



JOHN CHIANG  
TREASURER  
STATE OF CALIFORNIA

*(Remarks from Treasurer Chiang's September 12 Global Climate Summit speech (as prepared) at the PRI in Person Conference.)*

Let me first begin by thanking PRI, and its numerous sponsors, for hosting this event. It takes a lot of talent and unseen hands to make a conference like this succeed so seamlessly. So thank you for hosting and making this conference happen.

Good afternoon.

Welcome to California and, more specifically, to our beautiful city of San Francisco.

A short drive's distance from us stands one of the engineering marvels of the world: the Golden Gate Bridge.

It was financed by \$35 million in bonds — in 1930s dollars.

But these bonds sat unpurchased for several years because, as we all know, 1930 came just one year after the 1929 crash of the stock market and the start of the Great Depression.

Then, in 1932, an institutional investor stepped forward and bought all the bonds. Every one of them!

That one investor had a vision that endures to this day. He recognized the need to put men back to work during the darkest days of the Great Depression...the need to connect the many diverse communities that comprised the growing San Francisco Bay Area.

He could see that this would not only be the longest and tallest suspension bridge in the world, it also heralded something new.

The Golden Gate Bridge is a global icon. It shows what is possible when our infrastructure, financing, and public needs join together to build a better future.

I see this same bold vision here in this room today. *We* are the ones who see the future. And that future is green!

That's why, only a few weeks ago, with the full endorsement of Governor Brown — I signed the Green Bond Pledge on behalf of California, and made our state the first state in the nation to pledge to use green financing to combat climate change.

To distill it down to its irreducible essence, revolutionary change requires two basic ingredients: the will . . . and a way.

Governor Brown's decision, earlier this week, to sign Senate Bill 100 resolved that all – and I emphasize “ALL” – of California's electricity will come from clean power sources by 2045.

SB 100 is a shining example of California's decades-long global leadership on environmental issues. As a matter of aspiration – and now statute -- it stands as an explicit declaration of war on climate change.

Now comes the hard part.

How do you pay for the conversion from a fossil fuel-based economy and infrastructure to cleaner, greener, and more sustainable alternatives?

We're not the only ones trying to solve this proverbial Rubik's Cube . . . We're not the only ones searching for “the way.”

In the wake of COP 21[Paris Climate Conference 2015], the global price tag for this desired conversion was pegged at \$93 trillion.... For the U.S. alone the figure is an estimated \$8 trillion.

My signature on the Green Bond Pledge commits the world's 5<sup>th</sup> largest economy to using green bonds to efficiently raise billions of dollars in new and affordable capital to build climate-friendly infrastructure.

This pledge concludes a two-year process that began with a five-city, national listening tour, during which we met with three dozen of our nation's most influential institutional investors – from pension funds to insurance giants to investment banks controlling a combined \$4 trillion in investible capital -- to identify barriers and challenges to growing the green finance market.

This led to my partnering with the Milken Institute and the UK publication, Environmental Finance, to gather the best minds in the green bond marketplace to develop actionable strategies to stimulate a more robust green market in the United States and elsewhere.

Executing those strategies is the next step.

At the same time that I signed the Green Bond Pledge, I also released a report that chronicled the strategies and solutions that will grow the U.S. green bond market.

We used California municipal markets as a case study, but the ideas in my report are meant to be transferable worldwide. Our earnest hope is that leaders throughout the world will be inspired by our work and adapt these strategies in their own communities.

First, we proposed a new program to provide transaction support and potential pricing incentives to make it easier for issuers to structure a green bond. Such a program would also aggregate information to help investors measure the impact of any given bond.

I call this a “Responsible Issuer” program. It is designed to help issuers with such best practices as how to assure green projects are green, and how to ensure disclosures are easy and accurate.

We hope — with the proper funding and legislative authority — that this program will utilize existing online platforms to aggregate and publish deal data for issuers and investors alike.

Think of it as a one-stop shop for issuers and investors looking to participate in California’s green municipal bond market.

