SUPPORTING THE GREEN TRANSITION

SYLVIE GOULARD

Insufficient climate / nature policies explain the lack of good projects

Since the Paris agreements, and even more since COP 26 in Glasgow and the biodiversity COP 15 in Montreal, finance is seen as part of the solution to accompany transition to net zero and safeguard nature. Numerous reports and studies from the IEA, the UN, OECD as well as the Stern-Songwe report for example rightly underline the need to scale up finance for climate and development. We nevertheless make as if money would follow the needs, which is simply not true. Financial flows are indispensable, but they cannot be a substitute to appropriate government action, multiplying the strength of the markets.

Though facing a vital threat for mankind, governments still refuse to ban coal and to introduce carbon prices worldwide, as the last Environment G 20 showed again. Should finance alone solve the problem if the pricing of externalities (in agriculture, in industry, in housing etc) remains limited? Why should we be surprised that transition and preservation of nature are not encouraged as long as polluting activities (such as deforestation, intensive agriculture or air transportation) continue at a rapid pace, often legally? Nature positive and climate neutral projects can only flourish in an environment clearly penalizing polluting activities. It would require more stringent measures from governments, central banks, and supervisors. “Light touch” supervision, legislation, and blind tax policies, not to mention the perpetuation of public subsidies to polluting activities are unfortunately giving the wrong signal.

Secondly, there is no global mandatory disclosure of climate and nature-related data yet. Though TCFD (and soon TNFD) provide frameworks helping companies to act in a responsible way, many of them will not publish data spontaneously (for business or for capacity reasons). Time has come to move from voluntary recommendations to compulsory disclosure. The European Union adopted by law ESG standards that will soon enter into force and will cover impacts and dependencies (double materiality).

The ISSB global standards published last June are a first attempt to create a global base line for climate, but they are optional. It will take some time before they are used at a large scale. In the US, ESG issues became highly politicized. Elsewhere push backs are observed as well, including in countries that were at the fore front of fighting against climate change or promoting biodiversity (such as the NL or the UK). For developing countries and emerging market economies extra-financial disclosure can still be seen as too complex and costly. In this context, initiatives such as the Bloomberg-Macron creation of free repository (NZDPU) or GFANZ are particularly important.

Thirdly the international regulatory framework for finance was mainly put in place in the aftermath of the great financial crisis. It was not aiming at encouraging risk-taking to safeguard the planet. Unintended consequences occurred. For example, penalization in Basel III-IV and Solvency II of extra-border and non-OECD financing is a reality: the capital charge for infrastructure projects for European insurers is 25% for an OECD project, 49% outside OECD. Blended finance projects with public guarantees are seen as complex securitized products and therefore less attractive in Solvency II in the standard model. Currently, less than 5% of the assets of European banks and insurers are exposed to non-OECD/non-G20 countries, and only 2% for US players. Capital market actors (pension funds, sovereign wealth funds, asset managers, etc.) depend on the practices of listed markets (equities and bonds) and on the mandates given by their clients and investors. They face very restrictive fiduciary responsibility.

The need for a reset of these rules to allow financing of sustainable projects in the South was underscored during the Summit for a New financing pact last June in Paris. Several speakers from private and public sectors mentioned the hurdles they face to finance development and climate-oriented policies. Some large western asset managers simply do not finance any project in the global South. The cost of capital is still linked to the rating of the countries where projects are based which makes it more expensive (3 to 4 times higher in Africa for a solar panel compared to Europe).

Insufficient climate / nature policies explain the lack of good projects.

Exchange risk remains an issue for financing sustainable sources of energy as well, while financing of fossil fuels extraction usually guarantees future flows of revenues in USD. Financial institutions fear loss of control over image and reputation, they try to evaluate political, security and geostrategic risk even more since the war in Ukraine. There is also a competition between Europe (or US based) projects and financing of development, even more since governments distribute state aids on both shores of the Atlantic.

In a nutshell, we cannot complain that sustainable projects are too rare when public policies still don’t take climate change and biodiversity loss seriously enough, when the global dimension is underestimated. In democracies, demagogy seems to be the worst enemy of nature, in authoritarian regimes, “Machtpolitik”. The best way to let finance play its roles is to have the right rules and incentives in place.

CARLOS CUERPO CABALLERO

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Deepening EU integration to respond to the needs of the green transition

The EU has an opportunity to remain at the forefront of the fight against climate change as a global public good, laying the foundations for a sustainable growth path.

