Climate Finance and Carbon Markets: Friends or Foes?

Abyd Karmali Managing Director, Climate Finance





Pillars of our approach on climate protection



Our business

- Drive innovative new financial solutions across all our lines of business.
- \$125 billion to be committed by 2025 the largest among our peers.
- From supporting renewable energy and low-carbon vehicles, to a robust Environment/Social/Governance (ESG) investment platform for wealth management clients.

How we operate

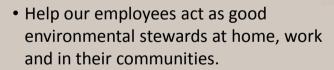
- Comprehensive set of aggressive goals to shrink our own operational footprint:
 - Reduce greenhouse gas emissions by 30%.
 - Reduce water consumption by 20%.
 - Achieve 20% LEED certification.

Working with others



- Engage with partners to increase our impact.
- Partners like the UN's Sustainable Energy for All (SE4All) initiative and Stanford University's Global Climate and Energy Project.
- Committed more than \$15 million in environmental philanthropy in 2014.

Our people



- More than 16,000 employees actively participate in My Environment program across the globe.
- Provide environmentally focused incentives to encourage adoption at home for such items as solar power solutions, electric/hybrid vehicles.

Carbon markets have a positive influence climate finance



- To the degree that carbon markets result in financial products that are liquid assets and don't interact negatively with complementary policies and measures, they can have a positive impact on flows of climate finance by
 - ✓ Crowding into low-carbon investment opportunities additional sources of financing
 - ✓ Leveraging public policy to attract private funding flows
 - ✓ Helping the private sector go where it otherwise wouldn't go on its own
- Each of the carbon markets in existence (and some in emergence) today confirm this thesis
 ✓Numerous examples from our own deals
- Many of the new wave of climate policy instruments being designed today might not even be required if carbon pricing was material enough



- Transparent and robust emission reduction targets, including via INDCs
- Guidance to the Green Climate Fund to deploy instruments that strategically target specific viability gaps in low-carbon investments
 - Instruments that directly fund the outcome of an investment by increasing the return on equity or debt (this is what carbon markets do)
 - ✓ Instruments to reduce risk in the financing cycle by increasing the likelihood of a project reaching financial close, including by decreasing cost of capital
 - Instruments to provide seed capital for low-carbon business having strong social impacts on top of the underlying emission mitigation
- Market-based measures that create a unified <u>international transfer system</u> for use by interested countries and a <u>transparency framework</u> for countries to account for transfers from international carbon markets
- An explicit long-term decarbonisation objective
- Socialisation of emerging proposed tweaks to financial regulatory system to address how climate risks are managed within approached to financial stability