

SUSTAINABLE INVESTMENT BULLETIN

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We are excited to continue our speaker series in the 2021-22 academic year. This new set of webinars will focus on issues related to the interaction between the financial system and sustainable development goals: environmental, social, and governance (ESG). The talks focus on financial sustainability, green finance, and, more generally, the role of the financial system in combating climate change as well as addressing other ESG goals.

Investors are Waking Up to Climate Risk

On October 1, 2021, we hosted *Dr. Amy Myers Jaffe*, Research Professor and Managing Director of the Climate Policy Lab The Fletcher School at Tufts University in conversation with *Jagdeep Bachher*, Chief Investment Officer, University of California Office of the President. Here we provide highlights of this conversation. The video of the conversation is available on [our website](#).

The Intergovernmental Panel on Climate Change (IPCC) in their sixth [Assessment Report](#) in 2021 unequivocally states that the human impact on accelerating climate change is irrefutable. Moreover, human influence on climate change is very likely to have increased the chances of extreme weather events, such as heatwaves, droughts, fire-weather, and flooding. Scientists across the world agree that the world must reach net-zero global carbon emissions by 2050, and then move to net-negative global emissions, to avoid the most catastrophic effects of climate change.

Global investment has a key role to play in mitigating climate change. Moving to net-zero and eventually net-negative emissions is not achievable entirely through buying offsets for CO₂ emissions or reforestation, but also requires investing in technologies that facilitate removal of carbon from the atmosphere, such a direct air capture, or Bio-Energy with Carbon Capture and Storage (BECCS). Dr. Jaffe argues for a global systemic movement towards investments not only in technologies that reduce net emissions, but also in technologies that promote accountability of all stakeholders with respect to their emission goals. Governments will play an important role in promoting and incentivizing the adoption of such technologies, and setting up regulatory mechanisms to ensure accountability.

The integration of carbon capture technologies with digital infrastructure is of particular relevance. With increased computerization of everyday activities, keeping digital infrastructure operational and secure requires massive amounts of energy. This presents both a challenge and an opportunity in the context of expansion of carbon-capture technologies. The challenge comes from the requirements of digital infrastructure to be run in a continuous, uninterrupted, and secure way with little room for errors or shutdowns, which makes it difficult to rely solely on currently available renewable and carbon-free energy sources. The opportunity comes from the scale to which digital infrastructure permeates economic activity and therefore a large market potential for any innovation that would address this challenge.

The role of government regulation is central to facilitating much needed innovation.

Governments need to create a regulatory framework that facilitates the transition of economic activities to carbon-negative technologies and renewable energy. This includes ensuring compliance of all actors to required norms through mandatory disclosure laws and investment in technologies that help monitor and verify firms' stated actions to reduce their net emissions. Governments also need to create a framework for incentives that promote the adoption of nascent technologies.