

Summary of the General Assembly Specialised Meeting
“Global Private Investments and Climate Change”
New York, 9 June 2008

Opening session

1. The **President of the General Assembly** underlined the need to deepen our understanding on how the private sector relates to climate change issues in view of the massive additional financing needed to address climate change. He stressed that a recent UNFCCC report indeed estimates that up to 86 per cent of the global financial flows needed to respond to climate change will have to come from private investment sources. Therefore, aware of the fact that public financing will not be sufficient and the largest part of the global finance needed to respond to climate change will come from private investment sources, this meeting of the General Assembly was convened to constructively engage financial institutions playing a key role in every major investment decision. The President emphasized that investment decisions taken today will inevitably affect the world's emission profile in the future. It is therefore crucial to understand the way in which private investors can affect climate change through their investment choices, as well as what risks and opportunities they perceive with respect to the current and developing climate change regime.

2. In her keynote speech, **Ms. Mindy Lubber**, President of Ceres and Director of the Investor Network on Climate Risks (INCR), emphasized that climate change is a ‘material’ financial issue with vast implications for companies and investors. She underlined that climate change was not only about economic risk but presented enormous opportunities for companies and investors, in particular because of the rising demand for cleaner, low-carbon, energy-efficient technologies and products among countries and consumers. The International Energy Agency recently estimated that the world will have to invest as much as \$50 trillion through 2050 in new energy infrastructure and equipment in order to reduce carbon dioxide levels to half of today's levels. She noted that the global clean energy investments had quadrupled in the past four years, to \$150 billion in 2007. She emphasized that a strong, equitable international framework to reduce greenhouse gas emissions was essential to correct the significant market failure resulting from not putting a price on GHG emissions.

Panel

3. The panel, moderated by **Mr. Jeffrey Ball** from the Wall Street Journal, comprised the following speakers: **Mr. Martin Kuscus**, Chairperson of the first Board of Trustees for the South African Government Employee Pension Fund; **Mr. Pierre Lagrange**, Co-Founder and Managing Director of GLG Partners LP; **Mr. James Cameron**, Co-Founder and Vice Chairman of Climate Change Capital; **Mr. Oliver Bäte**, Chief Operating Officer and Member of Board of Management of Allianz SE and **Mr. Jack Rivkin**, Chief Investment Officer, Neuberger Berman, a Lehman Brothers Company, and member, Lehman Brothers Climate Change Council.

4. Each of the speakers represented various types of financial institutions, including investment banks, insurances, hedge funds and pension funds. The speakers discussed the role of the private sector investments in relation to climate change with an emphasis on how to encourage Member States of the United Nations to develop and provide incentives to strengthen sustainable investments, which would yield both environmental and financial returns.

5. It was underlined that climate change will have impacts on long-term investment value and returns. It was also mentioned that a new investment paradigm is emerging that demands integration of non-traditional risks, such as climate risks. The financial services and investment community was responding to these new challenges. One example mentioned is the Principles for Responsible Investment – an investor framework to consider environmental, social and governance issues – which has been signed by some 340 institutional investors from more than 30 countries, representing US\$14 trillion in assets. A related issue concerned the disclosure of environmental, social and governance performance, e.g. as a standard listing requirement for stock exchange listings or via the Global Reporting Initiative. In this respect, some panellists called for worldwide mandatory disclosure.

6. Environmental and climate change investments have the opportunity to become a mainstream activity and as such could significantly change corporate activity. In the end, good environmental reporting and practices could become a proxy for good management and operational performance. All panellists stressed that individuals and investors alike have a responsibility to be aware of how behaviour and choices eventually generate carbon emissions. In particular, the benefits from improving energy efficiency were emphasized.

7. It was noted that the capital presently available in public hands is not commensurate to the challenges posed by climate change. Accordingly climate change must be placed in the context of the financial markets; capital markets will be crucial and the carbon markets will need a quantum leap to address climate change. Carbon prices need to become global, credible, long-term and equitable. Panellists referred to the strong growth of carbon markets in recent years; however, Africa as a region still stands to benefit from the emergence of carbon as a new asset class, as well as from the Clean Development Mechanism.

