

# Green Finance for SDGs

## UNEP FI Perspectives

Shanghai, China on March 2016

United Nations Environment Programme

Finance Initiative (UNEP FI)

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# AT PRESENT

- **Sustainability issues continue to press** – planetary boundaries, climate change, natural resource depletions and rising populations
- **Sustainability in financial terms - \$180 billion** in economic losses from climate catastrophe events, **\$ 210 billion** investment is needed for climate mitigation, and likely **\$ 100 billion** for climate adaptation, **\$17 trillion** to finance sustainable development
- **Financial sector response to sustainability issues** – awareness raising, integration in management decisions and operations, innovations in products and services all leading to broader acceptance and recognition among financial sector stakeholders



# UNEP FI Statement

## We, Members of the Financial Services Industry ...

*“We members of the financial services industry recognize that sustainable development depends upon a **positive interaction between economic and social development**, and environmental protection, to balance the interests of this and future generations. We further recognize that sustainable development is the **collective responsibility of government, business, and individuals**. We are committed to working cooperatively with these sectors within the framework of market mechanisms toward common environmental goals.”*

**UNEP Statement by Financial Institutions on the Environment & Sustainable Development**



# UNEP FI Signatories in China

- Industrial and Commercial Bank of China
- China Development Bank
- China Merchants Bank
- Industrial Bank
- Bank of Taizhou
- Ping An Bank



# The UN Sustainable Development Goals (2015-2030)



**17** PARTNERSHIPS  
FOR THE GOALS



**Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development**

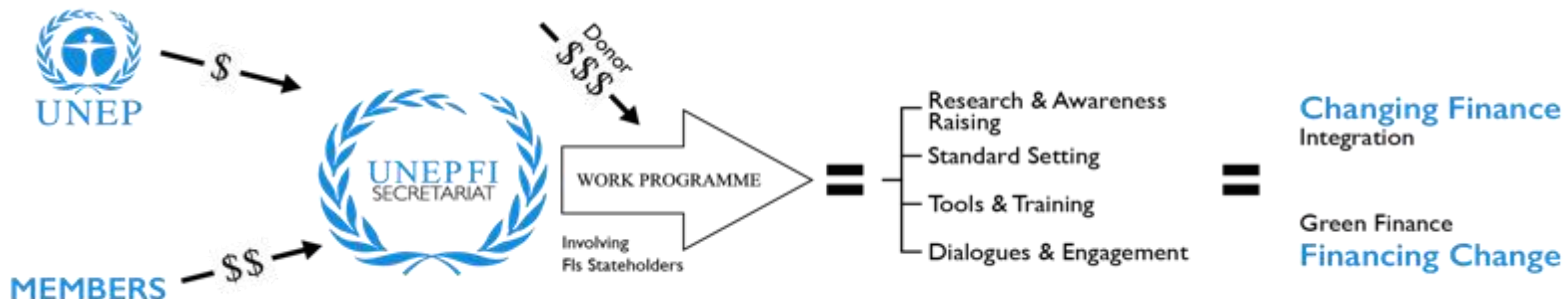
## **UNEP Finance Initiative**

Global partnership to ensure the financial system is « fit for purpose » for sustainable development



# UNEP Finance Initiative: Shaping the sustainable finance agenda since 1992 Rio Earth Summit

- Global membership of **200+ financial institutions** across banking, investment and insurance
- UNEP FI dual focus
  - i. Integrate environmental & social risks and opportunities into the mainstream financial system  
***(changing finance)***
  - ii. Mobilise finance for a sustainable economy  
***(financing change)***





