



# FINANCING THE LOW-CARBON ECONOMY



# SABINE DÖBELI

CEO, SWISS SUSTAINABLE FINANCE

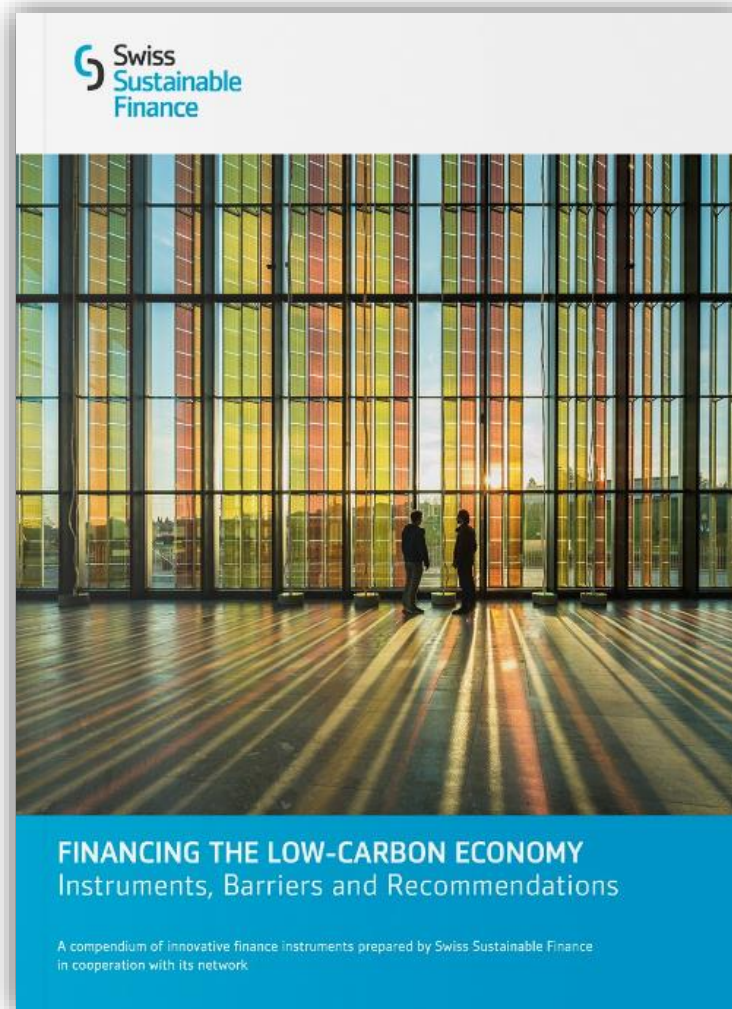
# TECHNICAL INFORMATION

SSF YOUTUBE LIVE STREAM:

[HTTPS://WWW.YOUTUBE.COM/CHANNEL/UC8LUVZ6ITUDBQG67LN2NGRG/LIVE](https://www.youtube.com/channel/UC8LUVZ6ITUDBQG67LN2NGRG/LIVE)

# FINANCING THE LOW-CARBON ECONOMY

New SSF compendium of innovative finance instruments



# PROGRAMME

10:00 - 10:05	<b>Welcome and introduction</b>	<b>Sabine Döbeli</b> CEO, Swiss Sustainable Finance
10:05 - 10:20	<b>Presentation of report</b>	<b>Anja Bodenmann</b> Project Manager, Swiss Sustainable Finance
10:20 - 10:45	<b>Perspectives from market representatives and academia</b>	<ul style="list-style-type: none"><li>• <b>Jörg Gasser</b>, CEO, SwissBanking</li><li>• <b>Urs Arbter</b>, Deputy CEO and Divisional Head of Insurance Strategy and Regulation, Swiss Insurance Association</li><li>• <b>Dr Bjarne Steffen</b>, Senior Researcher and Lecturer, Energy Politics Group, ETH Zurich</li></ul>
10:45 - 11:00	<b>Q&amp;A</b>	Moderated by <b>Sabine Döbeli</b> , CEO, Swiss Sustainable Finance



