Written evidence from Aviva (PSC0025)

Following Aviva's oral evidence, the Committee expressed an interest in in our proposal to reform the international financial architecture so that it can help tackle climate change. We are therefore submitting this supplementary evidence to the Committee in order to provide further details.

1. The world's economic and political architecture that emerged in the aftermath of World War 2, was designed before climate change was a mainstream concern. As such global institutions such as the United Nations, IMF and the World Bank were not designed to tackle climate change. If we are to move global finance at the scale and pace needed to deliver the Paris Agreement reform to the global financial architecture is needed.

2. Furthermore, despite climate finance being an integral part of the Paris Agreement, the world still lacks a comprehensive strategy to ensure finance supports the Paris Agreement's targets. Greater international co-operation is needed to significantly increase private investment in climate adaptation and mitigation, and ensure public policy helps accelerate these capital flows.

3. Currently there are a number of gaps that need addressing.

    a. The Paris Agreement references finance flows but has no implementation mechanism.
    b. There is a need for a bridge between private finance seeking to transition and national needs for investment to move economies to net zero.
    c. All economies need to consider climate risk and act to lower emissions but existing market structures were built before climate change was understood.
    d. There are a lot of existing climate finance initiatives but despite the number and ingenuity these are not delivering the scale of change or finance needed.

4. We make two major recommendations to address these issues:

5. **Review the mandates of multilateral global financial institutions**. The United Nations, IMF, World Bank, Financial Stability Board, international accounting bodies and others, should review their current role in respect of climate change, and assess what more they could do if given a formal mandate to do so. The OECD is well placed to co-ordinate this. We believe that all multilateral institutions should consider the management of climate risks and delivery of net zero in the markets, sectors, products or processes they oversee.

6. **Create an International Platform for Climate Finance (IPCF).** The IPCF would:
    a. Bring together financial institutions with those that shape the markets to produce a Global Finance Transition Strategy to achieve the Paris Agreement.
    b. Offer Technical Assistance to developing countries seeking to produce capital raising plans for their Nationally Determined Contributions (NDCs)
    c. Promote – and measure – ever greater flows of climate finance by all financial institutions into the areas where it is needed most
    d. Produce an annual report analysing the efficiency, effectiveness and consistency of the various international initiatives on climate finance.

7. To conclude, private finance has a key role to play in delivering the net-zero transition. To ensure capital is allocated effectively greater international collaboration is needed. Reform to global institutions and the creation of a new IPCF is the way to achieve this.

8. Further details can be found in Aviva's Harnessing the International Financial Architecture report.

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