8. Technological breakthroughs are required to narrow the investment gap, e.g. in technologies for retrofit of existing power plants, adaptation and energy efficiency technologies, carbon capture and storage.

9. On the future, it was stressed that climate change as a global phenomenon demands a global response from governments with the imperative for international cooperation. Several panellists stated that the global climate regime needs to provide stability and long-term planning security and regulation if it is to successfully attract the needed private investments to address climate change. In particular, one panellist pointed out that current legal structures and framework incentives have not facilitated enough growth in

the European Emissions Trading System. Although increasing by 55 per cent from 2006 to 2007, to EUR 28 billion, it has been estimated that clean energy investments must still rise significantly in order to move more rapidly to a low-carbon economy by 2020. Accordingly, the panellist called for governments to provide more stable and smarter regulatory regimes.

Discussion

10. During the ensuing interactive dialogue with member states and special guests, the following issues were raised:

11. Panellists highlighted significantly expanded global liquid carbon markets and a carbon tax as possible policy options to address climate change. One speaker however underscored that carbon markets on a global level are more efficient and politically viable than a carbon tax. In response, one delegation further emphasized the need for governments to take into account all possible outcomes of a policy such as a carbon tax including its effects on employment and social development.

12. Some delegations highlighted the centrality of the principle of common but differentiated responsibility as a tenet of the debate at the UNFCCC and asked whether the historical responsibility by industrialized countries was a factor for the private investment sector. In responding, panellists underscored their strong awareness of the principle. However, panellists explained that for the private sector all kinds of incentives are of importance to produce returns.

13. Speakers and special guests underscored that many economic incentives to lower greenhouse gas emissions can be put in place today. As one example the congestion charge and its extensions for the city of London was mentioned. Energy efficiency standards for buildings and appliances were raised as practicable examples of immediate steps that could be taken to reduce emissions.

14. The debate focused on how governments may promote sustainable investments across regions and asset classes. On the total of their investments, panellists noted that only a small percentage at this stage are socially responsive, including investments in clean technologies for mitigation and in adaptation technologies. These investments focus on Europe, East Asia, mostly China, and increasingly on North America. The energy technologies invested in comprise mainly of wind and solar.

15. On clean technologies and technology transfer, one speaker highlighted the importance of access to cleaner technologies for developing countries to address the twin challenges of climate change mitigation and adaptation. One panellist, however, questioned the focus on technology transfer and recommended to instead focus on the economic transactions that bring technologies with them.

16. One delegation highlighted the need for public investment in research and development of innovative technologies, and also raised a question on the importance of sound and stable carbon markets and the potentially disruptive role of speculation. In response, the panellists mentioned the European Emissions Trading System which had already seen speculation. Panellists underlined that speculation in carbon markets will not diminish the validity of the process. It was noted that the carbon markets are in a nascent stage now, and that market mechanisms need regulatory frameworks in order to function optimally.

Closing remarks

17. The closing remarks were given by **Ms. Diana Farrell**, Director of McKinsey Global Institute; **Mr. Naveen Jindal**, Executive Vice Chairman and Managing Director of Jindal Steel & Power Limited and **Mr. Paul Clements-Hunt**, Head of the UNEP Finance Initiative.

18. Addressing the topic from the business perspective, as opposed to an investment perspective, one of the concluding speakers underlined the need for prompt and practical action from government. Climate change was no longer a fringe issue, but increasingly a matter of strategic concern for business. Another speaker stressed that demand side energy efficiency investments were the single most important action that could be taken even before the adoption of new climate change rules. The speaker emphasized how the focus on energy efficiency could generate low-carbon economic growth. The final speaker noted that climate change was a two-headed coin for the financial services industry: on the first side the financial institutions see the emergence of enormous risks – the “carbon crunch” – and on the other second side the evolution of a carbon market. Finally, looking ahead to Copenhagen, the need for the policy and the investment communities to intensify their dialogue and work together more closely was emphasized.