

# **Green Finance – A New Frontier for the 21st Century**

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1. From physical risks to transition risks, and from a snapshot to a video

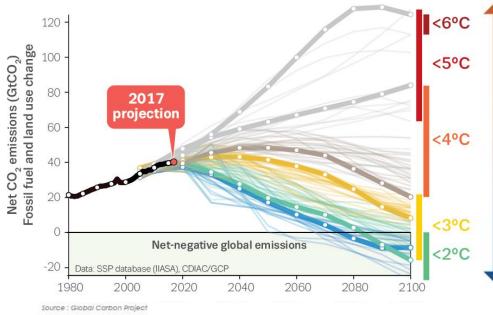
2. Converting our quantitative and qualitative challenges into unprecedented opportunities



# FINANCIAL RISKS ARISING FROM CLIMATE CHANGE ARE RELEVANT

### Physical risks are more visible but transition risks may be more financially relevant

### Climate projections extracted from the latest IPCC report



### Physical risks

Risks linked to the exposure to the physical consequences of climate change (sea level rise, heatwaves, droughts, ...)

#### **Transition risks**

Risks induced by the transition towards a low-carbon economy (evolution in regulations, mitigation policies, markets, ....) Less relevant for banks and developed countries but mind the protection gap

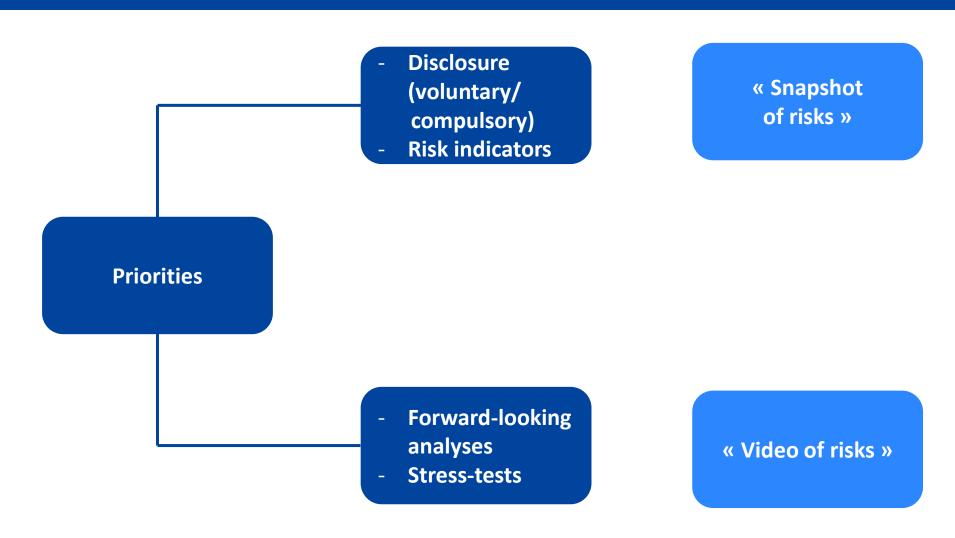
Exposures of banks and insurers are significant







# TACKLING CLIMATE-RELATED RISKS IN THE FINANCIAL SECTOR





# THE QUANTITATIVE CHALLENGE: GROWING BUT STILL INSUFFICIENT FINANCIAL FLOWS

## Reaching the 2°C objective requires financing a major economic transition



The boom of the green bond market shows the implication of the private sector

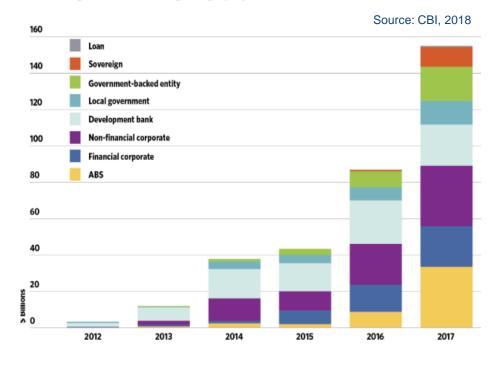


BUT still insufficient: more green loans and green financing

Establish an innovationfriendly framework

(securitisation, covered bonds, crowdfunding, private equity...)

#### The labelled green bond market is growing rapidly



# THE QUALITATIVE CHALLENGE: PREVENTING GREEN WASHING AND LEADING BY EXAMPLE

### Harmonized taxonomy and common standards

- A very much welcome EU Action Plan proposal for a common taxonomy
- The purpose is to reconcile the different standards & labels: CBP + CPI + independent evaluation of impact

## Central Banks should infuse sustainability into their own activities

• An illustration with the Banque de France Responsible Investment Charter