# ANJA BODENMANN

PROJECT MANAGER, SWISS SUSTAINABLE FINANCE

# 1

## PRESENTATION OF THE REPORT

# BRIDGE THE FINANCING GAP FOR A LOW-CARBON ECONOMY

Finance instruments for a  
low-carbon economy



IPCC: USD 3.5 trillion of investments  
needed every year



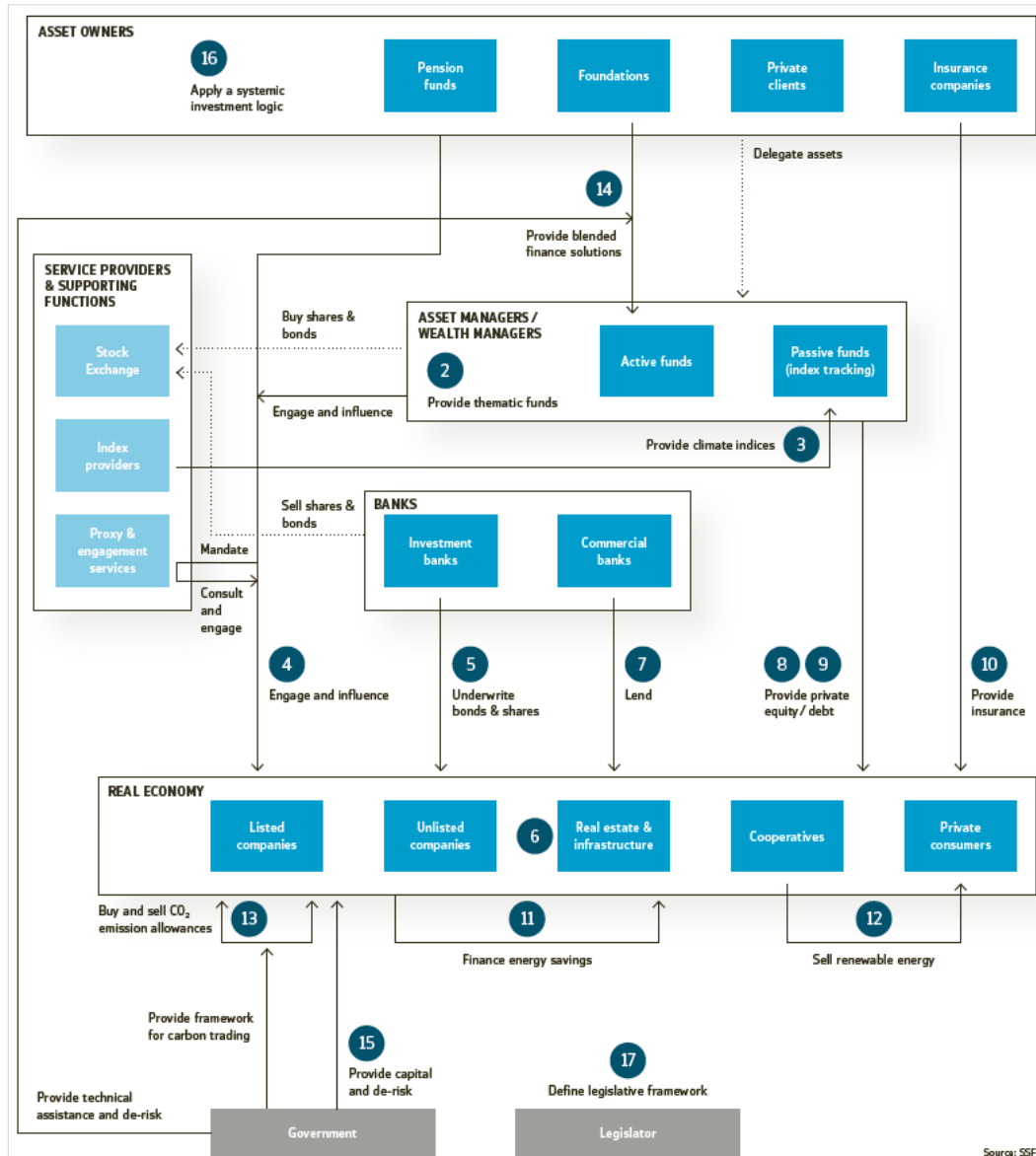
Icon Source: DevelopmentAid <https://www.developmentaid.org/#/news-stream/post/51772/the-main-challenges-for-a-low-carbon-economy-in-developing-countries>



# BACKGROUND INFORMATION

- To provide an **expanded view** that looks **beyond traditional listed investments** to show how the financial sector can support the transition to a low-carbon economy
- **Steering committee** defined a range of topics for the report and launched a **call for contributions** among the SSF network
- A total of **24 articles** (chapters + case studies) written by 44 experts and practitioners

# DIFFERENT FINANCIAL ACTORS ADDRESSED



- Asset owners
- Asset & wealth managers
- Banks
- Service providers
- Real economy
- Government & legislator

● = Instruments covered by the report

# INSTRUMENTS COVERING DIFFERENT FINANCIAL FLOWS

CHAPTER	INSTRUMENT/STRUCTURE	FINANCIAL ACTIVITY	INVOLVED PLAYERS	Maturity of instrument in Swiss market*
2	THEMATIC EQUITY FUNDS	Investment	Supply: Asset managers Demand: Institutional and private investors	● ● ●
3	NON-THEMATIC LISTED EQUITY AND BOND INDICES	Investment	Supply: Index providers, stock exchanges, asset managers Demand: Institutional and private investors	● ● ●
4	ENGAGEMENT FOR NON-THEMATIC LISTED EQUITIES AND BONDS	Investment	Supply: Proxy and engagement service providers, asset managers Demand: Asset and wealth managers and Institutional investors	● ● ●
5	GREEN BONDS	Capital markets/ Investment	Supply: Investment banks and issuers (corporates, sovereigns) Demand: Institutional and private investors	● ● ●
6	SUSTAINABLE REAL ESTATE INVESTMENTS	Investment	Supply: Asset managers Demand: Institutional and private investors	● ● ●
7	ENERGY EFFICIENCY MORTGAGES	Lending	Supply: Banks Demand: Private clients	● ● ●
8	DIRECT INVESTMENTS IN NON-LISTED COMPANIES AND PROJECTS	Investment	Supply: Asset managers Demand: Institutional investors	● ● ●
9	VENTURE CAPITAL INVESTMENTS	Investment	Supply: Asset managers Demand: Institutional investors	● ● ●

