

**UN Environment Inquiry**

*Annual Overview*

**2017**



## UN Environment Inquiry

The Inquiry into the Design of a Sustainable Financial System has been initiated by the United Nations Environment Programme (UN Environment) to advance policy options to improve the financial system's effectiveness in mobilizing capital towards a green and inclusive economy—in other words, sustainable development. Established in January 2014, it published the first edition of 'The Financial System We Need' in October 2015, with the second edition launched in October 2016. The Inquiry has worked in 20 countries and produced a wide array of briefings and reports on sustainable finance.

More information on the Inquiry is at: <http://web.unep.org/inquiry> and [www.unepinquiry.org](http://www.unepinquiry.org) or from: Ms. Mahenau Agha, Director of Outreach [mahenau.gha@un.org](mailto:mahenau.gha@un.org).

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*Our core proposition, the narrative that the financial system itself needs to change to be fit for the 21<sup>st</sup> century, is increasingly front and centre in a multitude of discussions and practices around the world.”*

**Simon Zadek, UN Environment Inquiry  
Co-director**

# INTRODUCTION

When the UN Environment Inquiry began its work in 2014, green and sustainable finance was very much under the radar – a “quiet revolution” that needed to be encouraged, nurtured and teased from its shell. This is what the Inquiry set out to do. We surpassed even our own expectations.

Over the last few years, cooperative international efforts carried by the G20, the G7, the UN, and the Financial Stability Board (FSB) have all addressed different aspects of sustainable and green finance, while at the same time increasingly involving the private sector. Multilateral development banks and international financial institutions continue to actively promote sustainable finance.

These combined factors have led to great strides in laying the groundwork for a sustainable financial system, as many developments show.

Nearly 300 policy and regulatory measures targeting sustainability were in place in over 60 countries as of October 2017 – up roughly 30 percent since July 2016. Green bond issuance hit a new record of US\$155.5 billion in 2017, with more growth expected. Sustainable finance has even reached UN Secretary-General level, with António Guterres in September unveiling a strategy to help reshape the financial system to make it fit-for-purpose – a direct echo of what we have been doing for four years.

The Inquiry continues to support and drive these trends, as this annual review shows. The report highlights our work, including national-level activities with countries that are incorporating sustainability into their financial architecture, and international collaboration with bodies such as the G20 and G7, as well as the 17 cities who have joined the sustainable financial centres network.

But much hard graft remains. As our Roadmap for a Sustainable Financial System, released at COP23 in November 2017, points out, climate action alone requires major investment. A review of Nationally Determined Contributions under the Paris Agreement, and other policies in 21 developing countries that represent 48 per cent of global greenhouse gas emissions, finds an initial investment opportunity of US\$22.6 trillion from 2016 to 2030 in key sectors. We will need many times this figure to address the whole spectrum of sustainable development.

The Inquiry has undoubtedly been instrumental in bringing the world to the point where the global financial system is turning in the right direction. Now, to take sustainable finance to the next level, we all must work together to ensure that the weight of private capital goes to the right places – from climate action to air pollution to conserving valuable natural resources for future prosperity.



# 1 COUNTRY ENGAGEMENT

## 1.1 ARGENTINA



Engagement started with Argentina as the country committed to boosting sustainable financing as part of its upcoming G20 Presidency. The aim is to launch the development of a strategic stocktaking on sustainable finance, with the assistance of both the UN Environment Inquiry and Finance Initiative, who held a series of meetings, including with officials from the Ministry of Treasury and the Ministry of Finance.



The Inter-American Development Bank and UN Environment also organized a high-level international Symposium on green finance on 20-21 July 2017 in Buenos Aires. The Symposium brought together, among others, the co-Chairs of the G20 Green Finance Study Group and Argentinian financial market, policy and regulatory actors advancing green and sustainable finance practices. In the context of Argentina, broad agreement was reached

on the excellent but fragmented efforts of different market actors in the financial system and the need to develop capacities for inter-institutional dialogue to take place along with the articulation of efforts through a working group to move forward with a sustainable finance agenda.

