Climate finance: Reconciling investor interest with UNFCCC stalemate

Christa Clapp
CICERO

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Outline

• Counter influences
• Growing investor interest
  • Green bonds
  • Renewable energy in China
  • Divestment campaigns
• Incorporating uncertainty in financial decisions
• Looking forward
Counter-influences

Investor awareness

UNFCCC and policy stalemate
Green bonds on target to double in 2014

Green Bond New Issuances

WB goal = 20 bn
Big green potential

Total bond market = $83 trillion

0.02% Green

0.12% = $100 bn
Green bonds can be part of the solution

Opportunities
- Replicable
- Scalable
- Public-private bridge

Challenges
- ‘Green’ definitions
- Liquidity
CICERO second opinions

- Leading provider of second opinions to green bond market since 2007
- Independent environmental quality reviews of green bond frameworks for project selection
- Shifting investment frameworks towards green
- Building investor confidence in green bonds
Global private investment in renewable energy slows... …but grows in China

Source: Bloomberg New Energy Finance
Divestment campaigns and alternative investments

- Risks can have economic impacts on investment portfolios:
  - Climate change impacts
  - Climate policy and regulations
  - Changing behaviors and norms

- Investors and stakeholders raising awareness:
  - Philanthropy initiative – 17 signatories
  - Denmark’s pension fund pulled out of fossil
  - Australia’s university pension fund UniSuper
  - NY-based TIAA-Cref investing in green bonds
Considering uncertainty & risk over time

Climate change impacts

Policy impacts

Fossil fuel profits

Investment decisions

Policy implementation & negotiations
Looking forward

Governments
- De-risking, bond issuance
- Pension purchases
- City partnerships

Researchers
- Definitions
- Environmental integrity of finance
- Disseminate science to investors

UNFCCC
- Inclusive definition of ‘mobilize’
- Focus where private sector is not reaching (adaptation)
- GCF de-risking, bond issuance
Contact information

Christa Clapp
CICERO
Oslo, Norway

Christa.clapp@cicero.oslo.no
+47 913 99 585

CICERO’s green bond second opinion website:
http://www.cicero.uio.no/webnews/index.aspx?id=11984