# INSTRUMENTS COVERING DIFFERENT FINANCIAL FLOWS

CHAPTER	INSTRUMENT/STRUCTURE	FINANCIAL ACTIVITY	INVOLVED PLAYERS	Maturity of instrument in Swiss market*
10	INSURANCES FOR ENERGY EFFICIENCY AND RENEWABLE ENERGY	Insurance	Supply: Insurance companies Demand: Corporates (SMEs)	● ● ●
11	ENERGY PERFORMANCE CONTRACTING (EPC)	Other instrument/structure	Supply: Corporates (ESCOs) Demand: Corporates	● ● ●
12	COMMUNITY FINANCE: RENEWABLE ENERGY COOPERATIVES	Other instrument/structure	Supply: Cooperative Demand: Retail energy clients	● ● ●
13	CARBON CREDIT MARKETS	Other instrument/structure	Supply: Government and stock exchanges Demand: Corporates	● ● ●
14	BLENDED FINANCE	Investment	Supply: Asset managers, multilateral development banks, corporates, donors, NGOs Demand: Institutional and private investors	● ● ●
15	GREEN STATE INVESTMENT BANK	Other instrument/structure	Supply: Government Demand: Corporates	● ● ●
16	TRANSFORMATION CAPITAL	Other instrument/structure	All financial players	N.A
17	ENVIRONMENTAL POLICY	None	Government and legislator	N.A

\*Existing level of expertise and uptake in market on a scale of 1–3. 1: low maturity 2: medium maturity 3: high maturity

# SSF RECOMMENDATIONS

→ Address the significant <b>data</b> gaps, increase availability of decision-useful data	Market players & government
→ Create <b>standards</b> and aligned <b>definitions</b> for low-carbon investments	Market players & government
→ Build and disseminate <b>know-how and expertise</b> in low-carbon finance market	Market players & government
→ Encourage a <b>holistic approach</b> that considers the integrated investment chain	Market players
→ Ensure <b>accurate pricing signals</b> within the current system	Government
→ Create <b>incentives/ de-risk</b>	Government



## LIVE POLL

Where do you see the greatest lever for increasing the finance sector's contribution to a low-carbon economy?

- Institutional asset owners
- Financial market players (banks, asset managers, insurance companies, etc.)
- Real economy
- Government

# 2

## PERSPECTIVES FROM MARKET REPRESENTATIVES AND ACADEMIA



JÖRG GASSER  
CEO, SWISSBANKING

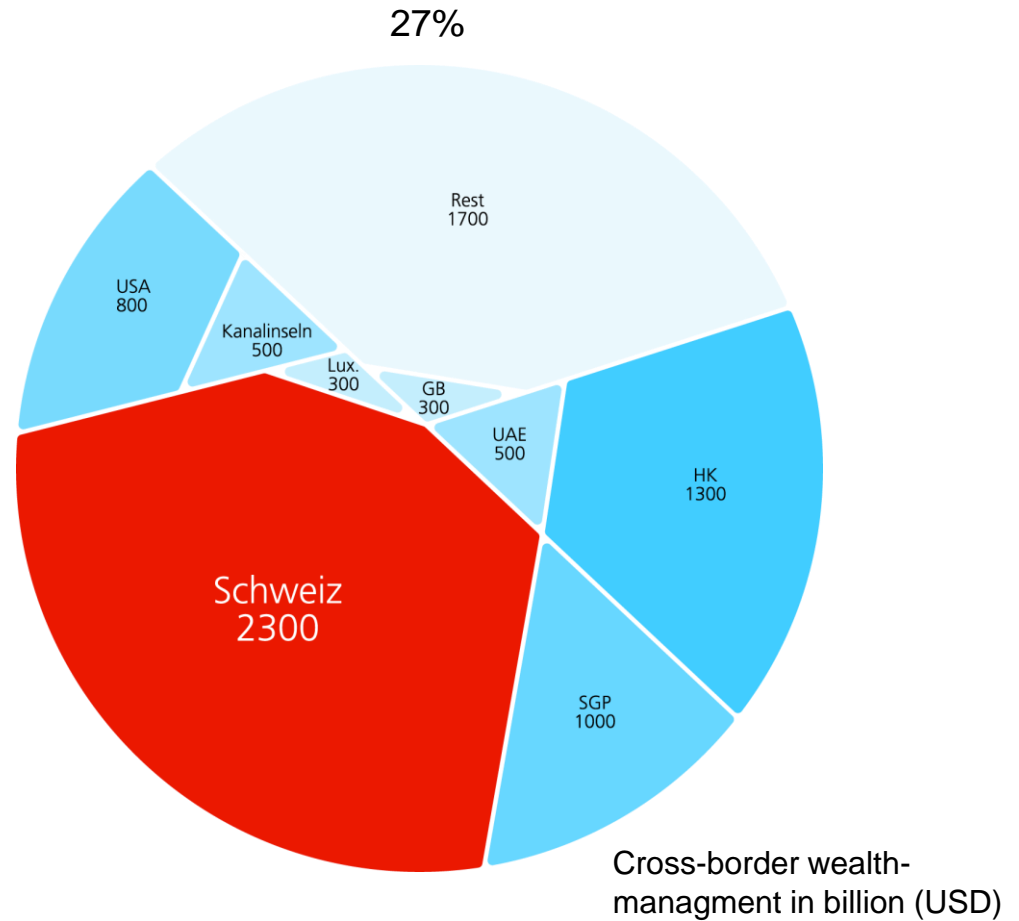


- **SwissBanking**

**«With its own initiatives and ideal framework conditions, Switzerland can become a leading hub for SustainableFinance.»**

