



UNEP **Finance Initiative**
Innovative financing for sustainability

CARBON CRUNCH

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UNFCCC CoP 13

www.unepfi.org

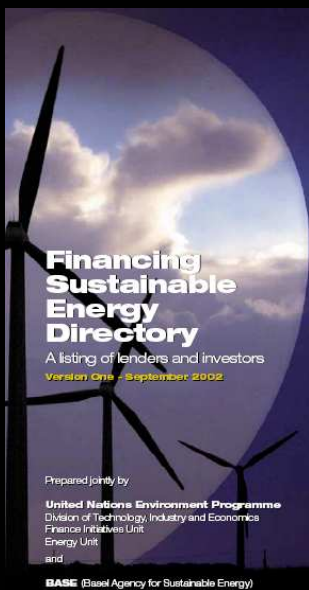
Bali, Indonesia, 11 December, 2007

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**



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Financing Sustainable Energy Directory

A listing of lenders and investors
Version One - September 2002

Prepared jointly by

United Nations Environment Programme
Division of Technology, Industry and Economics
Finance Initiative Unit
Energy Unit
and

BASE (Basel Agency for Sustainable Energy)

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November 2006

CEO briefing

A document of the UNEP FI Climate Change Working Group (CCWG)

Adaptation and Vulnerability to Climate Change: The Role of the Finance Sector

Climate change is now certain, so we must plan for the reality that dangerous changes in weather patterns will disrupt economic activity. On one scenario, disaster losses could reach over 1 trillion USD in a single year by 2040.

The impacts will be worse in developing countries, where capacity to manage disasters is lower, and could impede progress towards achieving the Millennium Development Goals. Adaptation - adjusting to the expected effects of climate change - is therefore a clear imperative and a vital complement to mitigation. At the same time, a new integrated approach is called for to capture the responses of key actors in business, government and civil society. Such an approach should coordinate adaptation, disaster management, and sustainable economic development more systematically.

Already the financial sector is financing additional costs from adverse climatic conditions, and that developed and refined important techniques to cope with these burdens. The sector is reminded, however, by commercial considerations from applying these measures more widely. A gathering weight of opinion suggests that a combined public-private approach to adaptation could yield worthwhile results. Investments would be small to begin with, but could grow rapidly as best practice spreads.

A stream of such water would flow off the bank, diverting less without which, however, it would not.

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December 2006

CEO briefing

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The Future of Climate Policy: The Financial Sector Perspective

Recommendations

The CCWG recommendations to policymakers are to:

- Adopt a clear, precautionary, long-term reduction target and pathway for greenhouse gas emissions.
- Provide early, clear guidance on the contribution of the international climate policy regime beyond 2012.
- For an appropriate framework to ensure a liquid and efficient global carbon market.
- Set clear targets for renewable energy and energy efficiency, coupled with an effective, stable support mechanism.

CCWG Statement

The CCWG is aware of the fact that the overall climate change policy response must also consider climate change adaptation policies - the impacts of climate change give urgency to responding to the challenge. The focus of this paper, however, is on mitigation policies.

SEI

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CEO briefing

A document of the UNEP FI Climate Change Working Group - January 2007

Finance for Carbon Solutions

The Clean Development Mechanism: The Financial Sector Perspective

CCWG Recommendations

1. Clarify the role of public engagement in the specific risk structure of CDM projects, across institutional barriers, and the complexity when implementing a CDM project.
2. Diversify CDM financing beyond the traditional CDM project.
3. Strengthen the interpretation of add-on activities to the extent possible up to the maximum extent possible.

