



**Building Back Better: The City's Role in a Green-Led Economic Recovery**  
**The Rt. Hon. The Lord Mayor William Russell**

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Introduction

Good evening everyone, it's a pleasure to be here with you all. I am going to start my lecture with a brief story, which may begin to sound a little familiar to you all:

In the second century, both the world superpowers – the Han Dynasty in China and the Roman Empire in Europe – were using new trade routes to sell their goods, trade routes like the Silk Road, which linked Peking and Constantinople. And while they were shipping food and textiles, there was another cargo that no one could see: diseases which the separate hemispheres had acclimatised to, were now being shared with those who had no resistance to them. As the scholars of both civilisations wrote at length about their new respective diseases, the world's peat bogs, tree rings and ice shelves were documenting another shift, namely, global temperatures dropping. The fields of wheat and rice, now mostly empty of farmers who were too ill to work, were now experiencing lower rainfall and harsher winds. Both the East and West had adapted to shifts in the climate. But to do that **and** deal with new diseases was something neither society had faced.

How did they react? They were unable to realise the massive risk that these two issues would have on their worlds. So, they were unable to help their civilisations, which meant that these two crises created the stage for the fall of the Roman Empire and a series of civil wars in China which lasted 60 years. Without the right action, global society was severely scarred for over a century.

Present Day

Now, let's fast forward about one thousand and eight hundred years. It's 2021, the world is in the grips of a deadly condition. And with record high temperatures being set every year, we are experiencing another change in the climate, with all the science pointing to this being a man-made shift.

There are, of course, certain similarities with our ancient forebears. Yet things could not be more different. And that largely boils down to one thing: **RISK**. Today, we know the risk of these two global issues, and we know the risk in responding to them in the wrong way. Because calculating these huge risks is an everyday occurrence, it is a part of every industry around the world. Indeed, it was our fantastic insurance sector which started in the City of London after the great fire ravaged many homes and businesses that brought risk into the heart of financial decision making.

Now, whenever you apply for a loan, get a bank account or take out an insurance policy, your risk is calculated. The risks of both these crises have also been realised: with Covid-19, much work has been rigorously – and rightly – focused on maintaining a sense of normality, which means staying home to protect the NHS and save lives, while supporting sectors that will drive the recovery. And

with climate change, almost all global work is focused on biodiversity and many of the priorities highlighted in COP26, which will now take place this November. Our world leaders will come together to discuss how they would support their societies to achieve significant carbon reductions including investing in new technologies and shifting to new greener industries, so that by 2050, we will have managed to limit the rise of global temperature by 2 degrees centigrade.

### Building Back Better

Between then and now is the best part of three decades, we will have to respond to the economic fallout from the pandemic and increasing global temperatures show us that the status quo cannot continue to be supported.

Covid-19 has affected our lives more than anything else in modern memory, with the recent levels of UK fatalities at almost three times greater than those sustained during the Blitz. It is with that in mind that I tell you that climate change is a much greater and long-term threat to life – to our whole world – than Covid-19. And every person, every business and every country has a role to play in overcoming that threat.

So, we must ask ourselves: what do we do next?

I have witnessed – and perhaps my panel have seen this too – an incredible response from business leaders. As we are momentarily paused on our journey down the ‘green brick road’ to COP26, there is a desire from many industries to use this opportunity to ‘build back better’ and to ‘build back fairer’. Governments and the private sector are looking to find new green and sustainable solutions to many of the economic problems we now face. So that we not only repair and grow from the Covid-19 crisis but we build an infrastructure that can support the changes we want to see by 2050 and protect us against future risks.

What I will focus on today is discussing why the financial and professional services sector is at the heart of these decisions, and what the City of London – and the UK – is doing to ensure any recovery is green and sustainable.

### Green Financial Markets

When we think of industries that will make the biggest sustainable difference, we normally think of the automotive or energy sectors. Very rarely do we think of the financial and professional services, like banking and accounting. But it is this sector that will be the lynchpin for all other sectors – indeed, the whole world – to turn green.

Again, it all comes down to risk. It is a truism to say there is no bigger risk to Earth than climate change. But let that phrase sink in for a moment – what does it mean? It means that, as soon as we take in to account the risk of climate change, then we must rethink how we value goods, services, companies and entire industries. Can we continue to value and fund practices and companies that destroy the planet, pollute waters and endanger our vital ecosystem? Of course, we cannot. Climate change – and biodiversity loss – must be at the heart of every financial decision we make. So, the businesses that put environmental resilience at their core will be highly valued and desirable. Those industries we think of as game-changers in sustainability have that reputation partly because of how the financial market values them. And the financial market – the regulators, banks, stock exchanges – are making green solutions a high priority.

Companies that employ these solutions are more likely to get loans, attract more investment on the stock exchange and be taken up by the consumer. So, what was once a risk is now the business opportunity of the century, creating thousands of jobs and profits. And, in short, money talks, and what it's saying is: "go green or go home".