## 1.2 CHINA



On 5 September 2017, the China Green Finance Committee, UN Environment and five other agencies co-hosted the *International Green Finance Symposium* in Beijing. The conference shone a light on the work of the G20 Green Finance Study Group (GFSG) of which UN Environment acts as the secretariat. China's Foreign Investment Environment Risk Management Initiative, backed by the China Green Finance committee and seven other organizations, was

launched during the event. On the sidelines, UN Environment, the Mongolian Bankers Association and the IFC supported a China-Mongolia sustainable finance study tour.



China has firmly established itself as a global leader on green finance. The launch of *Establishing China's Green Financial System: Progress Report*, co-authored by the International Institute of Green Finance (IIGF) of the Central University of Finance and Economics (CUFE) and the UN Environment Inquiry marked its first in-depth assessment of green finance progress. The report finds that China – which put green finance on the G20 agenda during its 2016 presidency – is following through on its political commitment to boost the financing required to do this. The report looks particularly at progress since the State Council in August 2016 approved a set of recommendations for action on greening China's financial system, and identifies many specific advances, including:

- China has become a new growth driver in the global green bonds market, with 36 green bonds worth RMB77.67 billion (US\$11.7 billion) issued in the first half of 2017.
- Many provinces and cities have established regional green development funds. China also established five distinct green finance pilot zones.
- By the end of June 2017, 7,826 green and low-carbon projects, with a total investment of RMB6.4 trillion (US\$960 billion), were included in the national public-private partnerships projects catalogue, accounting for 57.7 per cent of the projects and 39.3 per cent of the investments in that catalogue.

### 1.3 ITALY



The *Italian National Dialogue on Sustainable Finance*, launched in February 2016 by the Ministry of Environment and Protection of Land and Sea, in partnership with UN Environment, published *its report* in February 2017. The launch event at the headquarters of the Central Bank in Rome was attended by the Minister of Finance, the Minister of Environment and the Central Bank Governor, all of whom backed a shift to green finance as a way

of helping Italy overcome its economic challenges. The report identifies options to improve the integration of sustainability in Italy's financial sector.

### 1.4 MONGOLIA

The Inquiry is supporting Mongolia to develop a sustainable finance roadmap to help address growing sustainability issues including serious air pollution in Ulaanbaatar. UN Environment has been working with a range of local stakeholders, including the Mongolia Bankers Association (MBA) representing all domestic commercial banks, the Central Bank, the Ministry of Finance, the Stock Exchange and financial regulator in a series of consultations that will lead to the launch of the roadmap in March 2018. As mentioned above, UN Environment, the MBA and the IFC supported a China-Mongolia sustainable finance study tour that surfaced a few new critical domestic champions from the Mongolian public sector. Momentum in Mongolia has inspired a South-South knowledge exchange programme with Kyrgyzstan, which is keen to leverage Mongolia's experience given the similarities and ties between the countries. In November 2017, the Kyrgyz Ministry of the Economy announced that it would also be developing a sustainable finance roadmap to align the financial system with sustainable development outcomes.



## 1.5 MOROCCO

The Inquiry has been invited to work with Morocco to move the Sustainable Finance Roadmap (launched at COP 22 in Marrakesh by the Moroccan government) to implementation in various sectors, including insurance. UN Environment will support the effort to draw up a Sustainable Insurance Strategy through the provision of international best practice examples and expertise in close cooperation with the Principles for Sustainable Insurance.

In partnership with UN Environment, Morocco's insurance regulator ACAPS held the first-ever Morocco Sustainable Insurance Day in Rabat on 6 December. This event brought together the CEOs of leading Moroccan insurance companies, the national insurance association and Moroccan government ministries to accelerate sustainable insurance in Morocco, and implement Morocco's national sustainable finance roadmap into the insurance sector. Major steps achieved included the signing of a Framework Partnership Agreement between the Ministry of Energy, Mines and Sustainable Development, ACAPS and FMSAR relating to the promotion investments in the field of environment and sustainable development; and the signature of the Principles for Sustainable Insurance between ACAPS, FMSAR and UN Environment.