There is no doubt that climate change is the single most outstanding challenge we share globally. Beyond more immediate threats that result from geopolitical tensions, inflation, bouts of financial stability and even the necessary digitalisation process our societies are undergoing, slowing the rise in temperatures, and preserving the quality of our environment is critical for the economy and for livelihoods of current and future generations.

Future growth will need to be green to be sustainable. Addressing such a vast challenge will be demanding for our citizens and productive structures and thus requires a profound political commitment, accompanied by transparency, proper communication, and anticipation.

An orderly transition towards greening our economies is undoubtedly the optimal path forward and requires taking early action. An increasing number of countries have committed to "net zero" emissions targets under the Paris Agreement. According to the IMF, achieving its objectives requires cutting global carbon dioxide emissions, along with other greenhouse gases by a quarter to a half in this decade.

This will inevitably come at a cost, requiring sizeable investments that, quite simply, cannot be postponed. The European Commission estimates that EUR 600 billion annually until 2030 will be needed for the EU's green transition.

The EU should remain at the forefront of the preservation of this global public good. Over the next few months, it has the opportunity to activate the necessary policy levers to do so, to provide the necessary incentives for both public and private investment to revamp and consolidate the green transition, setting the basis for a stronger, more sustainable growth path and a more competitive industry.

On the one hand, as regards public resources, we must ensure that our economic governance framework is defined by a deep understanding of the trade-offs we incur as a society, and that it aims at striking the right balance going forward between ensuring fiscal sustainability and locking investments in areas that are key for long-term growth. The upcoming reform of the EU fiscal rules should bring about this much needed change of paradigm. The new framework should generate the necessary fiscal space to accommodate the unprecedented investment and reform needs over the next decade, to make the most of their potential to transform the real economy and, in turn, contribute towards enhanced debt sustainability.

Of course, the non-rivalrous and non-excludable nature of a clean environment means that these investments cannot be left up to national fiscal capacities alone. Hence the importance of Next Generation EU, that has brought approximately EUR 750 billion of funding for the green and digital transitions, that add to another EUR 300 billion from RePower EU. Once these expire, however, we must avoid discontinuing our efforts and further action is required to set the EU economy firmly on its path to climate neutrality by 2050.

Beyond these initiatives, we are moving forward with the design of additional own resources, to complement the EU budget's ability to address our climate goals. This is already a reality with the Carbon Border Adjustment Mechanism, that will start operating in October 2023 and is aimed at adjusting for carbon leakages, as the EU raises its climate ambition vis à vis other countries.

On the other hand, given the magnitude of the financing gap, public resources will not suffice. Decisive action is needed in the banking sector, on which EU companies heavily rely, as well as in capital markets, to mobilise private financing.

- Completing the Banking Union continues to be the path to more integrated and efficient banking markets in Europe, enhanced risk-sharing and cross-border lending to fund the European economy and its needs. Although much has been achieved, further steps are of the essence, such as an improved Crisis Management and Deposit Insurance Framework and, ultimately, a European Deposit Insurance Scheme, the lacking pillar of the Banking Union.
- Significant progress has also been made towards the integration of capital markets. However, EU capital markets remain underdeveloped in size when compared to those of other major jurisdictions. Legislative initiatives, such as the Retail Investment Strategy and the Listing Act will be addressing critical issues that tend to hamper access to non-bank finance.

The EU has an opportunity to remain at the forefront of the fight against climate change as a global public good, laying the foundations for a sustainable growth path.

Ultimately, these initiatives will help mobilise savings and encourage private investment directed towards easing the green transition in our economies.

Avoiding conflict in the aftermath of World War II was at the core of the motivation for the European integration project. Once again, an overwhelming intergenerational challenge ahead should bring us together and provide the momentum to push EU integration forward, towards a successful green transition and a more sustainable growth path over the next decades.

HARALD WAIGLEIN

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Green transition and fiscal sustainability

Since the establishment of the current European Commission in late 2019, the green transition was put into the focus of European politics, and well so. It is time to take a short breath to see what we did and where we stand.

On the side of the policy initiatives we have been confronted by a plethora of proposals in all policy fields. While the intention was to use all policy fields to one end, the transparency and knowledge about those new regulations is fairly limited. Civil servants in the Member States are struggling to get the legal texts allright, in particular to cope with interactions of legal texts. But even more so are those struggling, who have to implement those regulations, mainly the enterprises. But resistence in the general public is also on the rise.

