



Building a Sustainable Financial System

From Momentum to Transformation

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FINANCING SUSTAINABLE DEVELOPMENT CHALLENGE

FINANCING CHALLENGE

US\$16
trillion

Annual global investment
All needs to be green and resilient

US\$5-7
trillion

Annual investment needed for sustainable development goals

US\$7
trillion

Annual environmental externalities

US\$6
trillion

Reduction in fossil fuel and power investment need (2015-2030)



REASONS WHY MISALIGNED WITH SUSTAINABILITY?

Weak real economy regulation & pricing

Inadequate/ inefficient public spending

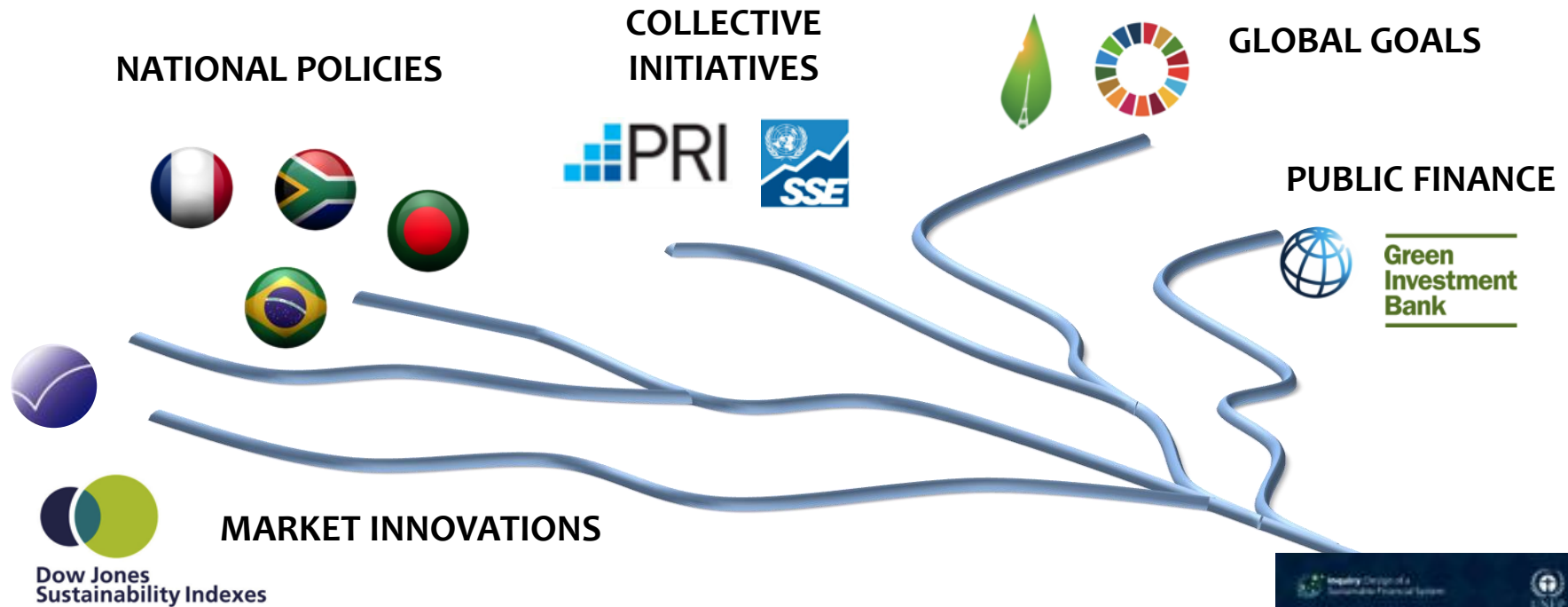
Misalignment of financial system?



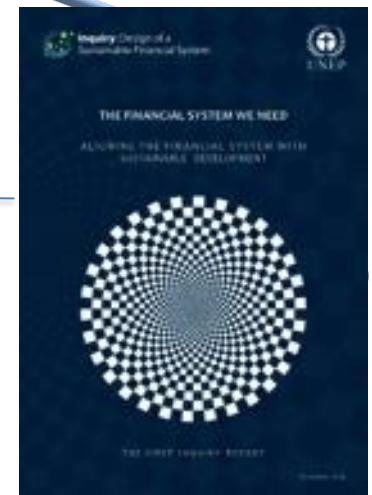
UNEP Inquiry Mandate

advance options to improve the financial system's alignment with sustainable development

MAPPING THE QUIET REVOLUTION



“There is a quiet revolution seeking to integrate sustainable development into the fabric of the financial system.”





THE QUIET REVOLUTION JUST GOT LOUDER



FINANCIAL STABILITY BOARD

task force on
climate-related
disclosure



CHINA: adopts national policy package for transformation “Guidelines for establishing a green finance system”

GREEN BONDS: A \$694 billion investment universe



2016



G20: “In order to support environmentally sustainable growth globally, it is necessary to scale-up green financing”

EUROPEAN UNION:
EU to develop green finance strategy



2017?

