

FINANCING A JUST TRANSITION

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#CFD2019

Climate Finance Day: financing a just transition The green transition must be inclusive

Paris, 29 november – The Climate Finance Day, organised by Finance for Tomorrow, concluded a week-long series of events devoted to sustainable finance under the heading 'Paris for Tomorrow'. The event welcomed over 700 participants from more than 40 countries. The 5th edition of the Climate Finance Day affirmed its position as a leading international event for sustainable finance, as attested the prominence of its speakers and the number of announcements made.

Organised around 4 main sessions that brought together some 50 speakers from the financial services industry, the public sector and academia, this 5th edition was an opportunity to develop solutions and review the concrete progress made over the year.

Augustin de Romanet, CEO of Aéroports de Paris and Chair of Paris EUROPLACE, declared to open the event: *'Sustainable finance is at the core of the strategy of Paris EUROPLACE. Our objective is to promote the new developments in sustainable finance and its perspectives in all its different segments: in addition to environmental challenges, we strive to address social and solidarity issues and work towards the development of a more innovative, green and sustainable European economy.'*

The opening session was followed by the investiture of Thierry Déau as the new Chair of **Finance for Tomorrow**. The occasion provided him an opportunity to share his vision for the Paris Financial Centre and his ambition for its future: *'During this 5th edition of the Climate Finance Day we have had an opportunity to measure the progress made and the commitments honoured so far in terms of sustainable finance. But we must all collectively do more and engage in a transition that is fair and equitable. Our action will only be credible if we act immediately, if we share with the greatest number the right initiatives and above all if we measure the effects.'*

This year's guiding theme for the day was the **financing of a just transition**. The transformation toward a low-carbon economy will induce profound upheavals in many sectors, requiring to consider the social and societal impact. In a discussion with Thierry Déau, Chair of Finance for Tomorrow, the day's guest of honour **Laurent Berger, Secretary-General of the French CFTD union, President of the European Trade Union Confederation**, reiterated the international union's position that: *'There are no jobs on a dead planet.'* Therewith, he articulated his considerable hope for a green new deal at the European level and emphasised the importance of forward thinking to address the transition's impact on regions and on employment. He called on all parties to act responsibly to successfully navigate the ecological transition with respect for social justice.

The Climate Finance Day illustrated the **international mobilisation** underway to make sustainable finance a dominant force in the financial system. Representatives of public institutions such as the European Commission, the European Trade Union Confederation, the European market authorities (ESMA, IOSCO) and the United Nations Environment's Finance Initiative were able to engage in dialogue with private sector players.

Dr. MA Jun, Chair of China's 'Green Finance Committee', made his 3rd appearance at the Climate Finance Day. He presented an example of just transition from China and, with Nick Robins, sketched the possibilities for international cooperation on green finance. His participation was part of ongoing bilateral relations with China developed by Finance For Tomorrow, which on 28 November organised the second ever 'Joint Conference on Green Finance' with the support from the People's Bank of China and Banque de France.

Another high point of the day was the **2nd Challenge Fintech for Tomorrow**, which goal is to support the dynamic momentum of the Paris Financial Centre by encouraging innovative start-ups. The prize for the French category was awarded to GreenValue.AI, and the prize for the international category to OKO Finance. Organised by Finance For Tomorrow and sponsored by ADEME, the French agency for Environment and Energy management, and Climate KIC SAS, the challenge was a success with more than 35 applications.

François Villeroy de Galhau, Governor of the Banque de France, announced that stress tests will be made on French banks and insurance companies by Q1 2020. He forecasted that climate risk should be on the agenda of the review of European monetary policy announced by Christine Lagarde, new Chair of the ECB.

Lastly, the **Caisse des Dépôts, Agence Française de Développement, Bpifrance, The FRR (French pensions reserve fund) and the ERAFP (French public service additional pension scheme)** signed the Charter of Public-Sector Investors in Support of the Sustainable Development Goals, in the presence of Bruno Le Maire, Minister of the Economy and Finance. Doing so, they committed to making these goals part of their responsible investment policies. These principles build on those already established in 2017, which the signatories committed to via the Charter of Public-Sector Investors in Support of Climate Action.

Delivering the day's closing remarks, **Bruno Le Maire, Minister of the Economy and Finance declared:** 'Paris financial centre is the greenest in the world, as it is committed to stop financing the most polluting energies. We can do better and faster both at French and European level. Finance is our best weapon to overcome climate change.'

The Climate Finance Day, the high point of Paris for Tomorrow week

With close to 20 events taking place as part of the Paris for Tomorrow week, held from 25 to 29 November 2019, Paris once again showed itself to be a leading locus of sustainable finance. The week offered an opportunity for reflection and exchanges on a full range of topics related to sustainable finance, including research, fostering competency in sustainable finance and biodiversity. Universities, companies, non-profits, students, diplomats... the entire Parisian ecosystem came together to explore concrete solutions and further sustainable finance.

Emmanuel Grégoire, first deputy Mayor of Paris reminded that *'finance must be placed in the service of a just transition that combines ecological AND social objectives for the well-being of citizens. The City of Paris wishes to become Europe's capital for green and ethical finance.'*

The Paris for Tomorrow Week and Climate Finance Day marked the close of a pivotal year for sustainable finance in France

The year 2019 was punctuated with major announcements by financial and public players in favour of sustainable finance. In July, the Paris Financial Centre affirmed that it would be strengthening its commitments to fight climate change by encouraging members to adopt a coal exit strategy as early as 2020, and by announcing the creation of an observatory to monitor climate commitments and action.

