

The New Climate Economy

The Global Commission on the Economy and Climate

Call for Evidence: What Role Does Finance Play in a transition to a New Climate Economy?

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<http://newclimateeconomy.net/content/call-evidence>

The Global Commission on the Economy and Climate

The Global Commission on the Economy and Climate is a major new international initiative to examine the relationship between economic growth and climate risk. The Commission comprises former heads of government and finance ministers, and leaders in the fields of economics and business.

The New Climate Economy (NCE) is the Commission's flagship project. It aims to provide independent and authoritative evidence on the relationship between actions which can strengthen economic performance and those which reduce the risk of dangerous climate change. It will report in September 2014 in advance of the United Nations Climate Summit. It aims to influence global economic debate about the future of economic growth and climate action.

Call for Evidence on Finance

The New Climate Economy – together with our partner institutions – is launching a Call for Evidence to support its findings and recommendations on finance.

This will cover:

- the relationship between capital market structure and long-term investment, especially in infrastructure and energy
- policy practices and financial instruments or business models that have the potential to reduce the cost of low-carbon energy
- the risk of “stranded assets” in the context of an energy system transition to low-carbon fuels
- the role of “climate risk” in investment decisions and the current state of markets and mechanisms able to price and transfer this risk.

Climate Policy Initiative is leading our research programme on finance.

Submissions

Our goal over the next two month is to assemble the best available research and knowledge, especially case studies. We invite contributions from research institutes, think tanks, business organisations, consultancies, academics and civil society organisations. Please circulate this document to other interested parties.

We encourage submissions as soon as possible in advance of a **30 April 2014 deadline**. More information on the NCE research programme is available at:

<http://newclimateeconomy.net/content/research>

Given these timelines, our focus is on synthesising existing, accessible evidence. Submissions can draw on one or a combination of the following forms of evidence:

1. Case studies and examples of good practice
2. Recommendations and proposals for action
3. Qualitative synthesis of existing research (where possible, of peer-reviewed literature)
4. Analysis of quantitative (numerical) data
5. New primary research (where possible, citing peer-reviewed literature)

We are looking for evidence in response to one or more of the **key questions** identified below. You do not have to respond to all the questions.

Please limit your submission to 10 A4 pages (minimum font size 10). Please reference relevant additional supporting evidence where appropriate.

Submissions should be emailed to finance@newclimateeconomy.net. Please also address any questions about submissions for this call for evidence on finance to finance@newclimateeconomy.net.

Background

Policymakers and investors face many challenges in designing new policy instruments and business models to finance the next generation of economic growth.

In order to increase economic growth the global economy requires investment in the next generation of infrastructure. Investors, public and private, will have to make strategic choices in the coming years about their investment in low versus high-carbon assets. There is a debate about the extent to which existing capital market structures will supply the necessary investment and at the same time, write-down assets no longer suited for the future global economy.

Understanding how much and what type of finance is available to advance growth in the future global economy is critical. Capital market imperfections may systematically favor short-term investments to the detriment of infrastructure particularly in low-carbon energy. Policy instruments may be ineffective at allocating risks. Poor design of financial instruments may constitute a risk that further discourages investors. Prudent financial risk management may also require assessing the future effect of changes on long-lived capital including the physical damages caused by climate change.

Key Questions

The New Climate Economy is seeking input and insights for the following key questions to inform its work on finance. We would particularly welcome evidence that provides concrete **case study examples or datasets**, for instance examples of how capital market failures have prevented otherwise economic investments in energy or data on energy production assets and associated ownership.

1. How do capital market imperfections affect the choice to invest into low versus high-carbon assets, especially in the energy sector?
2. How can financial instruments or business models be designed in such a way as to accelerate the flow of resources into infrastructure, particularly low-carbon assets?
3. What emerging models of public or public/private infrastructure finance are most promising?
4. What instruments or arrangements have been most successful in mitigating risk in investments that have least developed country governments as a counterparty?

5. How material is stranded asset risk? Where would the costs of these different stranded assets risks fall?
6. To what extent are financial institutions able to quantify climate risk? What evidence is there of emerging good practice in quantifying this risk and translating it into resource allocation decisions?

Confidentiality

Submissions may be listed in the Commission's final report. If you do not wish all or part of your response (including your identity) to be made public, please state in your response which parts you wish us to keep confidential.

If you are submitting information on behalf of an organisation, please include details of the relevant person to contact should we wish to discuss further issues raised in your submission. If you have further questions, please email finance@newclimateeconomy.net.

About Us

The Global Commission on the Economy and Climate was established by a group of seven countries (Colombia, Ethiopia, Indonesia, Norway, South Korea, Sweden and the United Kingdom) as an independent initiative to report to the international community. It was launched in September 2013 and will report in September 2014.

The New Climate Economy project is being undertaken through a global partnership of research institutes: the Climate Policy Initiative (US), Ethiopian Development Research Institute (Ethiopia), Global Green Growth Institute (South Korea), Indian Council for Research on International Economic Relations (India), LSE Cities (UK), Stockholm Environment Institute (Sweden), Tsinghua University (China) and World Resources Institute (US).

An Economics Advisory Panel of world-leading economists, chaired by Lord Nicholas Stern will carry out an expert review of the work.