



The World's Net Zero Financial Centre

LSEG's Group Head of Sustainability Jane Goodland speaks to Vincent Keaveny, City of London's Lord Mayor, to discuss the transition towards London becoming a net zero financial centre and the critical role that the financial services sector has to play in climate action.

Below is the transcript.

Jane Goodland:

Lord mayor, welcome, and thanks for joining us on Net Zero Conversations.

Lord Mayor Vincent Keaveny:

Thank you. It's a real pleasure to be here with you today.

Jane Goodland:

So, you took office in November 2021. Can you tell us what you've been up to since then?

Lord Mayor Vincent Keaveny:

Yes, indeed. I'm six months, at this point, into my term of office. A very busy year. The primary role of the Lord Mayor these days is as ambassador for the UK's Financial and Professional Services sector. We've all that history attached to the office. It's a wonderful office. The heritage goes back to 1189. The first Lord Mayor took office in 1189. I'm the 693rd Lord Mayor of London. The history is a fantastic thing to have, but we can't be looking backwards. We've got to be looking forwards all the time, using that history as a platform to look at the problems of today, to look forward to the challenges and opportunities of tomorrow, next year, and the decades to come. So, in that role as ambassador for our Financial Professional Services Sector, I've been traveling a great deal. I'm just back from Brazil and Chile, for instance, talking about the great Financial Professional Services here in the UK, talking about innovation, FinTech, and green and sustainable finance, which is a particular focus, of course, of these couple of days here in London with the Net Zero Delivery Summit.

Jane Goodland:

So, let's talk about emerging economies for a moment, and really the role that the UK can take in helping those economies to transition to a more sustainable source of energy, for example.

Lord Mayor Vincent Keaveny:

That's right. And as I mentioned, I'm just back from Brazil and Chile, one of a number of the international visits I make, and it's amazing how many conversations I have around the world about the place that London has, our Financial Services Sector has in assisting countries in their development plans as they look to a greener and more sustainable future. And there's a great deal we could do. There's a whole series of things. And I'll just mention just a couple of things, the work we're doing, for instance, in India, [inaudible 00:02:05] Corporation, partnering with [inaudible 00:02:06] with Macquarie, climate finance leadership initiatives. So, looking for those projects, the investible projects, trying to match them up with the capital that is out there. And I know, talking to the institutions here in the city, there is plenty of capital. There's no shortage of capital to go into to green finance and green projects.

It's a matter of making sure the projects are investible, that the investors know about them and there's visibility. So, we can do a lot there. We're working, as I say, in India, there's a great UK initiative in South Africa at the moment, we're looking at rolling out what we're doing in India in Columbia, and looking to do the same in Indonesia.

So, around the world, just trying to deal with this issue of capital and projects. But alongside that as well, looking at issues like standards, working with our international partners to make the standards regime, disclosure regimes, these issues, making them more consistent across the world. Because one thing you hear a lot from the providers of finances is that the more consistency there is in the regulation and in the standards, the easier it will be for the capital to flow, for that capital to be mobilized.

Jane Goodland:

And you talk about the projects being investible. Can you just elaborate on that a little bit? What does that really mean in practice?

Lord Mayor Vincent Keaveny:

Yes. A lot of this is to make sure that the right people are taking the right level of risks in projects. So, as I say, there's no shortage of capital, but very often there are elements of risks, there's that unknowable element in it. When you're putting together a novel financing transaction in a part of the world that you may not have very much of a track record in, sometimes you need somebody to step in and to take that first loss piece in the transaction, the equity piece in the transaction, and that could be philanthropic capital, or it could be a multilateral development bank providing a guarantee, just to take out that first level of loss, and that then really opens up the scope for private finance to come in.

At the moment, one of the problems we have is very often some of those actors, such as the multilateral development banks, are crowding out to private finance, rather than doing what they should do, which is crowd it in. So, we need a conversation around that. Certainly it's one of the things that's been talked about a lot here over the last couple of days at the Net Zero Delivery Summit. The role of the multi development banks and the DFIs, we need them to be playing that sort of facilitating role so that private finance can follow in behind them into these transactions around the world.

Jane Goodland:

Yeah. It makes sense, really, to work in partnership to then build confidence in the private investor.

Lord Mayor Vincent Keaveny:

Absolutely. Very much so. As I say, we need that facilitating, rather than that crowding out.

Jane Goodland:

Right.

Lord Mayor Vincent Keaveny:

And of course, there's a big political issue here, because many of these development banks, they have their business models. So, that will require the international shareholders, which are the governments of the world, to look at the mandate that they've given to these institutions, and to see if that needs to change. And I think it does.

Jane Goodland:

And so, does the UK talk to other countries about these challenges then?

