

## China Low Carbon Economy Forum

### Opening Keynote Speech

Presented by  
Paul Clements-Hunt  
Head, UNEP Finance Initiative

Beijing, PRC, January 16, 2011

Your excellencies, honoured guests, fellow speakers and participants, let me bring the good wishes of the United Nations Environment Programme Executive Director Achim Steiner and also his sincere thanks for the leadership by the organizers of the China Low Carbon Economy Forum. Also, many thanks for your kind invitation for UNEP Finance Initiative to join the Forum.

Your important work, so soon after the successful United Nations climate change meeting in Cancun, Mexico, and ahead of the 2011 UN climate change conference in Durban, South Africa, is of fundamental importance as part of the Peoples Republic of China's impressive commitment to a low carbon transition.

We know that a successful transition to a low carbon, resource efficient economy that serves both the needs of the human family and our precious environment will require the mobilization of vast financial resources and investment capital in coming decades. The interaction between public policy with both public and private financing markets will be pivotal in such a transition.

For the trillion of dollars of investment required to achieve a worldwide Green Economic transition we will need also a dynamic, resilient, robust and stable global financial systems and vibrant capital markets that respond to policy innovation at the global, regional and national levels. The type of low carbon, energy efficiency, green credit and green insurance policy innovation that we are seeing unfold in China in an impressive and accelerated manner is a strong example for countries worldwide. The fact that China now has the largest installed wind energy generating capacity, amongst other successes in the renewable energy and clean technology sectors, is a clear signal of the country's focused commitment to a low carbon future.

A few brief words on UNEP Finance Initiative and our developing work in China. UNEP FI is the oldest and largest partnership between the United Nations system and the global financial services and investment sectors. Our 200 strong member banks, insurers and investment organizations that back UNEP's statement of commitment to environment and sustainable development have been at the forefront of efforts since the 1992 United Nations Rio Earth Summit to engineer lending, insurance and investment policies and products that drive a Green Economic transformation.

As we prepare for the 2012 United Nations Rio+20 Summit, we know that finance and capital markets will be central to that discussion as world leaders gather once again in the Brazilian City so ravaged in recent days by the type of weather and flooding that climate scientists have predicted. In the recent flooding in Brisbane, Australia, and in Sri Lanka, we see also disturbing visions of the need to invest now to adapt our industrial and civil infrastructure to the greater weather volatility that climate models forecast.

Working with the world's largest investment organizations, UNEP FI also conceived and developed the UN Principles for Responsible Investment - - the UNPRI - - launched by former UN Secretary General Kofi Annan at the

New York Stock Exchange in April 2006. The Principles, now backed by 900 investment institutions representing 25 trillion dollars in assets, have been endorsed by our current UN Secretary General Ban Ki Moon. In essence, signatories to these UN Principles commit to a long-term process to invest all of their assets across all asset classes in a manner that supports environmental integrity, balanced social development and good governance of the system, markets and corporations. The commitment of such large pools of concentrated assets to a low carbon economy is essential for a successful transition.

Clearly, we are still at the beginning of a long journey but the commitment and aspiration from some of the world's largest mainstream pension funds, sovereign wealth funds and insurance reserves to invest responsibly is in place.

This is my third visit to Beijing within six months. UNEP FI's Global Steering Committee has made the partnership's engagement with the financial and investment sectors in China our strategic priority until 2015. UNEP FI believes the Chinese financial, investment and insurance sectors have a powerful leadership role to play in the formation and delivery of a

low carbon economy both domestically and through international activities. We are delighted to have China Merchants Bank, Industrial Bank, Bank of Shanghai, and Shenzhen Development Bank as UNEP FI members. In the past year we have also engaged with many more Chinese financial institutions on our visits to Beijing, Shanghai, Shenzhen and Xiamen, and we look forward to welcoming more Chinese members to the partnership at the 2011 UNEP FI Global Roundtable that takes place in Washington D.C. in October 2011.