“Achieving the SDGs will require mainstream finance. We need to build a new system –that delivers sustainable investment flows, based on both resilient market-based, & robust bank-based, finance.”

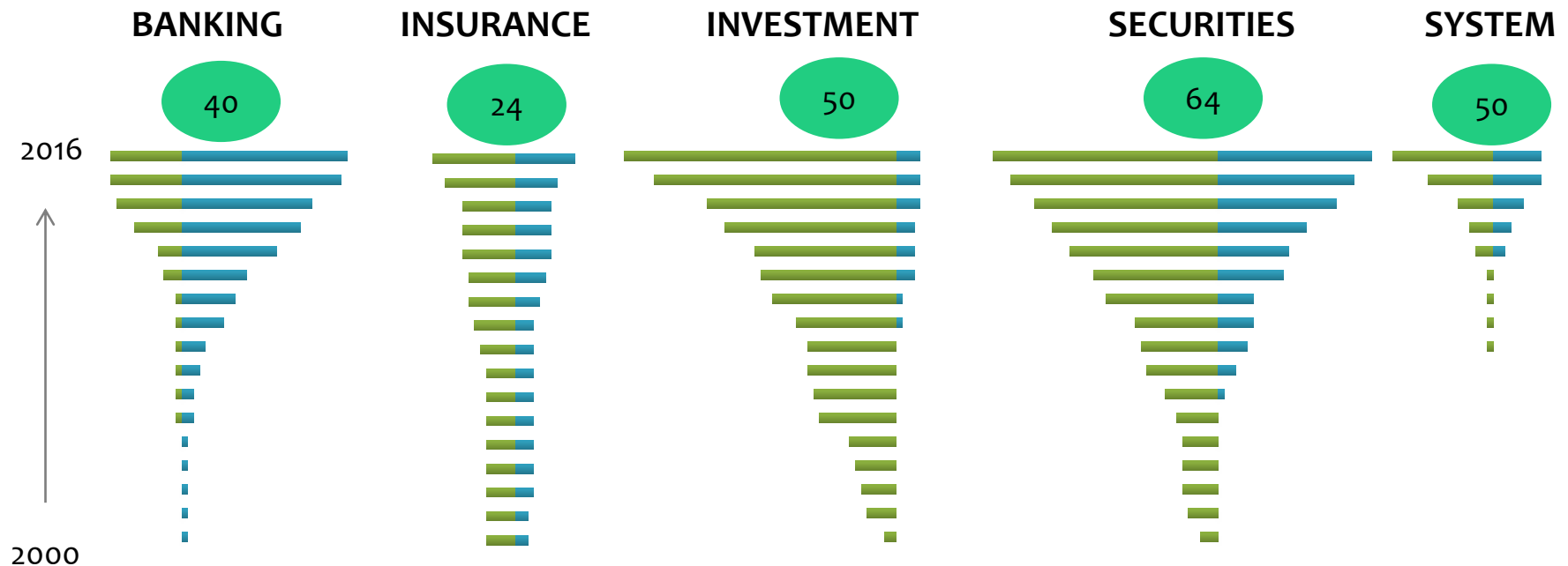
Mark Carney, Governor, Bank of England



MORE COUNTRIES TAKING ACTION



OVER 200 POLICY AND REGULATORY MEASURES ACROSS 60 COUNTRIES



Developed country

Developing and emerging economy

INDONESIA: Banks to stop credit for coal mining in East Kalimantan

CHINA: Pilot for compulsory environmental liability insurance

AUSTRALIA: Pensions regulations require ESG risk management

KAZAKHSTAN: Voluntary ESG reporting guidelines

ITALY: National dialogue on sustainable finance

[Illustrative examples]

“There is an abundance of capital globally, but governments ... have an important role to play in setting the policies, regulations, incentives, and in ensuring that they are enforced.”

Hank M. Paulson, Chair, Paulson Institute

MOMENTUM IS NOT ENOUGH



TRANSFORMATIVE CHANGE
NEEDED IN ECONOMY

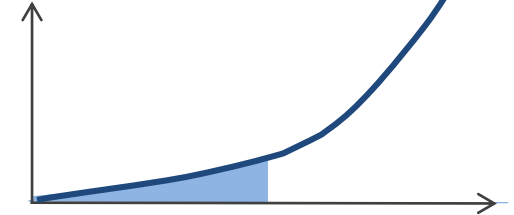


THE GLOBAL GOALS
For Sustainable Development

MOBILISING FINANCE IS
CRITICAL

\$90 TRILLION
OVER 15 YEARS

SUSTAINABLE FINANCE
NEEDS TO SCALE

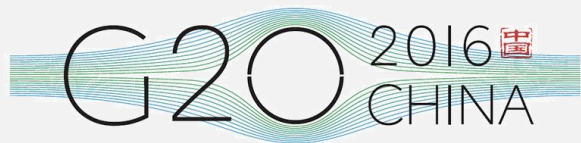


- **One-third** of the world's arable land jeopardised by land degradation.
- **Half** of largest aquifers beyond sustainability tipping point.
- **17%** of the world's population lack access to electricity