SEI

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A document of the UNEP FI Climate Change Working Group - June 2004

Renewable Energy

Renewable energy has to supply a greater share of the world's energy requirements. Renewable energy is a key role to play in developing and promoting this market. Renewable energy is both a solution and a challenge. However, there are still some significant barriers to scaling up the market. The most important are that policymakers can do little to create confidence in the long-term market and that the market is not yet fully developed. It is estimated that the market for clean energy technologies could be worth \$1.6 trillion by 2020. The financial sector has a key role to play in developing and promoting this market. Renewable energy is both a solution and a challenge. However, there are still some significant barriers to scaling up the market. The most important are that policymakers can do little to create confidence in the long-term market and that the market is not yet fully developed. It is estimated that the market for clean energy technologies could be worth \$1.6 trillion by 2020. The financial sector has a key role to play in developing and promoting this market.

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Climate risk to global economy

Climate change poses a major risk to the global economy. The increasing frequency of severe climate events, coupled with sea level rise, has the potential to cause economic damage on a scale not seen in modern history. The greenhouse gases (GHG) which cause this problem are long-lived in nature and are emitted by a wide range of activities. The financial sector has a key role to play in addressing market solutions to climate change. Examples include GHG emissions trading markets and finance for clean energy technologies. By some estimates, the losses could be a \$1 trillion year by 2012 while the gains could be worth \$1.5 trillion by 2018.

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January 2004

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A document of the UNEP FI Climate Change Working Group

Emissions Trading

Climate Change Working Group Statement

Emissions trading is an economically efficient, market-based instrument that encourages the transition to a more sustainable economy. The economic and regional trading has a positive impact on the international trading system, such as the Kyoto Protocol. The economic and regional trading has a positive impact on the international trading system, such as the Kyoto Protocol. The economic and regional trading has a positive impact on the international trading system, such as the Kyoto Protocol.

TEMPEST IN A PASTA BOWL • GORE'S VC VENTURE

FORTUNE

DISPLAY UNTIL DECEMBER 3, 2007 // NO. 21 // WWW.FORTUNE.COM

WHAT WERE THEY SMOKING?



CHUCK PRINCE
Chigroup
\$9.8 BILLION



JIMMY CAYNE
Bear Stearns
\$450 MILLION



JOHN MACK
Morgan Stanley
\$3.7 BILLION



STAN O'NEAL
Merrill Lynch
\$7.9 BILLION

HOW THE BEST MINDS ON WALL STREET LOST BILLIONS



Austria	13.00	Latvia	13.00
Belgium	13.00	Malta	13.00
Brazil	13.00	Netherlands	13.00
Canada	13.00	Poland	13.00
China	13.00	Portugal	13.00
Denmark	13.00	Romania	13.00
France	13.00	Slovakia	13.00
Germany	13.00	Slovenia	13.00
Greece	13.00	Spain	13.00
India	13.00	Sweden	13.00
Italy	13.00	Switzerland	13.00
Japan	13.00	Taiwan	13.00
South Korea	13.00	Thailand	13.00
Russia	13.00	UK	13.00
Taiwan	13.00	USA	13.00
USA	13.00	Other	13.00
UK	13.00		
Other	13.00		

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

EUROPE EDITION

December 2007

CEO briefing

A document of the UNEP FI Climate Change Working Group (CCWG)

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 channelling 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.

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Meeting the cost

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 2013-2030. 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 upscaling of R&D and investments in renewable energy and energy efficiency e.g. by setting clear targets and implementation mechanisms.

