Dr Werner Hoyer,

President of the European Investment Bank

LTIC/D20 Conference

Opening remarks

Mandarin Oriental Tokyo

Tokyo, Japan

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14:05

(~8-9 mins)

Dear Vice-Minister,

Dear Chairpersons,

Dear Governor,

Ladies and Gentlemen,

Colleagues and friends,

It is a great honour to address you this afternoon at this wonderful location, in this wonderful city, in this wonderful country. I would like to extend my heartfelt appreciation to our Japanese hosts from DBJ and JBIC for their extraordinary efforts in putting together this excellent event.

Thank you very much!***Domou Arigatou Gozaimasu***

I am very happy to see that the community of long-term investors and development finance institutions is growing from strength to strength, and that we are evolving in a changing environment.

This morning, the members of the long-term investors club and the D20 have taken a big step by reforming and refocusing the Club to have more impact and more relevance for the work of the G20.

When the LTIC was conceived 10 years ago, the world was in the grips of a financial crisis. At the same time, new international regulations stretched both the capacities and willingness of commercial banks to assure long-term finance.

This environment has changed somewhat and we are reprioritising our focus.

Many of the challenges I will outline are not new. Indeed, we are familiar with the problems.

What is new is the strength of our resolve to address these problems!

…And we will need this resolve if we are to unlock Sustainable Finance for Sustainable Infrastructure.

Indeed, investing in sustainable infrastructure is key to the future of our economies!

Alongside innovation and skills, it is the scale and quality of infrastructure investments made today that will determine – to a large extent – the growth rates decades from now.

And it is the infrastructure investments launched today that will also determine our transition to a low-carbon and climate-resistant economy, in line with the commitments made three years ago in Paris.

Ladies and gentlemen,

Looking at the challenges infrastructure markets are facing today, we need to make the necessary changes on at least four dimensions:

First, investments in infrastructure – sustainable infrastructure! – need to increase!

Though difficult to quantify, we know that investment needs are substantial, in the order of **trillions of US dollars, annually**. These are mainly in the energy and road sectors, but also in rail, water, waste, and, not to forget, modern digital infrastructure.

At current **growth rates** of about 3.5% per year, the world economy, by 2050, will be about three times as large as it is today; in fifty years from now, by 2070, global GDP will be 5.5 times larger, provided the growth rate can be maintained.

By 2050, the world's population will have grown by 2 billion, to about 9.5 billion; indeed, by 2070, there could be more than 10 billion people.

Economic growth and demographic shifts will be compounded by the trend towards **urbanisation**. The UN forecasts that, by 2050, about 70% of people will live in cities. Migration, although harder to predict, is likely to follow the same pattern. The move to urban centres will reinforce the geographic concentration of growth and prosperity in ever-smaller areas.

Second, the **quality of our infrastructure** needs to improve. I am very glad that Japan has put this topic of "Quality Infrastructure" as a top priority topic in their G20 presidency. And we must make smart investments conducive to future economic growth patterns and business models.

For this to happen, we need to rethink how we plan, design, build, operate, maintain and – not to forget – decommission our infrastructure assets.

…We need an integrated approach to infrastructure governance, including a holistic due diligence and decision-making process based on commonly agreed principles and practices.

…Moreover, a faster pace of technological development requires that infrastructure assets in the future be flexible enough to incorporate new technologies more quickly – within their expected lifetime and without major changes.

Third, climate resilience needs to be built into the infrastructure that we operate today and in the future.

Ladies and gentlemen, we need to future-proof our investments!

Climate-related risks are one of the most significant dangers faced by infrastructure investment. But they are still often grossly underestimated or entirely neglected.

There is a need to integrate these risks into how infrastructure is planned, designed and operated. This is obviously important for any new infrastructure we build.

But, at the same time, we also need a proper assessment of the vulnerability of the current stock of assets.

Fourth, the surge in infrastructure investments cannot be financed by the public sector alone; we need to mobilise more – much more - private capital.

As advanced by the G20, we need to promote "**Infrastructure as an asset class**".

While pension funds, insurance companies, sovereign wealth funds and others are worth $ 100 trillion, their current investment share in Emerging Markets and Developing Economies infrastructure is merely 0.7%.

Standardisation through better project development, quality data and an improved investment environment is essential for ensuring high quality assets. It also helps to remove the barriers that could allow more private capital investments.

Within the context of the G20, EIB – together with other MDBs and bilateral development agencies – is at the forefront of gathering and processing high-quality project data, through initiatives such as the Global Emerging Markets (GEMs) database.

These initiatives have the potential to help future investors make informed decisions about markets and projects that need their engagement.

As the pioneer of the green bond market, we understand the potential value of unlocking new investors and asset classes.

We issued the first green bond, our Climate Awareness Bond in July 2007, and have now issued around EUR 24 billion in green bonds in 11 currencies.

Recent reports suggest this market for Green Bonds has recently broken the USD 500 billion mark. This is good news!

But, this progress needs to be set against the scale of the global bond market of around USD 100 trillion.

We can – and we need – to do better! We can do this with innovative ideas, innovative financial products and by teaming-up to work together!

I am convinced that investors around the world would welcome the opportunity. Thank you very much for your attention and I wish you all an inspiring conference!