Too many habits have to be changed in a too short period of time. In early 2022, the public reaction to the sharp energy price increase in the aftermath of the Russian war of aggression showed that the ability of policymakers for sharp and significant increases of CO_2-taxes is fairly limited. This also adds to political polarisation. It is not fair to blame the people for this. It is the political sphere which is acting pretty late and thus needs more drastic measures than if we had started in the early 1990s.

One example might be the taxonomy for green financing. Hundreds of pages of rules were created, but the intended effect to channel money towards green projects remains to be seen and the frustration over "bad" compromises limits the credibility of the instrument.

At the same time, the headline indicators move only slowly towards climate neutrality. The combination of both seems to suggest that we need more money to achieve the targets. The currently rising interest rates come on top of the debate for "green" debt.

I am convinced that money is not the problem. If you take the normal capital scrapping rate, you can finance a big chunk of the transition. If you add savings in costs on fossil fuels, the bill towards climate neutrality becomes even smaller. Further headroom is created by "brown" subsidies. However, business models and consumer habits are based on brown subsidies. Abolishing brown subsidies is politically not a free lunch.

NGEU was meant to reduce the local financing further. In that respect, the relatively low share of green projects in the plans of the Member States was surprisingly disappointing. Moreover, the rolling-out becomes increasingly cumbersome, as increased scrutiny and new reporting requirements slow down implementation. Its noteworthy that the intention that NGEU would also be a forceful counter-cyclical instrument has not proven right. It has turned out being pretty pro-cyclical and adds to supply-bottlenecks and inflation due to extra-demand.

The green transition can be achieved without diluting fiscal rules.

What really has to rest on public budgets is to make the green transition socially affordable. Social spending in the Member States amounts to around 30 % of GDP annually. Better targeting of social spending should create the room for manoeuvre there.

The financing possibilities are pretty similar in all EU-Member States. Thus, there is no need for extra-funds. There is also no reason to depart from the EU fiscal rules. "Green debt" is also debt and has to be borrowed from the markets and financed by the people. If there is a credible greening strategy, there is no need for extra green debt, as people understand the costs and benefits. "Green" debt on top of existing debt is thus in itself signalling a problem.

So money is less of an issue than the co-ordination of all markets to deliver goods and services needed for the green transition. There, I doubt that the government has a role to play. The Government could overcome the co-ordination problem of markets, but erring on the qualifications needed could make things even worse. An example for that was the re-skilling of persons working in the tourism sector before the COVID-19 pandemic in Austria. As the tourism sector recovered more quickly and better than expected, there is now labour shortage in the tourism sector, while unemployment in the health sector has gone up.

High on the agenda is an enabling environment to foster green investment. This is not about money, but about permits and regulations and proper pricing signals.

Where the government also has a role is the formation of expectations so as to allow citizens and enterprises to do their calculations. Governments still shy away to do that, as shifts in lifestyle seem unattractive and enterprises see the costs but not the chances. This vacuum could be filled by the next European Commission.

GERASSIMOS THOMAS

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International cooperation on carbon pricing can help accelerate global efforts

If our climate change mitigation efforts in the EU are not to be in vain, we must find an alternative way to fight carbon leakage – whereby production simply moves to other regions with lower environmental standards. Enter the Carbon Border Adjustment Mechanism (CBAM): an innovative and world-leading initiative which will start implementation in October this year in its transitional phase.

When designing the EU Green Deal plan to fulfil our legally binding commitment to reduce carbon emissions to zero by 2050, we decided that the so-called 'polluter pays' principle must be an integral part of the jigsaw puzzle. As its name suggests, the polluter pays doctrine implies that those who cause the most harm to our environment and contribute most to climate change should pay a commensurate price for their actions. This will in turn incentivise cleaner production and greener habits.

This idea has already been borne out in the EU, in the form of a carbon price on manufacturing and energy sector emissions. The Emissions Trading System (ETS), in place since 2005, has led to a 35% emissions reduction in industrial sites under its scope between 2005 and 2021. To build on that success, the EU has now agreed to extend the ETS to even more sectors and to gradually reduce the current provisions which allow some sectors to reduce their liability under the system. Once those 'free allowances' dry up, the CBAM kicks in.

By confirming that a price has also been paid for the embedded carbon emissions generated in the production of certain goods imported into the EU, we can ultimately ensure the carbon price of imports is equivalent to the carbon price of domestic production, and that the EU's climate objectives are not undermined. CBAM's transitional phase will last until end-2025, and full implementation will be gradual and phased-in to help both importers and producers adjust.

