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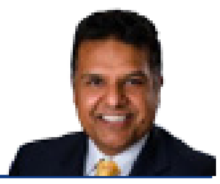

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TEUN VAN DEN DRIES/SHUTTERSTOCK

# Can we bank on a clean energy future?

By Mark Hillsdon

**The green bond market is worth $100bn, but with $1trn needed to fund the low-energy transition by 2020, we assess what it will take to move the global financial system onto a more sustainable footing**

Green finance is playing a growing role in combating climate change. During the COP23 climate talks in Bonn earlier this month the green bond market, which saw a record $81.6bn in issuances last year, passed through $100bn with a $1.5bn issuance from the China Development Bank. The initiative is forecasting $130bn in issuances by the end of this year.

This year has seen the launch of the world's first bourse for securities related to climate change in Luxembourg, which listed bonds worth $74bn in its first year of operation, while corporations such as Apple are issuing green bonds to finance a raft of sustainable projects.

The latest is Ørsted, formerly Dong Energy, which sold off its oil and gas business this year. The company raised □1.25bn within 10 hours to fund new and existing offshore wind power projects and convert CHP plants from coal to sustainable biomass.

But there remains a huge funding gap. According to the New Climate Economy initiative, the world needs to double its current investment, to about $6trn, between now and 2030 just to meet global clean energy infrastructure needs.

Christiana Figueres, the former UN climate chief who launched the Mission 2020 campaign this year, says $1trn is needed by 2020. This message is rein-

*'The carbon bubble we have on our hands now will make the sub-prime bubble that led to the 2008 crash look like Bambi standing next to T-Rex'*

forced by the IFC, which in a new 155-page report, urges the private sector to mobilise more capital to low-carbon solutions.

But is a global financial system that is tied up in short-term profits rather than long-term solutions capable of championing a new age of green finance?

*At the same time HSBC announced $100bn in sustainable finance, it has been criticised for being lead funder for a 1,200MW coal plant in Vietnam*

### Finance for cities

In July, Cape Town issued a $77m bond □ which was four times over-subscribed □ while the Canadian province of Ontario this year made its third issuance, raising $800m to help fund environmentally friendly infrastructure projects.

There are options for smaller-scale investments, too, with companies such as Abundance Investment, which launched the UK's first green energy ISA, allowing people to invest directly in renewable energy projects, tax-free.

"We want to turn investing in ISAs from something gathering dust in the forgotten corner of a bank or riding the roller coaster of global stock markets into something that makes a difference in the real world," says Bruce Davis, managing director of the ethical finance platform.

Most green bonds, however, are focused on institutions and run into hundreds of millions of pounds, perhaps covering as many as 30 different projects. And this is where the green starts to become tinged with grey.

There's no standard definition for what constitutes a green bond, says Nick Silver, co-founder of the Climate Bond Initiative, an international organisation working to mobilise the green bond market.

SHUTTERSTOCK INC.

Mexico City was the first city in Latin America to issue a green bond

"Broadly it's considered to label investment into things which are either helping our low-carbon future or not doing environmental damage," he says, acknowledging that such a broad description in such a complex arena is flawed from the outset.

Is a bond that raises finance for a gas-related project green, for instance? Purists would argue that gas is a transitional fuel, something that is better than coal and oil but which still doesn't have a role in a truly low carbon world.

## Green stock rising

The green bond is a central block of green finance, and as with any debenture offers investors differing returns depending on the risk involved. An investment in an operational solar park, for instance, is considered low-risk, and is reflected in a yield of perhaps 6%, while investing in riskier projects, such as drilling for a new geothermal plant, would bring in double this return.

China is now one of the leading issuers of green bonds and last year issued around 35% of the worlds' total, an upsurge based around the country's efforts to reduce pollution and develop renewable energy.

Individual cities are also getting in on the act and a recent report from the Climate Bond Initiative showed that cities are increasingly looking to the bond markets to finance low carbon and climate change-resilient infrastructure developments.

TCFD

Mark Carney and Michael Bloomberg are driving forces in the TCFD

The move is particularly pertinent, given UN estimates that 66% of the world's population will live in urban areas by 2050, and the impact of poor air quality, flooding and extreme weather events will increasingly threaten cities.

In December 2016 Mexico City became the first city in Latin America to issue a green bond, with a $50m bond allocated to water treatment, energy efficiency and public transport projects.

