

Speech: Economic Secretary speech: Green Finance Summit

I'm delighted to address you all this morning for the second annual Green Finance Summit.

Ladies and gentleman – no one doubts the strength of the public will to fight climate change.

In such a time of friction and division, it comforts me to know this cause unifies our country across party political lines...

...as it continues to stand as one of the greatest challenges of our age.

How we manage our relationship with our oldest partner – the natural world – will be the test of our times.

As we know, up until recently, government and philanthropy have driven the debate and funded the growth of green finance.

But there is only so far that this approach can take us...

We have witnessed over the past 25 years a deeper – and genuine – engagement by the private sector in green finance...

...through the development of sophisticated financial instruments...

...and innovations to mobilise green capital.

All of this has helped propel the UK to the forefront of the global green finance market...

...with almost \$25 billion of green bonds listed in London in seven currencies...

During my tenure as Economic Secretary to the Treasury, I am determined to push this agenda...

...for responsible capitalism...

...and for leveraging market forces to tackle the challenges we face as a collective.

Today I want to speak to you about three things.

Firstly – to take stock of how we arrived at the status quo.

Secondly – my vision for the future of green finance – one that is sustainable, mainstream, and culturally embedded.

Finally – how the work of the recently announced Green Finance Institute will be crucial in achieving this vision.

While I understand that there may be an increased number of political cynics in the room – which is not necessarily surprising given current events...

...I want to reassure you that this government's commitment to stimulating a robust environment for green finance...

...is not mere political pageantry or a passing fad.

I am proud that the UK was at the forefront of setting a legislative mandate for combatting this challenge through the 2008 Climate Act.

But for too long, tackling climate change has been left to government, with the private sector largely left by the wayside...

...and as a believer in the sanctity of the free market...

...I am glad to see it taking a long-awaited place at the table...

...rising to meet the burgeoning appetite of markets and investors...

...to embrace green finance and responsible investing.

But green finance has yet to reach its full potential...

...as I believe it is largely untapped.

The conversation has been dominated by a few specific areas, such as green bonds.

And whilst there will always be a place for them, more lies further afield...

...in the breadth, and depth of global capital markets.

New instruments are gaining traction.

Take green loans, now accessible to a greater range of entities, and the emerging green mortgage market.

And the capacity for green securitisation is enormous.

It unlocks institutional investor capital to smaller projects that otherwise would be excluded from accessing capital.

Green funds are emerging from the fray with retail funds in particular becoming more engaged.

And of course this is being led, as ever, by a growing investor and consumer appetite.

A recent survey by Eon found 54% of UK consumers would definitely consider taking out a green loan to fund home energy efficiency improvements, with nearly a fifth citing energy efficiency as the most important factor when choosing a property.

A 2017 survey by Morgan Stanley's Institute for Sustainable Investing found that 86% of millennials are interested in sustainable investing.

Such demand will no doubt see an increasing number of asset managers and lenders broadening their offer on green products.

The figures will speak for themselves: at the end of 2017, only 17% of Europe's sustainable investment funds were categorised with an environmental focus.

By the end of this year, we expect this number to have risen substantially, along with increased allocations of investments dedicated to fighting climate change.

As the needle shifts from fringe to mainstream, from curiosity to permanent action...

...I think we will continue to see a growth in product offering.

We may have solved the financing needs of the Paris agreement, but we are not here to discuss this today.

We are here to discuss how much further we need to go.

My vision for the next twelve months and beyond is an explosion of the momentum ...

... to the point where 'green finance' becomes simply – 'finance'.

We are seeing this happen.

For example, most of the top European insurers are committed to divesting from coal – pulling out a staggering USD 20 billion of investment.

Long-term climate change risks have been pushing pension funds to take action on their investment choices.

And the global green bond market continues to exceed expectations – the market is up 78% on 2016 to reach \$155 billion of issuances.

Just yesterday I celebrated the largest green bond listing on the London Stock Exchange, of \$1.58 billion, by the Industrial and Commercial Bank of China, the world's largest bank.

While green and sustainable equity capital raised at the London Stock Exchange rose at a rate of 197% year-on-year.

And the Green Finance Taskforce, members of whom I welcome today, published a landmark report in March to help set the trajectory for UK green finance policy.

I want to quote a line from the report which I think cuts to the nub of the issue:

“the sheer scale of capital required dictates that this cannot be driven through either public or private sectors working alone...we need an international alignment of interests, incentives and policies”.

The momentous challenge facing us all requires a fundamental change of thinking...

...keep our ambitions limited to short-termism...

...or seek to hit targets or arbitrary timelines.

It is incumbent that whilst aiming for tangible results...

...we support an organic shift in the rationale of the market.

It is not enough that markets simply react to investor appetites.

A sustainable and long-term shift in mindset needs to happen...

...and the market needs to realise green finance is critical for long-term strategies.

This cultural pivot must happen at an institutional level – and it is already in train.

Because there is no doubting that the social impetus to transition to a low-carbon economy is there.

The whole market must now be brought along in parallel.

This calls for collaborative action...

...between governments, between public and private, and between sectors of our economy.

We have already seen so many successful advancements in this regard...

...from Barclay’s new green mortgage, offering consumers finance that aligns with their values...

... to international central banks forming a network to “green” the global financial system.

Executed well, green finance will not only help achieve our climate targets...

...but support long term economic resilience...

...and ensure the continued vitality and relevance of financial services.

Which is why the Chancellor’s announcement last month of the new Green Finance Institute is so important.

As he set out at Mansion House, we are working with the City of London to fund a permanent centre to champion green and sustainable finance.

The Institute will capitalise on the UK's inherent strength: a magnet for capital and expertise.

My goal for this new venture is fourfold:

One – to provide strengthened purpose and branding to UK green finance.

The Institute will stand as a quality mark, a sign of the UK's green finance expertise under one unified brand.

Two – to demonstrate our international leadership.

We already lead the world in this market, from attracting over \$24 billion in international green bonds, to ensuring we remain partner of choice on green finance for some of the world's biggest economies.

Three – driving innovation

As I set out earlier, it is not enough to live on the successes of the past...

... in order to ensure this market continues to grow, we must keep innovating.

Building on such strengths as FinTech and local currency finance.

And finally – setting the future agenda

The Institute will be a focal point for government-industry collaboration, working together to open up to new markets and drive forward future policy.

That's why this morning I'm delighted to announce the City of London are establishing an Advisory Board to set out the shape and strategy of the Institute...

...which will be chaired by, Sir Roger Gifford...

...who brings his extensive experience in green finance to the role.

Members of the Board will be drawn from our domestic firms, as well as international financial leaders..

Because it's not enough for the UK to lead...

... we need to make sure we're taking everyone along with us...

...as we explore the opportunities this country voted to explore as Global Britain.

To conclude this morning., I want to share a quote with you:

"The...benefit of knowledge obliges you to act ethically. Complacency is not illegal, though it may be equally disastrous".

Here was Churchill – speaking of the threats faced by Britain and the world in 1940 by a different kind of enemy.

From his immortal oratory, I couldn't help but draw an analogy with the threat we now face.

We all know too much about what faces us – and responsibility is the natural corollary.

I am reassured by the ambition...

...of government – as a steward of the environment...

...and of a body politic – committed to the climate.

But it is by reaching for the invisible hand of the market...

...that green finance can endure...

...and sustain itself for the benefit of the collective good.

Thank you very much indeed.