Contrary to some conjecture, the CBAM is fully WTO compatible and addressed at companies, not countries. It is an environmental measure which simply treats imported goods as if they had been produced in the EU. That means that once fully implemented, a meaningful monetary cost will become attached to the actual emissions expended during their production.

Our push for carbon pricing as a climate change mitigation tool is not happening in a vacuum. Recent trends point to strong international appetite for global action in this area. This can help us come to a mutual standard of carbon content measurement, price setting methodologies and – why not? – a global carbon price floor for energy intensive industries. By singing from the same hymn sheet, we can show global intent and spur action towards worldwide industrial decarbonisation that drives innovation, investment in clean energy and competitiveness.

The CBAM is already a major breakthrough for global climate diplomacy.

With our experience in designing and implementing the CBAM and ETS, the EU is uniquely placed to help develop this ground-breaking work. We are engaging with the OECD under the Inclusive Framework for Climate Mitigation Approaches (IFMCA), as well as the G7 Climate Club, to share our experience and enhance mutual learning. Because the more international cooperation we have, the more effective our common tools will be.

The CBAM is a major breakthrough for global climate diplomacy and is already seeing results with our international partners. Türkiye, for example, - the EU's second largest source of iron and steel with an 11% share of imports - plans to introduce, with significant support from the EBRD, a carbon pricing scheme as a direct result of CBAM. Similarly, Ukraine has committed to introducing an ETS, while South Korea has recently announced important reforms to its system. This is a policy choice strongly advocated by the EU. And it is an inherent design feature of CBAM that any effective decarbonisation effort – including carbon pricing initiatives - will reduce charges on import.

When designing carbon pricing schemes, policy-makers of course need to make sure that it is not the most vulnerable or the final consumer of goods that are hardest hit. This is particularly true during energy price spikes, the most recent of which thankfully shows signs of abating. To soften any unintentional blow for those at risk when designing national carbon pricing schemes, governments could consider for example recycling revenues through lump sum transfers, which have been shown to boost disposable income in poorer households.

What holds true in any carbon pricing regime is that fossil fuel energy costs include appropriate price signals to encourage consumers and businesses to act with their feet, disincentivise their use and encourage investment in greener fuels further up the production line.

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Enabling clean-tech investment for a greener, more inclusive and secure Europe

The transition to a greener and more inclusive economy is a huge opportunity for Europe. The deep transformation needed means a tectonic shift in sectors, business models and activities, and will require a massive investment. According to BNEF, the region invested around €200 billion in the low-carbon energy transition in 2022. To stay on track, average annual investments into clean energy in Europe need to run at more than three times this level for the rest of this decade, and more than four times in the 2030s.

And we need to channel investment not only in green activities and projects but also in those areas more difficult to abate. If we want to succeed in our climate goals we have to help the whole economy to transition. In this journey, the financial sector plays a key role which is to bring the age of these opportunities to everyone. This is why it is so important to have the holistic approach recently adopted by the European Commission setting not only green finance, but transition finance at the core of its strategy.

The paramount capital reallocation needed happens only when it has economic sense. Companies, investors, banks, citizens... They are not going to change their financial decisions and behaviors massively and at scale unless we dramatically reduce the green cost premium thanks to technology and the right enabling policy framework. In this sense, the green transition is reshaping the global competitiveness landscape, with the different regions in the world competing to win the race to net zero. Europe is already making relevant steps with relevant proposals such as the Net Zero Industry Act but we need to do more.

How to create the best enabling policy framework to support the green transition? I propose to frame this question using technology maturity which, at the end, define the basic elements of any financial decision: the traditional risk and return, and the increasingly relevant impact.

At a first level we have those technologies without a green cost premium and that are ready to be massively deployed such as renewable energy, energy efficiency, or electric mobility. In this area, the improvements in the policy framework should be focused on facilitating a faster permitting and simplifying industrial projects for climate- neutrality. The latest estimates show that build time for utility-scale solar and wind projects ranges from four to ten or more years, depending on the geography. According to the IEA Renewables report 2022, Europe's renewable capacity expansion during 2022-2027 could be 30% higher if accelerated-case conditions were met.

The paramount capital reallocation needed happens only when it has economic sense.