## Green Finance in the UK

Already the UK has made great strides in supporting this green development. Indeed, **we are one of the only countries to have made a law** to reduce our net carbon emissions by 100% by 2050. But that goal can only be achieved if every single sector in our economy turns green. I am very proud that the UK has one of the world's leading financial and professional services sectors. A sector which has strong historical foundations and the creativity to continually innovate and adapt our offer. And green finance has been a core part of our offer for many years. Like the introduction of the world's first Green Bank in 2012. The introduction of a new Green Infrastructure Bank and the Bank of England announcing its 'stress testing' of our financial system, which will test the resilience of our largest banks, insurers and others to different possible climate pathways. This work by the financial sector took centre stage in the UK Government's Green Finance Strategy, which outlined two distinct ways for the UK to build on its leadership in this important field **greening finance and financing green**. Greening finance – the taxonomy and regulation of climate related finance, and financing green, mobilising capital into environmentally-conscious projects and companies.

## Greening Finance

We have already touched upon greening finance, but it is worth stating how the UK is ensuring that all financial decisions are rigorously focused on green outcomes. The UK was one of the first countries to set a deadline for all major companies to disclose comprehensive information on their impact on climate change. By ensuring the recommendations from the Task Force on Climate-related Financial Disclosures – commonly known as TCFD – are adopted as standard practice by 2025. We are working with banks and regulators to understand the potential for – or, indeed, the barriers to – the growth of green finance markets. The London Stock Exchange regularly provides guidance to its listed companies on how they can meet environmental standards, and we are using our position as a long-standing and influential financial market to further the take up of green finance internationally.

## Financing Green

Financing green, then, is how we use this sustainable foundation to support the development – and funding – of clean growth products and services. I am not exaggerating when I say that the growth of this market is multiplying at an unprecedented rate. In 2019, funds that were focused on achieving 'Environmental, Sustainable and Governance' goals pulled in twenty-one billion dollars in new money. Between April and June last year, these funds received seventy-one billion dollars of new money. They are now worth over one trillion dollars. To give that number some perspective, the entire US federal budget for this year stands at just under five trillion dollars. So, to finance green properly, we need to ensure that worthy UK products and services can access these funds. And internationally, ensure investment goes towards projects that support clean growth in other countries.

Recently the Prime Minister issued his ten-point plan to ensure clean growth across the UK: investment in industries like hydrogen and nuclear power, electric vehicles and sustainable homes will help the whole country 'build back better'. And the whole UK financial sector will support this

clean growth, ensuring these projects get the sustainable funding they need. One thing I have learned in my real and now virtual travels around the world, is this: the money is there, now all we need are the projects.

### Green Finance Institute and Green Horizons Summit

I am very proud of the City of London leadership in this field, a leadership we are cementing with our Climate Action Strategy, which outlines how we will achieve net zero carbon emissions from our own operations in five years' time backed with £68 million to support a net-zero Square Mile by 2040.

We have also worked very closely with the UK Government, and through **this** teamwork, we created the Green Finance Institute in 2018, which pulls together government, research and financial expertise. And identifies practical and commercial means to reallocate capital for a new, sustainable economy.

There really is no equivalent in the world to the Green Finance Institute and alongside the World Economic Forum, it set up the Green Horizon Summit, which I co-hosted at the Mansion House last November with Mark Carney.

Ninety countries took part in discussions and roundtables, watched by over 300,000 people and you will know it was a time of action, with major announcements about how the financial sector will help create a climate-resilient economy by 2050. Including the UK government's introduction of a new, green taxonomy, to help firms and investors understand the impact of their decisions on the environment, and how the Treasury would issue the Government's first Sovereign Green Bond this year. It was cheering to see such activity and so many countries aiming towards the aspirations of COP26.

### Conclusion

Ladies and gentlemen, we're all aware of the risks of inaction and it is positive to see finance beginning to focus on a climate resilient future which supports a sustainable economy. But we're not there yet. We have yet to reach a future in which every financial decision takes climate change and other sustainable factors into account: a future where everyone is focusing on building back better. Or a future in which green finance is simply called Finance.

So, what's next?

I believe there are three things we need to focus on. The first: what are the global trends and big ideas that financial sectors must consider when shifting to a climate-resilient future on their journey to COP26. Second: knowing those ideas, how do we ensure that action is taken to mobilise capital to support this and the UK's leadership. And finally, third: what does all this mean for business, how does adhering to these climate responsibilities transform into commercial opportunities?

I am very grateful to have a fantastic panel to discuss each of these points and give their perspective.

Our window to act is finite and closing quickly, that's why I am calling for action, action now and action through COP26 later this year. Because, as everyone knows: if you haven't made a decision to go climate neutral by COP26 – you're not part of the solution, you are part of the problem. I believe we all have it within ourselves to be part of the solution and create a sustainable foundation for our

society. By embracing this opportunity ahead of us, we can do the one thing which will help us for centuries to come: to build back better.

Thank you for listening and, Lloyd, over to you.

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## QUESTIONS

Q: In November, the UK is looking forward to hosting the international climate community for COP 26. There are five campaign aims for COP26 – Adaptation and resilience, Energy resilience, clean transport, nature, and finance. And action on finance underpins all other COP campaigns. How is the City of London ensuring that finance is delivering on these important issues?

A: The City of London has a key role to play in galvanising the finance industry to support the priorities of COP.

We hope to be there, in November, demonstrating where finance has facilitated a move to greener and cleaner activity in the real economy.

To keep momentum going, in the run up to COP26, we will be hosting Green Horizon Perspectives...

Which will be a series of virtual events which will spotlight where financial and professional services are steering us towards a greener future.