

Key themes from COP28

The direction of travel

The hard-won agreement to transition away from fossil fuels for energy was heralded as the "beginning of the end" for the production and use of oil, coal and gas, and a key step in limiting global warming.

This includes a commitment to a tripling of renewable energy capacity and doubling energy efficiency improvements by 2030.

The global stocktake confirmed that humanity has not moved quickly enough. In stark contrast to this report card, and arguably as important as the final text of the UAE Consensus, was the palpable energy and urgency within and around the conference.

For many kiwi organisations, especially the NGOs in attendance, the cost of sending representatives to the conference in Dubai was considerable.

The significant private sector, iwi and NGO contingent from Aotearoa New Zealand is one sign to the new Government that kiwi businesses are looking for political leadership on climate change.

It also demonstrates that there are many benefits, unrelated to the formal negotiations, in accessing such a vast array of ideas, connections, capital and opportunities in such a concentrated forum. Not least of these benefits are the efficiencies of having so many organisations in one place, and the opportunity to step back and see our country on a world stage, through the lens of how larger economies see us.

To our neighbours in the Pacific, we are a regional representative on many levels. To our customers and capital providers in North America, Europe and Asia, we are a taker of standards, tools, purchasing and investment decisions that are largely determined beyond our borders.

There were significant economic and geo-political headwinds going into the negotiation. That the UAE consensus was reached at all is a strong indicator to officials, businesses and markets that countries will collaborate to reorient global capital flows and drive the energy transition. The key questions have become: How? How fast? And how do we prosper through the change?

Key themes on aligning global financial flows and mobilising private capital for transition

Country and sector specific transition plans:

A global reallocation of capital is underway. It is not easy to see from Aotearoa New Zealand, but our financial institutions are acutely aware that this is happening.

Major economies are undertaking reforms of industrial policy and positioning themselves to compete for the industries of the future. Smaller jurisdictions, such as Singapore, are positioning to access and expand the capital that enables their prosperity through the global energy and climate transition.



The [Stern-Songwe report](#) launched at COP28 highlights that we now need a much more *purposeful approach with strong and committed engagement of all key stakeholders* – countries, the private sector, the multilateral development banks (MDBs), donors and private philanthropy. Country leadership will be crucial and *country platforms* provide a promising way to bring together the main stakeholders.

While private finance is actively supporting the transition, it cannot be a substitute for government policy, and significant policy gaps remain to be addressed. The 2023 Progress Report by the Glasgow Financial Alliance for Net Zero, of which major New Zealand institutions are members, outlines efforts to create a supportive policy environment to accelerate the net-zero transition. These focus on driving progress across:

- (i) the importance of transition planning at the national level and in particular addressing energy sector transition;
- (ii) key financial sector policy needed to unlock transition finance, including drawing on common practitioner-led frameworks;
- (iii) supporting progress in carbon pricing and markets, including in particular voluntary carbon markets (VCMs);
- (iv) catalysing initiatives designed to make progress on real economy transition;
- (v) the work to mobilise private capital for EM&DE transition.

GFANZ highlights to policymakers the important role that transition planning by governments and real economy companies can play in ensuring an orderly transition as well as the best practices for transition finance and planning being developed and implemented by the private financial sector.

The 5 December [Australian Treasurer's Investor Roundtable](#) illustrates a coordinated effort, taking place at a national level, that has gained considerable traction over a short period of time, in part due to effective partnership with the private sector.

Aotearoa New Zealand has some of the architecture in place for a 'country platform' through the ERP2 and NAP process. However, these are not yet bound together by a coherent vision for the future of our economy, strategically intersecting with finance sector transition pathways, drawing on existing industry-led transition frameworks (for example from our energy sector) and developments in transition finance approaches and methodologies.

The 2024 ERP2 process is a significant opportunity for greater alignment and collaboration between public and private sector to create the enabling environment for private finance to enable transition.

Blended and transition finance:

COP28 brought forward a candour from financial institutions about the commercial requirements of institutional investors if capital is to be mobilized at scale. The Chair of Prudential, Shriti Vadera, joined a Ministerial Roundtable on Transition finance, raising the point that private sector investors, often the guardians of funds owned by pensioners, can only finance what is commercial. While these funds may be effectively divested from harmful activities, it is more complex to direct them towards public goods - requiring pragmatism, simplified access, guarantees and securitization to unlock deep pools of tradeable capital from institutional investors.

In what seemingly foreshadows a development in global discussions related to greening capital requirements, Mr Ravi Menon, Managing Director, Monetary Authority of Singapore, Chair of the Network for Greening the Financial System and Mr Frank Elderson, Executive Board Member and Vice-Chair of the Supervisory Board, European Central Bank reinforced the critical role of Central Banks and regulators in reaching net zero, which is not possible without finance.



