

The need for pension funds to invest in a clean, green and prosperous future

Good afternoon. It is a pleasure to join you to close this vital summit.

I want to thank Richard Curtis and Make My Money Matter for hosting it.

As well as my friends and colleagues Mark Carney, and Nigel Topping for all the work they have done to get private finance going green.

The challenge the world faces today is critical and it is urgent.

When the countries of the world signed the Paris Agreement in 2015, they committed to limit global temperature rises to well below 2 degrees, aiming for 1.5 degrees, because the science showed that this would avert the very worst effects of climate change.

But since that Agreement was signed the world has not done enough.

And today, we find ourselves at a crunch point.

To keep the 1.5 degree target within reach, we must halve global emissions by 2030.

And we must reach net zero emissions by the middle of this century.

That requires action now.

We cannot kick the can down the road any further.

If we do not take this chance to keep 1.5 degrees alive, it will slip from our grasp.

And so will our best hope of building the future we want to see.

So COP26, the United Nations climate conference that will be held in Glasgow in November, must be the moment that every country, and every part of society, embraces their responsibility, to protect our precious planet.

And, very importantly, that includes finance.

Because without it, the task ahead is near impossible.

That is why one of my key aims for COP26 is to get finance flowing to climate action – both public and private.

And with \$47trillion in pension funds globally, this sector plays a major role.

We need to get our savings for the future, shaping the future.

The good news is that there is not a choice to be made between private profit, and protecting the planet.

One needn't be sacrificed for the other.

Because the economics have changed.

Today, green investments are smart investments.

In the majority of the world, renewables are cheaper than new coal and gas.

Putting your money in fossil fuels creates the very real risk of stranded assets.

And a recent report from Imperial College London found that, over the past five years and, indeed, the past ten years, renewable investments generated higher returns than fossil fuels in both advanced economies and emerging markets.

New global markets are also emerging to help people and nature adapt to the effects of our changing climate.

From drought resilient seed technologies, to energy efficient cooling.

Creating new investment opportunities for investors.

So it is not surprising that we are seeing progress.

One hundred and sixty financial firms have signed up to the Glasgow Financial Alliance for Net Zero, committing to reach net zero by 2050 at the latest, and to robust targets, based on the science, to get there.

This includes banks with balance sheets of nearly \$30trillion.

Asset owners worth \$6trillion.

Including major pension schemes, such as Aviva, BT Pension Scheme and the Church Commissioners of England.

And asset managers responsible for \$37trillion worth of assets, which represents around 40 percent of the industry.

Ahead of COP26, I am urging all financial institutions to join them.

And commit to a net zero future.

As well as to taking four other key steps to protect our planet:

First, commit to exit coal finance.

So that, together, we make COP26 the moment we consign coal power to the past where it belongs.

Second, increase investments in climate action in developing and emerging markets.

Thirdly, protect nature.

By 2025 ensure none of your investments contribute to deforestation.

And by 2030 ensure your investments are contributing to the restoration of the natural world.

Finally, disclose your climate risk in line with the Taskforce on Climate Related Financial Disclosures, or TCFD.

This will become mandatory across most of the UK economy in 2023.

And the government will shortly introduce regulations on what this means for pensions, to ensure trustees take account of climate change risk in each and every decision.

There is a real advantage in getting your house in order. And early.

Awareness of the climate crisis is growing all the time, and consumers and shareholders increasingly want their investments to align with their values.

So, when they start to look at whether they should be moving their pension, give them the best possible reason to stay with you.

Show them that you have understood the urgency of the situation.

That you stepped up to the plate.

And that in this vital year for climate action, the year of COP26, you are playing your part in keeping 1.5 degrees alive.

Show them, in short, that by investing with you, they are investing in the clean, green and prosperous future we all want to see.

Thank you.