# Size matters

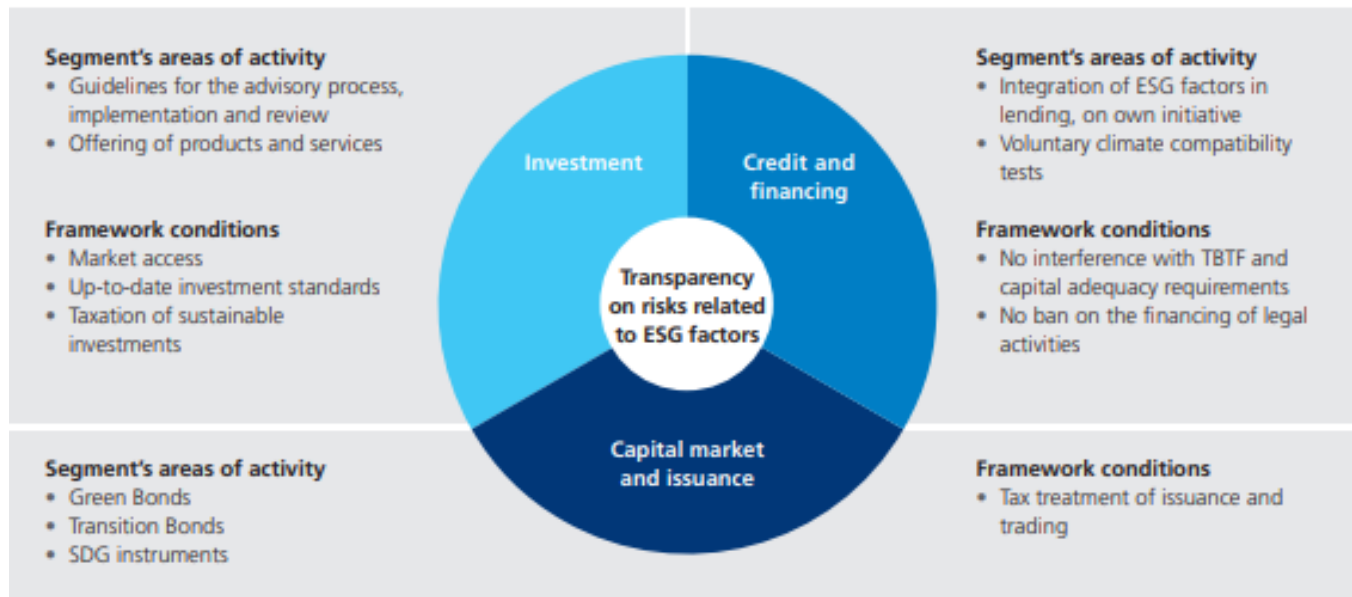
when it comes to effectiveness



Quelle: BCG

# Sustainability areas in the banking business

## Where effectiveness can be realized

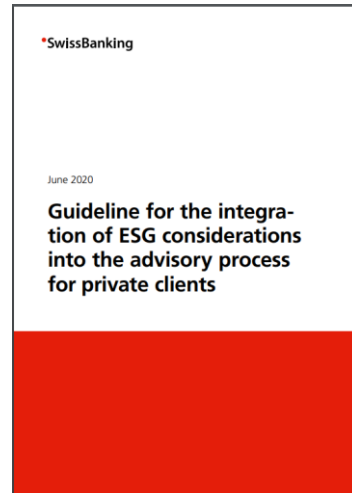
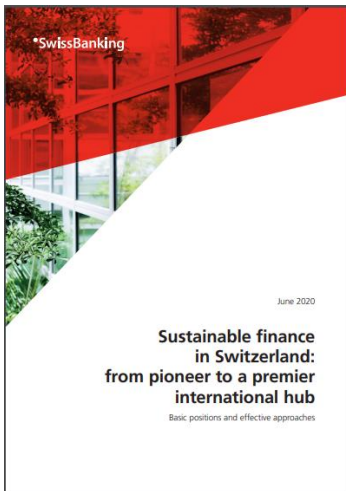


Source: SBA



# Past contribution and next steps

## Creating new standards



Disclosure  
Classification  
Measurability



# URS ARBTER

DEPUTY CEO AND DIVISIONAL HEAD OF  
INSURANCE STRATEGY AND REGULATION,  
SWISS INSURANCE ASSOCIATION





# Sustainability is part of Swiss insurers' DNA

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Financing the Low-Carbon Economy, Urs Arbter (SIA), 5 November 2020

# The SIA represents the interests of private insurers vis-à-vis policymakers, authorities, associations and the public

## Swiss Insurance Association (SIA): Umbrella organisation of the private insurance industry

### SIA members

The SIA consists of some 80 primary insurers and reinsurers who...