## 1.6 NIGERIA

The Inquiry and the Climate Bonds Initiative assisted the government of Nigeria during the year as it worked on launching of its sovereign green bond, which was issued in December. This bond will raise NGN10 billion (US\$30 million) and will be the first tranche in a NGN150 billion programme. Proceeds from the bond will finance projects in Nigeria's 2017 budget including renewable-energy micro-utilities and forestation programs. The momentum generated by Africa's first sovereign green bond will be leveraged to develop a national sustainable finance roadmap that will examine how the financial system beyond bonds can be aligned with sustainable development outcomes. UN Environment has been invited to join the Nigerian Sustainable Finance Subcommittee, of which the roadmap will be one of the first outputs.

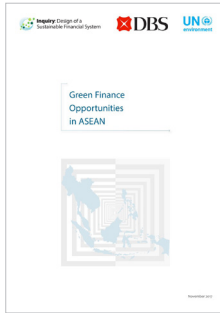
## 1.7 SINGAPORE

The Inquiry partnered with the Monetary Authority of Singapore and the Singapore Institute for International Affairs (SIIA) to advance a "national dialogue on sustainable finance for Singapore", which was launched early March. At the same time, Singapore's central bank was to introduce a green bond grant scheme as it looks to increase the development of funds and financial products designed to advance sustainability.



The SIIA, in partnership with the UN Environment Inquiry, launched a report titled the *Collaborative Initiative for Green Finance in Singapore: Singapore as a Green Finance Hub for ASEAN and Asia* at the G20 Green Finance Conference Singapore. The report is a major outcome of a five-month long engagement of the financial sector to establish the baseline for the country's current level of understanding of green finance, outlining the opportunities and possibilities, and consolidating recommendations to develop a shared vision on how to move green finance forward.





The Inquiry and financial services group DBS also released *Green Finance Opportunities in ASEAN*, which finds that US\$3 trillion in green investment is needed between 2016 and 2030. This represents a new ASEAN green investment market 37 times the size of the global 2016 green bond market. The report lays out ways in which the ASEAN region can unlock this investment, provides an analysis of green investment opportunities in the region from 2016 to 2030, assesses the characteristics of those opportunities, and estimates current green finance flows. Based on a literature review and expert interviews, it also lays out some of the barriers to scaling up ASEAN green finance and how to address them.





[ in FOCUS ]

## ROADMAP FOR A SUSTAINABLE FINANCIAL SYSTEM



The Spring Meetings of the IMF and the World Bank saw the launch by World Bank President Jim Kim and UN Environment Executive Director Erik Solheim of a new UN Environment/World Bank initiative on a Roadmap for a Sustainable Financial System, which focuses on ways to realize the potential for financing for sustainable development through developments across the financial system itself.



UN Environment and the World Bank Group launched the full *Roadmap for a Sustainable Financial System* during COP23 in Bonn. The Roadmap sets out how to create a financial system that integrates sustainability considerations into its operations, leading to resources flowing toward more inclusive and sustainable activities. It proposes an integrated approach that can be used by all financial sector stakeholders, bringing policy cohesiveness across ministries, central banks, financial regulators, and private financial sector participants. It also lays out a timetable of these steps, including in the areas of products, information and technology; business models, capabilities and incentives; national public policy actions and roadmaps; global coordination principles; and results measurement.

## 2017 IN FIGURES

Publications launched: **22**

Events held: **30**

E-alerts sent: **38**

Inquiry community: **3,300**

## 2 INTERNATIONAL COLLABORATION

### 2.1 G20 AND GREEN FINANCE STUDY GROUP

The Green Finance Study Group (GFSG), created in 2016 by China's G20 Presidency, continued its activities in 2017 under Germany's Presidency with a focus on environmental risk assessment and the use of publicly available environmental data. The GFSG held two meetings in 2017, in Frankfurt (January) and Basel (March).



