

Summary of day one plenary of Innovate 4 Climate – Putting Climate Action at the Heart of a Sustainable Recovery”

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President of the World Bank Group

and

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Deputy Managing Director at the IMF

moderated by

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Innovate4Climate Host

MARDI 25 MAI 2021 – DE 14H00A 15H30 (HEURE DE PARIS)

Webinaire – Zoom

C O M P T E - R E N D U

I. Presenting I4C plenary session

Innovate4Climate (I4C), hosted by the World Bank Group, is an **annual global conference on climate finance, climate investment and climate markets**. It attracts leaders focused on transformative and innovative action on climate change. Launched in **2017**, I4C is designed to bring together thought leaders interested in linking climate innovation with investment opportunities – transforming dialogue into action.

Now in its 5th year, I4C's 2021 edition will be entirely virtual. The 3 day event, hosted by the World Bank Group and the governments of Spain and Germany, will combine **high-level plenaries, workshops, and a virtual marketplace.** It aims to foster the exchange of knowledge and to demonstrate expertise and know-how in delivering low-carbon resilient solutions

The I4C plenary sessions reflects the most pressing, topical issues in climate action and development aiming to inspire, feature leadership in action from the public and private sectors and show case how-to solutions that enable economies to get on a decarbonization pathway. The 2021 I4C high-level plenaries will include global voices from the public and private sectors and civil society from around the world showcasing how to achieve a resilient and low-carbon future.

This opening plenary of I4C brings together high-level speakers from business, government, and global institutions to explore how to mobilize climate finance and shape green, resilient, and inclusive development. It will showcase examples of solutions from the private sector that are driving the low-carbon transition, and highlight the steps governments are taking to address the needs of the most vulnerable. It will also underline the role of global institutions and partnerships in supporting climate action - without leaving anyone beyond.

II. David Malpass's intervention, President of the World Bank Group (in conversation with Larry Fink, BlackRock)

- I4C is a chance to **showcase opportunities and knowledge** in climate change, development and equality challenges.
- The course of projects of the WBG **for the next 5 years will aim to increase in finance dedicated for climate adaptation and mitigation**, as well as well-planned carbon reduction strategies.
- Noting a transformation in the attitude of private sectors leaders. The financial sector has opened its eyes to the consequences of climate change. **Asset owners are becoming responsible is their activities and portfolios.**
- There are **two sets of specific challenges with regards to climate change**.
 1. Firstly, though it is not the case for all countries, for certain states such as India or China climate mitigation is an imperative. As such there is an urgency to help these countries achieve their developing goals while still aiming to transition from coal fossil fuels to lower GHGs emitting sources of energy.
 2. Secondly, the imperative of taking in account the violent consequences of climate change in low GHG emission countries (which paradoxically are the least responsible in global GHG emissions volumes).
- **The underlying questions remain:**
 - "Are development policies sufficiently taking in consideration the differences between the high emissive countries and low emissive countries?"
 - "How can development policies further take into consideration the "differentiated responsibility principle"?"

- “How can policies, such as the carbon pricing mechanisms, help increase effectiveness of climate mitigation strategy”
 - How can a viable carbon pricing market be established?
 - How can we come into agreement with regards to the setting of Global standard?
 - How can we come into agreement with regards to the setting Global taxonomy?
- The World bank is actively aiming to improve their diagnostics in order to answer the questions mentioned above. For instance, using vulnerable countries’ NDCs, to define the next strategic orientation in the countries.
 - **Each year the World Bank issues 100 billion USD worth of bonds**, amongst which green bonds. Though it is important to underline the existent struggle in the definition of the “green” characteristics within the green bond standards.
One of the underlining **challenges of standardization of bonds** lies within in the necessity “cross border” adjustments. This is essentially due to the specific incentives that are particular to each country (in addition to the investment risk assessment).
The WBG is evaluating how to **leverage policy making and subventions to support to the green transition**. States get to reevaluate their subsidies, for example for fossil fuels energies, and change them so that they are aligned with development goals.

(Noting that there are other issues linked to other subsidies issues. In the agroindustry for instance, methanol generates significant GHG emissions and yet is central to corn agriculture. Same goes for the crypto money such as Bitcoins that tends to use up a lot of electricity)
 - The World Bank Group is conscious of the urgent need of **making more capital available for developing countries**. Though this also points to a social interrogation -therefore challenge- that is “How do you get that change moving from within the country”?
 - Once more, the WBG is conscious of **climate justice and differentiated responsibility components**. In fact, Malpass insists on the unequal system that is illustrated by the fact low GHG emitting countries, still face the same consequences of global warming as the high GHG emitting industrialized states.
 - The WBG plans on making more than **50 billion USD available over the next 5 years**. These new sources of capital will be reserved to finance climate adaptation strategy, in order **to match the global needs in adaptation finance**. Nonetheless one should highlight issue of the **profitability of such investments** aligned adaptation strategy (vs the higher profitability of mitigation investments)

III. Tao Zhang’s intervention, Deputy Managing Director at the IMF

- The central question remain how can the IMF intervene and help vulnerable countries to increase in resilience?

- Many of the states identified as being **the most vulnerable to climate change are also smallest or poorest amongst the IMF memberships**. For these countries there is no time to lose in building resilience in the face of natural disasters and other climate related impacts.

- With regards to the IMF's contribution, the action plan is threefold.
 1. Provide the countries with **capacity development support**. In other words, the focus lies in helping climate vulnerable countries **integrate climate risks into their micro economic and fiscal framework**. Serving as an example is the **joint pilot programs IMF/ World Bank** called *the climate change policy assessment*. The program analyzes the preparedness, assesses mitigations and adaptation policies and quantifies the financing needs of the country. In that regard, the program serves as a framework to help unlock donor support and government resources.
Other examples include technical assistance, project environmental tax reforms, carbon and energy pricings, and public financial management etc...
 2. The IMF will contribute to resilience building **through the institution's lending operations as well it's emergency facilities** that countries can use when they face large natural disasters shocks. For example, last year in the face of the pandemic 45 low income and developing countries received our financial support.
 3. The IMF consistently advocates in favor of **climate finance and technology transfers to developing and emerging economies**.
The international community must live up to its commitment 1 billion USD annually in climate finance. Together with the World Bank and other development partners, the IMF is exporting complementary mechanisms including for example the debt for climate swaps that they are actually actively working on.