

# Chancellor: UK will be the world's first net zero financial centre

- Over \$130 trillion – 40% of the world's financial assets – will now be aligned with the climate goals in the Paris Agreement, thanks to climate commitments from financial services firms
- New UK climate finance projects funded from the UK's international climate finance commitment will help developing countries to fund green growth and adapt to the changing climate

The Chancellor will set out the UK's plans to become the world's first net zero aligned financial centre and welcome "historic" climate commitments from private companies covering \$130 trillion of financial assets as he hosts Finance Day at COP26 today (3 November 2021).

These commitments will help to create a huge pool of cash that could fund our net zero transition, including the move away from coal, the shift to electric cars, and the planting of more trees.

Convening the largest ever meeting of finance leaders on climate change, Rishi Sunak will set out the UK's "responsibility to lead the way" and unveil a fresh push to decarbonise our world-leading financial centre. Under the proposals, there will be new requirements for UK financial institutions and listed companies to publish net zero transition plans that detail how they will adapt and decarbonise as the UK moves towards to a net zero economy by 2050.

To guard against greenwashing, a science-based 'gold standard' for transition plans will be drawn up by a new Transition Plan Taskforce, composed of industry and academic leaders, regulators, and civil society groups. In his opening keynote at Finance Day, Mr Sunak will hail the progress made to "rewire the entire global financial system for net zero" under the UK's leadership of COP and reveal that over \$130 trillion – around 40% of the world's financial assets – is now being aligned with the climate goals in the Paris Agreement, including limiting global warming to 1.5C.

These commitments come from over 450 firms from all parts of the financial industry, based in 45 countries across six continents, and have been delivered through the Glasgow Financial Alliance for Net Zero (GFANZ), which was launched by the UK to harness the power of the financial sector in the transition to net zero. The UK has also worked as chair of the G7, and in partnership with other G20 countries, to ensure all economic and financial decisions take the risks of climate change into account. The UK has convened over 30 advanced and developing countries from across 6 continents and representing over 70% of global GDP to back the creation of a new global climate reporting standards by the IFRS Foundation to give investors the

information they need to fund net zero.

Celebrating this progress, the Chancellor will urge financial firms to “mobilise private finance quickly and at scale” and call on governments to enact bold climate policies to take advantage of these enormous financial resources. Reiterating the importance the UK COP Presidency has placed on getting finance to the most vulnerable countries, Mr Sunak will also highlight that the \$100 billion climate finance target will be met by 2023 and urge developed countries to boost their support to developing countries – including by helping them tap into the trillions of dollars committed to net zero by the private sector.

The UK will seek to address barriers to finance faced by developing countries with a series of new green initiatives funded from its international climate finance (ICF) commitment, including £100 million to respond to recommendations from the UK co-chaired Taskforce on Access to Climate Finance to make it faster and easier for developing countries to access finance for their climate plans.

In total, the UK will spend £576 million on a package of initiatives to mobilise finance into emerging markets and developing economies, including £66 million to expand the UK’s MOBILIST programme, which helps to develop new investment products which can be listed on public markets and attract different types of investors. And in a further advance towards the \$100 billion goal, the Chancellor will announce the launch of an innovative new financing mechanism – the Climate Investment Funds’ Capital Markets Mechanism (CCMM) – that will boost investment into clean energy like solar and wind power in developing countries.

The UK is already the biggest donor to the multilateral Climate Investment Funds, having contributed £2.5 billion, and will now give the returns from its investments (known as reflows) to CCMM. This new fund will use reflows to help it issue green bonds worth billions of pounds in the City of London – the world’s leading green finance centre – and could leverage an extra \$30-70 billion from other sources for specific clean energy projects.

### **Further information**

- Finance Day will convene a record number of finance ministers, central bank governors, heads of multilateral financial institutions, and senior industry leaders for a programme of public and private events.
- Over the last ten years, the UK’s ICF has been crucial in supporting developing countries with climate change, helping 88 million people to cope with the effects of climate change, providing 41 million with clean energy and reducing or avoiding 51 million tonnes of greenhouse gas emissions.
- The Chancellor’s keynote speech in the opening session at 0900 will be livestreamed on [HMT Twitter](#)

- UK net zero aligned financial centre – more information available in a [fact sheet](#). The Taskforce is due to report at the end of 2022, and once standards are developed, the Government will expect firms to start publishing transition plans in 2023.
- GFANZ – further information is available [here](#)
- UK international climate finance (ICF) spending announcements, from the UK's ICF commitment over 2021-25:
  - A total package of £576m to mobilise finance into emerging markets and developing economies to fund their green transition. This includes an additional £66m for MOBILIST, the UK's flagship programme that supports the development of listed investment products and provides developing countries with improved access to international capital markets, and projects announced on the opening days of COP26: £110m to the [ASEAN Green Catalytic Finance Facility](#) to support investment in sustainable infrastructure across ASEAN; £200m for a new "[Climate Innovation Facility](#)" delivered under the UK's development finance institution CDC to boost investment into the most pioneering climate solutions in developing countries; and £200m for the [Lowering Emissions by Accelerating Forest Finance](#) (LEAF) Coalition to protect tropical forests.
  - £100m to respond to recommendations from the Taskforce on Access to Climate Finance, co-chaired by the UK and Fiji, to provide capital grants to the most climate vulnerable countries to help them deliver ambitious climate plans. Access to finance is directly linked with countries' emissions reduction and adaptation plans which creates incentives for greater climate ambition in these plans.
  - CIFs Capital Market Mechanism is an innovative new financing mechanism from the [Climate Investment Funds](#) (CIFs), which boosts investment in clean technologies and energy projects. The UK is the largest donor to CIFs, which is an important component of the UK's international climate finance portfolio. This new mechanism will use the returns or 'reflows' that are expected from previous investments to fund the issuance of green bonds in the City of London and raise up to \$700m of funding per year – over \$200m directly thanks to UK investments. This will mean existing programmes can be improved and scaled up, boosting renewable energy production and improving energy access in developing countries.