

Wolfgang Koehler
Member of the Board of Managing Directors
DZ BANK AG

Welcome Address

Developing Sustainable Capital Markets
Mapping the challenges and setting priorities

October 19, 2019
OMFIF-DZ BANK Breakfast Panel
The Park Hyatt
Washington DC

Dear David (Marsh),
Dear Werner Hoyer,
Distinguished Guests, Ladies, Gentlemen
and friends of DZ BANK!

Good Morning!

It gives me immense pleasure to welcome you all to today's joint breakfast of OMFIF and DZ BANK.

The American poet John Ciardi once said:

"A good question is never answered. It is not a bolt to be tightened into place but a seed to be planted and to bear more seed toward the hope of greening the landscape of idea."

In today's debate, we are going to tackle various good questions on the necessity and practicability of Sustainable Finance. We won't be able to find a definitive answer to all those questions. However, I am confident that we can point out ways how to align the financial system with sustainable development in a fruitful manner.

One of the fundamental questions is "to what extent our current economic model is compatible with the global sustainability agenda?"

There is a growing perception among many citizens in the entire world that sustainable development and economic success are inseparably linked with each other.

Climate change has a clear economic impact. According to a study of the National Bureau of Economic Research the economic ramifications of climate change could see the global economy shrink by 7 percent by the end of the century if we allow greenhouse gas emissions to continue further.

This means that reaching the Paris Climate Agreement targets matters not only for our Blue Marble, but also for the economy. The same applies to reaching the Sustainable Development Goals.

Hence, you will agree that we are in need of a new economic model, a sustainable economic model with different pillars: Economic, Environmental, Social and Governance.

This brings me to another fundamental question:
“why sustainability should be at the forefront of finance?”

The road towards a sustainable economy is unthinkable without the participation of the capital markets. Public money will not be enough. Fortunately, investors have started to recognize the sign of times realising that finance was one of the missing links on the sustainability agenda. We are entering a new age for finance. We are in a sustainability investment race; to attract the trillions in private capital needed for the sustainable transformation.

The global fixed income market plays a key role in this transformation process. Sustainable bonds for example, which are expected to exceed the 300 billion US-Dollar mark by the end of this year, help the industry meet sustainability challenges. They deliver comparable risk-adjusted returns for sustainable infrastructure investments, they facilitate re-allocation of capital flows towards sustainable projects, and they allow investors to attach purpose to their investments, reconnecting finance with hard assets in the economy.

Ladies and Gentlemen, there is a role to play for everyone here in the room:

- Investors, we need you to make your demand for sustainable finance visible. This will encourage potential issuers to come to market with more deals.
- Issuers, be ambitious and explore the opportunities of sustainable bond financing. You may be sitting on a pool of eligible sustainable assets and not know it.
- Central banks, given your advisory role in politics and your perceived role as anchor investors, serve as catalysts for further market growth.
- Banks, as market facilitators, you are in position to educate your clients on the sustainable finance opportunities, to promote and generate deal flow to satisfy unmet investor demand.
- Multilateral players, continue to facilitate Sustainable Bond issuance by acting as “anchor investors” for local issuers and support the efforts of low-income countries to achieve their development goals without building up excessive levels of debt.

- Regulators, make sure there are no obstacles to sustainable finance and no overregulation, which might lead to adverse market growth.
- Policymakers, make your national development plans more sustainable, and work more closely with the financial sector.

Hence, let me come to my concluding question:
Is it not too late yet?

The magnitude and urgency of the sustainability challenges might sound daunting and disheartening. The good news is we know what we need to do to get off this path. With interest rates so low, there has not been a better moment in history to rebuild our world.

This is where the opportunity lies for the financial sector: in channelling private sector capital towards the “right” sustainable projects. It is a massive, global challenge, but we have all the tools at our disposal to address it.

You will agree that capital markets have taken the right path to support the sustainable transformation of our economy. Some years ago, sustainable finance used to be a small niche. But today it is becoming a transformational force.

However, there is the need for speed! The investment choices that we make today and in the coming decade will determine our future and the future of generations to come.

I am confident the engaging agenda of today's breakfast debate will facilitate a stimulating exchange of views, opinions and thoughts. I wish the discussion all success!

Thank you!