

Eli M Remolona: Mitigating climate change through collaboration

Speech by Mr Eli M Remolona, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at 2nd Philippine Climate Forum "Gearing Towards Low-Carbon and Climate-Resilient 2030", Manila, 5 June 2024.

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I am grateful to join this 2nd Philippine Climate Forum. The theme, "Gearing Towards Low-Carbon and Climate-Resilient 2030," echoes the urgency of necessary actions as we move closer to the end of the decade.

While the country's greenhouse gas emissions seem negligible as compared with those of the advanced economies, we disproportionately bear the brunt of the impact of climate change.

The investments needed to reach our country's climate goals is estimated at US\$17 billion a year up to 2030. The national budget appropriation for this only stood at around US\$8 billion for 2024.

This means that a significant amount of private sector financing is needed to augment the national government's budget.

It is in this light that the financial sector regulators issued guidelines aimed at promoting effective management of risks and accelerating the growth of the sustainable finance market in the country.

One such issuance is the Sustainable Finance Taxonomy Guidelines. The taxonomy is a tool to classify activities on the extent to which they meet the identified objectives.

This initially covers climate change mitigation and adaptation, and in the future, circular economy, and biodiversity.

We are in the very early days of a taxonomy framework. The BSP (Bangko Sentral ng Pilipinas) will observe how the banks are applying the taxonomy in their credit and investment portfolios. This can then inform supplementary regulatory guidance and reporting.

Over time, as we establish trends on the banking sector's taxonomy-disaggregated exposures, we expect to have more meaningful industry discussion on setting targets.

We want to see the percentage of the banks' green-labeled exposures increasing, with adaptation activities getting equal if not higher share than mitigation.

We also need to see green-labeled exposures stand to benefit small businesses and vulnerable communities where adaptation finance is most needed.

This is in line with the BSP's inclusive sustainability agenda.

An inclusive approach entails two things. One, we avoid unintended exclusionary effects of imposed sustainability standards, and two, that we are deliberate in supporting green finance mobilization not only for the economy's just transition to low carbon but also for climate adaptation on which our country's climate strategy is anchored.

We also envision the taxonomy to become a tool for green finance market development. We will be studying possible taxonomy-based market incentives, whether via conventional regulatory levers or something akin to a market pricing mechanism.

We want to see the market recognizing the price premium on green investments, which can then enable trading. This idea is quite analogous to what we see in carbon and transition credits.

These are potential innovative use cases of the taxonomy to develop and deepen the country's green finance market.

We are keen to explore these possibilities and I would be happy to hear your thoughts on this.

Meanwhile, we recognize that the taxonomy should be complemented by other equally important measures to ensure that financial institutions effectively manage climate-change related risks.

We have published initial studies quantifying the impact of climate change and other environmental risks to the financial sector.

The BSP will continue to improve our data and methodologies to measure the impact of climate change.

We will also continue our work on enhancing sustainability-related disclosures and reporting.

The BSP can only do so much. All actors-the financial sector regulators, finance providers, businesses, and relevant government agencies-must work together.

We hope the Climate Forum can catalyze such collaboration.

Maraming salamat at mabuhay tayong lahat!