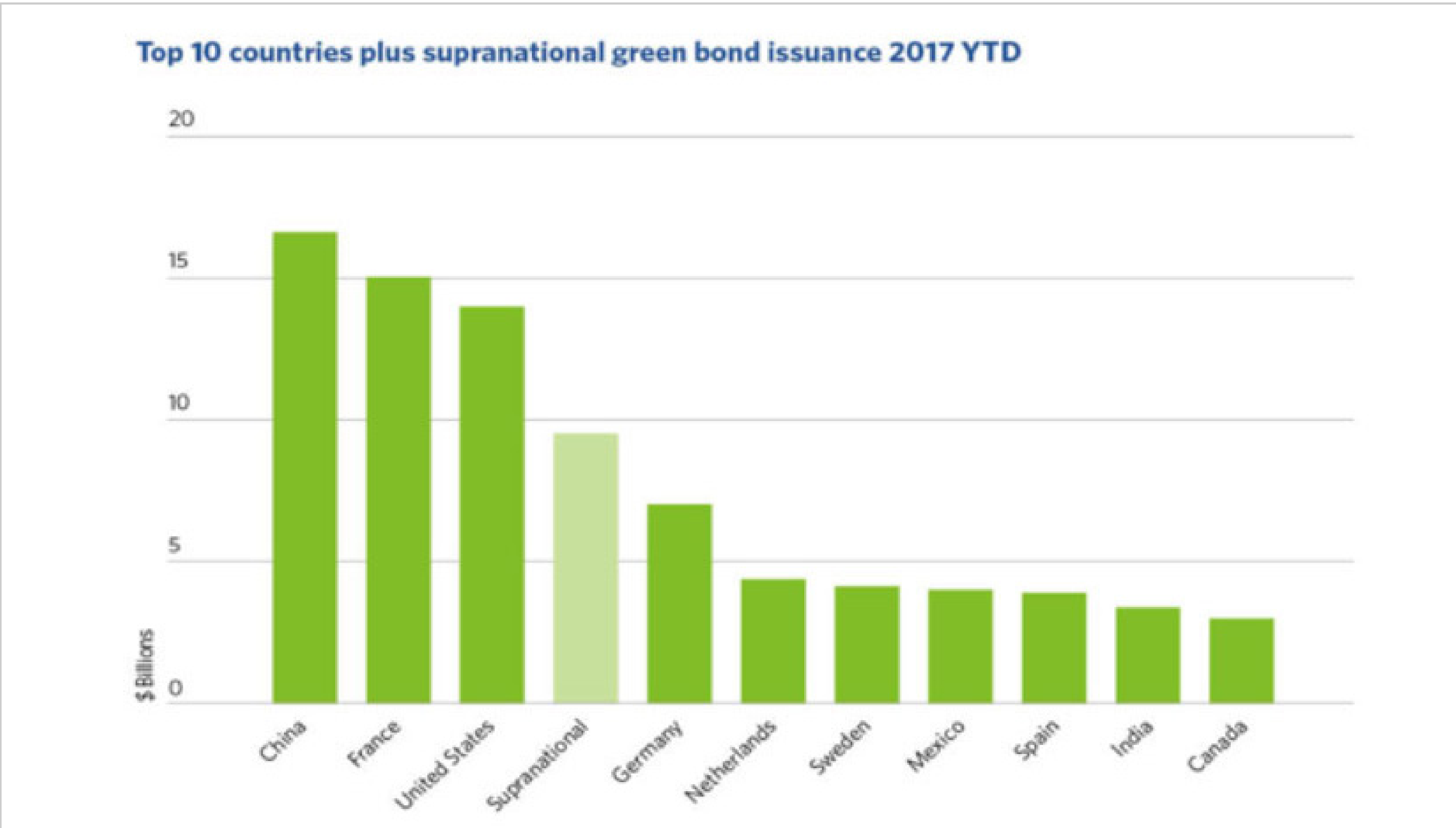
*The system is structured to reduce the kind of long-term investment that we need. We want the financial system to solve our problems, not cause new ones'*

## Different shades of green

Can a bond issued by a company like Exxon ever be considered green, even if it is funding renewables? And what monitoring is there to ensure that the money that's raised is actually used on green projects?

The Climate Bonds Initiative, which seeks to drive down the cost of capital for climate projects in both developed and emerging markets, oversees a standard and certification scheme, which assesses the credentials of green bonds.

This year it was joined by Carbon Yield, launched by the Rockefeller Foundation, Lion's Head Global Partners, South Pole Group and Affirmative Investment Management.