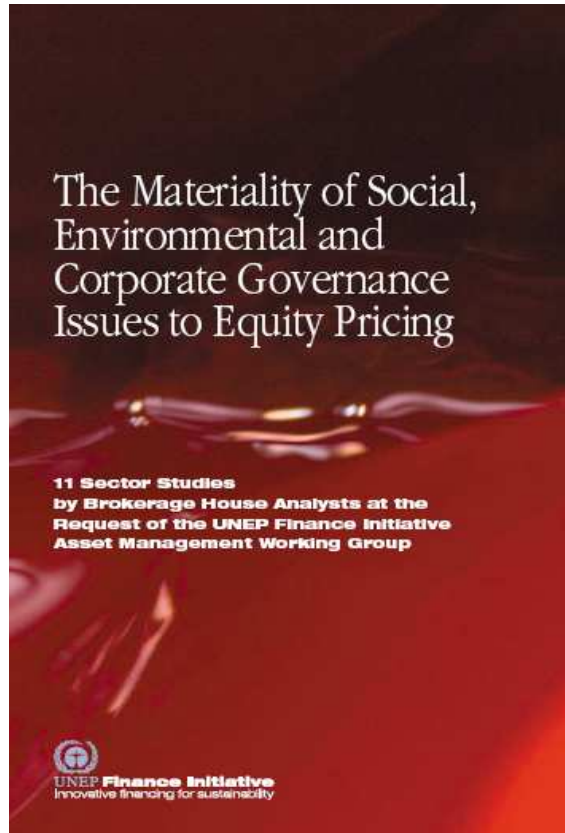
For Financial Institutions

- 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.

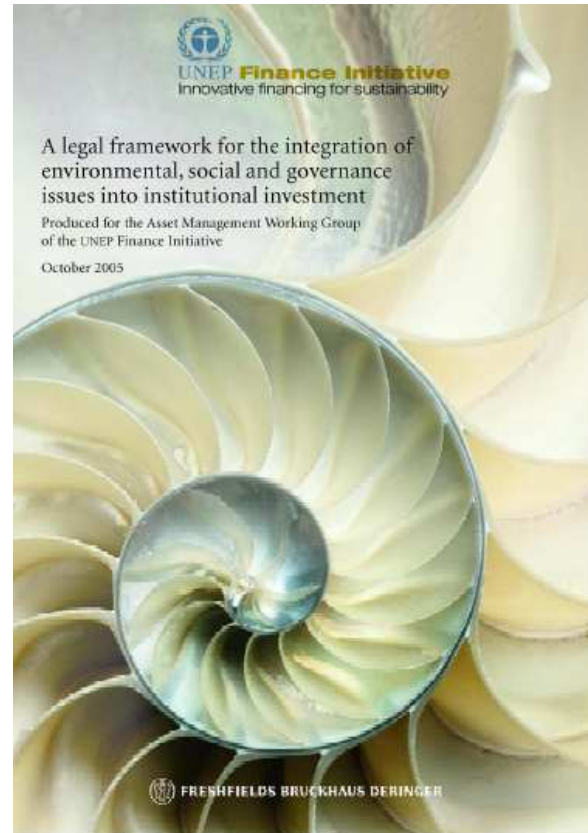


UNEP FI Asset Management Working Group (2004 – 2006)

