00:08

For the past two decades, I've been professionally managing assets for large financial institutions. But you know, this wasn't my plan when I first entered the workforce. I was a 20-year-old dreamer who wanted to change the world. And so at first I entered a nonprofit. And this was where I started asking myself questions about how we attribute value to things as a society, and how capital affects our shared reality. And this was what made me want to enter the finance sector.

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And you know what? Still, today, I believe that changing the markets can be a way to change the world.

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Today, among investors, there are a lot of questions about decarbonizing portfolios and how to achieve net-zero. But when I think about the intersection of climate and capital, I'm always asking myself: What effect is this really having on the ground? Because there could be a profound difference between investing just to protect your assets from the effects of climate change and actually investing to prevent those effects from coming about. You could imagine creating a portfolio that appears to be decarbonized on paper but that doesn't have any real effect on the trajectory of climate. And I would argue that that type of risk management on paper will also one day prove to have been just an illusion.

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Because what the world really needs is real decarbonization. We need to decarbonize the old economy that we have and invest to create the new economy that we need. It needs to be an economy that emits no more than it can remove, and that does this in a way that is net-positive for the planet and the people.

02:13

(Applause)

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Estimates suggest that it will cost three to five trillion dollars a year between now and 2050, to achieve net-zero. Just to give you an idea of how much that is, it would be like investing the entire GDP of Germany or Japan every year, annually, for 30 years. So financial capital has a huge role to play in our shared success or our shared failure.

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And achieving decarbonization in the world instead of just investment portfolios is going to require us to make some very big moves. First of all, we need to focus on innovative transformation across every sector. And then focus even deeper on the science-based transformations that are required within each industry so that every industry can become clean and future-proof. You know, nowadays there are some green or ESG portfolios that have been focused mostly on investing in low-carbon sectors like tech. But what I think we really need to do today is start focusing on heavy sectors like industrials, materials and infrastructure, and use our capital to reward those companies that are really focused on deep decarbonization.

03:48

Let me give you an example of what I mean. The cement sector emits about eight percent of global greenhouse gases. And so a lot of low-carbon funds will actually decrease their investments in cement and instead increase their holdings in low carbon companies like, say, social media. (Laughs) But in one portfolio that I help to oversee, one of the world's largest cement producers is actually our top-emitting holding. But this company has committed to achieving a zero-carbon production facility by 2030 and net-zero firmwide by 2050. Now, I know some of you may be asking: Is this company greenwashing? Are they really going to be able to do that? Will they do it on time? But what I can tell you is that the company's already making significant investments towards these goals and as shareholders, we're going to be long-term capital providers to stick with them and encourage them to achieve these goals along the way.

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(Applause)

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In another portfolio that I help to oversee, we're focused on investing in the innovations that make this kind of ambition possible. Like, investing in novel designs for the kilns that produce cement, which actually remove emissions at the most intensive point of production. Or like another technology that actually takes captured carbon and injects it into the cement in a way that also lowers costs. I think that these are the kinds of companies that we should be committing our capital to.

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And we need to get moving. Institutional investors like me will often wait for years and years for new strategies to be proven. But today investors really need to start leaning into innovation and aggressively scaling the very best solutions that we can find. And it won't be hard to find them because the climate revolution is expected to make the industrial revolution and the information revolution pale by comparison.

06:26

OK. So secondly in achieving all of this, the next thing that we need to do is realize that our goals, like poverty and climate, are actually interconnected. The climate transition actually offers an amazing opportunity to be accretive, both in terms of the economy and society because of the very nature of the deep rebalance that we now have to go through. So climate change affects things like poverty, it affects health, biodiversity, our global connectedness. And all of these things affect climate change, too, in fact, all 17 of the United Nations Sustainable Development Goals are interrelated and inseparable. So we need to start realizing that we can't solve any of these things in isolation. We need to align our decarbonization goals with our social goals to be able to achieve any of them at all.

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(Applause)

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Next, we need to realize that our climate action cannot be localized. Greenhouse gases don't hover over any one country, emissions anywhere means warming everywhere. So for us investors, we need to get over our home-country biases that cause us to allocate capital often too close to where we live. In order to increase investments to emerging markets, we need to first realize that two thirds of the remaining investments that need to be made to achieve the climate transition will need to be made outside of North America and Europe. Whereas too much of our investments are being made here today. Increasing investments to emerging markets will mean advancing innovative structures like blended finance, that can help to augment public-private partnerships and collaboration with development finance institutions. But you know what? I think that we're also going to have to make some behavioral changes within ourselves. Like addressing our ambiguity bias that causes us to financially undervalue anything that seems foreign or complex.

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(Applause)

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So I'm not as naive anymore as I was back when I was 20. But you know what? I still believe that changing the markets can be a way to change the world. Achieving the climate transition in a way that is just, global and interconnected is the challenge of our times. And the finance sector has a critical role to play. But we need to do it in a way that is focused on serious science-based solutions -- not just in our investment portfolios but out there in the real world.

09:51

Thank you.

09:53

(Applause)