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Climate Finance and the Private Sector: Investing in New Opportunities
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Address by
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Ladies and Gentlemen,

I thank the Ministry of Strategy and Finance of the Republic of Korea, the World Resources Institute, and the Korea Capital Market Institute for inviting me to join you and discuss Climate Finance and the Private Sector.

We are at a crucial moment, a climate finance crossroad where our choices today determine our world of tomorrow.

There is no doubt that the basis of predictable, reliable climate finance must come from public sources. However, we all know that climate change cannot be solved by governments alone and that public sources of finance will not suffice.

So today, I want to focus on three climate finance truths:

- The business case for action is stronger than ever;
- Private sector action is crucial; and
- Governments play a key role in spurring private investment.

The first truth is that we have the strongest business case for climate change action in history, both on the side of risks to business as well as on the side of opportunity.

On the side of risks, climate change multiplies and amplifies almost every threat to development and climate change impacts are already being felt across the globe. This existential threat, proven by increasingly robust science, presents a daunting risk to all business.

Extreme weather is perhaps the most obvious risk example. We see so-called “superstorms” force costly rebuilding across Asia and the US. We see floods in Thailand close hundreds of factories and wreak havoc on auto and electronics supply chains. We see wildfires and floods severely impact communities and economies every year.

These events have immense human costs and they cost companies billions, and risks from slow onset events could be even costlier. Investment in resilience minimizes risk by hedging against future costs, safeguarding supply chains and ensuring operations continue.

On the other side, the business case for action is not just about risk, but about rewards. Rewards emerge as demand for low-carbon goods and services rises.

Low-carbon transportation is increasingly viable and coveted. Green buildings are increasingly in demand due to lower operating costs and longer term value. Renewable energy is increasingly cost competitive with fossil fuel generation and is a sound investment.

Businesses can capitalize on consumer demand for responsible choices and investor demands for better, more stable returns, both of which come from acting on climate change.

The bottom line is that in the face of climate change, business can and must act responsibly.

This brings me to the second, compelling truth: the private sector is a crucial part of the response to climate change.

As more businesses act to manage climate risk and capture low-carbon rewards, the world as a whole moves closer to sustainable growth and zero-net emissions by the second half of the century.

Some say the challenge of transforming our economic model – decoupling emissions from development – cannot achieve growth. But history shows that transformative challenges precede strong, rapid economic growth because of massive mobilization of human innovation and financial capital.

The industrial revolution, the period after the Second World War, the technology revolution and the developing world energy revolution sparked the fastest and greatest cycles of growth in history.

Business leaders must recognize our current slowing of growth, global savings glut and escalation of climate impacts as an opportunity to creatively set a course to low-carbon prosperity. Transforming the business model can create new growth through new investments, new technology and new jobs in a green economy.

To get to this climate friendly green economy, the private sector must step up and mobilize the capital it holds.

The third truth is that governments have power and responsibility to spur the investment we need and direct finance flows to low carbon.

The institutional frameworks and regulatory requirements that guide capital allocation can and must leverage greener private investment. Fortunately, there are many policy options that governments can use to increase investment and point it in the right direction.

Emission reduction and clean energy targets raise investment in renewable energy and efficiency. Strategic public funds de-risk private investment. Carbon markets bring emissions onto the balance sheet.

Climate policy gives clarity to confidently set a profitable strategy in a low-carbon, high-resilience business environment.

This consensus on this is evident. The IEA shows that we have proven policy options that do not harm economic growth. The World Energy Council reports that the energy industry benefits from policy frameworks that transcend political cycles.

The Carbon Asset Risk initiative represents more than 70 global investors and $3 trillion in assets who want to understand how mitigation policy affects future profitability.

Clearly, policy and regulatory clarity provides a stable platform for a new model of economic development. Governments must use this power to meet the climate challenge with timetables and quantified efforts that allow business to act with confidence.

It is in the context of these undeniable truths that the Green Climate Fund opens here in Songdo. The opening of the Fund reinforces these three truths.

An effective GCF will strengthen the business case for action, encourage business involvement and help governments adopt policy options that increase and accelerate investment.

The recent COP 19 in Warsaw, which wrapped up just two weeks ago, took us a step closer to realizing these benefits by further defining how the Fund will operate.

Arrangements between the COP and GCF were clarified, ensuring accountability and guidance by the international body. The COP called for developed countries to provide ambitious and timely contributions by next year’s conference in Lima. And some funding did emerge when ministers announced significant contributions to public climate finance, some of which will help initial GCF capitalization.

The current state of climate finance and the timeline for bringing the Fund online and capitalizing it make this dialog incredibly important, especially discussions on how to create new opportunities through the private sector facility.

When the GCF comes online – and everyone involved is working hard to realize this goal – it can have a profoundly positive effect because of its potential to leverage and point large investments, even the 1 trillion dollars a year we really need, in the right direction.

The opening of the Fund and the dialog on how its business model can drive investment come at the best possible moment.

2014 is a year filled with promise and possibility.

2014 is the year for business to move to low carbon and high resilience based on the strong case to act.

2014 is the year for governments to change the long-term investment landscape through ambitious policy.

And, 2014 is the year when the international process will put a draft agreement on the table in Lima.

For an ambitious and effective new, universal climate agreement, all groups must use 2014 to move us forward together towards new opportunities in climate friendly, sustainable growth. And you, dear friends, are part of that.

At this moment, at this crossroads, you have a foundation for action.

You must help build a new, sustainable economic model instead of rebuilding the old, outmoded high-carbon system over and over.

You have the power to use your knowledge in your sphere of influence and make your contribution.

If each of you seize your opportunity and make the Green Climate Fund effective, we collectively open a world of new possibilities.

Together, we can build a model of clean and green economic development for the next generation and all generations that follow.

Thank you and I wish you all productive discussions.

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