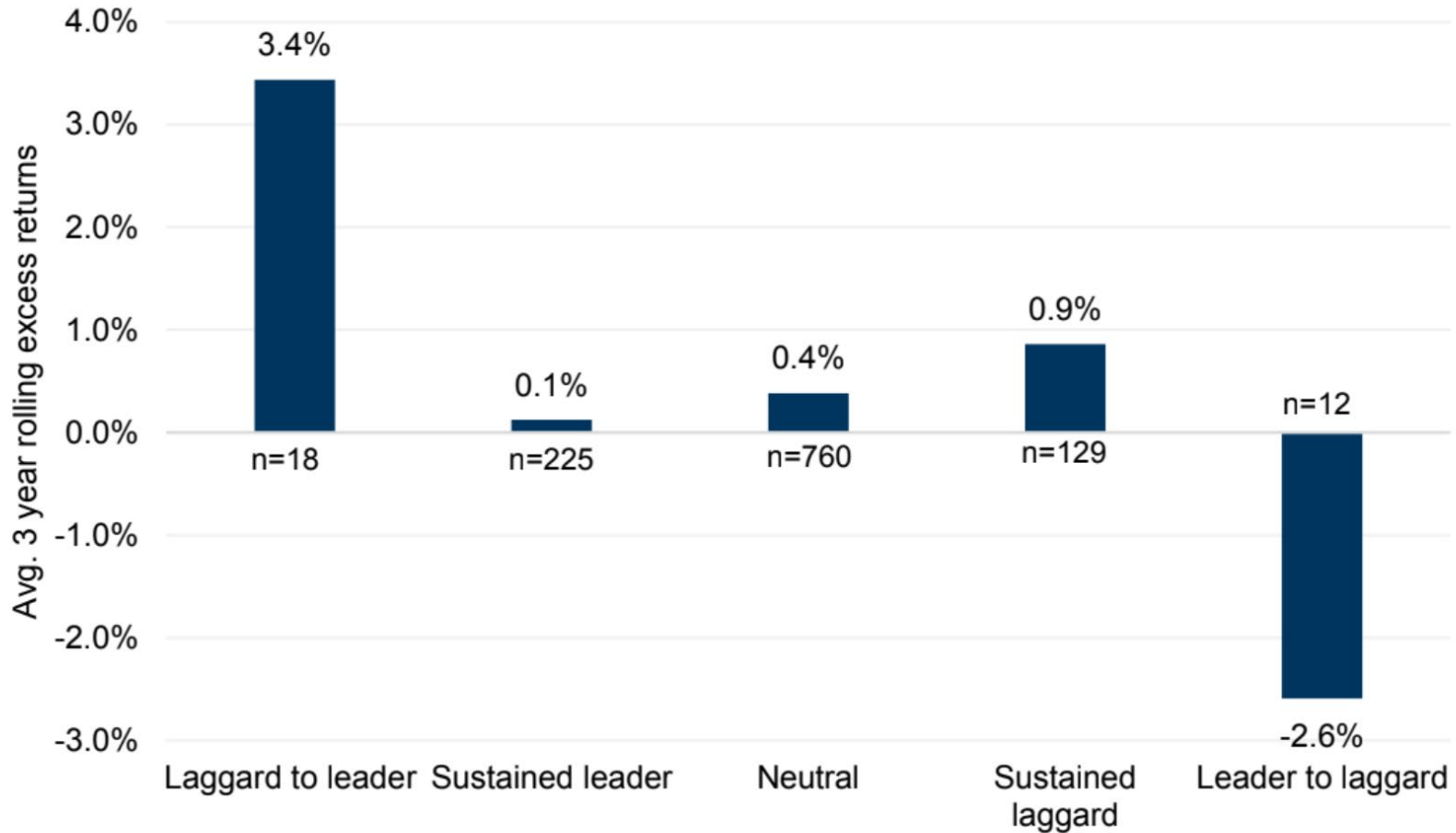


# Low Emitting Companies Trading at Rising Premiums Across Sectors

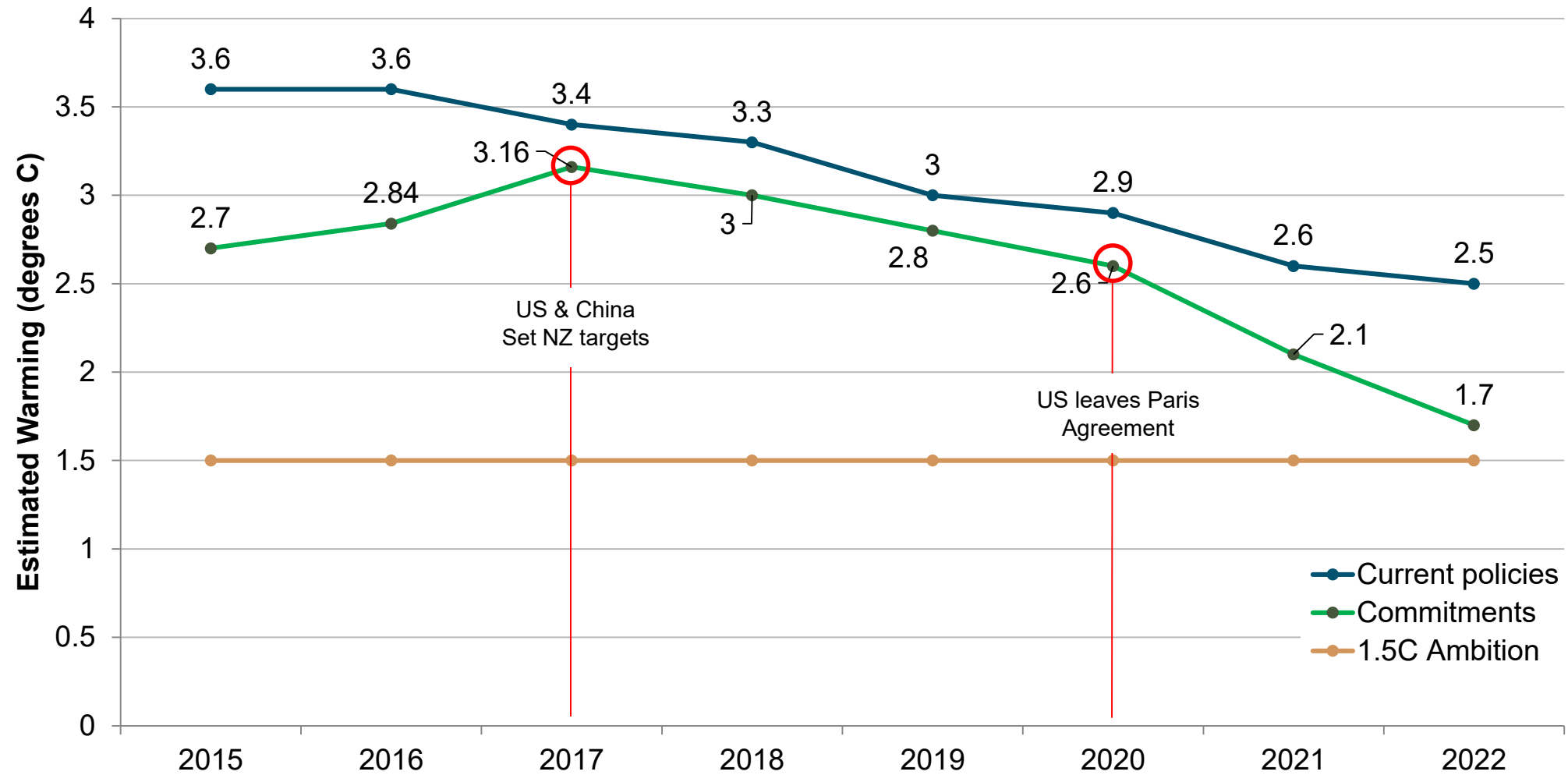


# Excess Returns for Companies Becoming Decarbonisation Leaders

Environmental and Social Laggards-to-Leaders Show the Most Significant Outperformance

