

# SHEMARA WIKRAMANAYAKE'S SPEECH

*11 July 2021*

It's a pleasure to join you today from Sydney.

We gather, more certain than ever, that we're in the decisive decade in our drive towards net zero. And that this is the pivotal year in that decade, as we work to deliver inclusive growth and a just transition.

While our progress and momentum give us grounds for optimism, we also need to be clear-eyed on the challenges.

Our optimism comes from the progress we see in developed countries, where solutions are being deployed at ever increasing scale. With continued commitment, a pathway to net zero is in sight for many countries.

This progress reflects successful partnerships between the public and private sectors. Where governments have set clear direction and investment frameworks, businesses have developed technology, projects, and delivery capability. We, in the finance community, have worked on innovative ways to fuel the transition with private capital – helping to deliver it at speed and scale.

One of our greatest challenges is how we now replicate that success in emerging markets - a defining issue for all countries at COP26.

It's in emerging markets where demand for energy is rising most. Up 70% in the past decade, versus flat demand in Europe and the US.

And yet it's in these markets where investment has remained stubbornly low. For every \$1 invested in energy transition in emerging markets, we've seen \$20 invested in developed countries.

While these modest levels of investment have been concentrated in renewables, investment in climate resilience is further behind, despite an increasingly urgent need.

Low levels of investment do not signal a lack of ambition. Governments from more than 80 emerging markets have declared their intent to set a net zero target. And they're aware of the need to work on policy frameworks that will attract capital.

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At the same time, we need to recognise that much of that capital will belong to pensioners and insurance holders, who need appropriate risk-adjusted returns while also delivering sound community outcomes.

We have seen these dynamics play out in Macquarie's longstanding involvement in infrastructure investment globally. The challenges are the same for infrastructure focused on emissions reduction.

Progress has been weighted towards a small number of markets, their success rooted in strong enabling environments for clean energy investment, attracting private capital. This remains the exception. Put simply, emerging markets face a significant finance gap that is holding back their ambitions, and their transitions.

That's why I am pleased to support two important new initiatives, both designed to help mobilise greater volumes of private capital to accelerate the transition of emerging markets.

Earlier this year, at President Biden's summit, Mark Carney with the UN Climate Action Champions, launched the Glasgow Finance Alliance for Net Zero – bringing together financial firms from across the world to work together to support the transition to net zero.

Alongside important GFANZ work in areas such as transition pathways for hard-to-abate sectors, I'm proud to lead the GFANZ workstream to accelerate capital mobilisation for climate solutions in emerging markets.

We'll be seeking broad input now on our priorities, but I expect them to include action in the following areas:

- Working with governments on their specific challenges, to help create tailored enabling environments that attract capital.
- Strengthening collaboration between private capital and multilateral development banks and development finance institutions to deliver financing solutions.
- Scaling up the great work of existing catalytic initiatives such as the Climate Finance Leadership Initiative, FAST Infra and the UN's Global Investors for Sustainable Development Alliance.
- And, ultimately, accelerating the flow of private climate finance into emerging markets – connecting willing capital to a growing pipeline of investable projects.

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One of the catalytic initiatives that GFANZ members will look to harness and amplify is the Climate Finance Leadership Initiative. CFLI is a group of seven leading institutions from across the investment value chain.

The initiative, convened by Michael Bloomberg, has been working for some time to mobilise private climate finance in emerging markets and in this next phase we are focused on driving practical outcomes in some key countries.

These two complementary initiatives will, I hope, help strengthen the engagement of private investors in the multi-faceted challenge of emerging markets. And build on the important work of the G20 Sustainable Finance Working Group.

I believe that the finance community can play an important role, alongside governments and other corporates, in the vital transition of emerging markets - and we are ready to play our part.

Thank you.