Press release

Financial instruments for climate change mitigation are widely available, but broader uptake needed to achieve Swiss climate goals

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Switzerland wants to halve its greenhouse gas emissions by 2030 and reach net zero by 2050. The financial sector plays a pivotal role in achieving these national, but also global climate goals. A report by Swiss Sustainable Finance (SSF) showcases the various financial instruments that support the transition to a more low-carbon economy and society. The report also provides concrete recommendations and measures that could be taken to improve the framework conditions.

An average annual investment volume of USD 3.5 trillion will be needed until 2050 to transform the world's energy systems in order to meet the 1.5 degree target of the Paris Agreement. This massive figure calculated by the Intergovernmental Panel on Climate Change (IPCC) does not even include the additional investments needed in other sectors such as agriculture or real estate[1]. Naturally, to reach these sums, the financial services industry will play a decisive role. In its latest report "Financing the Low-Carbon Economy – Instruments, Barriers and Recommendations", Swiss Sustainable Finance explores the broad range of different financial solutions already available to support the transition to a climate-friendly economy. The extensive compendium highlights 16 specific instruments and approaches, and illustrates their implementation through 8 case studies.

Direct investments for maximum leverage

According to the SSF market study, around one third of all investments in Switzerland were already managed sustainably in 2019, most of them in the secondary market. However, greater impact can be expected in cases where new low-carbon projects are financed or insured directly. This report thus provides an overview of suitable instruments such as green bonds, direct real-estate investments, green mortgages, insurance solutions, private equity investments, community finance and energy performance contracting. It explains the type of impact they have and assesses the maturity of the instruments in question. The compendium also examines the effectiveness of Swiss environmental legislation, which has a major influence on the success of the various financial solutions.

Swiss case studies reveal enormous potential

Concrete examples show how such finance solutions have an impact in practice. The city of Lausanne, for example, has established a company that rents roofs to install solar panels. The electricity produced is then sold directly to local users. This is a profitable investment for the operating company and gives customers access to low-cost renewable electricity. Another example illustrates the important role of an infrastructure fund in realising capital-intensive projects for local power plants using renewable energy sources. Lastly, another chapter describes how an innovative insurance solution encourages SMEs to invest in energy efficiency by offering a policy that covers losses in case the energy savings calculated are not delivered. After the model was successfully introduced in Latin America by a Swiss foundation, there are now plans to roll it out in Europe.

Concrete recommendations for better framework conditions
The potential of many of the financial solutions described has not yet been fully exploited. For the financial solutions to be able to mobilise the volumes needed for the transition to a more climate-friendly economy, existing barriers that prevent the broader use of such instruments need to be overcome. SSF has identified several areas for urgent action, including filling existing data gaps in the areas of sustainability and climate alignment through the efforts of the private sector, supported by government action. Additionally, further market development can be aided by the creation of clear definitions and standards for sustainable investments and targeted education and training on the topic. Furthermore, the right price signals in the real economy are crucial for the efficient use of such financial solutions: ultimately, a CO_2 price must be defined which ensures that low-carbon technologies quickly become more established and carbon-intensive technologies become obsolete. Finally, the government can further promote suitable instruments by providing incentives or by systematically reducing investment risks.

Wider use of the instruments will accelerate the transition to a low-carbon economy
One thing is clear: the financial sector already has a broad set of tools at its disposal that make an important contribution to achieving Swiss climate goals and can accelerate economic transition on a global scale. At the same time, there are a number of approaches that can be taken by all actors in the Swiss financial system, as the overview chart in the report clearly illustrates (see Table 1). The available instruments now need to be more widely adopted to accelerate the transition to a low-carbon economy and society.

[1] Intergovernmental Panel on Climate Change (IPCC) (2019): IPCC Special Report: Global Warming of 1.5 ° C.

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Additional information
> Financing the Low-Carbon Economy (English report, Summary: German, French)
> Introduction to the report by the SSF CEO (Short video)
> Newsletter SSF bi-monthly
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Swiss Sustainable Finance (SSF) strengthens the position of Switzerland in the global marketplace for sustainable finance by informing, educating and catalysing growth. The association, founded in 2014, has representative offices in Zurich, Geneva and Lugano. Currently SSF unites over 160 members and network partners from financial service providers, investors, universities and business schools, public-sector entities and other interested organisations. An overview of Swiss Sustainable Finance's current members and network partners can be found here.