CLIMATE BONDS INITIATIVE

China has been the biggest issuer of green bonds this year

It uses a metric based on GHG emissions avoided per unit of capital per annum and is intended to allow issuers to communicate the carbon yield at the point of issuance, allowing investors to compare potential outcomes with other bonds.

## Moving out of brown

Even more pressing than finding ways to assess the provenance of green bonds is encouraging investors to move away from "brown" assets. This is illustrated by HSBC, which despite announcing this month that it will provide $100bn in sustainable financing and investment by 2025, and stop financing new coal power plants in developed markets, has come under fire from environmentalists for being lead arranger and global coordinator for the financing of a 1,200MW coal plant in Vietnam.

"The scale of investment into the green sector is too small and the scale that is going into brown sectors is just way too high," says Frank van Lerven, an economist at the New Economics Foundation think-tank. "There are real fears that climate could be the cause of the next big financial crash."

*A recent report by KMPG found that few large and mid-range companies acknowledge climate risk within their corporate reporting*

## Revealing climate risk

A recent report by KPMG found that few large and mid-range companies acknowledge climate risk within their corporate reporting. This is something that the G20 Task Force on Climate-related Financial Disclosures is trying to address by encouraging businesses to disclose all their direct and indirect carbon-related risks. For banks, this means revealing the level of climate risk in the companies they are lending to, allowing investors to make more informed decisions and avoid assets that are still rooted in fossil fuels.

In France, reporting on climate risk is now mandatory, a concept Silver expects to grow. "If companies are saying they're … massively exposed on climate change, then investors have to take this seriously."

In July, Aviva Investors said it would vote against approving the annual reports of companies that make no effort to disclose TCFD, prioritising the worst offenders first. But it is an exception. Analysis by the 2° Investing Initiative shows that, despite all the evidence, investors continue to be short-sighted, and often don't look much beyond two years, a time-frame in which brown assets can deliver a profit but longer term green projects can't.

UNFCCC

Former UN climate chief Christiana Figueres at the COP21 in Paris

Nevertheless, the idea of impact investing is gaining traction. The UK National Advisory Board for Impact Investing (UK NAB) has highlighted opportunities to unlock an additional £300bn to address both social and environmental challenges, many linked to the UN's Sustainable Development Goals (SDGs).

*Aviva will vote against the annual reports of companies that make no effort to disclose climate risk*

"Impact investing has shown its value across multiple sectors and asset classes, achieving strong returns on investment," says Michele Giddens, chair of UK NAB. "Over the last few years we have seen an explosion of interest globally, with more and more mainstream investors coming into the space. We are reaching the tipping point."

## Pensions with Purpose

The UK NAB is also promoting the concept of Pensions with Purpose, with savers investing in line with their values, much in the same way as socially responsible investment funds operate. So-called defined contribution pension schemes are predicted to grow six-fold to $1.7trn over the next two decades.

**Push to mainstream climate action in finance gathers steam**

At COP21 in Paris two years ago, 20 public and private financial institutions committed to the Climate Action in Financial Institutions initiative to mainstream climate action. The initiative has five voluntary principles: commit to climate strategies, manage climate risks, promote climate-smart objectives, improve climate performance and account for their climate action.

At COP23 in Bonn, the EIB, the world's largest single issuer of green bonds, announced that the initiative has grown to 31 members, including eight commercial lenders, and released a Climate Mainstreaming Practices database of 50 case studies.

HSBC, one of the signatories to the initiative, announced this month that it would provide $100bn in sustainable financing and investment by 2025, while Barclays, which is not a signatory, said it has issued the first green bond from a UK bank backed by British assets, with proceeds to be used to finance residential mortgages in energy-efficient properties. The □500m transaction was almost four times oversubscribed, Barclays said.

Terry Slavin

"Imagine a world where everyone could say: 'I know where my money goes and the positive impact it has – as a taxpayer, saver, consumer,'" says Sacha Romanovitch, a member of UK NAB's Advisory Board and CEO of Grant Thornton UK LLP. "A world where investing with impact is not at the expense of financial return."

The NEF is developing potential solutions that will redirect finance to green sectors, better aligning monetary and credit systems with ecological and social sustainability, says Van Lerven. These include requiring banks to lend a percentage to green sectors each year, or putting quantitative limits on certain types of brown lending.