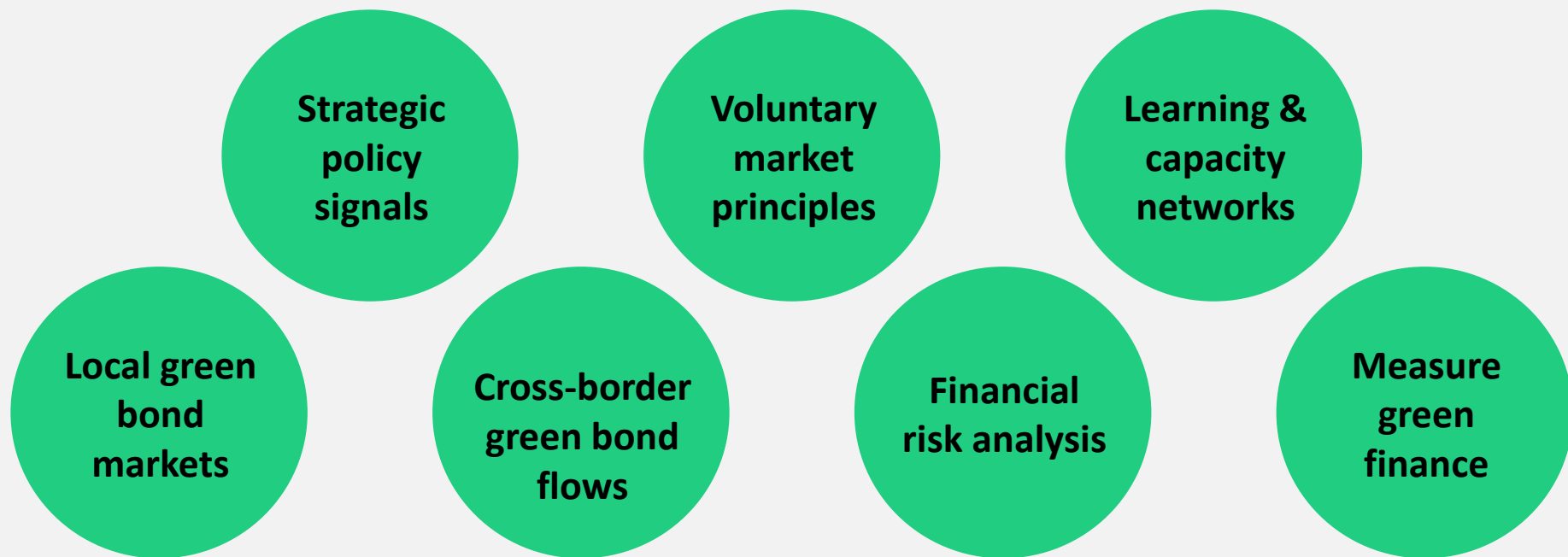
- **\$260 billion** annual investment gap in agriculture in developing countries.
- **US\$600 billion** needed in green investment in China ; only 15% from public sources.

- **Only 5-10%** of bank loans are 'green' in countries where measured.
- **Less than 1%** of total bond issuance is made up of labelled green bonds.

“Sustainable development is an economic necessity. The SDGs both address risks that threaten our ability to meet our liabilities and also present the opportunity to build the returns that will pay the pensions of ordinary working people” **Anne Simpson, Investment Director, CalPERS**



Emerging options to enhance financial system ability to mobilize private capital for green investment



[Source: G20 Green Finance Synthesis Report]

“There is an opportunity for the G20 to create practical green financing models. The good news is there is an abundance of capital globally, but governments need to create the proper conditions.”

