

Sabine Mauderer: Opening remarks at NGFS Finance Day Event at COP29

Opening remarks by Dr Sabine Mauderer, Vice-President of the Deutsche Bundesbank, at the global network of central banks and supervisors for Greening the Financial System (NGFS) Finance Day Event at COP29, Baku, 14 November 2024.

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Good afternoon, ladies and gentlemen,

On behalf of the global network of Central Banks and Supervisors for Greening the Financial System (NGFS), I am delighted to welcome you to this exciting event. First of all, I would like to thank our colleagues from the German Federal Government for providing us with this space. I am very grateful for this opportunity to discuss recent developments, challenges and opportunities in green finance.

In the run-up to COP29, I heard one question many times: "Will Baku be the Finance COP?" I find this question quite odd. Because in my view, every COP is Finance COP. When we talk about the green transition, we must talk about how to finance it.

Fossil fuels have driven industrial development and powered many of our economies for two centuries. Weaning our economies off of coal, gas and oil requires a fundamental transformation. The technical solutions to decarbonise economic activity are on the table but we are not yet channelling enough capital into these solutions. To replace fossil-fuel driven plants, machinery and engines, large-scale investment is needed across the world.

So, how much money are we talking about? The Climate Policy Initiative (CPI) estimates that annual climate finance investment of between \$5 trillion and \$11trillion would be needed – starting now – to keep global warming below 1.5 degrees.¹ We will not find these amounts in public coffers alone, no matter how deep we dig. The financial system as a whole will need to be involved.

According to the London Stock Exchange, financial markets currently provide \$250 trillion in credit and equity.² In other words: the financial system has the means to mobilise the necessary capital. The trillion dollar question is: how can this capital be unlocked to finance the green transition? How can we create incentives for financial markets to shift the trillions?

Article 2.1.c of the Paris Agreement reflects this when it calls for "making finance flows consistent with a pathway towards low greenhouse gas emissions". The Paris Agreement and Article 2.1.c in particular was a key reason for the establishment of the NGFS in 2017. Back then, we set out to understand how climate change and climate policy will affect the financial system and, on the other side of the coin, how the financial

system affects climate change and climate policy. We also aimed to understand how central banks can contribute: as guardians of price and financial stability, and as catalysts for developments in the financial system.

A few years later, the NGFS has grown into a global network with 141 members. So, this is a good time to revisit these questions. And I am very happy that we managed to bring together so many different stakeholders to do that today: central bankers alongside representatives from the financial sector, the real economy, civil society, and international organisations.

Let me briefly run you through our agenda and what we have planned for the next three hours. We will have an exciting discussion about the enabling role of regulation and supervision on the way to a greener financial system. I am looking forward to the insights that this will provide. This is a crucial topic in particular for those of us with responsibilities for supervising financial institutions.

We will also explore what insights the NGFS can offer to the financial sector more broadly. The NGFS scenarios are now widely used by both the public and private sectors to understand the economic and financial impacts of climate change.

A few days ago, we published a new update of these scenarios, based on the most recent science and new data. The scenarios underline the economic benefits of a timely and coordinated transition, as opposed leaving climate change unmitigated.

Under current policies, we risk losing up to almost 15% of global GDP to the physical impacts of climate change.³

In addition to this, we will take a closer look at climate data, with a presentation of the upcoming NGFS Data Directory 2.0.

The directory is going to provide a crowdsourced catalogue of well over 700 climate-related datasets. This project underscores our commitment to improving access to climate data.

We will conclude this afternoon with a high-level panel that will delve into the big questions I touched upon earlier. Where do we stand on the way to a greener financial system? Are the trillions shifting?

But first, I am very happy to welcome Mr Bo Li. Bo is Deputy Managing Director of the IMF. He is responsible for the IMF's work on about 90 countries and a wide range of policy issues.

It is a real honour to have him here. With his immense expertise he is perfectly positioned to set the scene for our discussions by connecting the challenges of climate change, development and transformation needs with the financial sector. Dear Bo, thank you for joining us. The stage is yours.

¹ Climate Policy Initiative (2024): [Top-down climate finance needs](#), 31 May 2024.

² London Stock Exchange (2024): [The size of global markets 2024 in charts](#).

³ Network for Greening the Financial System (2024): [NGFS climate scenarios for central banks and supervisors](#), 5 November 2024.