- account for over 85 per cent of the premiums generated in the Swiss market
- employ 46,000 staff in Switzerland and 100,000 abroad



# Creating the most favourable conditions for its members in a changing and challenging market environment

## SIA Strategy 2020 – 2024

### Optimising the legal and regulatory framework

**01** Aiming for optimal legal conditions

**02** Achieving adequate regulation and supervision

**03** Shaping employer policy and professional education

### Developing focus points

**04** Developing private and occupational pensions

**05** Anchoring sustainability and enabling innovation

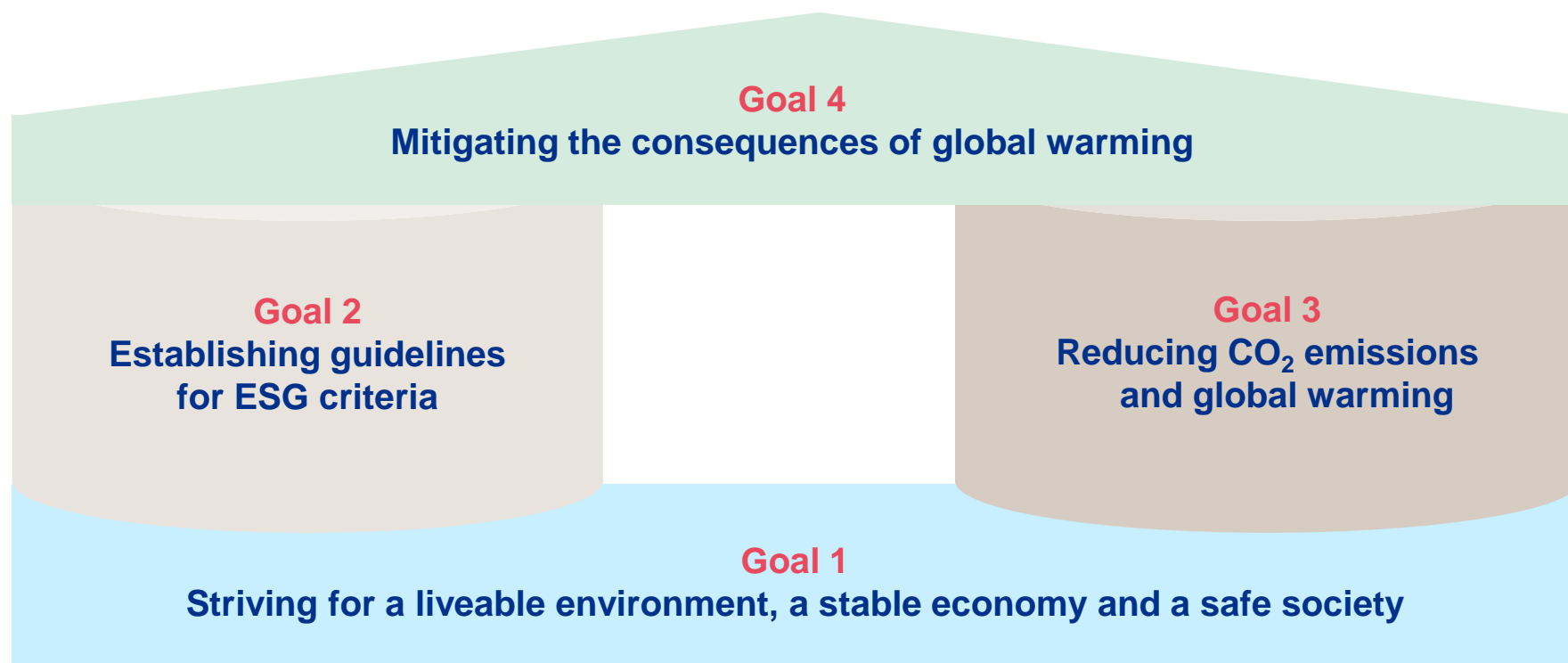
### Shaping the association's future

**06** Leading the association through a changing market environment



# Sustainability will be one of the Swiss insurance industry's most important goals over the coming years

Focus on sustainability



Financing the Low-Carbon Economy

# The first Swiss insurance industry report confirmed that ESG criteria are included in the investment process for 86 per cent of AuM

## SIA Sustainability Report 2019: Focal points

Data based on a December 2019 survey of 32 SIA members, who manage 94 per cent of all investments in the industry.



### SIA 2019 SUSTAINABILITY REPORT

Industry report on investment, operational ecology and underwriting

In 2019, 25 of the 32 SIA members applied ESG criteria to their investment decisions. The other 7 are all smaller insurance companies.

There is a consistent focus on the **E** criterion, with Swiss insurers attaching particular emphasis to investment in sustainable infrastructure, sustainability bonds and impact investing

**86 per cent of all capital investment decisions take ESG criteria into account:**  
*Real estate (90 per cent), fixed-income securities (86 per cent), shares (82 per cent), alternative investments (56 per cent)*

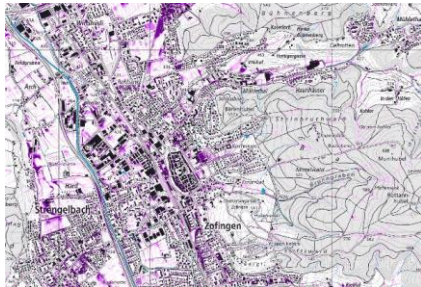
**Insurers improved their ecological balance sheets from 2017 to 2018:**  
*i.e. Total energy consumption (4,156 to 3,963 = –5 per cent) in kWh/FTE  
CO<sub>2</sub> emissions (2,584 to 2,451 = –5 per cent) in kWh/FTE*

**Swiss insurers demand less restrictive regulatory conditions for alternative investments.**

Financing the Low-Carbon Economy

# Adaptation to climate change: Initiatives by private insurers

## Initiatives in the area of sustainability



**The SIA has conducted several sustainability initiatives over the last few years...**

- “House Owner Protection” YouTube videos (2020)
- “Surface Runoff” hazard map (2018)
- “Forest Protection” media release (2017)
- “Learning Modules Water” teaching materials (2015)
- “Natural Hazards” media release (2013)