The second level includes those technologies that are in the early stages and need to move to an economically viable phase to reach a point where the conditions to scale up are met. Here we have those sectors difficult to abate where we still have relevant green cost premiums: how to produce green steel or cement, how to produce sustainable aviation fuels, how to solve heavy transportation or shipping, how to make carbon capture and many more. All those technologies may suffer a "valley of death", and consequently public resources are critical to incentivize additional private investment.

In this sense, we welcome the Net-Zero Industry Act proposed by the Commission where they are qualified as strategic net-zero technologies such as battery/storage, electrolysers and fuel cells, sustainable biogas/biomethane or carbon capture and storage (CCS). A good reference is the innovative mechanism such as the carbon credit for difference (CCfD).

And finally, we have the third level of technologies that are still in the research phase but need to be accelerated such as nuclear fusion, electric or H2 planes or truly smart grids. Here we need long-term investment, with public-private partnerships and industry alliances to share the high risks but also to build on the different capabilities of the different stakeholders (governments, companies, universities and other civil organizations). The right policy framework for the EU also means to invest in human capital development such as education or talent attraction through immigration and retention.

To conclude, investment in technology will be a game changer in the race to zero. Having the right policy framework and working in partnership is critical to promote the financial flows required. In all of this, we as the financial industry have to play our role: contribute to achieving more sustainable and inclusive societies without leaving no one behind. A better Europe for all.

Time is running out, but the solution is on us. Therefore, I am optimistic. We have to respond to the demands of the new generations.

Let's put our children and grandchildren ahead of everything and make it happen.

HANI KABLAWI

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Aligning capital markets policy in support of the green transition

Post-Covid, and in the midst of the Russian war against the Ukraine, the EU alongside other jurisdictions is embarking on meeting the challenge of re-building the economy and energy supplies, whilst tackling the twin challenge of succeeding with a green transition and broad digital enablement. Banks and indeed all financial market participants have a core role to play in supporting the efforts to meet those challenges.

When it comes to policy making, the EU has taken a leadership role in developing a policy framework since the European Commission published its Sustainable Finance Action Plan 5 years ago. In the context of the green transition, the EU has focused on increasing transparency for financial products (e.g., through the Sustainable Finance Disclosure Regulation), defining sustainability parameters (e.g., through the EU Taxonomy Regulation), and most recently enhancing corporate disclosures (through the Corporate Sustainability Reporting Directive).

We are also witnessing efforts to ensure greater scrutiny of supply chains (through the proposed Corporate Sustainability Due Diligence Directive). Many of these rules have been developed over the last few years and it is important to allow these initiatives time to fully implement before assessing whether they have achieved their desired objectives.

And whilst these developments have clearly put the EU at the forefront of policy making, international investors will look for global alignment of standards across these initiatives to ensure comparability and give comfort that there is no regulatory arbitrage between different rule sets. In that context, the advent of the International Sustainability Standards Board (ISSB) and the publication of their first set of disclosure standards is clearly a significant and positive development. The EU can continue its leadership role by supporting these international standards and thus ensuring that the policy framework introduced in Europe has a global footing.

And whilst disclosure and transparency are important, the actual success of delivering on the green transition will be dependent on numerous other factors such as investor appetite and availability of investable assets, not just on establishing an effective sustainable finance framework. Over recent years, we have witnessed the investor community increasingly demanding more detail about the sustainability credentials of any particular investment, rather than focusing solely on an overall ESG rating or classification. Whilst this underlines the continued and growing investor appetite for seeking out investments with sustainability objectives, a remaining challenge is whether there will be sufficient long-term projects or companies to finance that are accessible through capital markets.

Ensure that citizens (both in the EU & abroad) as investors, can participate and support the transition.

Returning to the EU policy perspective, one possible solution is to create a conducive environment that allows the public to find ways to channel their savings into these longer-term investment opportunities. This can take many forms, but I want to highlight those that are, in my view, crucial to that end:

1. Bridging the gap between EU infrastructure investments and investable products. Today much of the financing in Europe still relies either on an already stretched public purse or bank financing. Whilst securitisation has a role to play in freeing up bank balance sheets and thus allowing greater bank participation in supporting financing, other capital markets instruments are yet to reach their full potential. The revised ELTIF framework can play a key role in channelling those private savings to long term funding of infrastructure investments.

2. Supporting greater funding through invested pension schemes. EU pension schemes vary significantly in structure and investment profile. Ensuring EU member states reform pension systems to allow more significant proportions to be invested through capital markets will support both green transition and infrastructure financing. The EU's Pan-European Pension Product (PEPP) already provides a policy framework for a harmonised pension product available to citizens that can be rolled across all Member States.