Ever more aware of the climate emergency, financial services companies have made increasing numbers of announcements on the topic, many of these timed to coincide with the Paris Tomorrow Week:

Olivier Sichel, Deputy CEO of **Caisse des Dépôts** and director of the **Banque des Territoires**, declared: *'Given the climate emergency, the Caisse des Dépôts is creating financing tools that are fair and inclusive for every sector involved in the transition to net-zero emissions. Over the 2018-2020 we will invest 20 billion euros'*. Group Caisse des Dépôts which has already stopped investing in businesses that generate more than 10% of their output from exposure to coal, will encourage the remaining companies in its portfolios to target near zero power production from coal by 2030 in OECD countries, and before 2050 in the rest of the world. From 2021, it will not invest in companies that develop new coal capacities.

Thomas Buberl, CEO of **Groupe AXA**, announced: 'AXA has been a pioneer in adopting an ambitious strategy to fight climate change, but the emergency calls for additional efforts. We are therefore launching a new phase in our climate strategy to increase our contribution to a low-carbon and more resilient economy, in particular by focusing our investments on the energy transition of industrial players. We are convinced that this is an absolute priority if we are to achieve the objectives of the Paris Agreement.' AXA has committed to limiting the 'warming potential' of its investments to 1.5°C by 2050, in line with the objectives of the Paris Agreement. AXA is doubling its green investment target to €24 billion by 2023, and has announced subscription to 'transition bonds', a new asset class designed to support companies in their transition to a less carbon-intensive business model. Finally, the Group is committed to exiting the coal sector completely by 2030 in OECD and EU countries, followed by a 2040 horizon in the rest of the world.

BNP Paribas announced a timetable for its total divestment from coal on 22 November last, with a deadline of 2030 for EU countries and 2040 for the remainder of the world, as well as increased support for renewables, with a new financing objective of 18 billion euros by 2021. 'As a bank, we have the opportunity, and the will, to contribute to accelerating the energy transition by supporting our customers in this necessary transformation,' said Jean-Laurent Bonnafé, CEO of BNP Paribas. 'To be successful, such a transition must be fair and balanced, taking into account both the reality of the economic model and the daily needs of people around the world. Our new commitments, which set clear objectives, constitute a new phase in our in our goal of making a decisive contribution to the climate challenge. There remains a long road ahead, and the climate emergency requires that we develop more collective approaches.'

Crédit Agricole SA: Philippe Brassac, CEO of Crédit Agricole S.A., commented on the Group's decision to anticipate its timetable for the total exit of coal by 2030 for European and OECD countries and 2040 for the rest of the world: 'Societies face a dual challenge of maintaining global warming below 2°C while engineering a socially just transition. We must collectively undertake a radical transformation of the global economic engine. Our role is key to the success of this transition phase, which should enable us to entirely stop producing energy using coal worldwide by 2040. We have twenty years to meet this challenge. As far as Crédit Agricole is concerned, we will divest of all coal by this date, following the recommendations

of climate science. We are more than ever fully on board to support our clients as they adapt, to finance the transition and to encourage new investors to adopt this ecological approach.'

Natixis, a subsidiary of Groupe BPCE, announced in September the roll-out of an in-house tool, the Green Weighting Factor. This innovative mechanism adjusts the expected return on every loan in light of its impact on the environment and climate. 'The Green Weighting Factor illustrates our desire to offer our clients practical support as they transition toward a low-carbon economy and to conduct our activities within a framework aligned with the Paris Agreement on Climate,' said François Riahi, CEO of Natixis and member of the BPCE Management Board.

Société Générale has announced that it will fully exit coal by 2030 for EU and OECD countries. The Group will be gradually reducing exposure to thermal coal with a target of zero by 2030 at the latest for companies with assets in EU or OECD countries and 2040 for the rest of the world. Frédéric Oudéa, CEO of Société Générale: *'Responsibility is at the heart of our value creation model, integral to the way we conduct and develop our business activities. The climate emergency is a priority built into our strategic plan, our governance, our risk management and our focus on innovation. As advisors and financiers, we have a key role to play in ensuring a successful and fair energy transition, by proactively supporting our clients in their own transitions, regardless of geography or sector. I am convinced that we must continue to act both collectively and individually, pursuing proactive and responsible policies to meet ambitious commitments for a low-carbon and inclusive economy.'*

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Launched in June 2017, Finance for Tomorrow is the branch of Paris EUROPLACE devoted to making green and sustainable finance a driving force in the development of the Paris Financial Centre and positioning Paris as the leading financial centre on these issues. The initiative brings together more than 80 members, signatories of a joint charter aimed at redirecting financial flows towards a low-carbon and inclusive economy, in line with the Paris Agreement and the UN's Sustainable Development Goals (SDGs).

www.financefortomorrow.com/en/



Paris EUROPLACE is the Paris financial services-led body, in charge of developing and promoting Paris as an international financial center. Paris EUROPLACE is chaired by Augustin de ROMANET, Chairman and CEO, Aéroports de Paris (ADP). Paris EUROPLACE brings together all financial services industry stakeholders and is the voice for its 400+ members, corporate issuers, investors, banks and financial intermediaries, professional associations, attorneys and accountants, consulting firms, etc., as well as the financial market authorities

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