Maya Hennerkes: Public financial institutions can pave the way

Maya Hennerkes argued that we are already seeing the (short run) impact that climate risk is having on policy and finance flows. In her argument, the financial industry already acknowledges the impact of climate change on portfolios: internal risk ratings are gaining importance and more environmental impact data is disclosed globally. A key challenge for investors is that they cannot easily assess the quality of environmentally friendly investments. New regulations and initiatives like the Network for Greening the Financial System or the EU taxonomy are being set up to reduce those barriers and increase transparency. Waiting for regulation to go all the way is not the solution, however, as private investors have a responsibility to act too. This includes divestment from brown firms such that financial institutions can finance more green projects.

Dr. Tatjana Puhan: Towards real implementations in private asset management

Tatjana Puhan highlighted the urgent need for assessments of the 'real' environmental impacts in the green finance environment, which remains driven by business interests. Academia and investors should move ahead of the regulator, because existing regulations still leave much room for greenwashing. For activist investors to have an influence on green corporate governance, the existence of a market economy including sufficient competition and an effective legal system on the one hand and credible leverage of investor groups on the other are key. The threat of disinvestment can then spur green investment on the firm-level and drive brown firms out of the market. Even so, putting a price tag on climate risks remains a key challenge for financial practitioners. Here, the main hurdles are climate model uncertainty, whether climate risk matters for short-run investors, and practical constraints in the implementation of academically founded hedging portfolios.

Prof. Dr. Alex Stomper: Addressing recent problems in green financial innovation

According to Alex Stomper, some answers to the latest questions in green finance are not immediately obvious. First, corporate governance is a way in which investors can influence climate issues through "industrial democracy," especially where climate policy is lagging. Second, we need more donations towards climate lobby groups that would counteract lobbying by "brown" firms. Third, we need to extend the current discourse towards closing a disinvestment gap in brown real assets. Fourth, he argues that innovation should not be underestimated so pessimistically, including carbon removal technologies and alternative green uses for brown assets.

Tariq Fancy: Governments should push the private sector

In his video message, Mr. Fancy drew parallels to the role of governments in the pandemic. Effective measures should internalize climate externalities, and the pandemic has shown that governments can play a leading role in shaping the market.

Three insights from the discussion with the audience

- We need tighter policy incentives that incentivize negative emission flows to reduce the stock of past emissions that have already accumulated in the atmosphere.
- More investment is needed from public financial institutions to take the risk off new climate finance projects to, which would attract additional private investments.
- There is still not enough money being invested into 'green' firms because of several varied factors including a lack of demand, inefficient regulation, and investment risks.