3. Allowing effective cross-border investments, including from third countries, to access financing opportunities in the EU. To that end, ensuring the EU harmonises core investment processes (from aligned withholding tax procedures, to enabling pan-European depositary servicing, to corporate action processes) is key to attracting foreign investments. The CMU initiative is an opportunity to address these issues and should remain a key priority for the EU.

Overall, the policy framework in the EU has made great strides to effectively support the green transition. Nevertheless, we should ensure that citizens (both in the EU and abroad), as investors, can participate and support the transition through their own pension savings, effective investment vehicles, and a truly unified EU capital market.

JOHN MURTON

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Transition finance: the importance of bridging divergence

Momentous falls in the costs of low-carbon technology such as solar PV, wind power and battery storage over the last decade mean the transition to a climate-neutral world is well underway. However, if we are to meet our climate goals, we need to accelerate this transition. This requires mobilisation of private capital at a huge scale and with great urgency.

Mobilising private capital for the low carbon economy can be supported through financial sector regulation. In recent years, policy frameworks have progressed substantially. We now have a sophisticated set of rules that define what makes an economic activity 'sustainable', as well as international standards on sustainability disclosures to help companies identify and manage ESG risks. But we still need better frameworks to help banks support companies transitioning from carbon-intensive activity to "green", and to provide market confidence in this burgeoning asset class. In the face of climate activism, markets need frameworks that encourage engagement with polluting sectors to help them transition (rather than simple disinvestment).

In this context, transition finance can be defined as a financing pathway with the core purpose of facilitating clients' decarbonization strategies to assist the real economy meet global climate objectives. Transition finance will only be credible in the context of science-based transition pathways for individual sectors that are in line with climate goals and commitments. Such pathways allow companies to prepare effective transition plans at an entity level and allow banks and investors to assess these plans against clear benchmarks. Clear pathways are crucial to shifting and scaling investment towards a climate neutral economy.

The challenge within such a framework is that transition finance will have to be context-specific given the policy and socio-economic realities of transitions across jurisdictions and industries. In practice, this means that activities and sectors considered as 'supporting the transition' will vary geographically, as well as over time i.e. what may be eligible for transition finance in an emerging market may not be eligible in Europe; what is eligible today may not be appropriate in the future. The differing foci of the four 'Just Energy Transition Partnerships' is a useful case in point.

Such necessary variegation cannot become a free-for-all. There are some concerns, especially among financial market participants, about a lack of coordination and comparability of transition finance initiatives across jurisdictions. Significant divergences may undermine the credibility of the transition finance concept and hinder the flow of finance: bridging these cross-jurisdictional divergences will be crucial. Efforts to that end will need to balance the value of standardisation with the varying capacities and priorities of different countries and regions.

To succeed, transition finance must recognise geography whilst supporting common goals.

To improve coordination, transnational initiatives will play a key role. We are already starting to see efforts to develop better coordinated, high-level principles that can help guide the different national or regional initiatives: the International Platform on Sustainable Finance's (IPSF) Transition Finance Working Group and the G20 Sustainable Finance Working Group's Framework for Transition Finance are two examples. We need to connect domestic sectoral corporate transition plans and pathways - where those have been developed - with global sectoral pathways.

Some regulators have started to codify standards related to transition plans. For instance, the EU is in the process of finalizing several requirements relating to transition plans, including the Capital Requirements Directive (CDR), and the Corporate Sustainability Due Diligence Directive (CSDDD). Similarly, the UK's Transition Plan Taskforce (TPT) is finalizing mandatory standards.

In this context, it is crucial that local requirements are consistent and interoperable with global initiatives, such as the ISSB's standards, to facilitate an internationally aligned approach. This is key for investors and financiers who compare plans across jurisdictions. Regulators should focus on this and on ensuring that local frameworks provide sufficient flexibility to accommodate evolving practice in developing credible transition plans.

Here at Standard Chartered, transition finance will be increasingly core to what we do as we seek to deliver on our 2050 Net Zero financed emissions goal. Our strong transition finance team brings together technical experts from key industrial sectors and experienced bankers to advise clients on transition.

Regulated in the UK, but with our major presence in a large number of diverse emerging and frontier markets, we cannot shy away from the challenges of transition finance if we are to meet both our climate goals and our desire to help grow the economies of the countries in which we work.