



# Bolincentrets klimatarena

## Report from the Climate Arena workshop on the role of the finance sector in the climate transition

Nov 2<sup>nd</sup> 2020

The Bolin Centre Climate Arena is a meeting place for researchers, companies, the public sector and other organisations which aims to facilitate collaboration and an exchange of knowledge, experience and creative ideas, so that we can together increase our society's resilience to climate change. By gathering organisations with different needs and a wide range of expertise, the arena can lay the foundation for joint efforts and sustainable societal change. The Climate Arena was founded in May 2018 at Stockholm University.

The Bolin Centre for Climate Research is an umbrella organisation with more than 400 people who conduct research in areas related to the Earth's climate. The centre was established by Stockholm University, KTH and SMHI, and is named after Professor Bert Bolin, a pioneer in climate research and founder of the UN's Intergovernmental Panel on Climate Change (IPCC).

The Climate Arena is an initiative for thematic collaboration in arena format. It has been established within the framework of the project Methodology for the Development of Collaboration Arenas (Metodik för Utveckling av Samverkansarenor, MUSA).

For further information:

[www.bolin.su.se](http://www.bolin.su.se)

[www.bolin.su.se/bolin-centre-climate-arena](http://www.bolin.su.se/bolin-centre-climate-arena)

[www.su.se/k3-projekten/musa](http://www.su.se/k3-projekten/musa)

On Nov 2, 2020, the Climate Arena at Stockholm University conducted a digital workshop on the role of the financial sector in the transition to a carbon neutral society. In total, 20 participants from 11 different organisations joined the meeting (see Annex A for an overview of participating organisations).

Three presentations were given during the first part of the workshop:

**Kevin Noone, *Stockholm University*** – *Finance and climate neutrality*

**Linda Zeilina, *International Sustainable Finance Centre*** – *Sustainability & Finance – Changing finance or financing change?*

**Sara Wallin, *Almi*** – *Almi - The transition and the finance sector*

Please see the attached program for an overview. The presentations can be disseminated on request.

This was the sixth workshop in the Climate Arena since the initiative was established in March 2019. Previous workshops have treated the transition to a carbon neutral society in a broad perspective, as well as certain specific topics, such as calculations of organisations' carbon footprint. An underlying theme during these workshops was finance and investment although this topic was never addressed explicitly. Therefore, the Climate Arena arranged this workshop to focus specifically on the topic and it sought to unpack and deepen the understanding for some of the main issues, dimensions and questions related to the finance sector today and going forward.

Following the aforementioned presentations, group discussions were carried out around four main questions:

- What roles can and should the financial sector play in the transition?
- What is the impact of the financial sector on your organisation's work on transition and sustainability?
- What is needed to enhance the role of finance in the transition going forward?

Below is a summary of some of the main points that were highlighted during the discussions.

### Summary of group discussions

- In general, there was a consensus that the finance sector can and should play a leading role in the transition by financing actions and business models for a better climate. The finance sector can have a tremendous impact through its position and investments, and therefore it also has a big responsibility. Integrating sustainability goals in investments, and importantly, monitoring and conducting follow-up, would incentivise companies and actors to implement new business models and sustainability measures. Put differently, a growing number of bigger companies are already moving to a greener business model. The question is why not all of them are doing it. It is in this context that the finance sector becomes important in boosting green companies and sustainable transformations in circular economy and the design of new models.
- There are already tendencies that a movement in this direction is taking place. One participant noted that the the finance sector "woke up" about 5-6 years ago meaning that they now realize their role in climate change. For instance, one sector that is pushing this issue further are insurance companies. Risk and return, very important for them and they are directly exposed to the effects of climate change. In general however, there seems to be an issue with time-scales. Pension funds for instance operate on a long time-scale and are more interested in sustainability. Certain other parts of the financial sector operate for short-term profit. The latter however seems to be dominating today. A lot of stakeholders and actors in the sector still "work in a world of quarterly reports". Therefore, while there are positive movements, it is still a somewhat slow development.
- One area of special importance is the issue of carbon pricing. Carbon would need to be priced in order to disincentivise unsustainable investments, particularly

investments in fossil fuels and other sectors and operations that have intense carbon emissions. In parallel to the previous bullet point, insurance companies are in some aspects leading the work because of its financial exposure to climate change. Carbon pricing would also make investments in fossil-based enterprises unprofitable. The first important step is to get rid of subsidies for these sectors. Otherwise, it will be very difficult to facilitate and implement a transition at the required pace and urgency. For instance, investments in digitalisation have been both profitable and often quite beneficial from a climate perspective. However, because of a lack of carbon pricing and the presence of carbon subsidies, there is always a risk that money made in this sector may facilitate investments in the fossil sector in the next step.

- In general, there is a tendency in the finance sector that present actors and stakeholders feel or have made a judgement that they can “beat the system” or “get out in time”. In other words, based on current trends and pressures, companies and stakeholders in finance may judge that they will ultimately have to abandon investments in carbon-intensive operations, but still find that we are not yet at that point, and that there is additional time to manage this transition without urgent or pressing action today. While not necessarily making the situation worse, this dynamic is slowing the transition quite a lot. More external pressure must therefore be put on stakeholders to highlight the urgency and importance of making the transition now and urgently.
- In this context, it should be noted that apart from regulations, such as carbon pricing, communicative measures may also have a great impact. For instance, the framing or language of climate change and the finance sector could be harmonised in some respect. Examples could include the framing of climate change as a “risk”, and pointing towards the cost of doing nothing. One challenge here is to frame the possibilities and make them quantifiable in order to provide ways to measure the benefits. Additionally, leveraging well respected people in the industry to find ambassadors and spokespersons should be important in raising the status of climate transition in finance discussions.
- Building on the previous point, it is important not to underestimate upward pressure from end-users. If the market favours sustainability, this should act as a driver for a transition. The impact of the finance sector is not one-way and companies do make decisions on what investors to work with. This kind of pressure between customers, companies and invests can create important multi-way and mutual drivers for sustainable transition.

## Annex A - Participating organisations

Almi

Climate Students Sweden

Ericsson

International Sustainable Finance Centre

IVL

Klimatriksdagen

Stockholm University

Swedavia

Svenskt Sigill

Stockholm Vatten och Avfall

Zeromission

## Annex B - Program

**Part 1: The transition and the finance sector**

13.00

**Welcome****Introductory presentation**

- *Kevin Noone, Stockholm University*

13.30

**Presentations – practitioners perspectives**

- *Linda Zeilina, International Sustainable Finance Centre*
- *Sara Wallin, Almi*

14.15

**Workshop and break-out groups**

- *What roles can and should the financial sector play in the transition?*
- *What is the impact of the financial sector on your organisation's work on transition and sustainability?*
- *What is needed to enhance the role of finance in the transition going forward?*

**Break****Part 2: Climate arena stock-taking**

15.00

**Presentations and discussions about the Climate arena work to date and pathways going forward**

- *Summary of the process so far*
- *Presentation of Policy briefs on high altitude effect, carbon offsets and CCS*
- *Discussion about pathways going forward*

15.45

**Wrap-up**

16.00

**End of workshop**