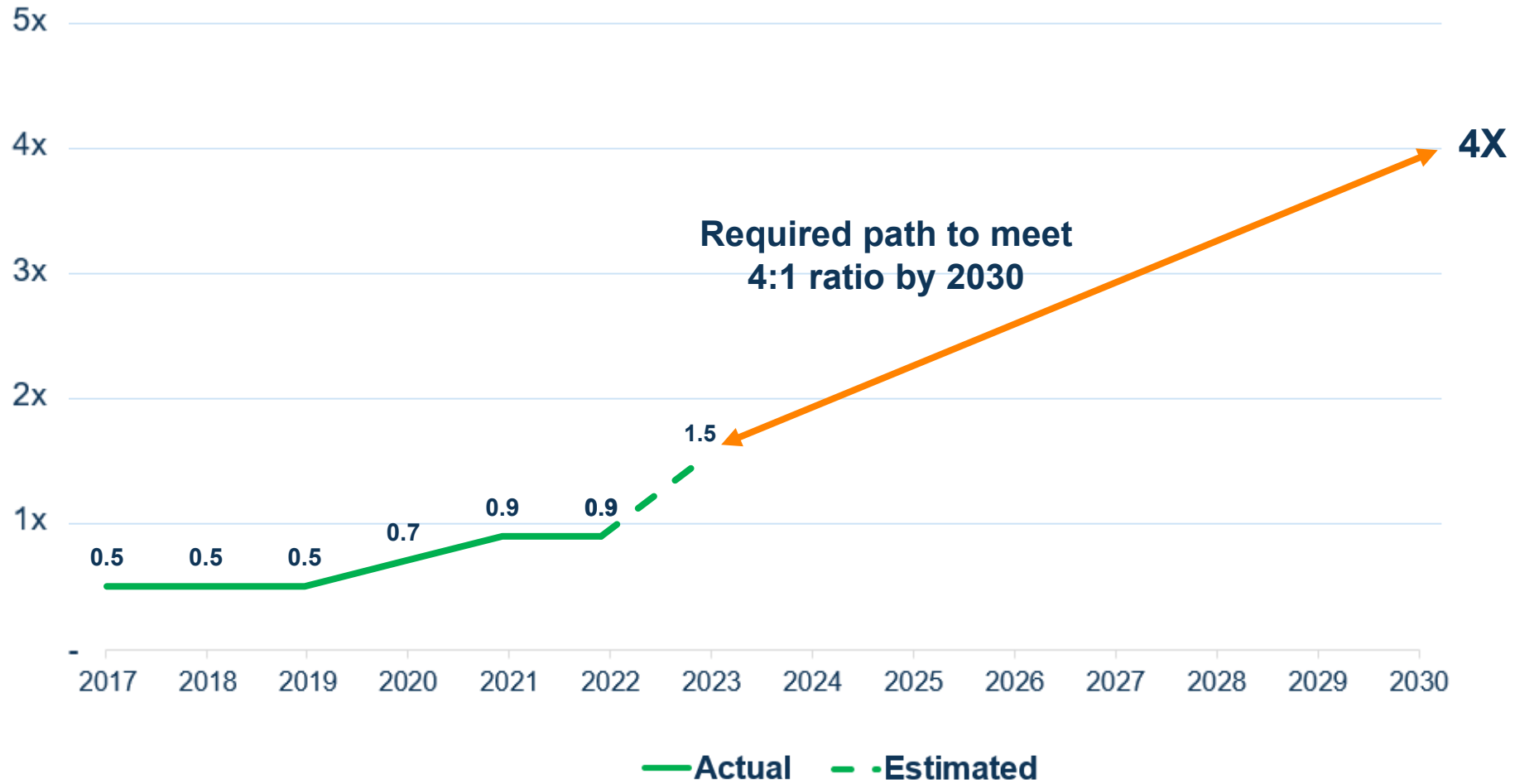


# Net Zero Ambition - Policy Gap





# Clean-to-Conventional Energy Investment Ratio must Rise Sharply

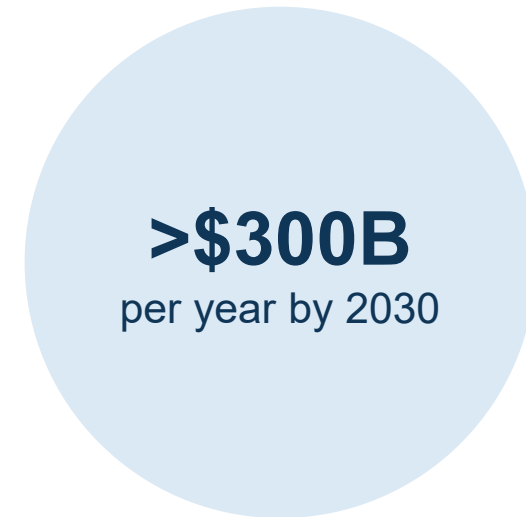


