



BASQUE CENTRE
FOR CLIMATE CHANGE
Klima Aldaketa Ikergai

Please note that this presentation was given during the United Nations Climate Change Conference (COP-15) in Copenhagen, December 7-18, 2009 for more information please visit <http://www.cop15.state.gov/> .





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Promoting Sustainable Investment Climates for “Climate Friendly” Technologies

Anil Markandya, BC3



General

- The initiative is to be welcomed. Investment in climate friendly technologies is at the heart of meeting the stabilization target of an 80% reduction in global emissions by 2050 and developing countries have to make a major contribution to meeting that target.
- Investment in Investment Friendly technologies should be seen as an opportunity and not only as a cost. This is partly a case of presentation but also a case of emphasizing the real positive aspects of these investments
 - Potential increased profits to the private sector in the face of future restrictions in carbon emissions,
 - Community benefits that have a social corporate responsibility benefit etc.

Context and Information

- The index will provide useful information to investors, especially if it attains a status as a reliable and valid indicator of investment opportunities and constraints.
- It is important how the index is constructed and what **additional information** is provided as complementary to the index. The single number has a headline informational value but seriously interested investors will want to look in more detail at the components. Thus the information should consist of more than a single index.

Points that Need to be Included

- Clarity of commitment with respect to future energy policies, especially those that impinge on carbon emissions, such as taxes, permits etc. For example where there are feed in tariffs, how likely are they to remain in place, what changes are anticipated etc.? In the case of large up-front investment such as nuclear, what guarantees will the government offer in terms of future carbon taxes or charges?
- Scope and potential for the development of carbon capture and storage as a carbon reducing technology. This is partly a geological question but also a question of policy. What support will the government give to such a technology? What legal instruments are expected to be in place for adopting the technology? How will risks of leakage be covered and who will cover them?

Extending Coverage

- Should some information also be provided about investment opportunities that deal with adaptation to climate change such as coastal barriers, desalination plants etc? These are also be important areas where we should seek increased investment for the private sector.
- Related to that we should also look at the potential for investment through financial instruments such as **Catastrophe Bonds, Contingent Surplus Notes, Exchange Traded Catastrophe Options, Weather derivatives etc.** The private sector has a role to play here, working in partnership with public sector institutions.

Final Thoughts

- Like all indices there will be learning process and we need to try it out as a pilot and revise it in the light of the results.
- Think of a better acronym!
 - CLI-FR-IN-I?

bc³

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Good Luck!