## Goal 12: Ensure Sustainable consumption and production patterns

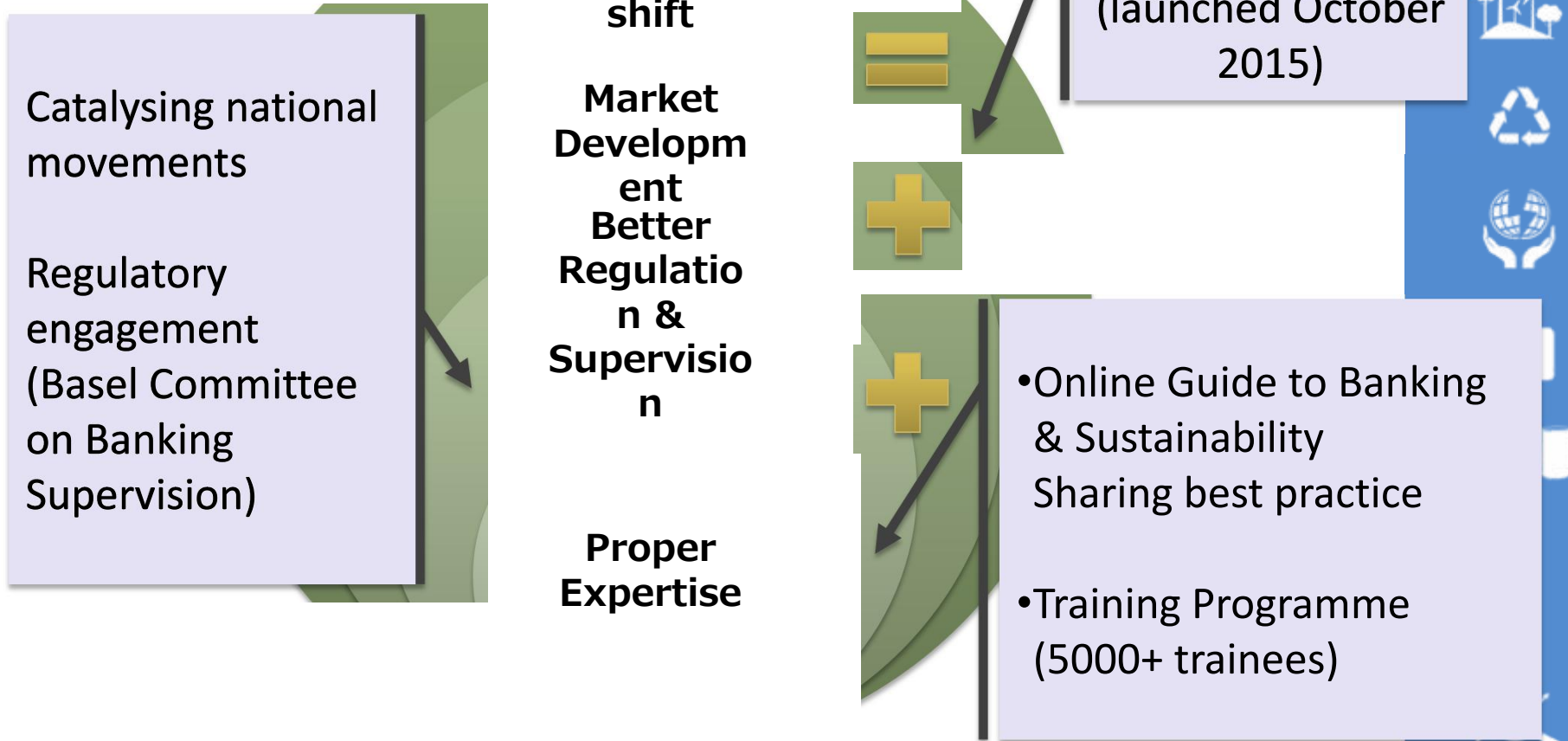
**Mainstreaming environmental & social issues in finance**

Changing finance to finance change





# Example - Working towards sustainable banking



**8** GOOD JOBS AND  
ECONOMIC GROWTH



**Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**

**Working with the [UNEP Inquiry](#) towards sustainable financial policy & regulation**



# Sustainable financial policy & regulation

- **Stability & Sustainability in Banking Reform: Are Environmental Risks Missing in Basel III (2014)**
- **Fiduciary Duty in the 21<sup>st</sup> Century (2015)**  
Report providing legal & regulatory clarification of investors' fiduciary duty in 8 countries.
- **Sustainable Insurance Policy Forum**  
(in development)  
Led by UNEP FI comprising insurance regulators, UNEP Inquiry, UN SG's Executive Office and UNFCCC