# Huge Shortfall in Energy Transition Finance for Emerging Markets

## Cross Border Finance

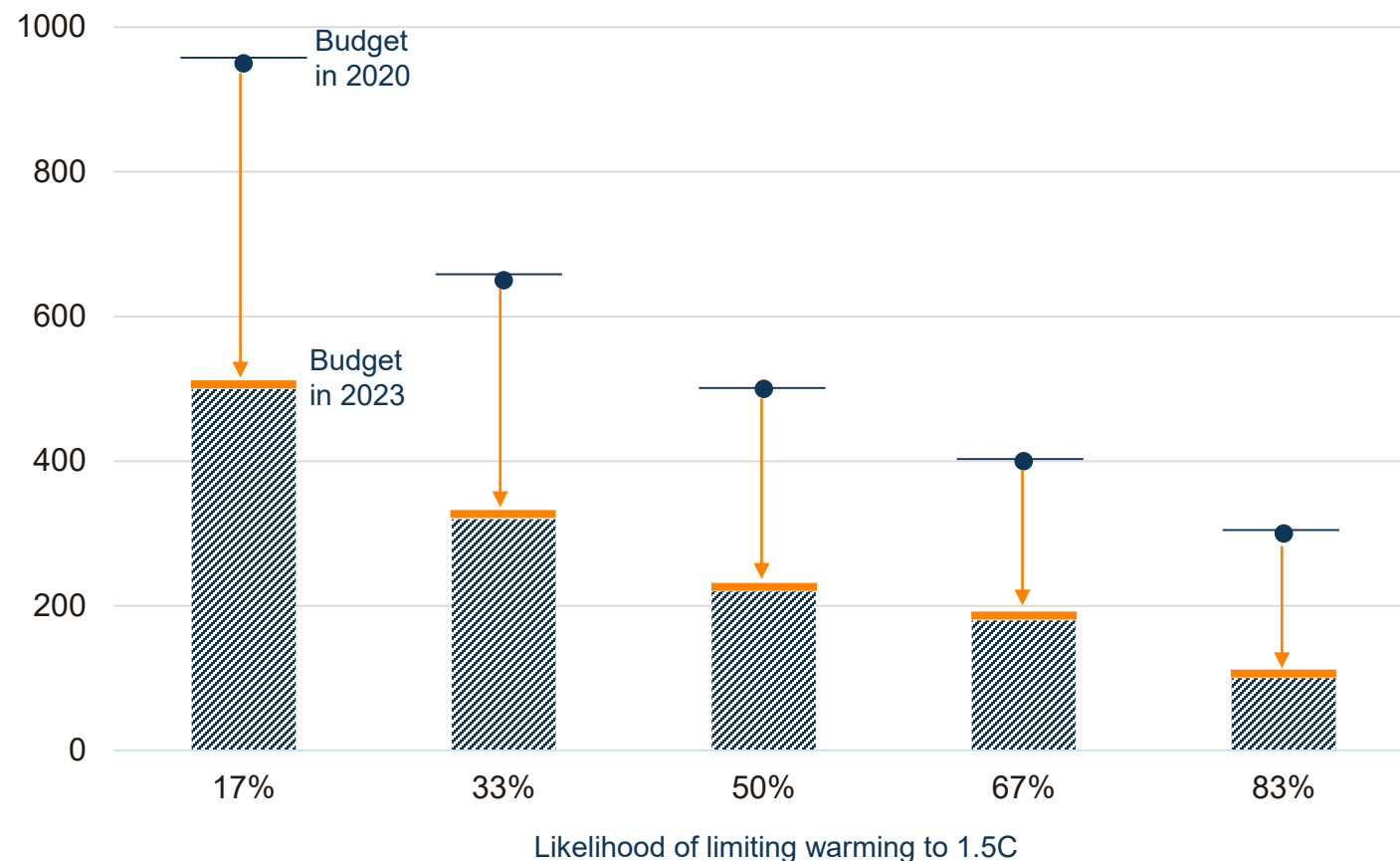


## Concessional Finance



# Carbon Budget Being