

**CLOSING REMARKS OF THE NEW CLIMATE FINANCE LEADERSHIP
EVENT**

**12 de diciembre de 2019 – 11:50 horas
COP25 IFEMA (MADRID)**

Good morning. Thank you very much for your kind words of introduction. I should start by thanking the organizers, the hosts that we have here today for their invitation to participate in this event, but also for their organizing this very interesting discussion. I have not been able to participate in the previous panels but some 'spies' I have in the room have already told me how much value added there is in this kind of exchanges.

Obviously climate financing is at the heart of the debate on how to transit from a carbon economy to a green economy. It is a key topic when it comes to bringing solutions to face the climate emergency. Previous speakers have mentioned realism and transparency as two key words that should guide all of us. The third word that has come to the forefront throughout these two weeks of the conference is the word 'urgency'. As president Sánchez said in the opening of this COP25, "time has proven that despite the 'alternative facts' that some invoke to deny the climate emergency there is no alternative but to act with facts, with actions". And that "battle requires many things such as courage, determination, solidarity, leadership"... and, let me add, financing.

Because tackling climate change requires a holistic, a comprehensive approach. From a public policy perspective it is essentially how to internalize this negative externality. We need to create incentives; carrots and sticks. We also need to regulate. And we need to ensure that the whole of society supports moving in that direction, that we prosper by diminishing the carbon footprint but also by ensuring a fair transition, where nobody is left behind.

It is a challenge; it is also a great opportunity. For the past weeks we have heard many examples of how this can be an opportunity not only to build a healthier, cleaner environment that we can leave to our children; but also to develop new technologies and create high quality jobs. Actually, in our National Energy and Climate Plan, which we submitted to the European Commission some months ago, we estimated that Spain would have a potential 1.8% GDP increase by 2030 and a net employment increase of up to 1.7% through this climate transition. Not to speak, of course, about the improvement in public health which would translate in a 25% reduction in premature deaths associated to pollution.

To achieve these ambitious targets one thing is clear: we will need large investments. Our estimates points towards 236 billion euros in the coming ten years in Spain only in policies related to energy efficiency, renewable energies,

smart networks, connection infrastructures, sustainable tourism, efficient use of land and water... that involves the whole of our productive sectors, the whole of our economy.

Obviously the public sector has a key role to play in this investment effort –when we are talking about infrastructures, smart grids, also social policies to ensure a fair transition--, but mobilizing private investment will be key.

And the first starting point should be agreeing on what is 'green' and what is not, to avoid misleading investors and citizens through "greenwashing". It was interesting to hear that the science is clear, we know what we have to do, and yet there is a quite intense debate about how to treat gas and nuclear. So there seems to be still some work to do in this regard. I would have hoped that we would have had an agreement on European taxonomy already this week; I look forward to having this agreement in the coming weeks. The EU taxonomy can become the global standard, because the intense discussions we are having inside the EU are probably a fair reflection of the kind of the discussions that should take place at the global level. And agreeing on this taxonomy is the starting point for the whole sustainable, green finance project that can be developed in the coming years.

Carbon pricing is core to drive incentives to internalize these externalities. The European Union is the largest market in the world, covering 40% of total emissions. Let see whether there are some agreements in this regard tomorrow.

Green budgeting, reviewing our taxation system, is another 'to do' in our list. We need to avoid carbon leakage, we will not achieve anything if the non-green activities which are conducted in the EU, for example, are moved somewhere else and European companies are put at a disadvantage because of the high environmental standards that we are setting for ourselves. So we need to work on a CO2 border adjustment mechanism, I am glad to see that the European Commission is ready to lead in this regard, I think this is also an urgent work stream where we need to progress in parallel to other projects. State aid rules are also key so that we ensure the protection of a level playing field inside the EU and globally.

Looking into the incentives and regulation of the financial sector is another tool to promote sustainable finance. We need to deal with transition costs, accompanying those sectors, persons, activities and regions that are most directly affected by this ecological transition.

The financial sector can play an important role to channel funds towards green investments. This is also a great opportunity for the sector itself as shown by the number of events and discussions we have had in COP25 having to do with sustainable finance. Because favoring the development of a sustainable finance

based approach is also going to bring new opportunities for business and also for reputation.

The surge of the green bond market is a good example of this opportunity. From the public sector the Official Credit Institute (el Instituto de Crédito Oficial) has recently, last April, made a first issuance of green bonds which has been quite successful: our aim was to fund 500 million euros, but actually the demand was over 3.4 billion euro. And this is, I think, a good indication of the appetite that investors have for these products. And the Treasury of the Kingdom of Spain is working with a view to having an issuance of green bonds also for the first time in 2020, with the aim of financing projects related to renewable energy, clean transport, and pollution prevention and control.

In this context, it should come as no surprise that in our roadmap of structural reforms, the Agenda for Change that we have been following in the past 18 months, ecological transition features as one of the top priorities of Spain for the coming decades. Environment will be a key transversal issue to all policy decisions.

But, at the same time, our efforts will be totally insufficient if they would only be conducted at the national level. We need to make progress at the global level, and particularly starting within the EU. As you are all aware, president Von der Leyen yesterday announced her proposal for a “New Green Deal” in Europe setting up a vision for a climate neutral continent in 2050 and a very comprehensive roadmap to reach this goal, identifying the necessary tools and policies. We will play an active role in the next steps of this strategy. Spain is very supportive to this project, as we have also been quite active in recent months, for example in promoting that the European Investment Bank increases significantly its climate financing to become “the Climate Bank”, as president Hoyer likes to say, stopping financing to projects based on fossil energies from 2021 onwards.

We are also acting very decisively in international fora. For instance, just after this event I will be participating in the formal signature of the Spanish contribution to the Green Climate Fund for the period 2019-2023 with 150 million euros, to fund sustainable investment projects in developing countries. We are also funding members of the Coalition of Finance Ministers for Climate Action. As members of the EU, we strongly support the International Platform on Sustainable Finance. So we are acting at national level, at European level, and also at global level, because this is a global challenge and we all need to work together.

Let me close with two main principles that, in my view, are required for this transition to be successful. First, we need to be aware that, despite the unquestionable benefits of this process, many of them are going to come in the mid-to-long run. Cost may be borne short-term. The ecological transition needs to be fair. We need to design mechanisms to protect citizens, to protect regions and sectors that are most directly affected to ensure no one is left behind.

And the second key principle is that tackling the climate transition is a common effort of governments, private companies, and civil society. We need to cooperate, we cannot do it alone. We need to face these challenges together, knowing that climate change does not understand borders, and the effects of our actions today are going to be suffered or enjoyed by our children and grandchildren tomorrow. There is an issue of intergenerational fairness that we need to bear in mind when we are discussing what we do today. The future will depend on the actions we implement and the political decisions we take today.

We are accountable to our children, to our grandchildren. Action is urgent. So let me close with this idea, with the motto of the COP2 - which I am happy to see everybody is recognizing as an extraordinary ordeal which has shown the capacity of Spain as a country to react in an urgent manner, to adjust and to face challenges with a smile on our face and with a positive attitude which I think is key to success in life -: "this is time for action".

It is time to act for the planet. Let's do it. Thank you very much.