Principle 5

Introduction
Principle 5

“Mobilize private sources of climate finance by facilitating investments and the development of a financial sector which supports climate mitigation and adaptation”

Encourage

- voluntary disclosure of exposure to carbon-intensive sectors and climate risks;
- green investments by institutional investors
- development of financial instruments such as green bonds, capacity-building for financial sector stakeholders, and provision of data

Set an example

- Use of financial instruments such as green bonds by the public institutions;
- domestic public financial institutions or funds to include climate change in their key strategic frameworks
- active role for international financial institutions (IFIs) in mobilizing finance

When possible: apply new regulations
Survey overview

- 13 respondents
- 3 continents: Europe, Americas and Africa
- 5 non-annex I countries and 8 annex I countries (UNFCC classification)

The responses to the survey are a very valuable input in the development of the action plan to be agreed

Representation and diversity of voices is an important part of coalition process

- Please submit your responses asap
- Please consider volunteering to share your country’s experience, even at the early stage of the process
Top priorities

- Green instruments and products (e.g. green bonds, blended finance)
- ESG integration and disclosure
- Convince/Incentivize investors to invest in climate projects
  - Promotion of analytical tools and frameworks
Survey results (1)
Roadmap for greening the financial system

Such a roadmap could embark the following elements:

- Insure that banks, pension funds, insurers and asset managers **commit to help finance the energy transition** and that they will **report publicly**.

- Include climate risks within the policy framework and risk management of financial institutions

- Fix a date before which they will have to fix an emission-reduction target at a given horizon (e.g. 2030).

- Setting up a public-private organisation that will be responsible for the implementation of the Roadmap
Survey results (2)
Regulatory requirements

Possible involvement of MoF:

- Support the implementation of the Task Force on Climate-related Financial Disclosures (TCFD)
  - mainstream consistent climate-related financial risk disclosure.
  - improving the quality of available information
  - improving the ownership of climate issues by financial institutions and companies into their decision-making and risk management processes.

- Define the conditions for producing quality information
  - Useful for financial institutions as well as for companies themselves

Disclosure (or ‘comply or explain’ requirements) for financial institutions in relation to carbon-intensive sectors and climate risks

Voluntary | Mandatory
---|---
Financial institutions
Real sector companies

Not in place | Under consideration | Already operational
Survey results (3)  
Desire to learn from other members

- Specific examples regarding main aspects of the principle 5 (roadmap, regulatory frameworks, sovereign issuance...)
  - More specific: Action in the export credit insurance sector; adjustment of capital requirements for financial institutions to account for climate exposure.
- Promotion of blended finance and public-private partnerships initiatives to address market failures.
- Link with how advanced are the initiatives regarding technical analysis
  - Need for harmonized and robust framework for portfolios alignment with regard to Paris agreement
  - Need for lowering the perceived risk associated with climate finance
- Link with other principles (fiscal stimulus, incentives, carbon pricing, grant targeting, guarantees...)
- Link with more general policy to improve sustainability within the financial sector