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United Nations Sustainable Stock Exchange Green Finance Dialogue

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Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort

It is a great privilege to speak here at COP 23 in front of such an eminent audience. I would like to thank the United Nations Sustainable Stock Exchanges Initiative for organising today's event.

Let me also thank the Luxembourg Stock Exchange for hosting this high-level dialogue. The Luxembourg Stock Exchange has been a great partner of the EIB throughout the first decade of the green bonds market, illustrating the importance of stock exchanges in financing climate action through private investment.

The expansion of the range of partners in climate action is a priority. While today's political climate is unpredictable, climate change is not! We know what will happen if we do not act quickly.

Market participants are investing in renewable energy and, thus, driving costs down. At the same time multilateral banks serve as 'market makers', opening up frontiers for investment.

The European Investment Bank is —and always will be—a reliable partner to mobilise financial resources in support of the Paris Agreement.

I. Stock exchanges

Stock exchanges have an important role to play in supporting green finance.

Ten years ago, the European Investment Bank pioneered the green bond market with a Climate Awareness Bond listed on the Luxembourg Stock Exchange. Climate Awareness Bonds serve the common global goal of climate action by offering a transparent link for investors to EIB's investments in renewable energy and energy efficiency projects.

These bonds promote vital policy goals, because they are all directed toward climate action or, in the case of other issuers, environmental finance.

They help raise awareness. They also generate a return, which encourages still more investment and thus promote the creation of new climate-action projects on the ground. In short, these bonds are very, very good for the planet.

I have great memories of our celebration on the tenth anniversary of the green bond market last July together with Minister Gramegna from Luxembourg and Mr Scharfe from the Luxembourg Stock Exchange. They have been our valued partners on the road to EIB becoming the world's largest issuer of green bonds.

We have issued around 20 billion euros, and most are listed on the Luxembourg Stock Exchange. With these Climate Awareness Bonds, the EIB has financed more than 160 projects in almost 50 countries, contributing to investments in renewable energy and energy efficiency worth around 84 billion euros.

Nevertheless, green bonds comprise less than 1% of the overall debt capital market, which is estimated at 90 trillion dollars. To put this into perspective, it is estimated that 90 trillion dollars of sustainable investment is needed by 2030. The path to a 2 degree world may look long and steep for climate activists. But I firmly believe that green bonds, alongside other green financial instruments, can help us reach this target.

Initiatives such as the Luxembourg Green Exchange support issuers and investors whose aim it is to spur the sustainable growth of the green bond market. The Green Exchange offers investors easy access to green securities and their green credentials. Moreover, it helps promote transparency to the benefit of both issuers and investors.

Stock exchanges can play a decisive role in triggering the trillions needed to ward off a global tragedy.

Therefore, let me welcome today's release of an important publication by the UN SSE called "Guidance on growing green finance in your market." It is a voluntary action plan for stock exchanges. I hope that actions will follow words and that this plan will stimulate supply and demand for green finance.

This green finance action plan for stock exchanges highlights two crucial aspects: promoting green products, and greening financial markets. In other words, we must develop explicitly labelled green securities and invest in them. And we must also mainstream environmental issues within financial markets.

This brings me back to the importance of partnerships. In the climate field, the European Investment Bank is at the forefront of such partnerships.

II. Fostering the growth of green finance.

The efforts needed to tackle climate disruption are enormous. We have therefore committed to making climate action a key pillar of our strategy.

We commit at least 25% of our lending to climate action. In 2016, the EIB financed 19.5 billion euros of climate action. That in fact represented over 26% of all EIB financing. In addition, we have also committed to providing 35% of our lending **in developing countries** for climate action by 2020.

On the borrowing side, our mission is to spur the growth of the green bond market. We deliver on this through issuing benchmark bonds, leading by example and enhancing cross-border dialogue.

The Paris COP established transparency and accountability as the core pillars of green finance. Since 2015 we have been establishing best practices, reporting on the impact of projects financed by individual bonds. Moreover, our impact reports are examined by an external auditor, with a reasonable assurance opinion having been issued for the last two years.

To ensure comparability in the green bond market, we have again been instrumental in building a network of partnerships, as chair of the Executive Committee of the Green Bond Principles.

This is the world's largest dialogue platform for green bonds. It gathers issuers, investors and underwriters of green bonds with more than 140 members and 100 observers. The aim is to promote market growth and integrity with best practice.

The EIB also contributes as an observer to the European Commission's High-Level Expert Group on Sustainable Finance. For this group, EIB is coordinating the development of an EU classification of sustainable assets, starting with climate-change mitigation.

The goal is to create a common language for green finance, because current definitions of industries and policy objectives vary a lot across markets. A common language is a requirement for the creation of comparable standards of green finance.

The Bank has already built the foundations of a common language in cooperation with China. Last week, here at COP23, we presented conclusions in a White Paper which will help market participants to better understand the language of green finance in China, Europe, and across the globe. They will help boost cross-border capital flows for climate action. In short, it is a win-win situation for China, the EU, and the market at large.

These steps are, may I say, only the end of the beginning of the journey. We must now, collectively, move green bonds from billions to trillions. It is an ambitious goal, but it can be done!