

## **Inclusive Green Finance Policy launch**

8 June 2023

Ms Elizabeth Genia, Governor (Act'g)

Bank of Papua New Guinea

Hon Prime Minister James Marape

His Excellency Deputy High Commissioner – NZ Dr Nathan Ross

Head of GGGI – Global Green Growth Institute PNG Mr Saki Toisalio

BPNG Board Member Mr James Gore

Distinguished Guests, Ladies and Gentlemen

Good afternoon

I acknowledge our honoured and distinguished guests joining us today.

As a nation, we are taking the first steps of what will be an ongoing journey - the move towards a sustainable future.

This is *the* most important journey there is.

No one expects the going to be easy or smooth. We'll need to be able to manage a wide variety of conditions. And we can expect to have to navigate around, through or over some seemingly immovable obstacles.

Such as, environmental challenges like climate change or deforestation.

And social challenges, such as ensuring equity of opportunity for all Papua New Guineans, regardless of geographic location.

It will require a real commitment to inclusion. Lack of sustainability affects everyone. We all have to play our part to achieve sustainability.

What else do we need, from a philosophical point of view? First of all, we need a clear and consistent mindset on a national level, to concentrate on finding solutions that will lead to resilience and sustainability.

We also need to acknowledge that governments simply do not have the resources to meet all the demands on the public purse. As a society we need to find other ways to address society's challenges.

In recent years there has been a growing recognition that economic activity related to environmentally friendly and socially responsible projects has the potential to lead the way towards sustainability and resilience.

Green finance is the key.

‘Green finance’ refers to financial investments and initiatives that promote sustainable economic growth, while reducing environmental impact.

It encompasses a range of activities. Some large, others relatively modest.

Investments in renewable energy projects.

Sustainable infrastructure development.

Energy-efficient technologies.

Even relatively simple ideas, such as businesses investing in environmentally friendly practices, have a positive impact on the overall journey to sustainability.

The goal of green finance strategy is to mobilise capital towards projects that have a positive impact on the environment.

The Inclusive Green Finance taxonomy sets out 11 key categories to identify greener investments. This range certainly gives us plenty of scope to consider which viable directions PNG can take, on the journey to sustainability.

Today’s event celebrates the first significant milestone we have reached. The Inclusive Green Finance Policy is now a tangible reality.

The Policy demonstrates the Bank of Papua New Guinea’s, and its partners’, commitment to foster sustainable financial models that will address disaster-affected communities and promote environmentally friendly projects.

It also demonstrates our recognition of PNG’s leadership position in our region. We need to set the right example on these critical issues and push firmly on green finance issues. BPNG is proud to join other central banks in meeting international obligations under the *Sharm El Sheik Accord*.

Speaking of central banks...

As many of you would be aware, the Bank of Papua New Guinea, PNG's central bank, is required to meet several statutory responsibilities.

Included in these responsibilities are

- ensuring the stability and development of the financial system
- maintaining price stability, and
- promoting employment and economic growth.

In this context, BPNG is directly concerned with potential threats to the PNG economy.

Let's start with environmental degradation and associated economic risks.

Climate change, deforestation, pollution and other environmental issues pose significant economic threats to businesses. In turn, this jeopardises financial stability in the banking sector.

Rising sea levels, extreme weather events, and resource scarcity can disrupt supply chains, increase production costs, and lead to financial losses. In so doing, these threats compromise price stability.

By embracing green finance, we can address such risks, proactively, investing in projects that mitigate environmental challenges and foster long-term sustainability.

Green finance also offers several compelling benefits, in the context of employment and economic growth.

Firstly, it promotes innovation and technological advancements. By directing funds towards sustainable projects, we stimulate research and development in renewable energy, energy efficiency, and clean technologies.

This leads to the creation of new industries and job opportunities, driving economic growth in the process. As well, green finance enhances energy security, by reducing dependence on fossil fuels and promoting the use of renewable energy sources. It also improves public health, by curbing pollution and promoting cleaner air and water.

We firmly believe all sectors of our social and business communities need to accept responsibilities in relation to the journey to sustainability.

Financial institutions have a responsibility to integrate environmental and social factors into their investment decision-making processes. In fact, this responsibility is a benefit in itself, since financial institutions have the capacity to drive these factors even further, to mutual benefit.

For example, by developing innovative financial products, such as green bonds and sustainability-linked loans, not only can they facilitate resourcing of green projects. They can also encourage individual, as well as institutional investors, to share in the growth, for example, through investment returns.

This potential will receive specific encouragement. BPNG and its partners plan a Green Finance Centre at the CEFI office. The Centre will provide support to financial institutions starting on their journey to sustainable growth. For example, the Centre will offer support activities including staff training, technical assistance, and design of innovative green lending products.

As you have heard today, the Inclusive Green Finance Policy document being launched is not a set-in-concrete road sign.

Rather, it provides the basic map format that will give us a set of guidelines to get our journey underway with the right preparation for success.

And it will guide the way we help green finance participants. For example, BPNG will help track the economic benefits achieved through green finance initiatives by monitoring green finance portfolios and measuring proportional increases in the sector.

We will also continue to develop the sector. For example, we will investigate the possibility of attracting international funding to refinance lending portfolios with a greener profile.

And we will continue to take a collaborative and cooperative approach to knowledge-sharing about green finance issues with our other international network partners.

We expect all financial institutions to contribute support and commitment by embracing the concept of Inclusive Green Finance and actively participating the implementation process.

I would like to conclude by thanking all the organisations, industry participants and advisors who have been involved in developing and producing this critically important document.

Together we will develop the right financial machinery and, using the Policy as our roadmap, we will navigate the way to sustainability.

Thank you.