Rapidly Exhausted

## Estimated Remaining Carbon Budget (GtCO<sub>2</sub>)



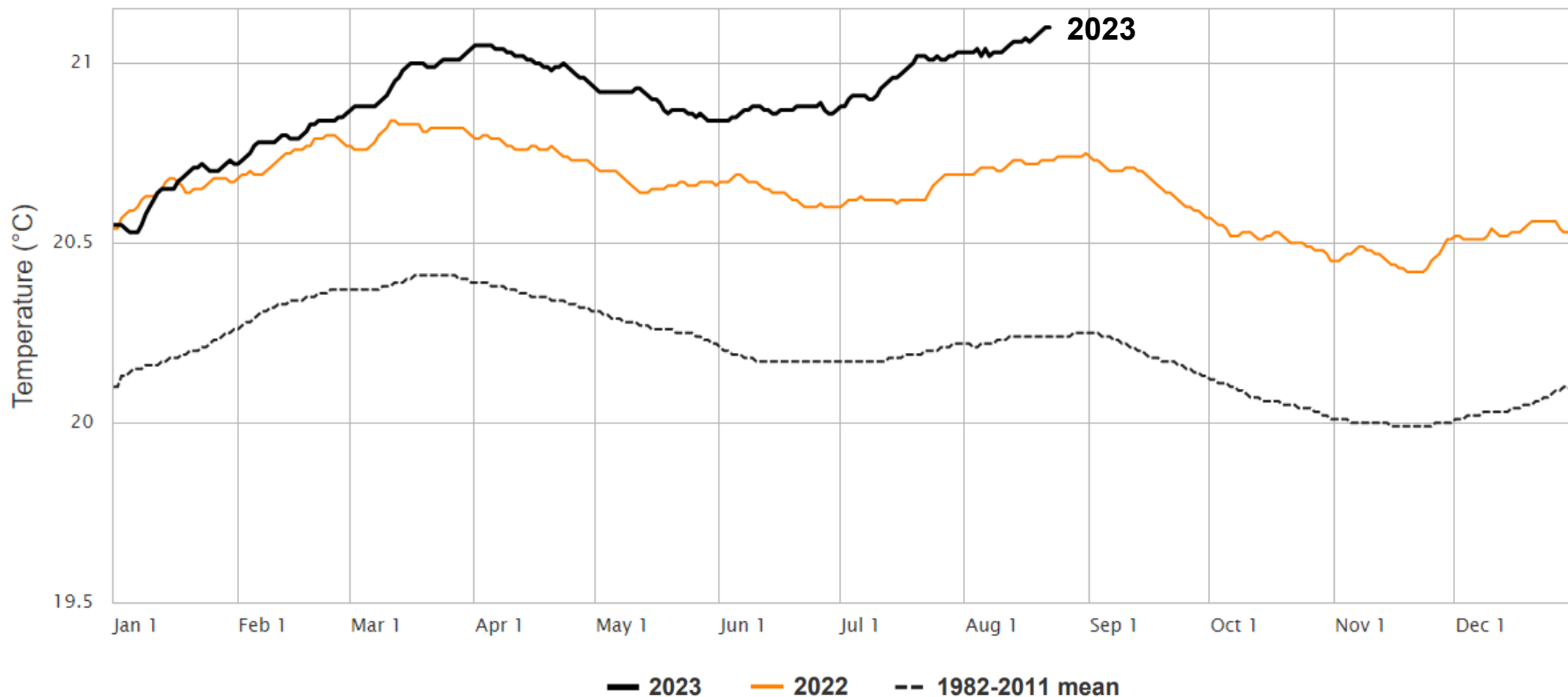
**1.4Gt**  
Annual Emissions Reductions Needed  
for Net-Zero by 2050

