CARBON CRUNCH

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Head of UNEP Finance Initiative

UNFCCC CoP 13

Bali, Indonesia, 11 December, 2007
UNEP FI and the UNFCCC Negotiations

COP 8, New Delhi, 2002: Climate Risk to Global Economy
COP 9, Milan, 2003: Emissions Trading
COP 10, Buenos Aires, 2004: Finance for Carbon Solutions - The CDM
COP 11, Montreal, 2005: The Future of Climate Policy
COP 12, Nairobi, 2006: Adaptation and Vulnerability
COP 13, Bali, 2007: Climate Risk & Opportunity for Financial Services in a Global Economy
TEMPEST IN A PASTA BOWL • GORE’S VC VENTURE

WHAT WERE THEY SMOKING?

CHUCK PRINCE
Citigroup
$9.8 BILLION

JIMMY CAYNE
Bear Stearns
$450 MILLION

JOHN MACK
Morgan Stanley
$3.7 BILLION

STAN O’NEAL
Marsh Lynch
$7.9 BILLION

HOW THE BEST MINDS ON WALL STREET LOST BILLIONS

PLUS Geoff Colvin On The Plunging Dollar
Bob Rubin Talks To Carol Loomis

EUROPE EDITION
Key messages

- It is clear from climate science and economic analysis what needs to be done to combat climate change.
- Strong, early action to reduce emissions is critical and can dramatically limit the cost of addressing climate change - the benefits of strong and early action far outweigh the economic cost of not acting.
- Leading financial institutions have been supportive and creative in addressing climate change, but in general financial sector engagement is still weak.
- sluggish policy development is delaying progress in channeling finance and investment towards effective measures addressing climate change. In particular, government finance and treasury functions need to be actively involved in this area to give policy design a harder edge that is, not just how to reduce GHG emissions, but how to do so in sufficient volume, at lowest cost.
- To be really effective, policies need to encourage public-private sector collaboration through appropriate regulations and incentives.
- Actions must be directed at both mitigation and adaptation as climate change is already happening and developing countries will be worst affected.

Recommendations

For Policy Makers

- End the uncertainty over international climate policy post-2012 through clear regulation by setting long-term emission reduction targets post-2012, especially for the critical period 2013-2020. This should be set no later than 2009.
- Ensure a systematic approach to adaptation that integrates climate change into existing and new programmes on disaster reduction/management and sustainable development.
- Involve finance and treasury functions in this area, in order to ensure the efficient use of available funds and financial mechanisms.
- Provide clear and compatible regulation of the carbon market and further globalise the carbon market to ensure its liquidity and effectiveness.
- Promote significant upskilling of R&D and investments in renewable energy and energy efficiency e.g. by setting clear targets and implementation mechanisms.

For Financial Institutions

- Integrate climate change related risks and opportunities into core financial operations.
- Engage with government decision makers to optimise the allocation of available funds to combat climate change and to promote innovation and technology development at local, regional, national, and international levels of governance.
- Reduce one's own direct impacts contributing to climate change and report annual emissions transparently.

Materiality 1
The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing

Fiduciary Duty
A legal framework for the integration of environmental, social and governance issues into institutional investment
Produced for the Asset Management Working Group of the UNEP Finance Initiative October 2003

Materiality 2
Show Me The Money: Linking Environmental, Social and Governance Issues to Company Value
"I applaud the leadership of the institutions that have committed themselves to this undertaking, and urge other investors around the world to join this historic effort."

......Ban Ki-Moon, UN SG, commenting on the Principles for Responsible Investment, July 07