ABUNDANCE

Bruce Davis, managing director of Abundance Investment

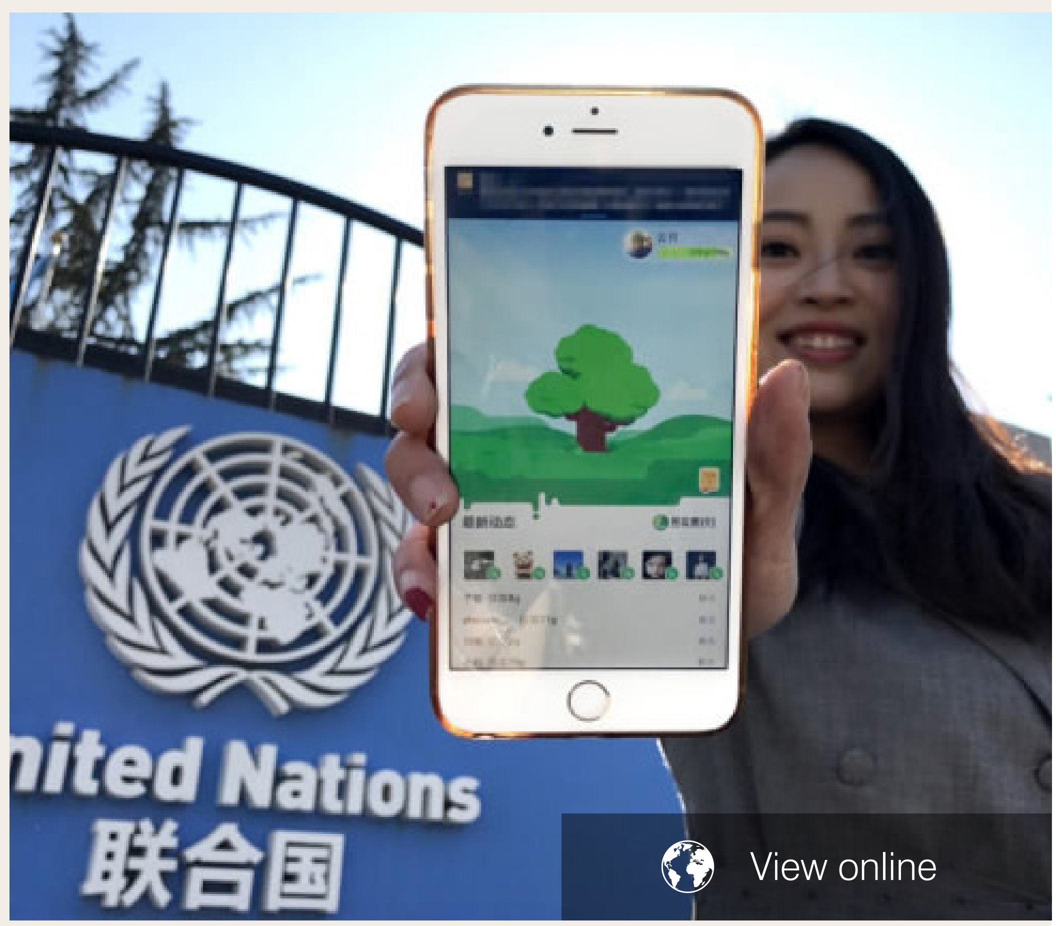
Among Silver's radical proposals is the idea of running financial markets on the values embodied by the SDGs, and introducing pension schemes that only offer a tax incentive if the money is invested in sustainable infrastructure or venture capital for new green businesses. He also believes that pressure from investors at company AGMs will become an increasingly potent force for change.

"The world is changing, that's the essence of green finance," adds Davis. "It's not 'I believe in green' as some sort of political statement; it's an economic reality." ■

**There's an app for that: how fintech is financing the SDGs**

One growing area of green finance is fintech. Last year saw the launch of the Green Digital Finance Alliance, which is ostensibly a partnership between Ant Financial, China's leading online and mobile financial services provider, and UN Environment. Its aim is to align fintech-powered global financial systems with sustainable development, while making green finance an integral part of the daily lives of people and businesses.

One of the alliance's first initiatives is an app that "gamifies" carbon footprint tracking, awarding points depending on how environmentally friendly a purchase is, such as buying a train ticket rather than fuel for a car. The points allow users to grow virtual trees which are then converted into a real tree, planted in the desert in Inner Mongolia.




