

Speech by Climate Action and Energy Commissioner Miguel Arias Cañete at the High-Level Conference on Sustainable Finance: Future perspectives: sustainable finance as part of wider climate agenda

Distinguished guests, ladies and gentlemen,

On 12 December 2015 in Paris, after days of long negotiations, something very remarkable happened: the world's leaders demonstrated that it is possible to unite around a challenge that affects the whole planet.

The Paris Agreement is an unprecedented global commitment and sets a clear direction for the low carbon economic transformation. It demonstrates our generation's responsibility towards this and future generations.

This global agreement came together in part thanks to vocal support from the financial sector, with clear and consistent calls from the world's investment community.

While there are many details to sort out as we move ahead with the implementation of the Paris Agreement, we should not forget the big picture. Change is already happening, and at an accelerating pace. I am confident that together we will achieve the goals of the Paris Agreement.

Why? Because we know that an early and decisive transition makes strong economic sense, driving investments, growth and jobs.

Take the case of Europe: around €180 billion of additional investments a year are needed to achieve the EU's 2030 targets agreed in Paris, including a 40% cut in greenhouse gas emissions.

Globally, the implementation of all the existing National Determined Contributions under the Paris Agreement is estimated to spur investments of some 19 trillion dollars by 2030.

This is well beyond the capacity of the public sector, so private capital will also need to play its part.

Indeed, it is the private sector that will ultimately need to bring about the economic transformation, turning challenges into business and investment opportunities.

And the trend is already pointing towards this direction: world clean energy investment totalled more than \$330 billion last year, up 3% from 2016 and the

second highest annual figure ever, taking cumulative investment since 2010 to \$2.5 trillion.

The science is clear on climate change. Without a significant shift in energy production and use, the world is on track to experience catastrophic changes.

We must change course – and it is in everyone’s long-term interest to have a rapid and orderly transition.

Global investments hold the key to fighting climate change- So now is the time to ensure our investments go in the right direction. Investments made during the next years will in many cases have an effective life-span well beyond 2050.

We owe it to today’s and to the future generations that we do not create stranded assets, but rather put our money into projects that are compatible with our decarbonisation objectives and take into account the inevitable impacts of climate change.

The European Commission is committed to contribute to speeding up the low-carbon transformation.

With our Energy Union Strategy we bring forward a comprehensive and coherent policy framework up to 2030 that will deliver on our Paris commitments.

It will ensure that we will not be locked in high polluting technologies and enable us to achieve our decarbonisation objectives.

First, this concerns bringing our own spending priorities in line with the requirements of the clean energy transition. As part of the Energy Union framework, we are putting in place the right incentives for steering investments in the right direction – such as effective carbon pricing and the phase out of fossil fuel subsidies.

Given the magnitude of the investment challenge, we need to use limited public money as a catalyst to leverage further private investment.

This is why, with the aim to mobilise at least half a trillion euros by 2020, the Investment Plan for Europe has a specific climate target of 40% to provide loans, risk guarantees and equity for the deployment of innovative renewable energy technologies.

Moreover, with a contribution of €4.1 billion from the European Commission, the instrument called “External Investment Plan” is expected to leverage more than €44 billion of sustainable investments in Africa and the European neighbourhood by 2020.

Second, this includes a major overhaul of our legislative framework. We are close to finalising all key legislation that will allow us to reach our target of cutting EU greenhouse gas emissions by at least 40% by 2030.

For example, we have strengthened the EU emissions trading system and have agreed on new emissions targets for key economic sectors in all Member

States, as well as taken steps towards cleaner transport systems and towards sustainable use of land.

At the end of last year, we also put forward the Clean Energy for All Europeans Package, which will provide a strong push to the transition to a clean economy, while creating jobs and growth.

It will help us adapt our regulatory framework to bring Energy Efficiency First and to foster our role as a world leader in the field of renewable energy.

We have also put forward a governance proposal, which would require EU Member States to prepare integrated climate and energy plans to provide a clear picture of where we need to go. This will help provide investor certainty and identify the investments needed for the clean energy transition.

We are also seeking to make sure that citizens, companies, local authorities and governments are ready to cope with the effects of climate change.

With the EU strategy on adaptation to climate change, we are asking all Member States to take into account this physical climate risk in their planning – and this is becoming an essential element in sustainable investment decisions.

The Commission wants to make sure that people, or assets, are not put in harm's way because of unawareness of the changes to our climate that are already happening.

I am excited that all of these elements are coming together at European level.

Sustainable finance is the latest, and a crucial, addition to the mix of factors that are speeding up global decarbonisation.

Aligning private sector investments with the path set out in Paris is a precondition for success – we need the private sector to deliver the investments that will modernize our economy and deliver on our decarbonisation objectives. This is precisely where sustainable finance comes in.

I am very encouraged by the positive response of the whole financial sector, and the high interest in taking this forward rapidly.

We can already see that change is happening. Climate effects are being factored into basic business calculations, and making sustainability a key part of the company's value proposition is bringing new business opportunities.

Being at the vanguard of this is a business case, a competitiveness issue, especially if you are competing in a global market. In Europe, we have seen very clearly the electricity sector making that switch. Other sectors are following too. For example, with the recently presented clean mobility package, we intend to give clear direction for the transport sector to invest

in clean solutions.

And we see that big international companies in many sectors are in fact starting to take a leadership role. In a recent letter, 20 leading companies who collectively represent over €300 billion in revenue, along with an investors' association managing assets worth a total of €18 trillion, asked the EU to continue to demonstrate leadership on climate change.

The EU played a key role in the preparations of the Paris Agreement and has led the way on setting ambitious targets and putting in place legislation to implement Paris on the ground.

So it is only fitting that the EU is now leading the way on aligning the financial system with the Paris Agreement by putting sustainability at the centre.

Three years after the world committed to global climate action in Paris, COP 24 in Katowice in December will be a crucial moment to adopt the rules for the future climate governance regime.

These rules – the “Paris Rulebook” – are essential to monitor and verify the pledges made by nearly 200 countries to reduce greenhouse gas emissions.

A solid set of rules will help build trust among stakeholders and ensure the fair and effective implementation of the Paris Agreement, while sending strong market signals to spur low-carbon innovation and investment by the private sector and action by business and governments.

With the vast majority of countries already moving in the same direction, I believe the fossil fuel era is coming to an end and the move to clean energy and sustainable societies is now unstoppable.

As highlighted by this conference, this Commission is committed to reorienting capital flows in Europe, to make sure that the EU protects its future generations as well as its citizens today.

The Paris Agreement is a massive investment opportunity. The Action Plan on Sustainable Finance presented by the Commission will help Europe's financial sector position itself as a leading global destination for investments in green technologies.

As with the Paris Agreement, so with the sustainable finance – now is the time for implementation.

Thank you.