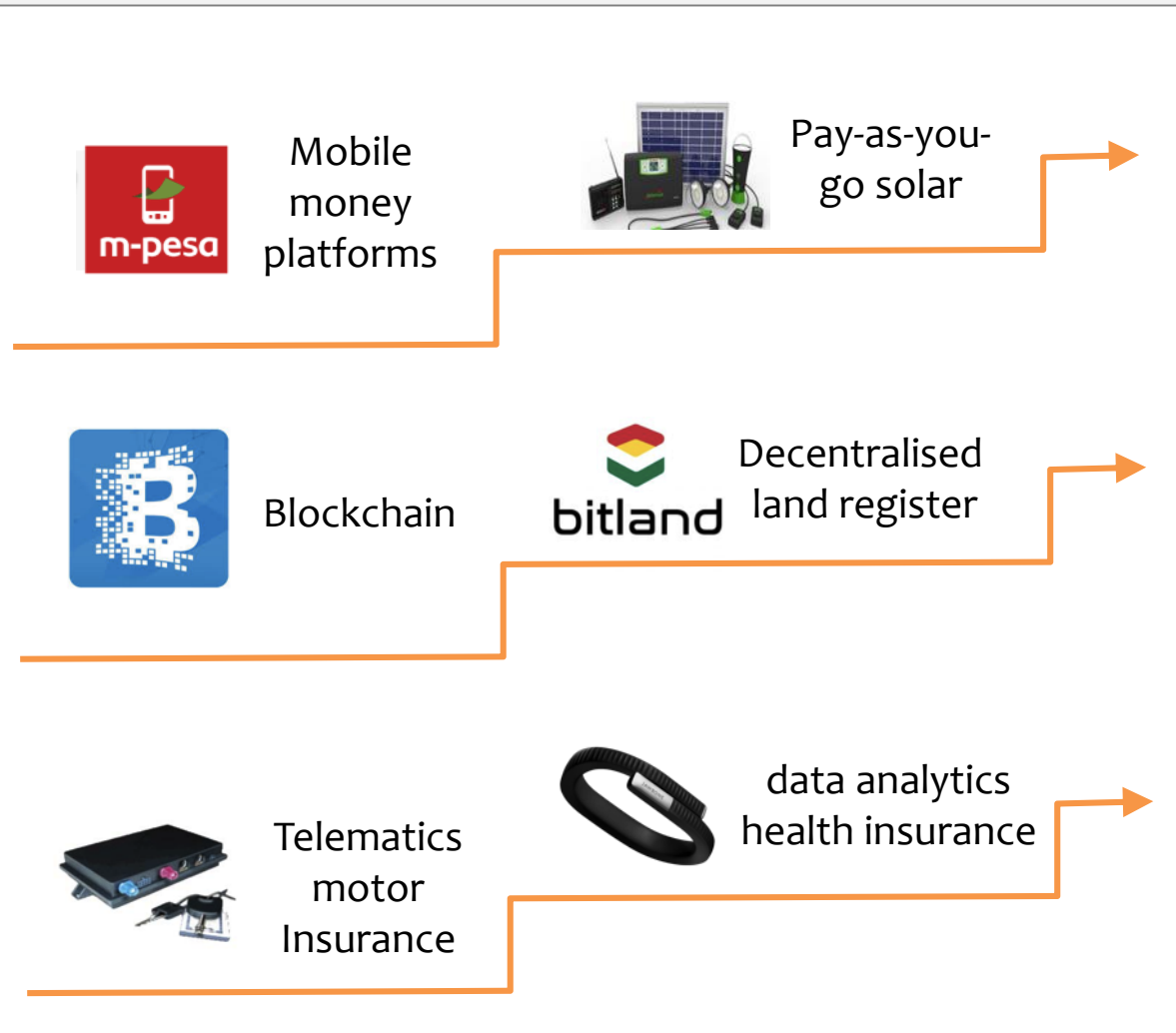
Hank Paulson, Paulson Institute

SYSTEM DYNAMICS: TECHNOLOGY IS A GAME CHANGER



- AUTOMATION –
Reduces cost
- DECENTRALISATION –
Increase competition
- BIG DATA – improve
risk valuation
- INTERNET OF THINGS –
Integrate ‘financial’
and ‘real’ economies

OPPORTUNITY & RISK



ANT Financial Services is exploring with the UNEP Inquiry a robust method to provide individual carbon footprints based on transaction data across its 630 million users, and to build associated standards and incentives for carbon savings.

STEPS TO TRANSFORMATION



NATIONAL STRATEGIES

Link strategies for financial sector development with plans for SDGs and Paris Agreement implementation.

FINTECH & POLICY RESPONSES

Establish an international coalition to influence the development of codes, standards, regulations and policy .

LEVERAGING PUBLIC FINANCING

Realise a three-fold role: crowding in private capital, creating new markets and pioneering new practices.

AWARENESS & CAPABILITIES

Build awareness & capabilities of financial professionals and policymakers, as well as financial literacy of citizens.

COMMON METHODS, TOOLS & STANDARDS

Develop consistent definitions, methods, tools and standards for capital mobilisation, risk and performance assessment.

‘THE BOTTOM LINE’



1

A quiet revolution is changing the way in which the financial system responds to the sustainable development imperative

2

This year, the momentum has grown – in key capital markets, countries and global arena (eg G20)

3

This momentum, however, remains insufficient in terms of breadth, depth, scale and speed

4

A series of steps can help to deliver transformation – national strategies, fintech, leveraging public finance, building capabilities & developing common tools.



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