CFP PHOTO

The app also taps into the belief that it's not just top-down action that will help to stop climate change, but bottom-up approaches that help individuals to make simple changes to their lives.

Green fintech is also being used to help investors access asset management companies selling green and sustainable investment products, and insurance policies that give customers money back for the days they don't use their cars. Trine, a Swedish tech start-up, enables savers in downtown Stockholm to profitably fund distributed solar energy systems in rural sub-Saharan Africa, while in developing countries initiatives such as the innovative mobile payment system M-PESA are helping people to access clean energy.

Although only small, ideas such as SolarCoin could also lead the way. The digital currency's value is tied to solar energy produced and consumed within a community. It is intended to shift the cost of electricity, reducing the payback time of a solar installation and acting as an incentive to produce more solar electricity.

Blockchain's ability to give money a "history", revealing where it has been and what it has done, has a natural fit with green finance, and the importance of knowing what exactly investments are funding. The Internet of Things and artificial intelligence also have huge roles to play in making fintech interactive, attractive and relevant to new markets.

Mark Hillsdon


DFID/FLICKR

# Turning risk into climate rewards for developing countries

By Mark Hillsdon

**The Climate Finance Accelerator and Green Climate Fund are among those trying to de-risk private sector investment in clean energy projects in poor countries**

One of the biggest barriers to achieving ambitions to limit climate change to 2C will be overcoming the hurdles to financing renewable energy projects in developing countries.

A review by the World Bank and UN Environment of the nationally determined contributions and other policies in 21 developing countries that generate half of global greenhouse gas emissions, released at this month's COP23 in Bonn, finds an initial investment opportunity of $22.6trn from 2016 to 2030. Yet the Climate Policy Initiative estimates that climate finance flows only amounted to $360bn in 2016, with developed country governments providing $10bn-$20bn.

Lack of renewables financing in developing countries took centre stage at the inaugural meeting of the Climate Finance Accelerator (CFA) earlier this year.

The initiative, designed to help developing countries secure international finance and support to finance climate action, brought together financial experts and government representatives from Colombia, Mexico, Nigeria and Vietnam during a week-long series of workshops that saw HSBC matched

*'If we are to reach the ambitious temperature target set out in the [Paris] Agreement we really need to speed up and get things moving'*

with Mexico, Deutsche Asset Management with Nigeria, and BNP working alongside Colombia.

"If we are to reach the ambitious temperature target set out in the [Paris] agreement we really need to speed up and get things moving; we can't afford another two years of slow progress," says David Saddington, climate change consultant at Ricardo Energy & Environment, which helped facilitate the event.


CLIMATE FINANCE ACCELERATOR

The Climate Finance Accelerator pairs finance experts with governments

Saddington said it is a challenge to attract investment for the new technologies that will need to be deployed in high-risk countries to meet the goals. The CFA is looking to pass on some of the risk to governments through blended finance, which uses public money to leverage private money, as well as mixing national and international funding.

Projects discussed at the CFA's first meeting a high-speed rail link between the Nigerian cities of Lagos and Abuja, a $78m e-taxi scheme for Mexico City and nearby Colima, and a micro-finance scheme to help farmers in Colombia.

The CFA has also set out to highlight the opportunities to investors presented by the Sustainable Development Goals. A report this year by the Business and Sustainable Development Commission estimates that achieving the SDGs could open up $12trn of market opportunities around food and agriculture, cities, health and well-being, as well as energy and renewables.

***CFA projects include a high-speed rail link in Nigeria and e-taxis in Mexico***

## Green Climate Fund

Another programme helping countries fulfil their NDCs is the Green Climate Fund (GCF). Set up by the United Nations Framework Convention on Climate Change, it is based on the pledge made by industrial nations to provide developing countries with climate finance of $100bn a year by 2020. Since 2015 it has supported more than 50 projects around the world, from Bosnia and Herzegovina to Bhutan, covering issues from clean energy to resilient infrastructure, ecosystem preservation, and deforestation (see Finance for forests).

The GCF has a strong focus on finding new ways to involve the private sector. As well as using financial tools such as debt, equity, and guarantees, it also offers concessional funding to promote private sector investing. This can help to de-risk investments by covering factors such as foreign exchange and investors' default, bundling small projects into portfolios to provide greater scale and helping develop public-private partnerships.

An $8m partnership with Mongolia's XacBank to fund a new solar programme will not only help bring light to some of the country's nomadic people; it will help the government overcome barriers such as high interest rates, which currently make renewable projects more expensive than coal-fired power plants.

