

United States and United Kingdom: united in creating green jobs

It's a great honour to be asked to speak at the British Embassy in Washington, at an event hosted by the prestigious Peterson Institute for International Economics.

Thank you.

In July, President Joe Biden said: "When I hear the words climate change, I hear the word 'jobs'."

In November, Prime Minister Boris Johnson published a ten point plan for a Green Industrial Revolution, mobilising £12 billion of investment and supporting up to 250,000 British jobs to achieve net zero.

We have shared goals.

The Environment Agency, which I chair, manages floods and droughts in England, and is part of the International Network for Storm Surge Barriers, or I-STORM, alongside the US Army Corps of Engineers and others.

I-STORM allows authorities operating storm surge barriers to peer review each other's work and share best practice.

The Thames Barrier and its associated defences in London protect over 1.4 million people, and half a million properties worth over £321 billion.

I-STORM shows that international collaboration is extremely valuable, even when it comes to unique place-based climate challenges.

Storm surge barriers are important for protecting hubs of economic activity, but that economic activity itself has a role to play.

—

In 2018, the Intergovernmental Panel on Climate Change said we have 12 years to hold global warming to 1.5 degrees above pre-industrial levels.

In 2019, the insurance giant Aviva measured investments in its equities portfolios against the goals of the 2015 Paris agreement, and found they are on track for a 3.4 degree rise, and the FTSE 100 index as a whole was heading towards 3.9 degrees.

For many people who are investors, mainly via pensions, this looks like a Catch-22...

You need to save, yet your savings are contributing to a world that will be much less hospitable by the time you retire.

–

But things are changing – fast.

Earlier this month, the Institutional Investors Group on Climate Change launched a framework to help global investor groups align their portfolios with net zero.

The launch saw 22 asset owners, with \$1.2 trillion in assets, joining a number of others already working on net zero alignment.

This means 38 investors, managing \$8.5 trillion in assets are already putting the Framework to practical use.

Stephanie Pfeifer, CEO of IIGCC, said: “The global investment community has been called on to play its part in the transition to net zero – and it is answering that call”.

–

A new initiative led by the filmmaker Richard Curtis – called Make My Money Matter – is encouraging people in the UK to make sure their pension reflects their values.

Moving to a more sustainable fund can have 27 times as much impact in reducing your carbon footprint than giving up flying and becoming a vegan combined.

That doesn't mean that those choices are 27 times less important – far from it – but the Make My Money Matter campaign has found out that 68 percent of UK savers want their investments to consider people and planet alongside profit.

The Financial Times reports that – according to Morningstar financial data – global Environmental, Social, and Corporate Governance-linked funds took in nearly \$350 billion last year, compared with \$165 billion in 2019.

It said net assets held in UK-domiciled ESG funds went from £29 billion at the beginning of 2017 to £71 billion by the end of 2020, including active and passive funds.

–

What does that mean on the ground?

It means we need to BOTH reduce carbon emissions and take action to prepare for physical impacts.

Let's start with one vast, complex and vital global industry.

Construction is one of the biggest emitters of carbon world-wide, but many in that industry would say that their clients' priority is bringing costs down, not taking climate action.

But, no one who works in construction wants to build wind turbines that freeze in a Texas ice storm, or build energy efficient homes that could wash away in an Australian flood.

They want to build things that last.

Do you remember the Oscar ceremony when Frances McDormand won best actress for Three Billboards Outside Ebbing, Missouri?

She proposed actors should demand an “inclusion rider”.

I propose everybody should demand a “climate emergency rider”.

If you are commissioning work from any industry you should ask how that work is actively reducing carbon emissions, and how it is resilient to the coming shocks – like storms and heatwaves.

If the answer is “the technology hasn’t been invented yet” – that’s not good enough.

A business that pins all their hopes on the R&D department is a risky investment.

Greta Thunberg has talked about “cathedral thinking” and that means we must lay the first stone without knowing exactly how to construct the ceiling.

At the Environment Agency, we are using our activities and supply chain as a laboratory to find new ways to reach net zero, such as low carbon concrete for flood defences.

This helps us protect people from climate shocks, and it reduces our carbon footprint at the same time.

If the whole industry began using low-carbon concrete – and I predict they will – the carbon reductions would be huge.

But, the most successful companies can’t afford to wait for everyone else.

They will get ahead of that trend and raise the bar.

–

Bill Gates said the climate emergency is even more difficult to manage than coronavirus.

Some organisations, like the Environment Agency, are working with behavioural psychologists to help us overcome the natural human barriers that get in the way.

It will expose vulnerabilities and require courage.

But consider this:

In Bangladesh, deaths from tropical cyclones declined more than 100-fold in

40 years, from 500,000 deaths in 1970 to just over 4,000 in 2007.

This was made possible by developments in early warning systems, cyclone shelters, evacuation plans, coastal embankments, reforestation schemes, and increased awareness and communication.

We need to mobilise the finance industry to get behind change on the ground.

–

The Coalition for Climate Resilient Investment was launched in 2019, and has three co-Chairs:

- John Haley, CEO of the Anglo-American insurance company Willis Towers Watson;
- Samir Assaf, Chair of Corporate and Institutional Banking at HSBC;
- And, me.

By pricing climate risks (particularly for infrastructure) and including them in upfront financial decision-making, our aim is to incentivise a shift towards greater resilience.

The State of California recently joined the Coalition, and members now have over \$11 trillion in assets.

That's what is needed. Trillions.

–

In the UK Government's recent Budget, the Chancellor confirmed the creation of a new National Infrastructure Bank.

It will have \$22 billion of financial capacity, is expected to support at least \$40 billion of investment in infrastructure projects, and one of its core objectives will be to help tackle climate change.

Green banks are critical.

They allow countries access to foreign and domestic climate finance while enabling domestic ownership of project development, and alignment with the Paris Agreement.

Research from the Rocky Mountain Institute, the Natural Resources Defense Council, and – in the UK – the Green Finance Institute, has shown that there are 27 operational green banks in 12 countries that have invested over \$25 billion of their own capital, and attracted twice as much from the private sector into low-carbon and resilient projects.

UK and US support for the expansion of national green banks would demonstrate a commitment to green recovery globally, and would help establish a world-leading platform that provides international support.

–

There is extraordinary economic opportunity in tackling the climate crisis and restoring nature.

But, to underpin this we need strong environmental regulation.

If polluters don't pay, the best intentions of the best performers will be undermined – and undercut.

Environmental regulation needs to be in lockstep with economic and financial regulation, outpacing climate change and matching the scale of the challenge.

Environmental regulation – through its example, enforcement, monitoring and metrics – can support profitable green industry both at home and demonstrate market effectiveness everywhere, so that no country – and no one – gets left behind.

–

The United States and the United Kingdom should be united in getting the whole world invested in restoring nature, reducing carbon emissions, preparing for shocks, and creating the jobs of the future

As we approach the G7 and COP26 – let's together kick start a global race to the trillions of dollars needed to do just that.

Thank you very much.