# Event Summary

**Side event COP21: "Climate Financing – How to redirect capital towards a low-carbon and resilient growth". Paris, 8th December 2015**

The seminar was opened by the chair of GLOBE EU, Sirpa Pietikäinen MEP.

She called for a greener financial system that steps out from short-termism that currently characterizes the financial markets.

Sirpa called for the use of indicators as the most crucial tool in greening the finance. Such indicators should be harmonized and binding in nature. It is only through indicators that environmental risks can be measured in a comparable and transparent way.

In the longer run, Sirpa would like to see higher capital buffers for more risky environmental projects. Also, the investor information on stranded assets and carbon bubble of financial products should be made mandatory.

In conclusion, Sirpa reminded the audience of the cost of inaction, which may rise to as high as USD 33 trillion by 2050.

The first speaker, **Nick Robins** from UNEP, presented the findings of the recent report "The Financial System We Need". Mr. Robins started by explaining the dynamics of the current financial world: things move very fast and, although the EU is the origin of many financial innovations, the trend of transformation is global. The oriental axe of the global financial system will play an increasingly important role; especially next year when China takes over the G20 presidency.

In the global transformation, the priority should be put on the reallocation of capital. With the G20 and other global institutions leading the effort, financial markets should become more resilient, based on the most accurate statistics and data. In this global transformation of the financial system, it is important to understand the diverse starting points and therefore also the diverse measures that are employed around the globe.

Mr. Robins introduced the key findings of the report as follows:

- Financing for sustainable development can be delivered through action within the financial report, as well as the real economy.

- Policy innovations in developing and developed countries demonstrate how the financial system can be better aligned with sustainable development.

- Systemic national action can now be taken to shape a sustainable financial system, complemented by international cooperation.

He presented the toolbox that UNEP has developed for public bodies to encourage the banking and investment sector towards greener and less carbon-risky investments. The toolbox suggests that the following aspects are taken into account in policy making:

- how to enhance market practice;

- how to harness the public balance sheet (subsidies);

- directing finance (India: 40 % of bank loans need to go to priority sectors);

- transforming culture;

- upgrading governance (Sweden: financial sector should contribute to sustainable development).

**Hugues Chenet**, 2-degrees initiative, focused on the risks of climate change to the financial system. He listed the sources of carbon risk as policy, markets, legal liabilities, and reputational/social. He also gave examples of recent court cases where these different risk potentials were realized. Carbon risks increase in future when more and more pledges arise against the financing of coal-related activities.

The life cycle of a carbon risk starts with a climate policy that sets a carbon budget. Limited use of carbon leads to value destruction, which increases the risk and affects the performance of financial assets. In many cases, these assets are part of a complex financial portfolio. This complexity, together with the propagation of risks, influences the dimensions of carbon risk that have yet to be studied thoroughly.

Mr. Chenet underlined the importance for policy makers to endorse carbon risks as they have the power to avoid financial crash and financial bubbles and help re-orient the markets towards low-carbon. The measures to be taken in the future need to have credibility in the eyes of the financial sector.

**Pierre Ducret**, Caisse des Dêpots, brought into the discussion the aspect of the financial sector itself. He saw the role of the Paris climate conference as an exponential stimulator of private and public voluntary pledges and commitments. He also stressed the fact, however, that, with or without Paris, the community of investors and banks are dramatically increasing their green investments.

Led by Mr. Ducret, the Groupe Caisse des Dêpots has made several commitments to green their investment portfolio: The trustee is on a pathway to de-carbonize by 20 % a USD 55 billion equity portfolio by 2020. It will also divest from coal companies where direct coal investments account for more than 20% of their activities. When it comes to loans provided by the trustee, financing green investments will be prioritized.