We must demystify finance for a low-carbon path

From Ms Madeleine Ronquest.

Sir, I write in response to Martin Wolf’s prescription for ways to kick-start a stalled but savings-rich economy (“Why the future looks sluggish”, Comment, November 20). In reference to the “glut of savings” in many countries, he suggests expanded public investment, such as lower-carbon growth.

His prescription may provide one answer to your call for a “new approach” to replace the equally stalled global climate negotiations (“Wasting energy on successor to Kyoto”, editorial, November 20).

Creating low-carbon growth markets must be a large part of the road ahead if we are to achieve sustainable development. To put the challenge in context, a dangerous mix of investments, subsidies and low prices is driving us further down a carbon-intensive path. Estimates presented to a United Nations Environment Programme Finance Initiative (UNEP FI) meeting of banking and investment professionals in Beijing last week pointed to more than $674bn that is being invested in exploration and development in 2012 by the 200 largest listed fossil fuel companies. The growth investment exceeded investment in renewable energy by a factor of 10 to one. This comes on top of the International Energy Agency’s latest assessment that fossil fuel subsidies reached an unprecedented $544bn in 2012.

The focus of the Global Roundtable of UNEP FI was on changing finance and financing change for a sustainable future. The challenge is not in finding private funding as it is available in abundance, but rather in mobilising the funding to where it needs to go and in finding ways to bridge the barriers standing in its way. UNEP FI conducted a study, “Demystifying private climate finance”, which was launched at the Caring for Climate Business Forum in Warsaw at the 19th session of the Conference of the Parties (COP 19), that provides greater context to possible solutions.

It was clear from the discussions in Beijing that financial institutions stand ready to do their part, but greater transparency and clearer (and more stable) incentives and regulations are essential if investors are to be encouraged to do what is right for both themselves and the planet.

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