A $20m partnership between the GCF and the Inter-American Development Bank is supporting the transition to low emission, climate-resilient agriculture in Guatemala and Mexico through the creation of a risk-sharing facility. As well as unlocking innovative and scalable financial instruments for smallholders, it is helping them to secure the longer-term loans needed for climate-smart investments.

DFID

The SDGs could open up $12trn in opportunities around the world

In east Africa, GCF has helped to create a new investment fund, KawiSafi, to drive off-grid solar power and help energy poor countries to leapfrog fossil fuel grids straight to clean energy. The KawiSafi portfolio is the world's first climate change fund targeting low-income populations in developing countries and is typically investing between $2m-$10m in clean energy SMEs to help them become established.

Also in Kenya, GCF has invested $80m to anchor Deutsche Banks' Universal Green Energy Access programme, which is looking to mobilise $3.5bn in debt finance over 15 years to help build 10,500 solar mini-grids.

Mini-grids, which involve small community-based power plants and distribution systems, are seen as an excellent way of providing clean power to over one billion people who still don't have access to a reliable source of energy.

Also involved is the "market making" Microgrid Investment Accelerator, which is helping to mitigate some of the risks involved to private investors. Support includes concessionary loans, which make initial investment terms more favourable and help to kick start projects before commercial lenders move in as the economics of mini-grids improve.

***A $20m GCF partnership is supporting the transition to low emission, climate-resilient agriculture in Guatemala and Mexico***


OOMPH WELLNESS

# Four UK disruptors in green finance

By Mark Hillsdon

**ClearlySo, the Social Stock Exchange, SyndicateRoom and the Low Carbon Innovation Fund are innovating to make an impact**

London-based impact investment bank **ClearlySo** has developed ATLAS, an online impact compass based on the SDGs that allows private equity firms and venture capitalists to map the environmental and social impacts of their investments and make better-informed decisions. It also provides insight into improving long-term returns.

ATLAS's methodology uses a series of questions to assess whether or not a company is aligning with the SDGs and sustainability macro-trends. ATLAS aims to give investors a holistic view of a company, looking at what it actually does rather than just how it operates.

"We use the SDGs because they're the closest thing the world has to a strategy," explains Lindsay Smart, ClearlySo's head of impact research and innovation. "They're supported by governments and they're gaining traction with businesses and investors, so they represent massive commercial opportunities as well as potential for positive impact."

Among ClearlySo's portfolio is Oomph Wellness, pictured above, which improves the lives of elderly people through group-based exercise classes. Smart says this form of investment is not about altruism: "There is a positive correlation between [social impact and financial returns] and one which is only likely to increase as sustainable macro trends play out."

*'There is a positive correlation between social impact and financial returns, which will increase as sustainable macro trends play out'*

Goncalo de Vasconcelos, CEO of SyndicateRoom

Also based in London, the **Social Stock Exchange** was launched in 2013 to give businesses that need capital to deliver social or environmental impacts access to a regulated public marketplace. It now has 50 members, in sectors ranging from energy to social inclusion and Fair Trade, with a collective market capitalisation of over £2bn.

Clement Huret, head of research at the Social Stock Exchange, says that in addition to supplying governance and financial data, applicants need to demonstrate the positive social and environmental impacts that they will have, with only around 50% of applicants passing muster.

Based in Cambridge, **SyndicateRoom** is an online equity investment platform that, since it launched in 2013, has helped to raise over £100m for its portfolio of more than 120 UK businesses. The company works with private investors, from experienced business angels to other high-net-worth individuals, while also seeking to open up the market to a larger audience by offering smaller levels of investment.

The big innovation that "all online investors are able to see what professional investors are investing in and join them in the funding round," explains company CEO Goncalo de Vasconcelos. "This means that online investors don't have to be super well-connected to have access to these previously under-the-radar funding rounds."

*Syndicate-Room has raised funding for Recycling Technologies, which converts mixed plastic waste into a fossil fuel substitute*

Regardless of whether you invest £1,000 or £1m, everybody will make or lose the same amount of money per £1 invested, allowing highly innovative companies to raise money more quickly and efficiently.

One example is Recycling Technologies, which more than doubled its funding target after SyndicateRoom harnessed investment from 135 different sources. The company has developed a way of re-using mixed plastic waste (MPW) converting them into a new hydrocarbon called Plaxx.

