9 June 2008

Statement of H.E. Mr. Srgjan Kerim, President of the 62nd Session of the General Assembly, at the Global Private Investments and Climate Change Informal Meeting of the General Assembly

Excellencies,
Distinguished Delegates,
Ladies and Gentlemen,

I would like to extend a warm welcome to our distinguished panelists and special guests attending this specialized meeting on Global private investments and Climate change.

This meeting, inspired by the recognition that fostering public-private dialogue on climate change is crucial, is being convened as the first follow-up event to the General Assembly Thematic debate on Climate Change held in February.

It will also be drawing on conclusions derived from the Investors Summit on Climate Risk, held at the UN Headquarters that same month.

I decided to convene a General Assembly meeting to discuss this important topic for two main reasons:

First, because a key conclusion drawn from the thematic debate was that we must deepen our collective understanding on how the private sector relates to climate issues. Climate change is not just an environmental issue, but also a sustainable development issue.
Second, Member States repeatedly stressed during the thematic debate that massive additional financing was needed to respond to climate change.
Pushed by these two pressing demands, I decided to convene today's meeting on how climate change adaptation, mitigation and technologies are and will be financed by private investors. Allow me to emphasize the word "private" here.

Excellencies,

All of us well know that addressing the threats posed by climate change will be tremendously expensive. The numbers we are talking about are immense:

In 2030, it is estimated that additional global investment and financial flows of over 200 billion USD would be necessary just to return emissions to current levels.

These numbers may seem abstract, but Lord Stern made clear in his report that, unless major investments were made to address the issue, worldwide economic losses would correspond to a 5-10% loss in global GDP.

In fact, poorer countries would suffer losses in excess of 10% of their GDP. These numbers are not merely statistic data. They are simply frightening!

Aware of the importance of financing climate change, many have engaged in extensive dialogue with international organizations: such as the United Nations and its agencies, the World Bank and various bilateral or regional donors. All of these institutions will significantly contribute to address climate change.

However, not everyone is conscious of the fact that public money will be far from sufficient to solve the problem.
In fact, public contributions will not be the dominant part of the trillion dollars needed in the years to come to respond to climate change.

Indeed, the United Nations Framework Convention on Climate Change (UNFCCC) estimates that up to 86% of the global finance needed to respond to climate change will come from private investment sources.

Financial institutions shape our economies in many and varied ways. Investment decisions taken today will inevitably affect the world's emission profile in the future.

In contrast to key industrial sectors that are directly involved with climate change negotiations (such as energy or transportation business), private finance is less visible.
However, private finance plays a key role in almost every major investment decision:

It will continue to play a major role in shaping the transition to a low-carbon economy. This is why fostering a closer dialogue between private investors and public decision makers is important.

This meeting, by it's interactive and informal format, is precisely aimed at understanding how financial institutions react to and are being impacted by the current and forthcoming climate regimes.

Indeed, whether being proactive or reluctant towards climate change, investors are key actors when it comes to fostering liquid carbon markets or to stimulating investment in climate-friendly technologies.

Their collective potential impact on today's and tomorrow's economy is massive, as numbers once again reveal:

Today, major institutional investors such as pension funds (which hold 20% of the USD 54 trillion global equity markets) and as well as more specialized actors (such as private equity houses and hedge funds) are dominant on the investment front.

Total investment in new physical assets is projected to triple between 2000 and 2030. This will provide a window of opportunity today to direct finance and investment flows into new facilities that are more climate friendly or climate ‘proof’.

A large share of these investment and financial flows will be in developing countries.

It is therefore crucial to understand the mutual links between climate change and private investments. The following example should convince us of their massive impact on climate change:

It was recently estimated that investments made by Dutch banks alone contributed three times as much as the whole of the Dutch economy to global CO2 emissions levels in the course of one year.

Therefore, the goal of this meeting to answering the following 2 questions:

How do private investors affect climate change by their investment choices?
And conversely, how does climate change impact investment choices made by investors?
Specifically, what are the risk and opportunities linked to climate change and the binding aspects of the current and upcoming climate regime?
In order to understand these mutual impacts, one must understand that the finance industry is extremely complex.

It is composed of very diverse actors operating according to different rationales and different time frames, ranging from the very short term to the very long run.

These differences are crucial to understand the vast array of their links to climate change.

Both generalist banks and investment banks are the world’s major capital providers.
Insurers are the global economy’s risk experts, while serving as major investors in their own right.
Institutional investors such as pension funds, which are concerned with the protection and growth of assets over the long-term, are exerting increasing influence on companies through their investment decisions.
Hedge-funds and private equity specialists are also to be considered in this context, as they have the ability to invest major sums on a very short term basis.
Excellencies,
Ladies and gentlemen,

In the panel to follow, the representatives from each of these sectors will convey how they apprehend their impacts on climate change, and how they envision the effects climate change has on their investment choices.

At the same time, they will share their expectations, wishes and fears when it comes to shaping the upcoming climate regime:

Do they hope for more certainty for their investments, and therefore for a more binding regime? Or do they prefer, on the contrary, to keep more liberty because it could mean a better return on investments?
Our panelists will speak from various standpoints, yet all of them sit in very powerful positions: The position of those who will control almost 90% of financial flows addressing climate change in the years to come.

I hope that the open discussion following the presentations will take this overwhelming fact into account. Closing remarks will then be given from further business speakers, and from the UN.

Before our panelists take the floor, I would like to introduce our keynote speaker, Ms. Mindy Lubber, who heads both Ceres and the Investors Network on Climate Risk. I thank her in advance for providing us with an introduction to this complex topic.

I would also like to thank our sponsor, the Danish Government, for their generous support. As host of the 2009 United Nations Framework Convention on Climate Change (UNFCCC) negotiations, Denmark is in a key position to enhance the inclusion of the private sector in this dialogue.

I look forward to a frank, inclusive and open exchange of views among all stakeholders during the discussions. Thank you very much for your attention.