Remarks by Secretary of the Treasury Janet L. Yellen at the Countdown Summit

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As prepared for delivery:

Hello, everyone. I'm Janet Yellen, the United States Treasury Secretary. I want to thank Vice President Gore for the invitation and for his many years of leadership on this issue.

We're now three weeks out on the road to Glasgow, and it's a road crowded with many different travelers. A generation ago, the road, so to speak, was a much lonelier place, deserted by comparison. There was a cohort of environmental activists and government officials, like Vice President Gore, who cared deeply about climate change, but it was nothing like the broad cross-section of leaders that will descend on Glasgow at the end of October: representatives of nearly every country and sector, including this audience from the financial sector

This is a welcome development. After all, climate change has to be understood, in part, as an economic problem, as a financial challenge. In some ways, it can be distilled into basic arithmetic. Averting a climate crisis requires that we limit warming to 1.5 degrees Celsius, and that, in turn, requires the wholesale transformation of our carbon-powered global economy. It's a project for which we have an estimated price tag: Some have put the global figure between $100 and 150 trillion over the next three decades.

Many nations, the United States included, are now devoting vast resources to facilitate this transformation. Governments representing three-quarters of global GDP have pledged to make their economies net-zero by mid-century. And yet, as big as this public sector effort is, the $100-trillion price tag is far bigger. The gap between what governments have and what the world needs is large, and it must be filled by others, which is to say the private sector.

Climate change isn't the moon landing, a project that can be led exclusively by government. If we had to make a comparison, it's more like the recent effort to fight the pandemic, a global endeavor comprised of a constellation of actors; one that extends from the tops of governments and corporations to the terminuses of supply chains and requires the resources of every organization along the way. This is true for both developed and emerging market nations.

Of course, we are not talking about the private sector acting against its own interests. I suspect this group knows that better than anybody. The old notions of why the private sector should decarbonize – because planet must be put before profit – are much less true than they used to be. Many renewables are now cheaper than carbon-based fuels. Other green technologies have cost curves that continue to plunge. For these reasons, financial institutions are shifting their portfolios to green investments. The Glasgow Financial Network for Net-zero, or GFANZ, now includes institutions with a collective assets under management that are fast approaching $100 trillion. Per the ambitions of GFANZ, those portfolios will be carbon-neutral by 2050 and significantly reduce emissions by 2030. The question remains, however: Will enough investment opportunities materialize to absorb all this capital? How quickly can this reorientation occur? And will the capital flow to developing countries where the need for investment is often highest?

That's what I expect future generations to judge us on. When they look back at government leaders in this time, they will look both at how deeply we dug into public coffers to address climate change, and at how well we incentivized the private sector to dig into their accounts. Did we do a good job encouraging the private sector to begin reorienting its investment activities toward a net-zero posture?

There are a number of measures governments can take to ensure the future judges us favorably by these measures. In the United States, the actions we're taking, broadly speaking, fall into five categories.

First is public investment in the foundational infrastructure for a green economy. As I record this video, a large infrastructure bill is moving through the United States Congress. It includes enough funding to dot the American landscape with 500,000 electric vehicle charging stations, which will accelerate the adoption of electric vehicles in the same way that the building of gas stations encouraged cross-country travel. Moreover, incentivizing the expansion of the American electric vehicle market is a smart idea with the growing number of companies that have announced dates by which they will stop producing internal combustion engines.

Second, governments catalyze private investment with tax and budget policymaking. For example, President Biden has proposed an investment tax credit that we expect will incentivize the buildout of at least 20 gigawatts of high-voltage capacity power lines. We anticipate that it will mobilize tens of billions of dollars in private capital right away.

Third, the public sector can invest in basic research. Before the internet was commercially viable, it was incubated at institutions like ARPA. Government can play a similar role in shepherding nascent technologies like green hydrogen and carbon capture, helping turn them into investable opportunities. Our administration has proposed funding for that, as well.

Fourth involves mobilizing more climate finance in emerging economies. Since July, the United States has doubled our international climate finance pledge, and we're making sure that those public funds go as far as possible. We want them matched by private co-investment. I have convened multilateral development bank leaders twice already to ensure their goals are aligned with the Paris Agreement and to set strong private sector investment-mobilization targets.

Finally, governments can help create transparency across financial markets, ensuring investors know what they need to know to make investments that are green and avoid ones that aren't. One of the financial sector's most essential functions is the distribution of risk—ensuring that it falls across investors and institutions well placed to manage it. Climate change is introducing new types of risks: risks from more frequent and severe natural disasters, the so-called physical risks; and the transition risks, the ones that accompany the technological, market, and policy changes needed to address climate change.

Climate-related risks to the financial system are generally challenging to measure and assess. Financial regulators in the United States and internationally are working hard to develop the data and methods necessary to assess these risks and to ensure the financial system is resilient to them. I chair the Financial Stability Oversight Council – or FSOC – which is a group of independent financial regulators. In the next few weeks, I expect that FSOC will issue a report reviewing current approaches to incorporate climate-related financial risk into regulatory and supervisory activities It will discuss how climate-related disclosures can be enhanced and look at processes to identify climate-related financial risks to U.S. financial stability.

I remember giving my first speech on the subject of climate change. This was March of 1998. The U.S. Congress was holding hearings on the Kyoto Protocol, and the Clinton Administration needed a White House official to testify. I raised my hand.

I told Congress to think of Kyoto as a form of planetary insurance. Wouldn't even a significant investment in transitioning our economies away from carbon be worth it if it saved entire species and priceless coastal cities? If it helped ensure that we kept the world livable?

It's now 23 years later, and of course, the insurance analogy still stands. Investments in a low-carbon economy are still good preventative measures, hedges against a terrible future. But they're also more than that; they're good investments not only in terms of the disasters they prevent, but the growth they create. That's increasingly clear now. The flow of capital from carbon-intensive to carbon-neutral investments is probably the most dramatic and predictable economic shift in human history. The transition is happening already. And the United States intends not only to lead it, but to speed it up; to give the private sector all the information and motivation it needs to contribute to building a green economy and save our world.

Thank you again.

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