The London-based merchant bank Turquoise International is fund manager of the **Low Carbon Innovation Fund** (LCIF), an early-stage venture capital fund that is operated by the University of East Anglia and backed by the European Regional Development Fund.

LCIF's investment objectives include fostering job-creation, promoting environmental improvement and developing the knowledge economy.

LCIF has invested more than £70m – including £48m of private co-investment – to support more than 70 companies, including GT Energy, which is developing a deep, geothermal heat plant that will provide district heating in Stoke, and Bactest, a business whose mobile bacterial testing devices is currently being trialled in remote areas of Africa. ■


RONY MUHARRMAN/GREENPEACE

# Finance for forests 'dwarfed by investment in activities that destroy them'

By Terry Slavin

**New research on progress towards ending deforestation by 2030 shows funding is woefully short, while indigenous groups say their role as protectors of the forest is under increasing threat**

Recent news that the world's tropical forests are now so degraded they have become a source rather than a sink of carbon emissions have injected new urgency into the need to achieve the goals set out in the New York Declaration on Forests four years ago.

The declaration, signed by 57 national and sub-national governments, 53 multinational companies, 16 indigenous groups and 63 non-government organisations, pledged to halve the rate of loss of natural forests globally by 2020 and end natural forest loss by 2030. Such action, scientists said, could potentially reduce annual $CO_2$ emissions by 4.5-8.8 billion tonnes of $CO_2$ per year, as much as 30% of the climate change mitigation needed to meet the goals of the Paris Agreement.

This was born out by a new study, by the University of Exeter and the University of Queensland, that found that where forests are protected from deforestation in South America, Asia and Africa 1.49bn tonnes of $CO_2$ emissions per year was prevented between 2000 and 2012, three times as much as the UK's annual emissions.

*'Forests hold so much potential in the effort to limit climate change, and yet there's a seemingly endless supply of money to help tear them down. We need to turn the equation around'*

However a newly released assessment of progress on the goals set out in the New York Declaration to boost finance for projects to combat deforestation has found that funding is falling far short. The Finance for Forests report, by Climate Focus, finds that only 2% of $167bn in international development finance committed since 2010 to reduce carbon emissions ($3.6bn) has gone to reduce deforestation.


GUARDIANS OF THE FOREST

Indigenous representatives stopped in London en route to COP23

The study also reported that investments of $20bn since 2010 to stop destruction of forests (so called green finance) has been dwarfed by more than $777bn in "grey finance" over the same period to promote agriculture and land-intensive development, with the production value of the four key agricultural commodities driving deforestation in tropical countries exceeding $1trn.

"When looking at financing streams that can stop deforestation, we're just not keeping up." said Charlotte Streck, the co-founder and head of Climate Focus and a lead author of the report. "Forests hold so much potential in the effort to limit climate change, and yet there's a seemingly endless supply of money to help tear them down. We need to turn the equation around and invest much more in keeping forests standing than in activities that destroy them."

***Investment of $20bn since 2010 to stop destruction of forests is undermined by more than $777bn in 'grey finance' over the same period***

The report did highlight bright spots, including the fact that more than 50 countries are in the pipeline for results-based payments from the World Bank's Forest Carbon Partnership Facility, with the first carbon payments agreements, with the Democratic Republic of the Congo and Costa Rica, due to be signed next year.

It was released at a press conference in London held by a group of indigenous people from the forests of Latin America and Indonesia, who were on a road-trip around Europe ahead of the UN climate meeting in Bonn highlighting that their role as guardians of the forest under threat.

Research by Woods Hole Research Center, the World Resources Institute and the Rights and Resources Initiative (RRI) last year found that at least one-quarter of the carbon stored in the world's tropical forests is found in the collectively


GUARDIANS OF THE FOREST

Indigenous people say their role as custodians of forests is threatened

managed territories of indigenous peoples and local communities. That's about 250 times the carbon dioxide emissions from global air travel in 2015.

Where indigenous and community land rights are secure, the researchers found, deforestation rates are lower while carbon storage and biodiversity higher.

Alain Frechette, director of strategic analysis and global engagement for RRI, said: "Forests provide cost-effective climate mitigation through avoided greenhouse emissions and large-scale removal of carbon dioxide from the atmosphere. And using satellite imagery, corroborated by measurements taken on the ground, we can clearly see that forest loss is markedly less in areas controlled by indigenous peoples."

Yet only 21 of the 188 signatory countries of the Paris Agreement include indigenous peoples and local communities in their national plans to reduce carbon dioxide emissions.