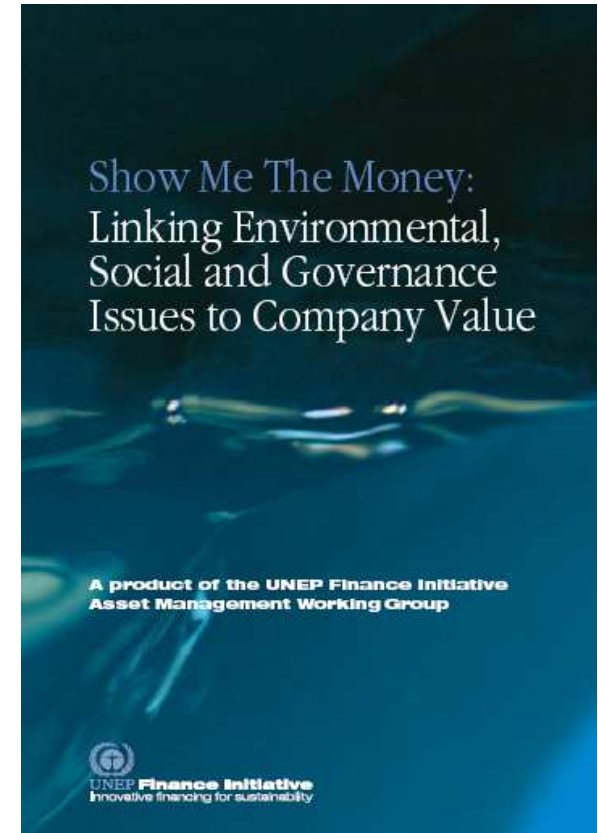
Materiality 1



Fiduciary Duty



Materiality 2



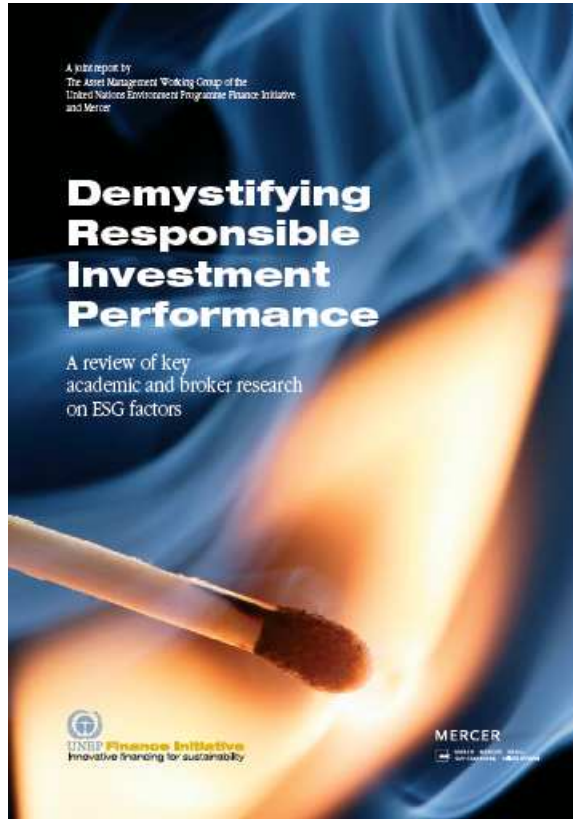
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UNEP FI Asset Management Working Group (2007)