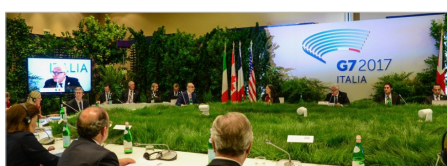
The G20 Leaders gathered at the Hamburg Summit issued a Declaration containing material on climate, environment, the 2030 Agenda, and with links to finance. Against this backdrop, the GFSG published its synthesis report and two background papers on environmental risk assessment and publicly available environmental data. It also launched a report highlighting the progress made on green finance across the G20 members over the last 12 months, signalling a very positive picture of progress made at both national and international levels, as well as in the financial markets.

More information: <http://unepinquiry.org/g20greenfinancerepositoryeng/>

### 2.2 G7

Green finance was one of the themes of the G7 Italian Presidency, and the Inquiry assisted with the logistics of the environment track.

Italy's Environment Ministry hosted a G7 meeting on financial centres in Venice in February and one on mobilizing sustainable finance for SMEs in Milan in April. At these meetings, input was gathered from financial centres representatives, public banks, investors, banks, fintech entrepreneurs and policymakers. The discussions fed into the reports *Financial Centres for Sustainability* and *Mobilizing Sustainable Finance for Small and Medium Sized Enterprises* (see below).



The Environment ministers of the G7 met in Bologna on 10-12 June for their annual summit. In the communique released at the end of the meeting, they called increased sustainable financing “fundamental” to the achievement of sustainability and climate goals.



To support the discussions of the G7 Environment ministers in Bologna, the Inquiry released two reports developed in partnership with the Italian G7 presidency. *Financial Centres for Sustainability* finds that G7 and other countries could encourage their financial centres to develop strategies that scale up green and sustainable finance – including through international cooperation that would create “a race to the top”. *Mobilizing Sustainable Finance for Small and Medium Sized Enterprises* looks at how to

improve access by SMEs to green and sustainable finance, and takes stock of existing activities in G7 countries, identifies a range of emerging lessons and suggests possible next steps for action by G7 countries.

## 2.3 EUROPEAN UNION

The Inquiry is an active observer in the High-Level Expert Group (HLEG) on Sustainable Finance, which will provide recommendations for a comprehensive EU strategy on sustainable finance. The HLEG released its *interim report* in July and held public hearings in Brussels and London. The HLEG will release its final report by end January 2018.

## 2.4 FINANCIAL CENTRES



On 28 September, the Casablanca Finance City Authority and the Inquiry, working in association with Italy’s Ministry of the Environment and Morocco’s presidency of the COP22 climate conference, hosted the *first-ever international meeting on financial centres for sustainability*. The meeting flowed directly from Italy’s 2017 G7, where Environment Ministers had backed the establishment of a

network of financial centres to accelerate green and sustainable finance. At the meeting, 12 financial centres signed the *Casablanca statement* on financial centres and sustainability: Astana, Casablanca, Dublin, Hong Kong, Milan, London, Luxembourg, Milan, Paris, Qatar, Shanghai and Stockholm. All have committed to harness their financial expertise to drive action on climate change and sustainable development. The meeting focused on designing the priorities for the new network, whose inaugural meeting will take place in Milan on 12-13 April 2018.

In December 2017, five new cities – Frankfurt, Geneva, Shenzhen, Toronto and Zurich – joined the Network.

