

Primož Dolenc: Green finance and investment

Opening speech by Mr Primož Dolenc, Vice Governor of Bank of Slovenia, at the conference "Towards the Climate Transition: Green Finance and Investment", Split, 29 September 2023.

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Ladies and gentlemen, distinguished guests,

It is a distinct privilege to welcome all of you to this conference, where we aim to address a pressing global challenge: climate change and its profound impact on our economies.

In the face of climate risks, we all bear a personal responsibility to contribute to solutions. Each of us can play a role in safeguarding the health of our planet. However, the broader task of addressing climate change, particularly at the national and international levels, falls squarely within the purview of governments and specialized institutions.

Among them, central banks play a pivotal role. Climate change is already affecting our economies and financial systems, consequently, the price and financial stability that lie at the core of our mandates.

In recent years, the Eurosystem central banks have translated our commitments into concrete actions by adopting a roadmap for climate-related initiatives. In the area of monetary policy, we have initiated the analysis of climate-related factors in our macroeconomic models. We have also begun to integrate them into the implementation of our monetary policy, including our collateral framework and corporate asset purchases.

In terms of our non-monetary investments, we proudly published our inaugural report containing detailed climate-related information about our entire financial assets. This report underscores our significant progress over the last five years, notably in divesting from firms in the tobacco and arms industries and those causing substantial environmental harm.

To reach our long-term objective of approaching net zero greenhouse gas emissions of our financial assets by 2050, we have set two medium-term goals to be achieved by the end of 2025. Firstly, we intend to increase investments in green, social, and sustainable bonds from the current nearly 7% to 10% of our financial assets. Secondly, we are committed to visibly reducing the carbon footprint of our investments in private sector issuers.

We have already commenced measuring and reporting carbon footprints, along with other indicators of socially responsible and sustainable investing.

In terms of banking supervision, central banks have a crucial role in establishing uniform standards for addressing climate-related risks by adapting banking regulations and supervisory frameworks. Our activities encompass the measurement, assessment,

management, and disclosure of climate risks. Notably, last year, the ECB and national competent authorities conducted the first climate risk stress tests, albeit recognizing that this process is still in its infancy. However, these stress tests revealed that banks derived just under a fifth of their interest income from carbon-intensive sectors.

For commercial banks and the broader financial system, addressing climate change presents not only challenges but also opportunities. The transition to a greener society demands substantial significant investments, and the financial sector, especially banks, will play a key role in providing the financial resources required to achieve this transition.

Dear ladies and gentlemen,

As I have outlined, numerous challenges lie ahead, underscoring the importance of today's debate. Our conference seeks to address the question of how we can finance the sustainable transition to a carbon-neutral economy. We will explore the indispensable roles that financial institutions and businesses must play in this transformative journey.

To commence our discussions, we are honoured to have opening remarks from the Vice-President of the European Investment Bank, Teresa Czerwinska.

Our keynote speakers include Debora Revoltella, Chief Economist of the European Investment Bank, who will share the latest research findings on investments in Slovenia, with a specific focus on climate change. Additionally, Katja Koren, Director of Banking Operations at the Bank of Slovenia, will shed light on our institution's practices in socially responsible and sustainable investing.

At the heart of our event lies a panel discussion, moderated by my colleague Vice-Governor Tina Žumer featuring distinguished experts from various sectors.

Let us engage in a fruitful debate, for together, we can drive the change our world urgently needs.

Thank you.