Emerging Economies are Starting to Put More Efforts to Climate Actions to Ensure Sustainable Financial System

JAKARTA, 31 JANUARY 2022. The global financial sector is increasingly aware that climate change poses a threatening risk to its sustainability in the future. In 2021, the G20 under the Italian presidency endorsed a Sustainable Finance Roadmap to support transformative changes of the financial system required to achieve several global environmental consensuses, such as the Paris Agreement. However, there’s also growing concern that stakeholders in the financial sectors are struggling to execute activities that support the attainment of such roadmap as data availability and quality and metric choices that enable integration of financial, social, and environmental aspects, which remained lacking.

Addressing this concern, the Stockholm+50, a UN high-level meeting aiming to accelerate action towards a more sustainable society, held a webinar on 24 January 2022 titled "Human Development and Finance in the Shadow of Anthropocene Risks." The webinar will specifically discuss requirements needed to advance a systemic take on finance and the economy to ensure a future thriving planet. The webinar invited the Lead Co-Chair of T20 Indonesia, Bambang P.S. Brodjonegoro, to share his thoughts on assessing social and environmental dimensions in the finance sector.

Deteriorating Environment in ASEAN has Encouraged Financial Stakeholders to Understand Climate-Risks to the Financial System

Bambang opened his speech by acknowledging that 2022 is a crucial year as the world is recovering from the pandemic as well as combating climate change. He argued that Indonesia’s position as a representative of emerging economies and the host of the G20 presidency in 2022 and the chair of ASEAN 2023 would be strategic to push topics that will endorse a fair global financial system and a net-zero economic transition.

As a vastly developing region, ASEAN and its member states produced significant emissions in line with the increase in its income levels and subsequent development gains. Deforestation, peatland degradation, and agriculture activities have shifted regions’ forests from being a net sink to a source of emissions during the last two decades.

“ASEAN has a unique window of opportunity to build on its commitment to sustainable development by transforming its socioeconomic model into one that focuses on social, environmental, and economic sustainability, as domestic and international finance increasingly shifts toward sustainable and low-carbon modes of economic development. There has been significant progress on disclosing the risks that climate change poses for financial return,” said Bambang. He further added that the growing number of central banks, financial institutions, and private sectors across the region are attempting to improve their understanding of climate-related financial risks’ economic and financial impact.

International Support Remained Essential
Bambang further stated that sustainable development would not happen without significant international support. "Developed nations should take the lead in decreasing emissions and providing funding, technology, and capacity development to developing nations to aid in climate mitigation and adaptation.", said Bambang. The COP21, according to Bambang, has urged developed nations to increase developed nations' financial contributions with a specific plan to meet USD 100 billion climate financial contribution annually. Bambang also urged private capital placement to be directed more for green investments to help align the business models to achieve net-zero emissions.

For full coverage of the event, please watch our recorded live stream on Youtube: https://youtu.be/9JOGHdBakZ0