# 11 SUSTAINABLE CITIES AND COMMUNITIES



**Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable**

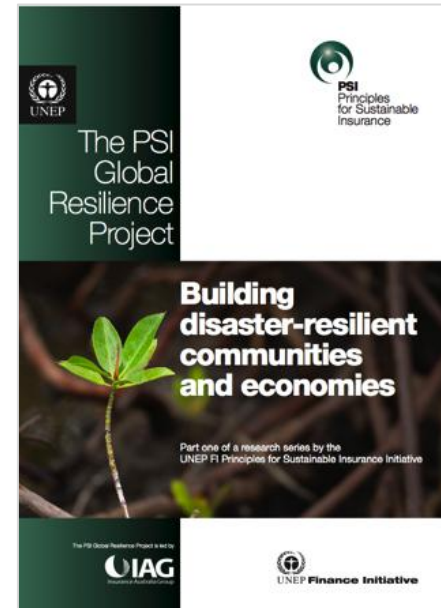
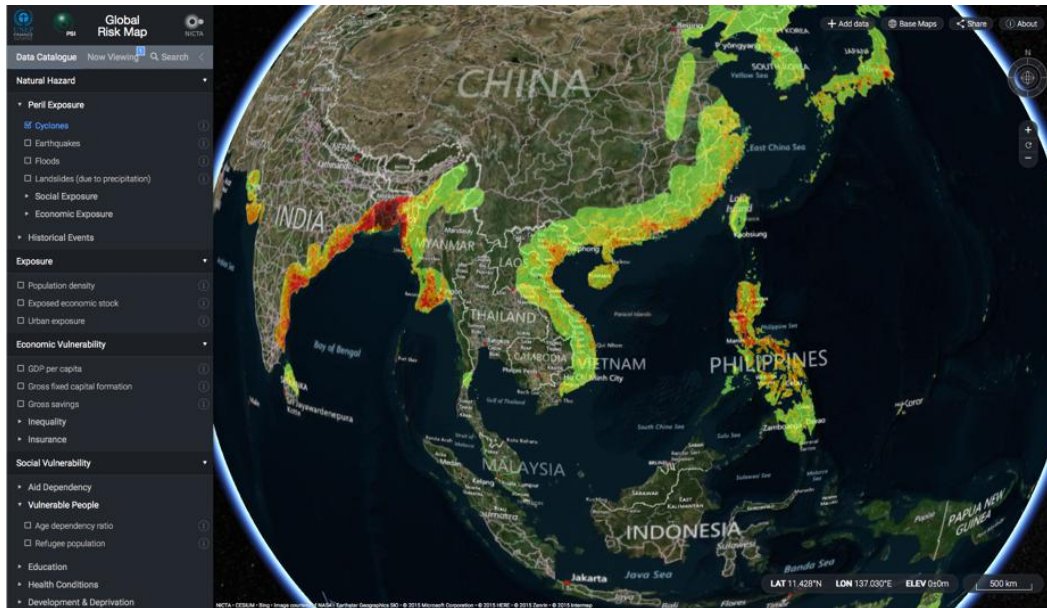
**Goal 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries**

**UNEP FI mobilising the insurance sector to support disaster-resilient communities & economies**



# PSI Global Resilience Project: Building disaster-resilient communities and economies (2014)

First-ever international study by the insurance industry on the climate resilience of cities & SMEs



