Preconditions, considerations and process for the establishment of Green Taxonomy

Outlines

- Climate Finance for Sustainability
- Key Features of the Taxonomy
- Considerations: Sustainable Finance
- Establishment Process
- Climate Change Adaptation and Mitigation
- Challenges and Opportunities

Khondkar Moshed Millat
General Manager
Sustainable Finance Department
Bangladesh Bank
(Central Bank of Bangladesh)
email: morshed.millat@bb.org.bd
gm.sfd@gmail.com
Website:www.bb.org.bd

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Climate Finance for Sustainability

First ever and closest one definition by UNFCCC Standing Committee on Finance

"finance that aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts."

Key Features of the Taxonomy

- Focuses not only on purely green sectors, but also encourages the greening of polluting sectors

- Built on as much as possible on existing initiatives and market practices

- Focus on activities that contribute substantially to environmental objectives

- Flexible enough to cater to technological and market developments

- Promote the transition towards greener operating methods not only for activities already recognized as green but also it makes sense to include sectors that need to improve their practices

Considerations: Sustainable Finance

- Sustainable finance is the provision of finance to investments taking into account environmental, social and governance considerations

- Sustainable finance includes:

- A strong green finance component that aims to support economic growth
- Reducing pressures on the environment
- Addressing green-house gas emissions and tackling pollution
- Minimizing waste and improving efficiency in the use of natural resources

Establishment Process

Green Taxonomy
for
Climate Change Adaptation
and
Mitigation

Climate Change Adaptation

- Protecting human health, ecosystems, and economic systems, and for maximizing social well-being

- Enhance the resilience of vulnerable systems, reducing damages to human and natural systems from climate change and variability

- Nine fundamental principles considered for investments made in adaptation are

  - Effective
  - Economical
  - Environmentally friendly
  - Socially acceptable

Climate Change Adaptation

- The effects of climate change vary by region
- The effects of climate change may vary across demographic groups
- Climate change poses risks and opportunities
- Climate change effects must be considered in the context of multiple stressors and factors which may be as important to the design of adaptive responses as the sensitivity to change

Climate Change Adaptation

- Adaptation comes at a cost
- Adaptive responses vary in effectiveness, as demonstrated by current efforts to cope with climate variability
- The systemic nature of climate impacts complicates the development of adaptation policy
- Mal adaptation can result in negative effects that are as serious as the climate-induced effects being avoided.

Climate Change Mitigation

- An economic activity shall be considered to contribute substantially to climate change mitigation

- Generating, storing or using renewable energy or climate-neutral energy (including carbon-neutral energy), including through using innovative technology with a potential for significant future savings or through necessary reinforcement of the grid
- Improving energy efficiency
- Increasing clean or climate-neutral mobility
- Switching to use of renewable materials

Climate Change Mitigation

- Increasing carbon capture and storage use
- Phasing out anthropogenic emissions of greenhouse gases, including from fossil fuels
- Establishing energy infrastructure required for enabling decarburization of energy systems
- Producing clean and efficient fuels from renewable or carbon- neutral sources

Challenges to Implement the Taxonomy

- No common definition of 'sustainable/green finance/Investment'
- Policy and Legal Challenges
- Making finance flows consistent with the long-term decarbonization objectives and climate-resilient development
- Very few companies break out information on green revenues in line with any recognized framework
- Potential challenges that may arise in relation to associating capital expenditures or revenues
- Setting the adequate level of thresholds

Challenges to Implement the Taxonomy

- Availability of Quality Data
- Information Gap → Lack of Awareness
- Research for green innovation →Demand Generation for Innovative Green Product and Reduce Demand Supply gap
- Capacity Building for all concerns
- Collaboration and Coordination among concerned stakeholders

Opportunities

- Enable capital markets to identify and respond to investment opportunities that contribute to environmental policy objectives
- Generate more opportunities related to a low-carbon economy and generate more sustainable activities that may fulfill demand
- Emissions reductions across the Agricultural and Manufacturing sector
- Opportunities for substantial mitigation and contributions to a net zero carbon economy
- Research for green innovation →Demand Generation for Innovative Green Products and Reduce Demand Supply gap
- Capacity Building for all concerns

End Remarks

- A standard guideline needed to specify green finance at least at country/national level perspective
- Policy/Regulations Need to be Prudent, Rational and Implementable
- Consistent Adequate Fund Flow towards low carbon products and green initiatives need to be ensured
- ESGRM Guidelines for Green investments and Stricter Monitoring Tool for both off-site and onsite supervision
- Sector Specific quality data hunting and preservation in a database in MIS mode is required.
- Banks and FIs need to be in good practice and be comfortable in Sustainability Reporting and Disclosure Requirement Compliances.
- Lastly, all concerns need to be passionate under a good leadership to contribute to Green Growth, Green Economy

- ------Thank You-------