We also talk about enabling smaller, less frequent borrowers to compete with their larger counterparts.

This enhancement would enable smaller municipalities and agencies to take on debt with environmental benefits and at a lower cost of capital.

And part of this even includes aggregating bonds. Many green bond issues are too small to attract institutional investors — especially international investors. However, if we could group these small green bonds into one larger offering, a broader range of investors will be interested.

For example, counties that sprawl through California’s agriculture-rich Central Valley could form a ‘Green District’ and combine bond issuances from water districts and local municipalities into one larger bond issuance to meet the region’s environmental needs.

You’ll find all this, and more, in my *Growing the U.S. Green Bond Market, Volume 2* report that I mentioned earlier.

The next step forward is for Governor Brown and I to establish a working group to develop and implement a green bonds strategy that will fulfill the commitment we made in the Green Bond Pledge. My office — the office of the California State Treasurer — has already been involved in California state agencies issuing over two billion dollars in green bonds. And that’s just the start!

We will make sure that our infrastructure projects take into account climate change, that they are both climate adaptive and climate resilient, and that they include positive climate attributes.

It’s time for our major infrastructure projects to align with climate realities. And, we’ll be sure to make our climate goals and financing strategies align by issuing infrastructure bonds as green bonds.

California is recognized as a world-wide leader.

The fifth largest economy in the world is here.

Hollywood is here.

The music industry is here.

Silicon Valley is here.

Napa Valley is here.

And internationally, California is a major political leader.

While many of our laws may cause an initial uproar in other localities when we pass them, over time those same localities wind up following our lead — the same will be true for the global green bond market as we turbocharge ours.

Currently, the State of California has \$85 billion worth of outstanding bond debt. And there's another \$33 billion that has been authorized, but has not yet been issued. Add to that an additional \$16 billion that awaits voter approval on this November's ballot.

If you combine all of those, we get nearly \$135 billion. That's a lot of money, but is still only a fraction of what California needs over the next 10 years.

Here in California, estimates of our infrastructure needs fall somewhere between \$400 and \$800 billion over the next decade. This is the result of decades of gross underinvestment by the State of California in its critical infrastructure needs.

As a matter of fact, the last great builder in California was Governor Pat Brown, who took on the monumental infrastructure projects that have made California a power player on the world stage today.

He built our higher education system, which is now the envy of the world.

He took on the task of building colossal bridges and freeways that support millions of cars and trucks, promoting commerce and trade.

He invested in the hundreds of miles of aqueduct that today delivers 4.2 million acre-feet of water per year to 27 million people in northern California, the Bay Area, the San Joaquin Valley, the Central Coast and southern California. That includes water that irrigates 750,000 acres of farmland in the center of our state, a region widely appreciated as our national "bread basket."

When Governor Jerry Brown's father exited public office more than 50 years ago, our population was just 19 million. Today, with a population nearing 40 million, we've more than doubled in size.

And ... we have woefully fallen behind in maintaining and updating this infrastructure we inherited from our parents.

Millions in California today are experiencing the same problems as Flint, Michigan with a lack of access to clean, reliable drinking water.

A massive number of California's bridges are rated structurally deficient and pose a danger to millions.

Nearly 700 dams are considered to have high hazard potential — putting thousands of communities at risk.

How can we continue to thrive in the 21<sup>st</sup> century with 20<sup>th</sup> century infrastructure?

Quite honestly, it's embarrassing.

So I say, *we have got to build!*

And – if we're going to build – let's build it *green*.

Let's build to protect ourselves from rising sea levels... Let's build to protect ourselves from extreme weather... Let's build to protect ourselves from the horrific wildfires ravaging our state even as I stand here speaking to you.

Eighty years ago we Californians built a bridge that linked two land masses. Today, we are all about building a new kind of bridge – one that draws on the green financing power of the markets and investors like yourselves – to help every man, woman and child cross over to a greener, healthier, more sustainable future.

Thank you.