**...and will continue to do so. Forthcoming project:**

- “Hail Climatology” (2021)



ASA | SVV

Schweizerischer Versicherungsverband – Association Suisse d'Assurances – Associazione Svizzera d'Assicurazioni – Swiss Insurance Association  
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# DR BJARNE STEFFEN

SENIOR RESEARCHER AND LECTURER, ENERGY  
POLITICS GROUP, ETH ZURICH

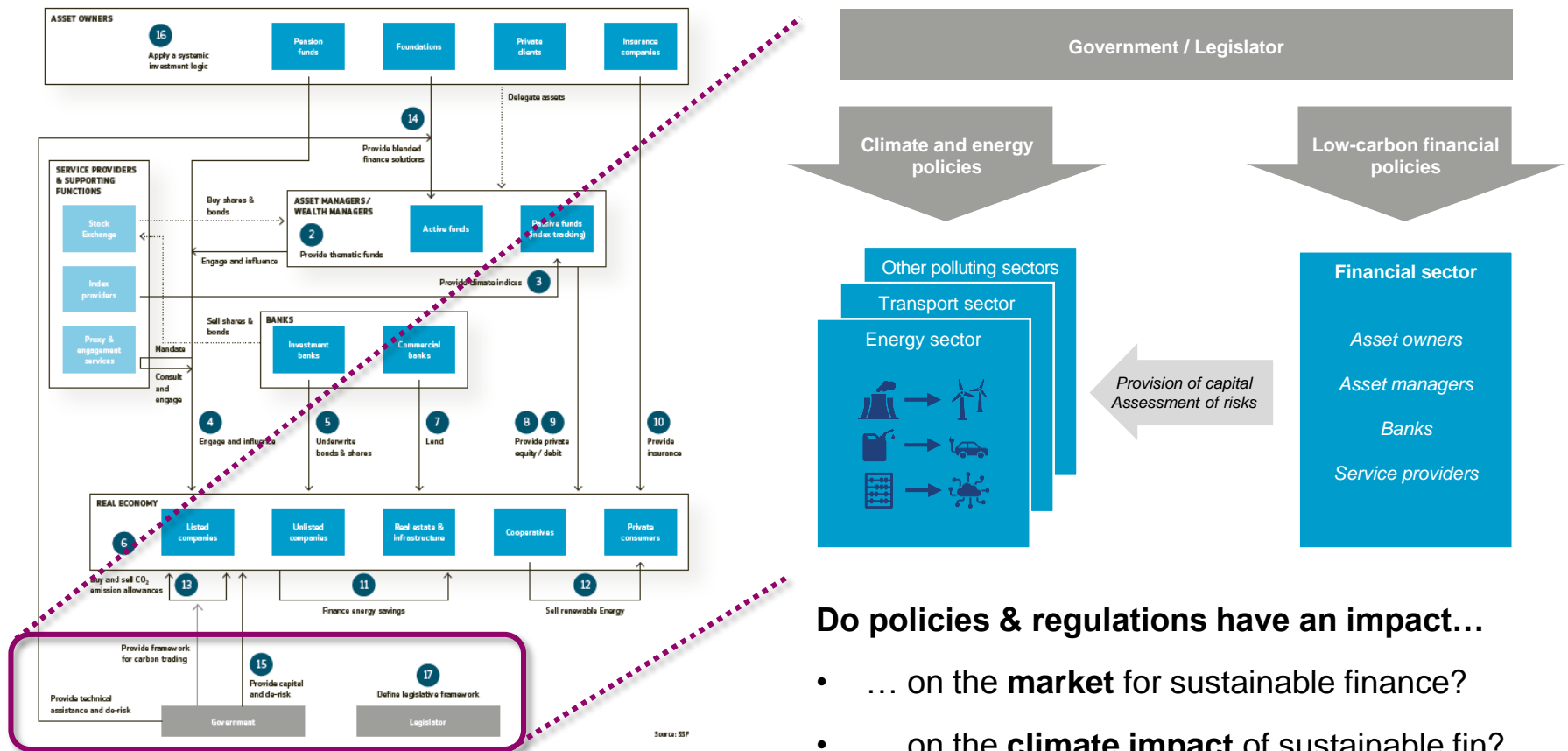




Financing the low-carbon economy:  
Can policy increase the impact of  
innovative financial instruments in CH?