Lord Mayor Vincent Keaveny:

Well, it's a big part of the COP26 agenda. It's going to be on the agenda in COP27, and discussions such as we've been having here in the mansion house over the last couple of days, I think perhaps a little bit of an exaggeration, but I saw somebody talking about it on one of the social media channels just yesterday as COP26.5, which is great, I'm very flattered by that. But these are the sorts of opportunities that exist, and, there's many more. There's a meeting in Copenhagen later this week. Again, governments getting together and talking about what they need to do. It requires real ambition, but the great thing I'm sensing in my travels and in my discussions, certainly with UK government ministers, is there is that ambition. People really want to see delivery now on these goals.

Jane Goodland:

That's right. I mean, delivery is the key word here, isn't it? Because we've heard a lot of people talking about, it's time that we turn these pledges and ambitions into plans and action. So, I think everyone's eyes are on that.

Lord Mayor Vincent Keaveny:

It is. Just look at the look at the latest UN reports. There are not going to be too many more opportunities to get this right. We're passing various tipping points. The world is running out of time to make a real difference to this, so we need to take action. We need to see that delivery coming through.

Jane Goodland:

And the chancellor, the UK chancellor has talked about London becoming a net zero financial center.

Lord Mayor Vincent Keaveny:

That's right.

Jane Goodland:

Sounds great. What does it actually mean in practice?

Lord Mayor Vincent Keaveny:

Well, the question I asked myself when I heard the chancellor announce that a couple of weeks before COP26 last November. It's great to see that some of the fleshes now getting onto the bones of that idea, and we're beginning to see what the chancellor meant by that. And a lot of that is going to be around transition planning. Clearly the government has picked that up as a central to its activity in this area. So, encouraging companies to produce transition plans, again, something that the stock exchange, the London Stock Exchange is also looking at doing. So, that is very much part of the work towards a net zero financial center.

The transition plan task force working alongside the treasury to work out concrete steps that will ensure ultimately that London is seen as the net zero financial center of the world. And I believe it will be. I certainly get that strong sense from people as I travel. And of course, and underlying that, the city

of London itself, we have our own climate action strategy. We have the City of London Corporation, the governing body of the city of London, in terms of our own operations, we will be net zero by 2027. We're on track to hit that target, and we're looking at being net zero across our activities, including our investments, our scope three, by 2040. 10 years ahead of the government's target. And we're hoping working with our partners, working with the firms, the institutions based here in the city of London, in the square mile at the heart of London, that we'll be net zero across the square mile by 2040. Ambitious, but I believe it's achievable.

Jane Goodland:

Listening to you is quite interesting, because when you hear people talking about this topic, there's a whole range of attitudes, from skeptical to pessimistic, optimistic, unrealistic sometimes. It sounds like you're hopeful for the future.

Lord Mayor Vincent Keaveny:

I am hopeful. I would probably put myself somewhere between realist and optimist. I'm a natural optimist, but I think in this one, we have to be realistic that there are big challenges. And there are parts of the global financial system that we still need to convince and still need to bring with us. But I think they are. We are gradually bringing them. And part of that comes back to the point you made a little bit earlier about talking and the engagement, the international engagement. It's really important we talk to our international partners, even those that are harder to persuade. In fact, probably most particularly those that are harder to persuade. One of the fantastic things about this office as Lord mayor is the convening power of the office.

If there's anything that this office is about, it's bringing people together here in Mansion House or meetings around the world, to have conversations that might not otherwise take place. It's the great advantage of not being a party politician, not being a professional politician in this role. I'm a professional financial services professional, I'm a lawyer, capital markets lawyer, so I come to this role with a professional background, rather than a political background, and that makes it a lot easier to have some of the conversations I have.

Jane Goodland:

And actually, just to pick up on that. So, we talk a lot about the finance sector, but not so much about the professional services firms. Tell me why it's so important to have them in the conversation.

Lord Mayor Vincent Keaveny:

There's a multi multilevel to that answer. First of all, they've got to be net zero themselves, and there's big progress we've made in the legal and the accounting professions, for instance, and the consulting professions. A lot of the big players in those markets are committing to be net zero in their own activities, which is another part of the jigsaw puzzle. We've all got to be playing our part. But alongside that, they play a really key role in advising governments and advising companies around the world, and very often can short circuit a lot of the issues that companies have. Good advice will smooth out many of the problems. I've seen it over the years myself working with companies, structuring capital markets transactions. If you've got good legal advisors, good accountants, good investment bankers working on a transaction, it's a lot easier to get it done. And we've a lot of really good lawyers, accountants and investment bankers here in London.

Jane Goodland:

Yes. I agree. One last question, if you don't mind Lord Mayor. Looking forward to COP27, if there was one thing to make it a success, what do you think that might one thing be?

Lord Mayor Vincent Keaveny:

Coming back to a point I made earlier, I'd like to see, because it's the African COP, and I think we'll see it very much in an African context in Harm el-Sheik in November. I'd really like this issue around development banks, DFIs, to be on the table and to have some really constructive thinking happening and decisions being made about their role in providing finance to the developing economies. I think that's going to be a really critical part of getting the answer to the net zero challenge right over the next few years.