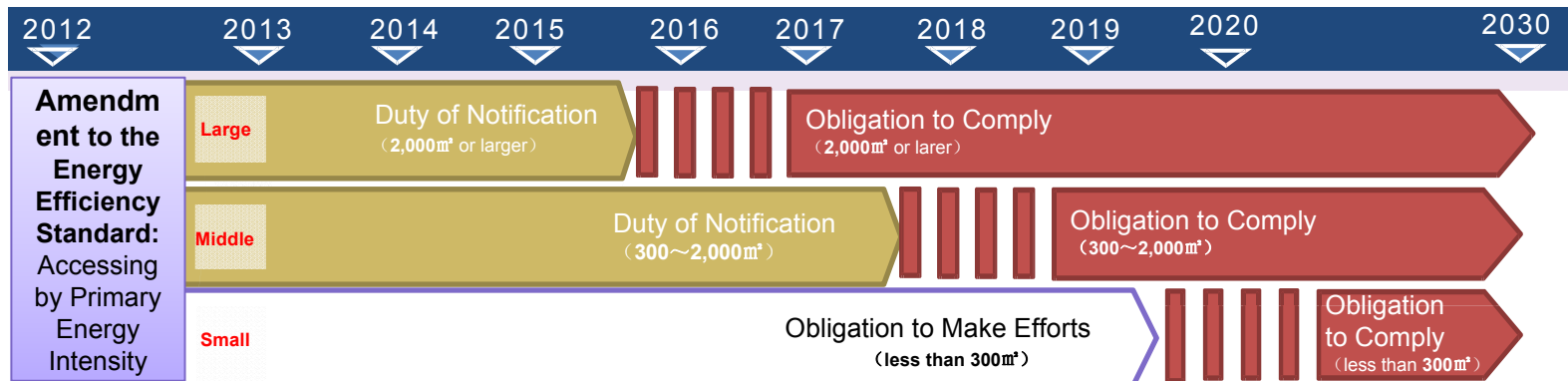


**Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all**

**Mobilising investment in energy efficiency**



# Roadmap on Promotion of Housing and Living Styles toward a Low-Carbon Society by 2020 in Japan



- Obligation of building owners (> 2000m<sup>2</sup>) to comply with EE criteria, proclaimed in 2015, and to be enforced in 2017.
- Creating an environment for making compliance with EE criteria, and promotion of EE performance labeling of housing and buildings are important.

(Source: Interim Report on Promotional Measures on “Housing and Living Styles toward a Low- Carbon Society” Joint Release with The Ministry of Economy, Trade and Industry (METI), the Ministry of the Environment, and the Ministry of Land, Infrastructure, Transport and Tourism, <http://www.meti.go.jp/press/2012/07/20120710002/20120710002-2.pdf>, last accessed at 20 March 2016)







## Goal 13: Take urgent action to combat climate change and its impacts

**Decarbonizing investments**

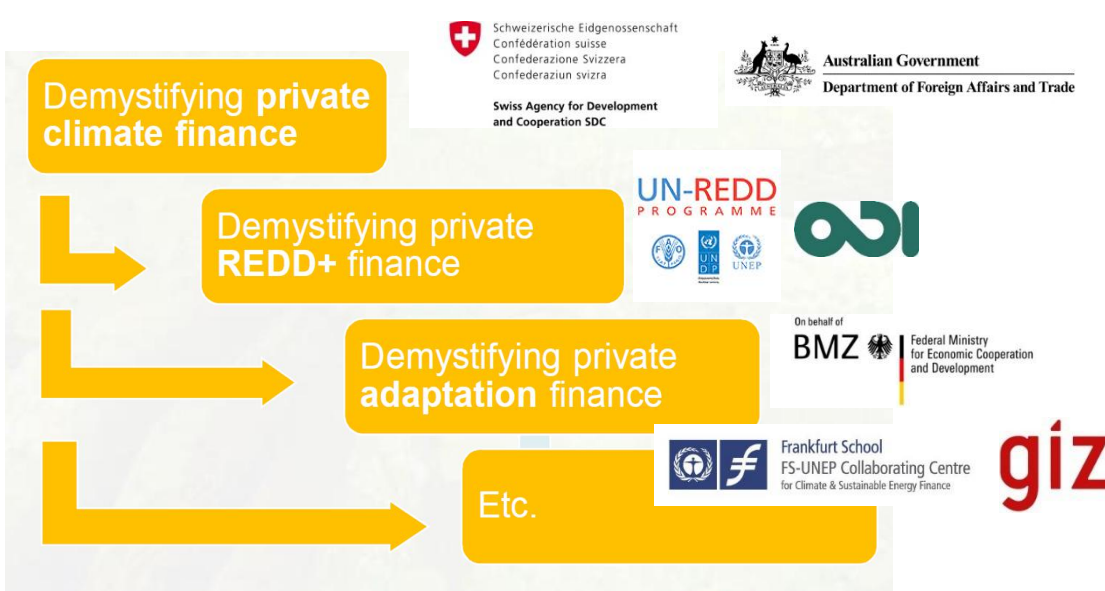
Mobilising finance towards  
a low carbon economy