## 2.5 SUSTAINABLE INSURANCE FORUM

The Sustainable Insurance Forum (SIF) held a meeting on 1 July 2017 alongside the International Association of Insurance Supervisors (IAIS) Global Seminar, bringing together representatives from participating jurisdictions and other interested supervisors to share updates on progress across the SIF work programme, including a special focus on assessment of climate risks to investments. Following that meeting, it released a *joint statement* on behalf of supervisors and regulators in 16 jurisdictions



**SUSTAINABLE  
INSURANCE  
FORUM**

welcoming the recommendations and guidance of the Task Force on Climate-related Financial Disclosures (TCFD). Four key areas where supervisors play a role in supporting uptake, and thereby strengthen insurance markets are: raising awareness of the TCFD recommendations among regulated firms; working with market actors to build capacity and share tools, including for the development of scenarios and metrics; incorporating relevant insights from climate disclosures into routine supervisory activities; and supporting the TCFD recommendations, or appropriate aspects of them, as a best practice to be considered by insurers in their financial disclosures.

The SIF also published its first paper, *Sustainable Insurance: The Emerging Agenda for Supervisors and Regulators*. Key sustainability factors are now recognized as potentially significant for the success, safety and soundness of the insurance sector, which is responding to sustainability challenges with strategic action across underwriting and investment. A growing number of insurance supervisors and regulators are beginning to incorporate sustainability into the way they oversee the sector, taking action based on their core prudential mandates and extending these to new environmental threats.

At the SIF October meeting in Kuala Lumpur, over 10 insurance regulators reviewed the first draft of a document, to be released in 2018, that sets out why climate change is a material issue for supervisors and that will lay the groundwork for the development of practical tools and training materials for supervisors to encourage improvements in the ways insurance firms consider and disclose information about climate risks.

More information: <http://unepinquiry.org/sif>

## 2.6 V20

The Vulnerable 20 (V20) Presidency placed the issue of the nexus between green finance and broader development outcomes on the agenda of the Ministerial Dialogue IV taking place during the IMF/World Bank Spring Meetings. The *Ministerial Communiqué* from this meeting reaffirmed the V20's interest in working with the UN Environment Inquiry to further study the development policy implications of green finance.

Furthering this work, the Inquiry and the German Development Institute (DIE) co-hosted a technical workshop in Berlin in September, where a small group of technical experts across policy, academic and finance fields refined the research scope to study the policy implications of green finance. As a result of this discussion, the research to be carried out in 2018 will examine the relationship between climate change and sovereign credit ratings, and will focus on understanding market and development implications, including the potential rise in the cost of debt for V20 countries.

# 3 CROSS-CUTTING THEMES

## 3.1 GREENINVEST



Germany's G20 Presidency is advancing the GreenInvest dialogue platform to engage developing countries in the mainstreaming and mobilisation of green finance. A first consultation took place in Singapore on 9 and 10 January 2017, with participants from some 25 developing countries. The event sought to strengthen the connection between green finance momentum and the insights, innovations and needs of developing countries. Seventeen developing countries, representatives from the G20, and delegates from the private sector and international organizations and associations participated in the consultation. Together, they identified a number of issues of broad interest to developing countries and mapped out pathways for addressing these issues.

During the Singapore consultation, the participants stressed that the TCFD had received limited input from developing countries, even though the standards emerging from the process will be applied globally. In response, UN Environment and CDP (formerly known as the Carbon Disclosure Project) prepared a submission to the TCFD that provides a 'sense of the meeting' reflecting the discussions, interests and issues raised in Singapore, while not formally representing those present.



The second meeting of the GreenInvest platform took place in Berlin on 30-31 May. On the first day, discussions focused on trends and opportunities that new and emerging fintech applications and business models create for developing and emerging economies as well as green finance policy implications. The second day highlighted opportunities to unlock the potential of Foreign Direct Investment as a source for sustainable and low-carbon development including approaches for coordinated action at the national, international and market level.

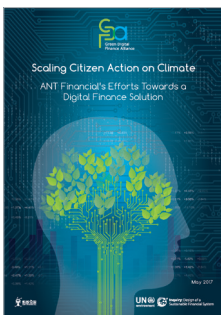
The GreenInvest platform published *Green Foreign Direct Investment in Developing Countries* in October 2017. The paper focuses on the actual and potential role of foreign direct investment (FDI) in achieving the transition to a low-carbon, just and sustainable world and, more specifically, FDI flows into developing countries.