**10**  
Years of Lost Economic Growth

**2/3**  
Likelihood that temperatures  
breach 1.5°C by 2027

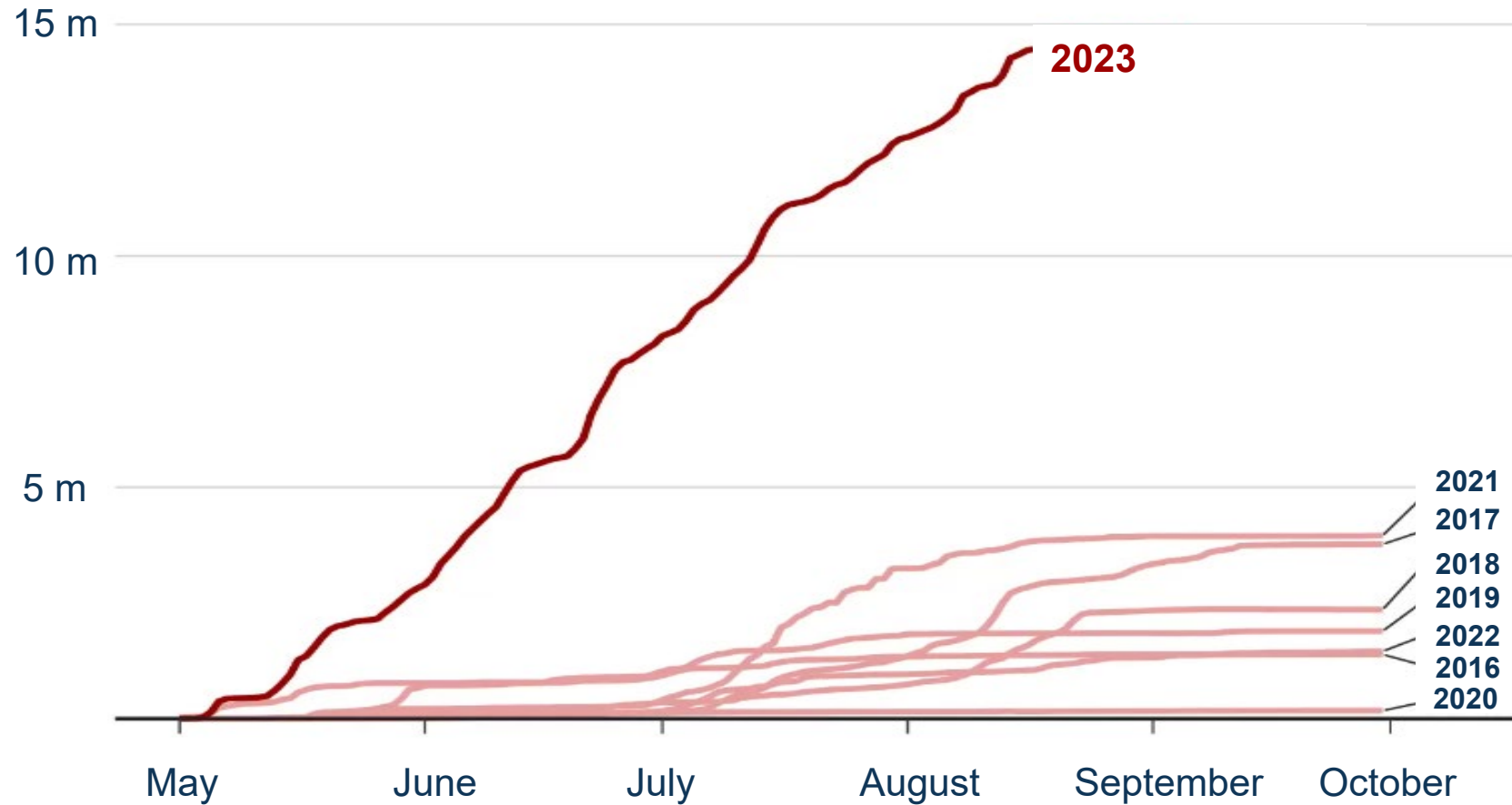
# Sea Temperatures Rising Sharply

## Average Daily Sea Surface Temperature



# Approaching Tipping Points

The Cumulative Area Burned in Canada During Fire Season (Millions of Hectares)



# Channels to Revitalise Global Economic Growth

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**Multi-decade  
Investment  
Boom**