Before closing these brief opening comments, I would like to return to the issues of financial policy innovation that frees up public and private capital and investment resources for allocation to low carbon ideas, technologies, green companies and the all precious process of capital formation driven by entrepreneurial creativity in the Green Economy space.

In China, the admirable innovation of the Ministry of Finance, the Ministry of Environment, and the National Development and Reform Commission, as well as the China Banking Regulatory Commission and the China Insurance Regulatory Commission, to foster an environment where green credit and the capital to support clean energy and green technologies, is being watched

by financial and environment policy-makers worldwide. The clear commitment to sustainable development built into the country's 12<sup>th</sup> five-year plan is also transparent.

At the global level, the recent Cancun meeting succeeded in creating and delivering much needed positive political energy into the international climate negotiations and there are several strong signals that private financial services can take from those negotiations. The commitments by governments to limit global warming to a 2 degree centigrade upper limit while backing USD 30 billion in fast-track climate financing in the short-term, and signaling also a collective desire to achieve USD 100 billion a year climate finance by 2020, will give added security to the investors and entrepreneurs developing our nascent climate technology and carbon trading markets.

Also at the global level, UNEP FI is keen to foster in 2011-2012 deep debate and reflection amongst those financial policy-makers concerned with the stability of our global financial system after the collapse of 2008 where dubious and self interested lending and investment practices by many western financial institutions threatened the overall system. In addition to a

deeper consideration of traditional financial systemic risk that is underway now, we believe also that there is a growing need for policy-makers to consider the “slow and creeping risks” of climate change, resource scarcity, and despoilation of critical ecosystems as they relate to long-term stability of the global financial system. In time, bodies such as the Financial Stability Board and the Basel Committee on Banking Supervision need to respond to the G20 request for financial policy-makers to consider a broader range of risks beyond the traditional financial ones.

UNEP FI is involved in several important policy-related initiatives at the international level which are fundamental to transforming finance sector thinking towards making a low carbon economy a reality. These include but are not limited to:

- The adoption of integrated reporting techniques where environmental, social and governance considerations, or ESG as they are now know, are factored into corporate and capital market reporting in a more cohesive manner. Tomorrow in Beijing, world leading authorities from the accounting and financial communities will gather to continue their work

to create an integrated reporting framework to present to the G20 meeting of government leaders in Paris in November 2011;

- Connected to this is the need for enhanced disclosure and reporting within our capital market activities so that investor and corporate exposure to carbon liabilities and their financial materiality can be more easily understood. The Carbon Disclosure Project, backed by investors controlling in excess of 57 trillion dollars, is an important example of efforts to accelerate greater market accounting for a range of externalities. The role of our accounting industries, as well as major credit rating agencies, to more effectively account for carbon as well as the other externalities that result from pollution and poor management of resources and waste, is also required;
- The role of the insurance and reinsurance sector to advise policy-makers concerned with policies for adaptation to the physical changes that climate change will bring, with serious implications for economies and communities, is another opportunity for the financial services sector to play a positive role. In Frankfurt, Germany. last Wednesday UNEP FI launched a major report exploring the information needs of financial service institutions seeking to understand their lending and investment



opportunities to support climate adaptation across different sectors such as agriculture, extractive industries and real estate.

In closing, let me say that UNEP FI's work with financial institutions globally suggests that coming decades will see a range of new strategic assets come into high definition for both policy-makers and the finance and investment communities. Our banks, insurers and investment institutions must be aware of these likely changes and need to respond proactively to the policy frameworks, legislation and regulation that our politicians and law-makers conceive and implement in support of sustainable development.

Clearly, carbon is moving quickly to become such a strategic asset and as worldwide public policy shifts, reflected in changes at the regional and national levels, we will see other such assets connected to ecosystems and our precious natural capital become valued, priced and accounted for by our financial system. In time, this will allow more balanced development based on a low carbon and resource efficient pathway. We look forward as UNEP FI to working with policy-makers and the finance and investment community in China to speed the transition to a low carbon economy that supports the broader transformation to a global Green Economy.

**ENDS**