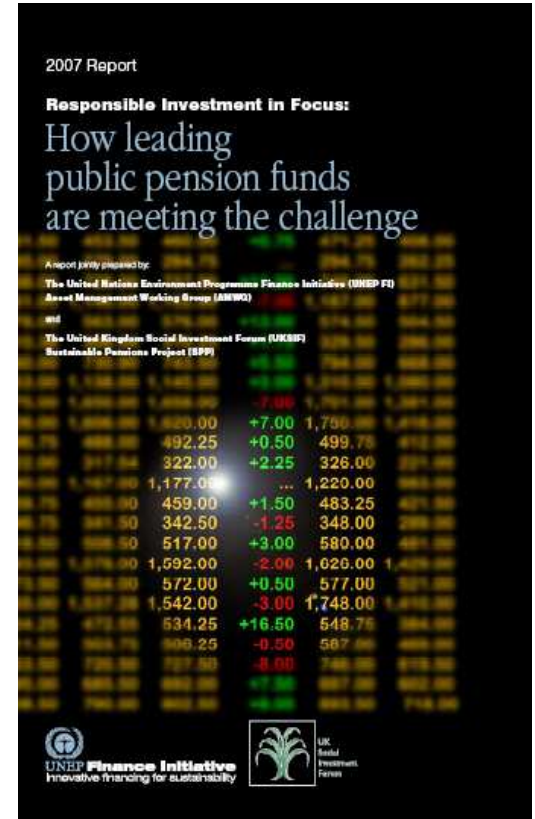
Private Banking



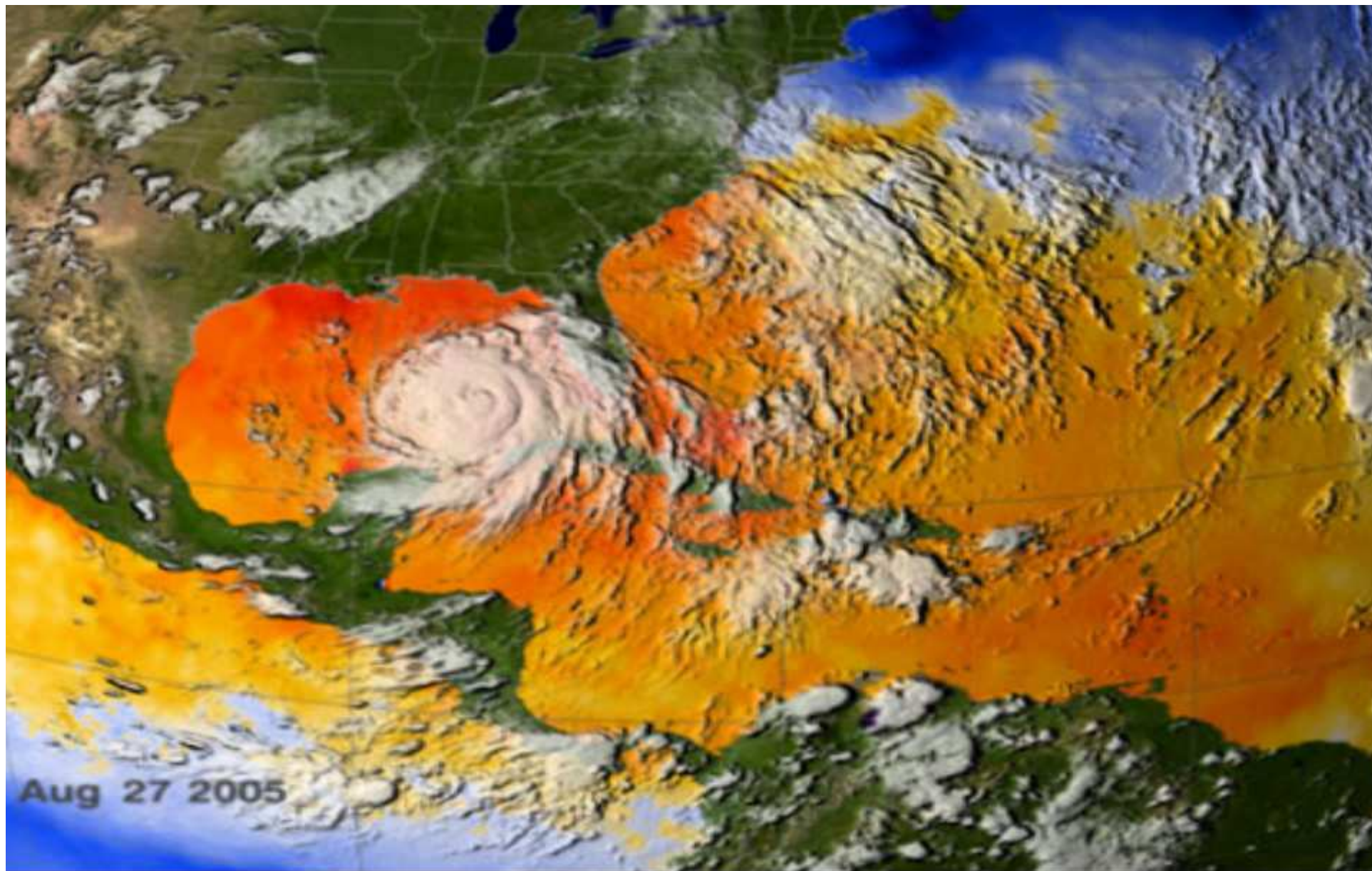
Performance



Pension Funds



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Sea Surface Temperature





 **PRI**

Principles for Responsible Investment



 **PRI**

APRIL
27
THURSDAY

 **NYSE Group**



"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*