**Value Chain  
Optimisation**

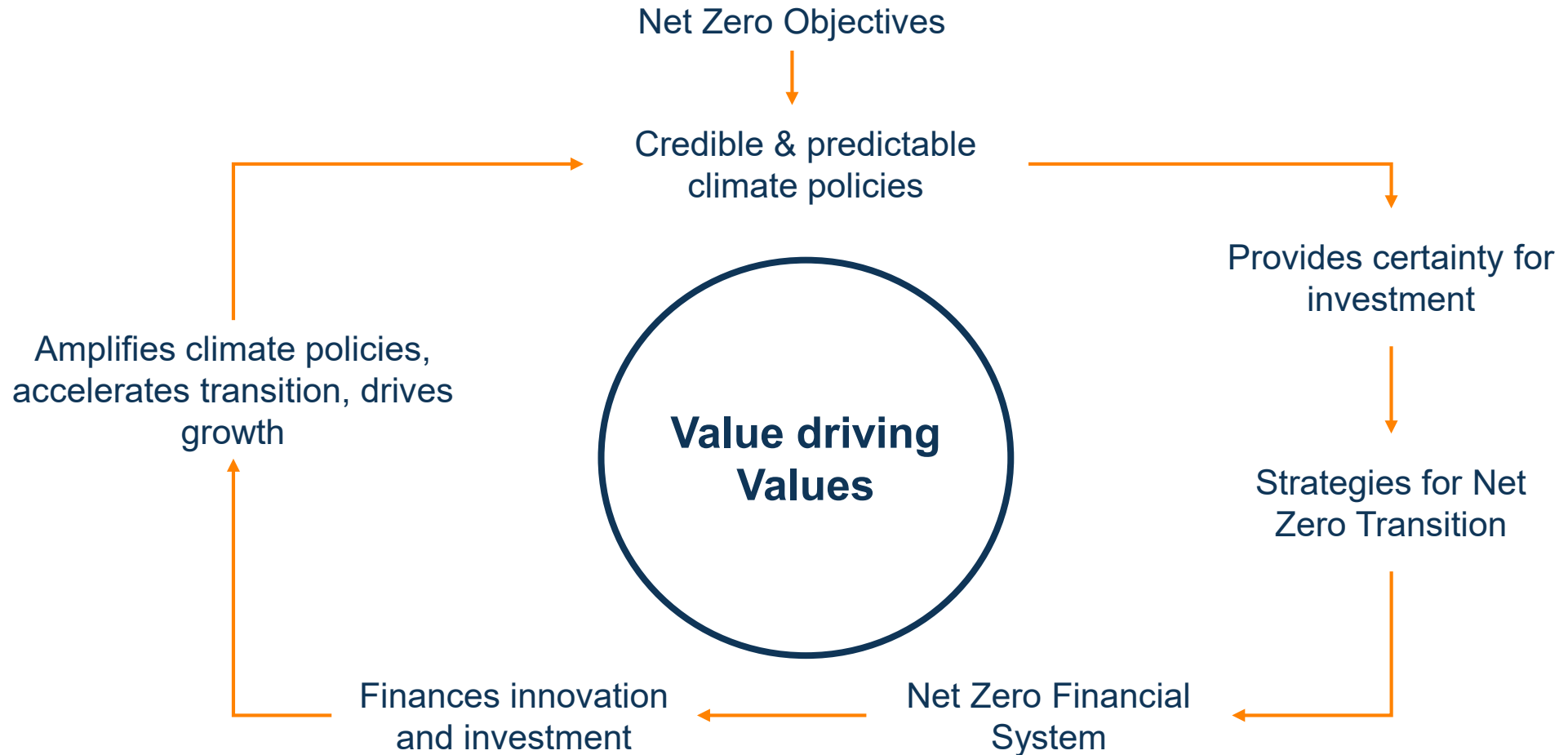
**Demand  
Management**

**Promote  
Innovation**

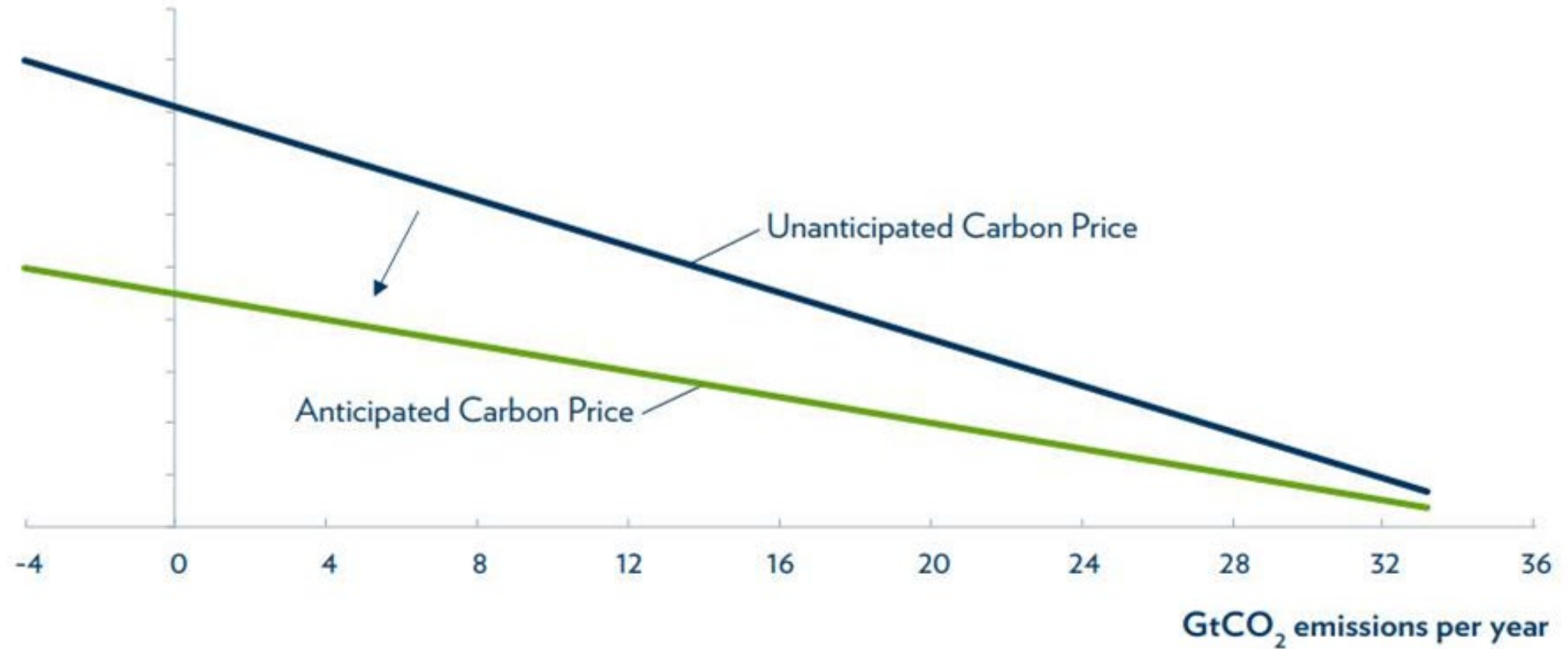


**Net Zero Transition**

# Credible Policies Amplify and Accelerate Investment



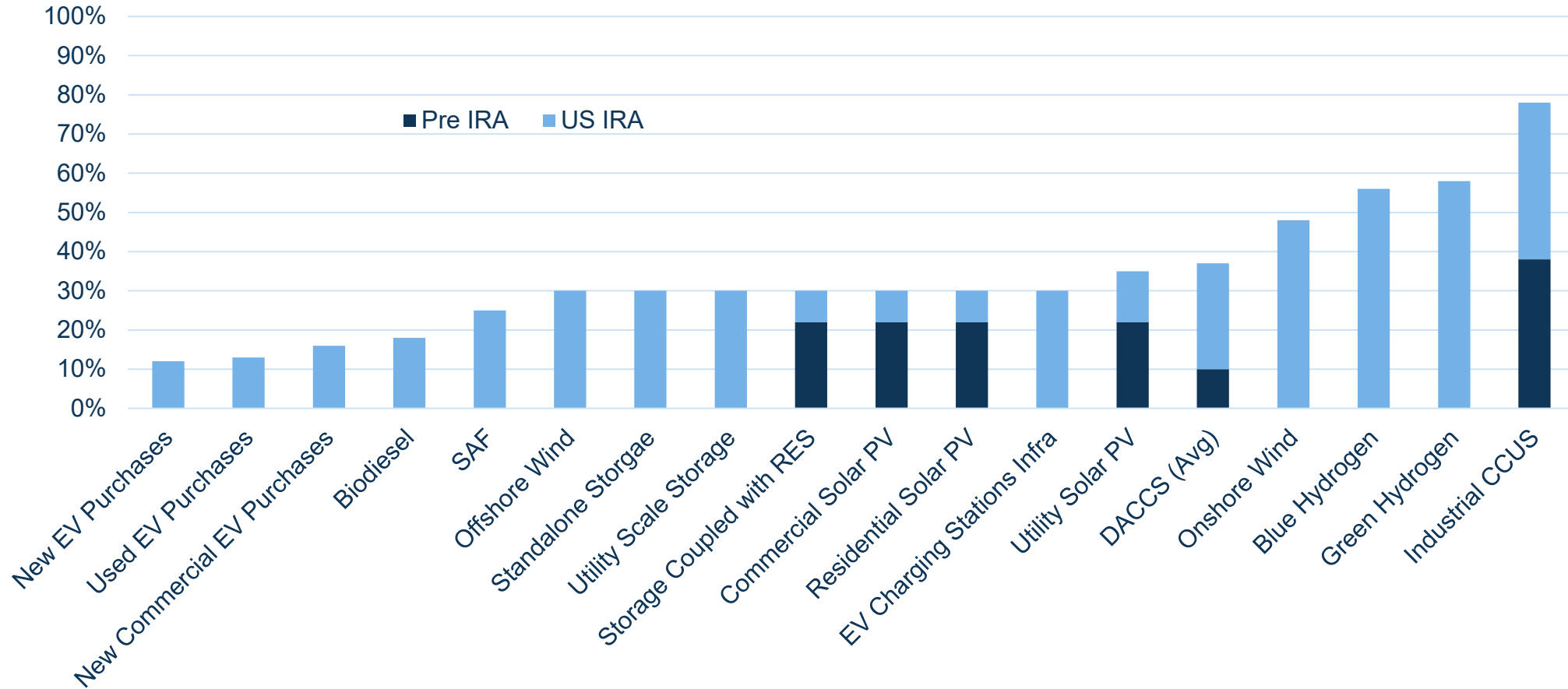
# Credibility Means 'Less is More'





# Cost Reduction by Technology

## US IRA Tax Credits and Other Incentives as a % of the Average Total Cost of Each Clean Technology



# Energy Revolutions Require Financial Revolutions

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## Industrial Revolution

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### **Fractional Reserve Banking**

- Maturity transformation
  - Financial leverage
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### **Central Banks**

- Lender of last resort
  - Supervision of banks
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### **International Monetary & Financial System**

- Gold standard
- Free flow of capital

## Sustainable Revolution

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### **Financial System**

- Aligning with Net Zero transition
  - 'Carbon' leverage
- 

### **Central Banks / Supervisors**

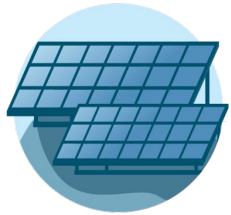
- Climate disclosure
  - Supervision of transition risks
- 

### **International Monetary & Financial System**

- Blended finance
- Transition-aligned private flows
- Carbon markets

# GFANZ Transition Financing Strategies to Catalyse Emissions Reductions

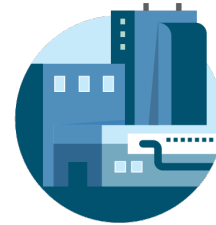
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Climate Solutions



Aligned



Aligning



Managed Phaseout

# Building the Markets for Net Zero

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- ✓ **Standards** to track the problem (ISSB) and data to create transparency (NZDPU)
- ✓ **A common framework for transition finance** to bring capital to where the emissions are and get them down
- ✓ **A voluntary carbon market** that smooths adjustment and finance the Emerging world
- ✓ **Reforms to multilateral development banks** so they take risks worthy of their roles and catalyse enormous private capital flows of finance to all corners of the globe