More information: <http://www.green-invest.org>

## 3.2 GREEN DIGITAL FINANCE ALLIANCE



UN Environment and Ant Financial Services launched the Green Digital Finance Alliance (GDFA) at the World Economic Forum in Davos. The GDFA aims to address the potential for digital finance-powered business innovations to reshape the financial system in ways that better align it with the needs of environmental sustainability. Since its launch, attended by UN Environment Executive Director Erik Solheim, Swiss President Doris Leuthard and Ant Financial Services CEO Eric Jing, the GDFA has been set up as a Swiss foundation to pursue its activities. It also formed an Advisory Council to help shape its work through both collective and individual action. Co-chaired by the heads of each founding organization, its members comprise champions from across the worlds of finance, fintech and sustainable development.



The GDFA launched its first paper, *Scaling Citizen Action on Climate – Ant Financial's Efforts Towards a Digital Finance Solution*, on the occasion of the GreenInvest Berlin meeting. The paper shows that over 40% of Ant Financial's 450 million users have signed up to the Ant Forest app in just 9 months. To the GDFA's knowledge, this is the largest take-up of a new digital platform over such a short time period. The behaviour changes through app have avoided 1.22 million tonnes of CO<sub>2</sub> emissions and resulted in 10 million trees planted as part of the scheme as of end 2017. Ant Forest in effect gamifies carbon footprint tracking, cutting greenhouse gas emissions and demonstrating the massive potential of digital finance for supporting sustainable development.

More information: [www.greendigitalfinance.org](http://www.greendigitalfinance.org)



## 4 SELECTED EVENTS



The Inquiry participated in the SDG Finance Lab, held in New York on 18 April, which underlined the importance of sustainable finance for the implementation of the 2030 Agenda for Sustainable Development. High-level participants included the Deputy Secretary-General of the UN, the President of the UN General Assembly, the CEO of SE4ALL and executives from various financial firms. More information: <http://unepinquiry.org/event/high-level-sdg-financing-lab>

Bloomberg Philanthropies, the European Banking Federation (EBF), the Institute of International Finance (IIF), the Paulson Institute, the Securities Industry and Financial Markets Association (SIFMA) and UN Environment co-hosted a [roundtable for market and policy leaders](#) in Washington, D.C. on 20 April 2017. The goal of the event, the third in the series, was to explore pathways to scale and speed up green finance and to harness its benefits for long-term sustainable growth and competitiveness.



The Partnership for Action on Green Economy (PAGE) organized a [side-event](#) during the High Level Political Forum in New York, entitled “Recalibrating Market Forces: How Greener and More Inclusive Economies and Finance are Delivering on the Sustainable Development Goals.” The Inquiry, represented by its co-director Simon Zadek, participated at this event that also featured the Heads of ILO and UNDP.



On 18 September, high-level representatives of the UN system, governments and the private sector discussed concrete ways in which they will support the financing of the Sustainable Development Goals. This [groundbreaking event](#) was convened by the UN Secretary-General, Antonio Guterres (pictured here with Deputy Secretary-General Amina J. Mohammed and Vice-president of Argentina Gabriela Michetti), who presented his strategy on financing the 2030 Agenda and announced a planned Finance Summit in New York in September 2018.



Bloomberg Philanthropies, the European Banking Federation (EBF), the Institute of International Finance (IIF), the Paulson Institute, the Securities Industry and Financial Markets Association (SIFMA) and UN Environment co-hosted a *roundtable for market and policy leaders* in Washington, D.C. on 12 October 2017. This event, the fourth in the series, examined the lessons of

developing and implementing green finance initiatives over the last few years while also highlighting successful examples and opportunities, particularly from China and of green digital finance.





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