UK Italy Green Finance Round Table

Introductory remarks by Prof. Edoardo Croci

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- Green finance is defined by the G20 Green Finance Synthesis Report as "finance that generates explicit environmental benefits, which are specified beforehand". Yet, there is lack of clarity of green finance definitions. Moreover, beyond the financing of green investments, green finance also involves internalizing environmental externalities and adjustment of risks. For this reason, there is no aggregate quantification on green finance.

- Climate finance is a subset of green finance. Climate finance flows totaled 437 billion $ in 2015, while in 2016 such flows experienced a 12% decrease.

- Globally, 93 trillion USD in infrastructure investment across transport, energy and water systems will be needed in the next 15 years (New Climate Economy, 2014). Bonds for low-GHG investments in renewable energy, energy efficiency and transport have the potential to reach 700 billion US$ in annual issuance in China, Japan, the EU, and US only (OECD, 2017).

- Green finance covers a wide range of financial institutions and asset classes. Green bonds are the most relevant class of green finance allocations: in 2017 global green bond issuance broke a new record of 130 billion US $– up from 81 billion US $ in 2016 (Climate Bonds, 2018). Less than 1% of total bond issuance is made up of labeled green bonds.

- The green bond market suffers from the lack of clear standards. The Green Bond Principles and the Climate Bond Standards are the most successful initiative created to promote transparency and disclosure in the green bond market. Moreover, requirements for disclosure of the use of proceeds are the basis for avoiding "green washing".

- We must be wary that "All that glitters is not green": it is not fully clear if we are raising new financing for climate action or not. Green bonds may be re-packaging projects that could have been financed by a standard bond.

- International collaboration among market participants, central banks, finance ministries and regulators is growing. The Principles for Responsible Investment and the UNEP Finance Initiative are promoting sustainable lending, investment and insurance practices.