Dr Bjarne Steffen, Energy Politics Group, ETH Zurich

# Policy can address polluting sectors & financial sector

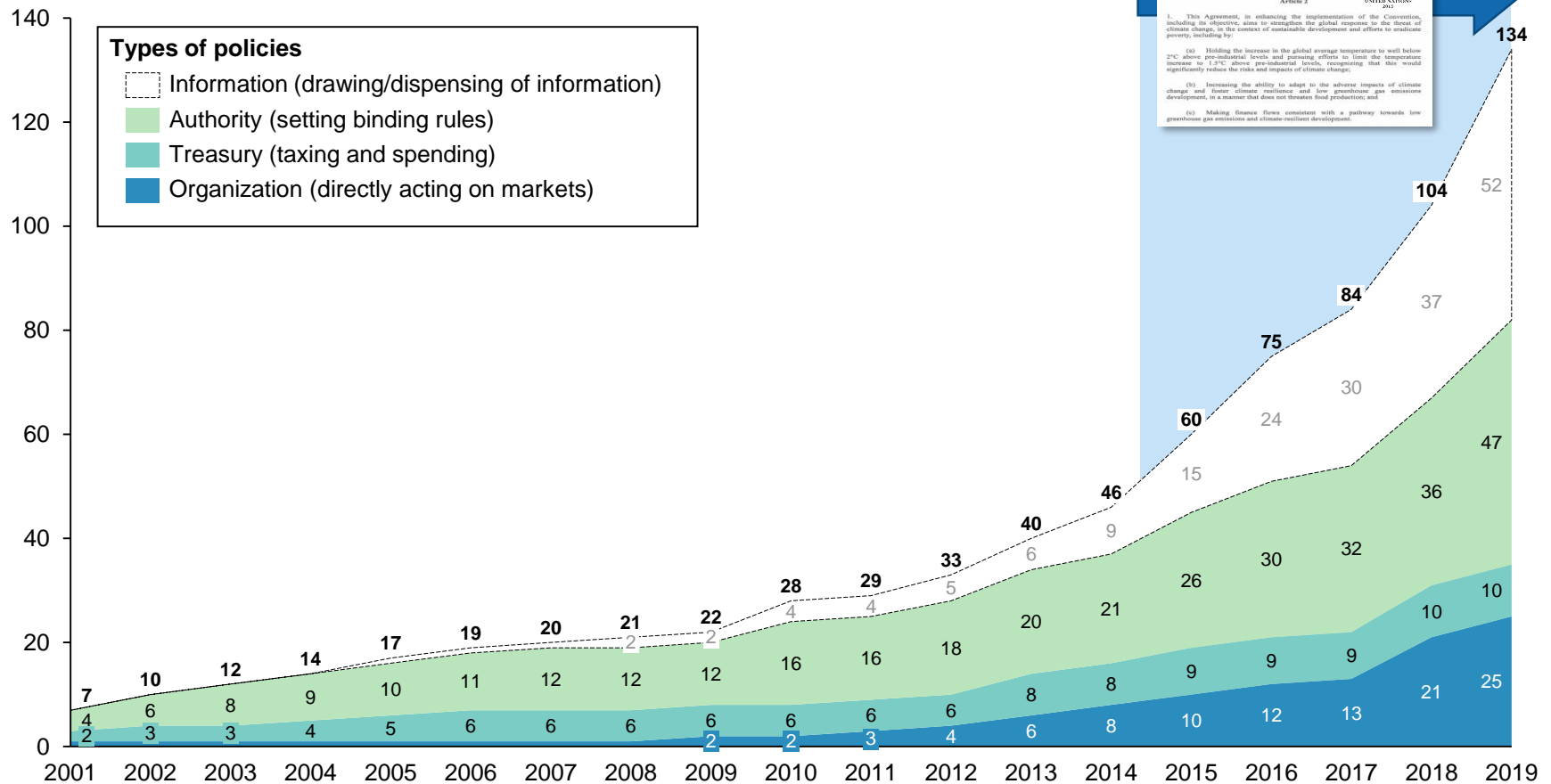


Do policies & regulations have an impact...

- ... on the **market** for sustainable finance?
- ... on the **climate impact** of sustainable fin?

# Low-carbon financial policies on the rise

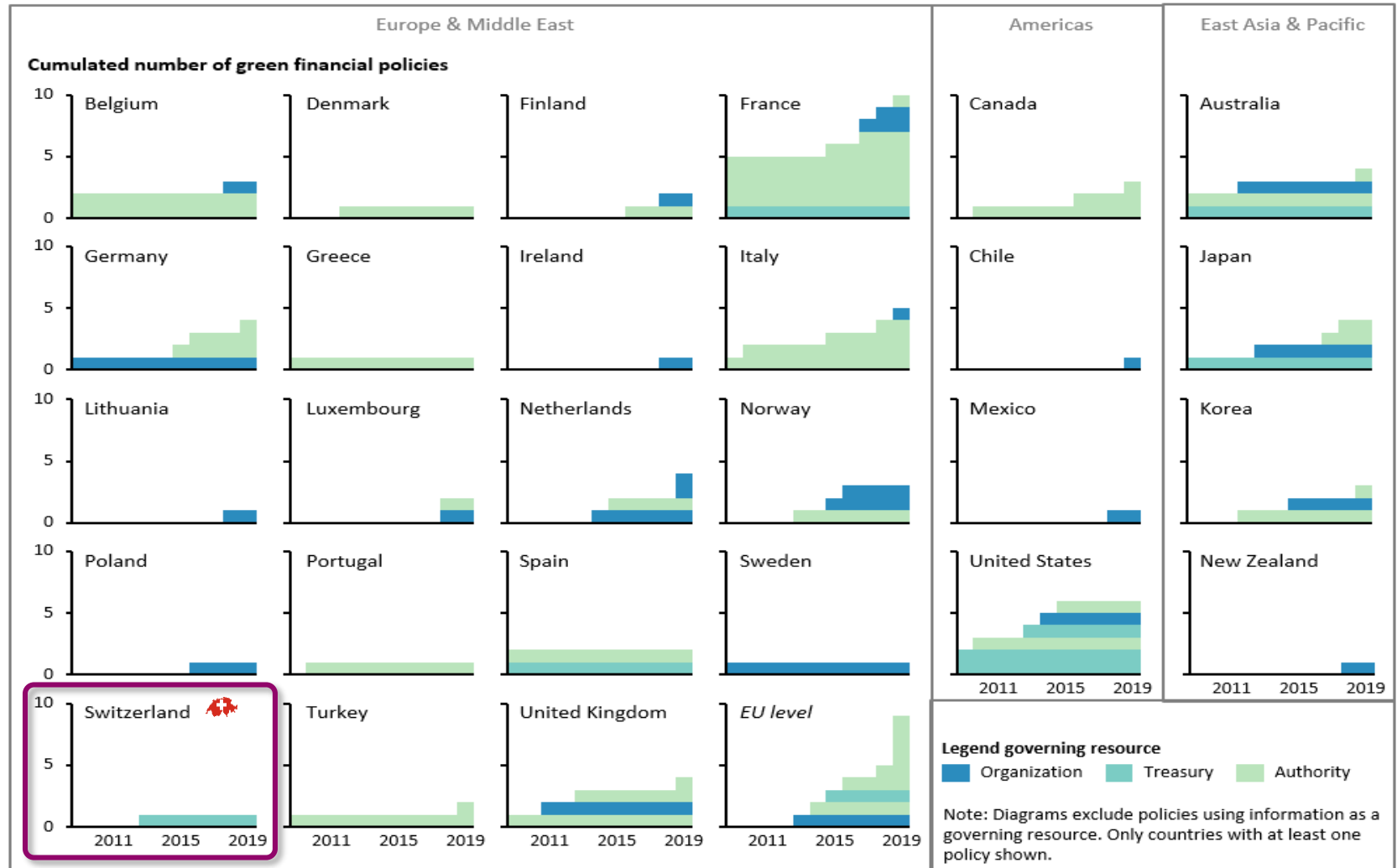
No. of **low-carbon financial policies** in OECD countries



