The Center for Analytical Finance (CAFIN), The Center for Coastal Climate Resilience (CCCR) at UC Santa Cruz (UCSC), U.C. Investments, Centre for Economic Policy (CEP), and Santa Clara University’s Leavey School of Business jointly hosted the “Catalyzing Private Financial Markets for Climate Solutions” workshop on June 9th, 2023 at Santa Clara University's campus. Bringing together thought leaders from industry and academia, this conference was focused on finding ways to leverage financial markets in addressing climate change. University of California Chief Investment Officer Jagdeep Baccher kicked off the discussion with remarks on financial costs of decarbonizing investment portfolios and the need for institutional commitments.

What’s Needed to Attract Private Finance of Climate Solutions?

A number of speakers highlighted the importance of proper measurement and accounting of emissions as well as emission offsets. The first keynote speaker, Robert Litterman, offered a solution that would allow governments to issue carbon-reduction indexed bonds, using Gro Intelligence/Kepos Capital Carbon Barometer, which measures countries' greenhouse gas (GHG) emission reduction policies. Alicia Seiger discussed problems with current scope-based accounting for GHG emissions. She proposed “Emissions Liability Management (ELM)” system, based on cost accounting approach and matches the duration of emission liabilities with that of emission assets (GHG capture). Other speakers discussed current approaches to emission and climate risk management, their pitfalls, and the need for government oversight in emission reporting, carbon credit markets, and the need for a registry or certification of climate-positive projects. Patrick Brown, who discussed the climate and environmental effects of animal agriculture, emphasized that proper market for carbon credits would facilitate farm transition to more sustainable approaches, which is, in some cases, rewilding of pastures and croplands.

Turning to financializing investment in climate solutions, the speakers discussed specifics of climate solution markets including long horizon of financial benefits, large number of stakeholders, benefits taking the form of avoided losses, and the scale of the projects. Christopher McHugh shared his findings that banks generally do not fund large new technologies, since these may contain large regulatory risks. He presented a case study looking at food loss and waste and how financial engineering can transform the market for food loss and waste. Other applications that were discussed included funding community solar installations, unlocking geothermal energy as an untapped energy resource in the American West, transitioning institutional food offerings to more sustainable plant-forward options, and growing difficulties in the insurance industry associated with rising physical climate risks.

One of the conference goals was to formulate a set of messages to financial regulators. Most speakers contributed to the discussion. Robert Litterman proposed that governments commit to a path of climate policies to reduce uncertainty in financial markets and to reduce political burdens associated with immediate actions. As most countries are now on a path of disorderly climate transition, such commitment will reduce economic costs and potential for financial instability. Other speakers pointed to regulatory delays in project approval and suggested that the government fast track approval of projects and companies that contribute to the UN’s Sustainable Development Goals. As discussion returned to a dire need for functioning GHG offset markets, Jennifer Kuan and Stephen Diamond proposed a NYSE-like market for GHG offsets as a solution to address the issues related to information acquisition, standardization, and vetting.

In an effort to minimize the climate footprint of the conference, the meeting was paper-free and catered entirely with plant-based provisions from local establishments. A number of participants used public transportation, carpool, or electric vehicles to attend the conference.

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