# Agenda 1: 'Public leadership'

## Providing Technical Advisory: Demystifying Private Climate Finance



# Agenda 2: Private leadership / best practice

Developing tools to clarify Environmental Risk Exposure vs. Environmental Performance





**Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss**

**Embedding natural capital into the finance sector**



- **Natural Capital Declaration** initiative - analysing food price shock effect on economies and risk potentials to sovereign credit ratings through Environmental risk integration in sovereign credit (ERISC)
- Informing policy on the potential negative effects of subsidies on deforestation and highlighting fiscal incentives for agriculture commodity production (with UN-REDD programme)





## Goal 6: Ensure availability and sustainable management of water and sanitation for all

Introducing **water stress** information into the financial analysis of businesses

To mobilise businesses to take action on sustainable management of water



## Water stress: Uncovering risks to financial portfolios from overuse of water in production locations (2015)

1. Integrating water stress into analysis of corporate bond portfolios in three sectors (mining, power utilities, beverages) for 24 companies.
2. Water risk valuation tool (with Bloomberg) integrating water stress into equities analysis in the mining sector.

## Drought risk: Environmental stress test for bank portfolios (2016)

Developing drought scenarios for five regions (Brazil, China, India, Mexico, US) to evaluate economic effect by industry sector. Integrate into bank stress test e.g. through non-performing loans.



# From now and into the future...

## Stronger Policy Signals

- **International Level** – The role of private finance will be addressed through SDG agreement, climate change negotiation and G20 action plan on energy efficiency.
- **National Level** – Green economy/Green growth concept and practices have been adopted by a growing number of countries; more sector-driven principles, minimum standards or even regulations are expected to be seen.

## Cross-disciplinary Action:

- **Boundaries are blurring** – Policy convergence (*e.g. central bank, environmental, finance and planning ministries*) will enable the sufficient flows of investment in the areas where they are needed for long-term sustainable development
- **Commonality and interrelation between challenges** - environmental challenges are becoming more clear to all, and the actions will have to be more deeply and broadly integrated across different markets, policy framework and business operation.



**Thank you very much.**

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# How to become a UNEP FI Member



# Why to join UNEP FI

Joining UNEP FI is

## *An Investment in your company*

Here is why:

- Membership in UNEP FI is not only about **surviving public scrutiny** from challenging questions, such as corporate governance, environmental and social impacts of operations;
- it is also about learning how to **turn it into an opportunity** for growth and Shaping the sustainable finance agenda as it develops



# What the benefit of joining UNEP FI

Here are the **benefits**:

- **Keep abreast** of the latest trends, tools and practices relating to sustainable finance
- Be part of an **international network of financial institutions** and engage in peer-to-peer information and experience sharing
- Take part in **shaping the global sustainable finance agenda** by participating in the Initiative's various thematic, sectoral and regional groups
- **Demonstrate leadership** on a global level by endorsing and participating in UNEP FI's various conferences, seminars and training workshops
- **Gain preferential access** to the ground-breaking research, implementation tools and capacity-building offered by UNEP FI
- Gain access to key stakeholders from the government and civil society



# Become a UNEP FI member (1)

## A few steps to take:

- 1. Contact** UNEP FI Secretariat  
Ms. Diana Almoró, Asia Pacific Regional Coordinator  
diana.almoro@unep.org
- 2. Become a Signatory** by **singing** the Finance initiative Statement on Sustainable Development  
*(please note that the Statement must be signed by a certified officer. A public signing ceremony may be organized by your request)*
- 3. Complete** the Membership Form (including any relevant supporting documents) and return to UNEP FI Secretariat



***What happens Next ?***

## Become a UNEP FI member (2)

The UNEP FI Secretariat will contact you, following which you will receive:

- **An official Welcome Letter** confirming your status as a Signatory and Member
- A Welcome Package including:
  - A copy of the UNEP FI Constitution and Operational Framework
  - An overview of our activities and projects in progress;
  - A full contact list of UNEP FI Members pertaining to your geographic area and your industry;
  - An invoice for the appropriate annual Membership fee.
- Finally, your UNEP FI focal point will arrange a **Welcome Call** to introduce you more fully to the Initiative and get you started.