Source: ETH Zurich, EPG



# Compared to OECD, very limited policy action in CH

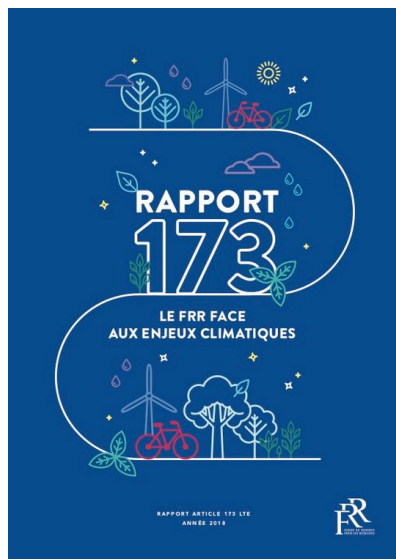


Source: ETH Zurich, EPG

# Disclosure requirements and government labels

Authority (setting binding rules)

## Examples



## How could it matter

### ***Mandating standardized climate-related financial disclosures***

- Data availability for investors/lenders/underwriters (e.g. scope 1/2/3)
- Development and upscaling of new financial products

### ***Preventing greenwashing and building trust***

- Real climate impact especially for listed securities/mass market products

### ***Accelerating structural change within financial sector***

- Requirement for measures at all corporates and asset managers

Potentially helping **scale-up** and **climate impact** of (examples)

2

**THEMATIC EQUITY FUNDS**

3

**NON-THEMATIC LISTED EQUITY  
AND BOND INDICES**

4

**ENGAGEMENT FOR  
NON-THEMATIC LISTED EQUITIES  
AND BONDS**

# Leverage existing market activity of public sector

Organization (directly acting on markets)

## Examples



## How could it matter

### *Piloting financial products without immediate return upside*

- “Market testing” for instruments and practices with unknown potential

### *Rapidly up-scaling financial instruments and practices*

- Often large volumes/AUM managed by public sector actors

### *Accelerating structural change within financial sector*

- Increased acceptance, part of the mainstream

Potentially helping **scale-up** and **climate impact** of (examples)

3

**NON-THEMATIC LISTED EQUITY  
AND BOND INDICES**

4

**ENGAGEMENT FOR  
NON-THEMATIC LISTED EQUITIES  
AND BONDS**

5

**GREEN BONDS**

# Dedicated market activity for greening financial sector

Organization (directly acting on markets)

## Examples



**INVESTNL**

## How could it matter

### ***Capital Provision and De-risking Role***

- Providing direct funding/guarantees for crucial gaps

### ***Educational Role***

- Building costly specialist expertise/financial innovation/standardization

### ***Signaling Role***

- Using climate tech expert reputation to crowd-in private equity and debt

### ***First Mover Role***

- Assessing new technologies, new deal structures, new OEMs/developers

Potentially helping **scale-up** and **climate impact** of (examples)

6

**SUSTAINABLE REAL ESTATE  
INVESTMENTS**

9

**VENTURE CAPITAL INVESTMENTS**

8

**DIRECT INVESTMENTS IN  
NON-LISTED COMPANIES AND  
PROJECTS**

# Summary

- SSF study underlines high momentum of *private sector activity* in developing and marketing sustainable finance offerings in Switzerland
- Number and stringency of Swiss *public policies* for sustainable finance is low
- OECD examples show how financial policies can *increase climate impact*, and *help the market* for sustainable finance offerings

Bjarne Steffen

ETH Zurich, Energy Politics Group

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 @BjarneSteffen

# Q&A

Moderated by **Sabine Döbeli**, CEO, Swiss Sustainable Finance



# THANK YOU FOR JOINING US!



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