GCF Private Investment for Climate Conference 2020:

Financing Low Emissions, Resilient Development Pathways

His Excellency, President of Senegal, Macky Sall;

Her Excellency, Ms. Amina Mohammed, UN Deputy Secretary General

Her Excellency, Ms. Sri Mulyani Indrawati, Minister of Finance, Republic of Indonesia

Professor Joseph Stiglitz, Nobel prize in Economics

Dear colleague and friend, Christina Figueres, Founder of Global Optimism and former UNFCCC Executive Secretary;

Dear Participants and colleagues.

On behalf of Green Climate Fund, it is an honour to welcome you today to the 2020 edition of GPIC, GCF Private Investment for Climate Conference.

The Covid-19 pandemic has brought us to a tipping point or a turning point in our fight against climate change. Decisions taken by leaders to revive their economies will either entrench our dependence on fossil fuels or put us on a path to achieve the Paris Agreement and the SDGs.

Our GCF Leadership Dialogue at the UN GA in September focused on the importance of political leadership to green and finance based on global solidarity stimulus measures designed to revive economies battered by the pandemic.

Now the 2020 GPIC will turn to the role of the private sector's leadership to maintain climate ambition in the era of Covid-19. The conference is a global marketplace where leading private sector actors including project sponsors, institutional investors, financial institutions, and public policy leaders come together to exchange ideas and debate solutions to enhance the effectiveness of policy solutions to catalyse private climate finance in developing countries.

Average global temperature is currently estimated to be 1.1°Celsius above pre-industrial times. Based on existing trends, we could cross the 1.5° C threshold within the next two decades and 2° C threshold early during the second half of the century.

Climate change will rewrite business rules, either because we would have succeeded in orderly transitioning to low carbon climate resilient development pathways dominated by new technology systems and economic opportunities, or because we would have failed and will be firefighting unprecedented threats to human security.

According to the IPCC, limiting global warming to 1.5 C is still narrowly possible and could create between USD 1.8 to USD 4.5 trillion in green investment opportunities annually over the next two decades. We have seen a steady increase in climate investments over the past decade, exceeding the USD half-trillion mark for the first time in 2017 and 2018. However, the increase is still too slow to channel financial resources towards low emission, resilient development at the scale and pace required to achieve the goals of the Paris Agreement.

Equally concerning, we are not witnessing a repricing of assets reflecting climate risks in global financial markets. The top 33 banks alone allocated USD654 billion to fossil fuel financing in 2019. Similarly, an IMF study found that 2019 equity valuations across countries did not reflect projected incidence of climate physical and transition risks.

Green investments tend to have higher upfront capital requirements, longer pay-back periods and can have higher sensitivity to policy changes and technology than conventional investments. These additional and perceived risks should be balanced against the lower operational costs of many green investments and lower exposure to climate physical and transition risks.

However, pricing climate risks is proving a daunting challenge for project initiators and financiers alike, who are de facto asked to estimate the likelihood of various climate scenarios and their implications for physical and transition risks at the firm and project levels.

So what is GCF's role in addressing these barriers and supporting private investment for the climate? GCF is the world's largest dedicated climate fund, co-financing climate projects supported by 150 delivery partners, including national and international commercial and development banks, UN agencies and Civil Society Organizations at the forefront of climate action.

GCF's mandate is to foster a paradigm shift towards low emissions, climate resilient development pathways in developing countries.

This includes creating green markets by supporting the establishment of conducive investment environments; financing project preparation to accelerate deal flows; piloting policy, institutional, technological and financial innovation; and de-risking first-of-its-kind private investments through blended finance.

It also means supporting asset repricing in global financial markets through climate-risks assessment and disclosure, development of new valuation methodologies and standards; as well as strengthening domestic financial institutions and capital markets to remove barriers to climate finance supply.

Policy initiatives to remove climate finance barriers are complex to design and implement. And they must be regularly reassessed to improve their efficiency and effectiveness.

Today, as we start this GPIC conference, GCF is publishing a working paper setting out priority actions to scale up climate finance in the era of Covid-19. I would like to highlight two of these priorities that will be extensively discussed during the course of GPIC 2020: fostering policy integration; and making bended finance work for LDCs/SIDS, adaptation and nature-based solution.

The recovery from the COVID-19 economic crisis coincides with a pivotal time in the fight against climate change. In preparation for the COP 26, countries will be raising the ambition of their NDCs to meet the temperature goals of the Paris Agreement.

This process provides an opportunity to leverage the NDCs to foster policy integration between climate action, economic stimulus measures and SDGs. Policy integration could almost halve infrastructure investment requirements to meet the SDGs and the goals of the Paris Agreement in low and middle-income countries and strengthen investment environments.

NDCs are typically designed as policy signals for national climate priorities, rather than portfolios of bankable investment projects. A challenge is to translate them into investment plans that combine multiple sources of private and public finance. This will require a strong engagement of the private sector in the development of these investment plans.

Our grant-based readiness programme is supporting developing countries' efforts to craft climate resilient COVID-19 recovery measures, incorporate them into the new generation of NDCs and explore innovative structures to finance them without increasing their sovereign debt burden.

Blended finance structures are potentially powerful tools to catalyse private finance by using scarce public resources to de-risk green investment opportunities. However, blended climate finance so far has mostly benefited high- and middle-income countries, largely bypassing LDCs and SIDs, and has catalysed private investment in mature technologies such as on-grid renewable energy technologies.

GCF projects are piloting new forms of blended finance to address the current shortcomings of blended finance. For example, GCF is engaged in the development of pioneer equity funds to catalyse private investment in ecosystems conservation, including land neutrality and coral reef funds. Ecosystem degradation is a key barrier to sustainable development in LDCs and SIDS.

As President Sall honours us with his presence today, let me also mention the USD 235 million project with the Western African Development Bank (BOAD) to invest in private sector mini grids to support Senegal's objective to achieve universal energy access by 2025.

Your Excellencies, conference participants. The Green Climate Fund and its partners are keen to work with you to push the boundaries of climate finance and deliver on the Paris Agreement.

I wish you all a successful conference and fruitful discussions to create new solutions and ground-breaking partnerships to finance the low carbon, resilient future.