

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 (UNFCCC 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

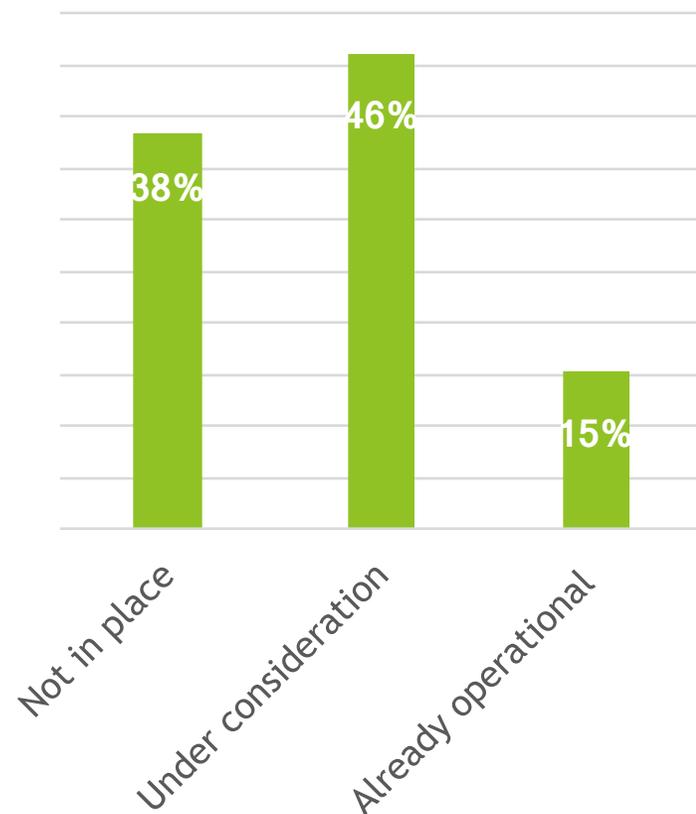
- ▶ Please submit your responses asap
- ▶ Please consider volunteering to share your country's experience, even at the early stage of the process

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

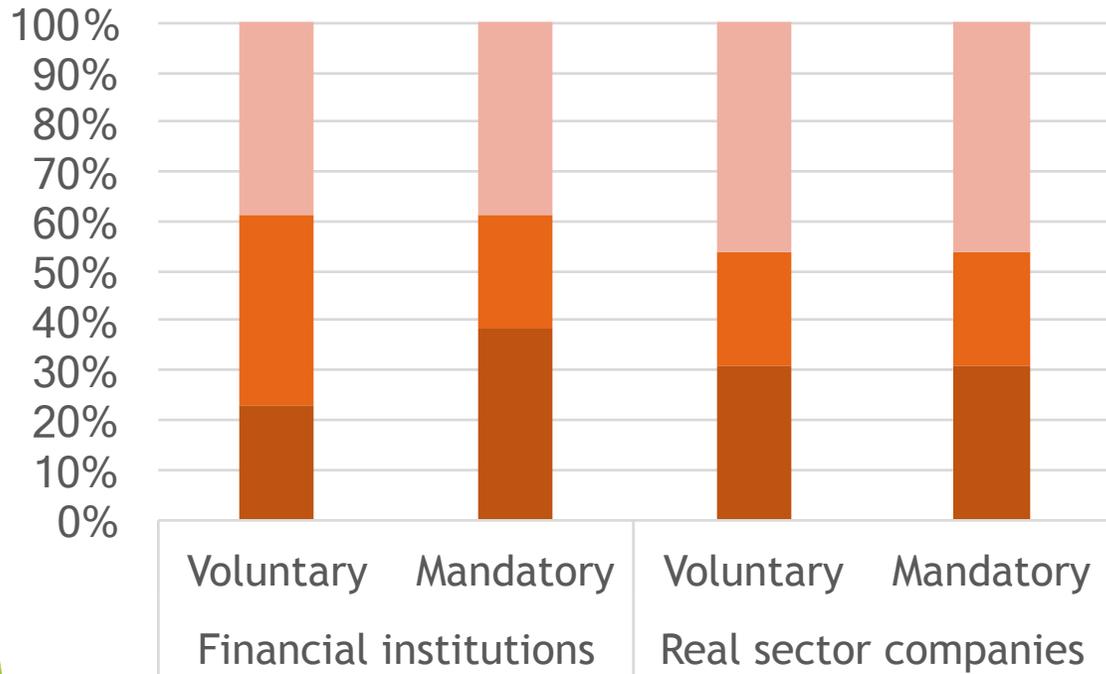


- ▶ Such a roadmap could embark the following elements:
 - ▶ Insure that banks, pension funds, insurers and asset managers **commit to help finance the energy transition** and that they will **report publicly**.
 - ▶ Include climate risks within the policy framework and risk management of financial institutions
 - ▶ 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

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



- Not in place
- Under consideration
- Already operational

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

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 targetting, guarantees...)
- ▶ Link with more general policy to improve sustainability within the financial sector