They referred to the recent work of the Network for Greening the Financial System (NGFS), which published a technical document on [Scaling Up Blended Finance for Climate Mitigation and Adaptation in Emerging Market and Developing Economies \(EMDEs\)](#). The Technical Document identifies recommendations aimed at addressing key barriers to scaling blended finance in EMDEs and showcases demonstrative projects from various EMDEs that have successfully crowded in private capital into climate financing projects. This also complements the NGFS' core work of supporting its members in assessing the macroeconomic and financial stability implications of climate change.

Temasek, Monetary Authority of Singapore (MAS), Allied Climate Partners (ACP) and International Finance Corporation (IFC) signed a MOU to bridge gaps in Asia's sustainable infrastructure financing through the deployment of blended finance.

The "[Trillions for Transition](#)" discussion convened by the Sustainable Markets Initiative provides useful insight into this announcement and developments in blended finance.

Specifically, the Chief Executive of Temasek defines blended finance as the "combination of a pool of capital that will catalyse other capital".

The panel goes on to discuss the broader definition of concessionary capital (cost of capital low enough to get to a cost of capital that is high enough for other actors), the need for intermediaries and catalytic actors that can bring blended finance investors together, and acknowledging that investors are not best placed to coordinate blended finance deals - they should bring the capital and work with catalytic partners that have a system, rather than project-level perspective.

While the focus in COP was on blended finance for emerging markets, with a [statement by MDBs](#) to boost action on climate and development, blended finance is also key lever for the Aotearoa New Zealand transition.

[Recloaking Papatuanuku](#) potentially has the requisite scale to be a starting point.

2024 is an opportunity to highlight and coordinate blended finance opportunities that support the development of infrastructure and other climate solutions, for example in sustainable and affordable housing.

Closing the execution gap:

The discussion has moved from 'if' to 'how' the transition is financed and what constitutes a transition activity.

There was a focus on 'closing the execution gap' between country and sector level pathways and 'on the ground' financing gaps and solutions. In many jurisdictions, from Malaysia to Singapore to the UK, sustainable finance institutes help capital providers bridge this gap and foster the skills and connections among market participants that support the deployment of capital in the real economy. Governments, financial institutions and philanthropies realize the value of catalytic partners who can facilitate and scale the required financial innovations at requisite pace.

Singapore had a strong presence at the conference, with [announcements](#) including the Singapore-Asia transition taxonomy and Financing Asia's transition Partnership (FAST), following the recent launch of the Singapore Sustainable and Green Finance Institute.

Further context can be found in these remarks by Mr Lawrence Wong, Singapore's Deputy Prime Minister and Minister for Finance, and Deputy Chairman of MAS, at the [Official Launch of the Sustainable and Green Finance Institute \(SGFIN\) on 20 April 2023](#):



“Asia is the key battleground in this war against climate change because Asia emits about half of global greenhouse gas emissions. Singapore itself is very small, because we are just tiny, we need to know our place in the world.”

We look forward to future opportunities to catalyse and profile the sustainable finance projects and solutions of Aotearoa New Zealand financial institutions, including NZ Super Fund and other Crown Financial Institutions.

Climate information architecture:

Climate information architecture (disclosures, definitions and data) is another ongoing theme. This is not new. However, in the case of taxonomies it has developed to include considerations of transition, resilience and adaptation. Australia released its [transition methodology](#), accompanied by the Monetary Authority of Singapore’s release of the [Singapore-Asia transition](#) taxonomy.

A [key announcement](#) was made by President Emmanuel Macron and Michael R. Bloomberg, of the Proof of Concept for a potentially ground-breaking Net-Zero Data Public Utility. [The IFRS Foundation launched the IFRS Sustainability knowledge hub](#) to support use of the ISSB Standards from next year. The hub is a key component of the IFRS Foundation’s capacity building programme.

Focus is now turning to the inclusion of small and medium enterprises in global sustainability frameworks, and the burden on small businesses as financial institutions strive to meet data and reporting requirements. ESG and transition finance guidance for MSME’s has been produced by the [Malaysian Capital Markets Association](#), [IFC](#) and the world bank convened [The Sustainability Reporting and IFRS for SMEs](#) workshop which brought together 26 participants to learn and discuss about sustainability reporting in the European Union.

The road ahead

The priorities for CSF in the year ahead reflect many of the key themes emerging from COP28. With the support of leading financial institutions, financial services providers and philanthropies, we are working to progress a financial system that is more resilient, inclusive, robust and agile.

Our work in 2024 aims to support continued access to international green capital flows, enable financial institutions to better support small and medium enterprises with transition finance and unlock pools of institutional capital that drive long term value in the real economy.

Our approach remains grounded in the Sustainable Finance Forum’s 2030 Roadmap for Action, which outlines key recommendations for changing mindsets, transforming finance and financing transformation.

Together with the New Zealand government we will build a robust sustainable finance market supported by the vision, plans and tools that enable an equitable, nature positive transition and enduring prosperity in the critical decades ahead.

Read more about our priorities [here](#).

Read more about COP28 from the Sustainable Business Council [here](#).