Clare Shakya, who heads climate research at the International Institute for Environment and Development, told the press conference that IIED's research shows that less than 10% of climate finance is going to frontline communities that are in the best position to protect forests. Funders prefer large-scale investments in renewable energy, which are seen as less risky and cheaper to adminster, than on community-level projects.

***Less than 10% of climate finance is going to frontline communities that are in the best position to protect forests***

## REDD+

The Paris Climate Agreement endorsed REDD+, the UN system of results-based payments for avoided deforestation and reforestation, as a climate mitigation measure, sending a signal to mobilise private finance to a mechanism that has attracted an estimated $10bn until now, mainly from government sources.

In July, the Green Climate Fund approved $500m to fund a handful of REDD+ pilot projects. Juan Chang, senior forest and land use specialist for the Green Climate Fund, told a side-event on forests at the Bonn COP23 climate talks that the first projects include a community-managed forestry project in Peru in an area that had been slated for palm oil development, and a $43m partnership with the government of Bhutan and WWF, announced this month, which will allow half of the country to be set aside for conservation.


ONDREJ PROSICKY/SHUTTERSTOCK

A GCF project in Bhutan will conserve the red panda

“From next year,” he added, “GCF will focus on how to leverage in finance [for REDD+] from the private sector.”

But the scaling up of REDD+ is viewed with concern by indigenous people’s advocates. While investments through the GCF must show how they could impact indigenous peoples and local communities, a report by RRI analysing the Green Climate Fund found “critical gaps in nearly every aspect of the [Green Climate] Fund’s operational modalities and project approval processes”.

*A report by RRI found critical gaps in nearly every aspect of the Green Climate Fund’s operational modalities and project approval processes*

In particular, there is only an expectation, not a requirement, for REDD+ projects to uphold international laws and standards guaranteeing the customary tenure and resource rights of indigenous people, and weak enforcement of the right to free, prior and informed consent (FPIC) enshrined in the UN Declaration on the Rights of Indigenous People, the report said. The CGC is now consulting on a draft indigenous peoples’ policy strengthening safeguards for human rights and FPIC across its funding streams.

As Streck of Climate Focus told the COP23 forests event: “We need to work more with the finance sector, and the finance sector needs to adopt safeguards, and these need to be mandatory, not only recommendations, as they are at the moment.” ■


CAIO PAGANOTTI/GREENPEACE

**Rampant deforestation brings risk of nearly $1trn in stranded assets, warns CDP**

With the world losing an area of forest the size of New Zealand last year, it is not only indigenous people whose livelihoods are at risk. Environmental disclosure platform CDP has identified a risk of stranded assets for publicly listed companies with nearly $1trn in turnover that are dependent on commodities linked to deforestation such as timber, palm oil, cattle and soy.

In a new report, "From Risk to Revenue: The investment opportunity in addressing corporate deforestation", CDP says it received responses from fewer than a quarter of the 1,103 largest global companies it approached asking about their efforts to stop deforestation.

Of these, 87% recognised at least one risk from commodity-linked investments, and 32% are already experiencing impacts from those risks. Fewer still are doing anything to tackle deforestation, which is responsible for up to 15% of global greenhouse gas emissions.

More than one in three (36%) of the companies surveyed (and 65% of those in North America) do not assign their boards with responsibility for addressing deforestation, and only 13% have followed time-bound comprehensive zero (net) deforestation commitments.

In the CDP's annual A-List of the companies leading on environmental performance, only six companies, Brambles, L'Oréal, SCA, Tetra Pak, Unilever, and UPM-Kymmene, achieved top scores for removing commodity-driven deforestation from their value chains.

Of these only Unilever scores across all four forest-risk commodities, as well as on water and climate change. The Anglo-Dutch company, with 21%-30% of its revenue dependent on cattle products, aims to source all its agricultural materials from 100% sustainable origins by 2020.

"With the risk of 'stranded assets' looming, financial institutions are increasingly concerned with deforestation," the CDP said. "But with nearly four out of five companies (77%) failing to disclose how they are affected, investors are unable to judge the risk to their portfolios."

CDP's report gives investors a four-stage roadmap to engage with the companies they own to improve disclosure and performance on deforestation risk in order to protect their portfolios.

Terry Slavin

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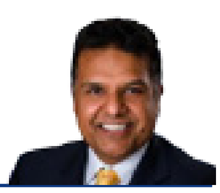

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