Climate Finance and Carbon Markets:
Friends or Foes?

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Pillars of our approach on climate protection

Our business

- Drive innovative new financial solutions across all our lines of business.
- $125 billion to be committed by 2025 – the largest among our peers.
- From supporting renewable energy and low-carbon vehicles, to a robust Environment/Social/Governance (ESG) investment platform for wealth management clients.

How we operate

- Comprehensive set of aggressive goals to shrink our own operational footprint:
  - Reduce greenhouse gas emissions by 30%.
  - Reduce water consumption by 20%.
  - Achieve 20% LEED certification.

Working with others

- Engage with partners to increase our impact.
- Partners like the UN's Sustainable Energy for All (SE4All) initiative and Stanford University's Global Climate and Energy Project.
- Committed more than $15 million in environmental philanthropy in 2014.

Our people

- Help our employees act as good environmental stewards at home, work and in their communities.
- More than 16,000 employees actively participate in My Environment program across the globe.
- Provide environmentally focused incentives to encourage adoption at home for such items as solar power solutions, electric/hybrid vehicles.

Carbon markets have a positive influence climate finance

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- To the degree that carbon markets result in financial products that are liquid assets and don't interact negatively with complementary policies and measures, they can have a positive impact on flows of climate finance by
  - ✓Crowding into low-carbon investment opportunities additional sources of financing
  - ✓Leveraging public policy to attract private funding flows
  - ✓Helping the private sector go where it otherwise wouldn't go on its own
- Each of the carbon markets in existence (and some in emergence) today confirm this thesis
  - ✓Numerous examples from our own deals
- Many of the new wave of climate policy instruments being designed today might not even be required if carbon pricing was material enough

COP21 deal could assist climate finance flows in five ways

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- Transparent and robust emission reduction targets, including via INDCs
- Guidance to the Green Climate Fund to deploy instruments that strategically target specific viability gaps in low-carbon investments
    - ✓ *Instruments that directly fund* the outcome of an investment by increasing the return on equity or debt (this is what carbon markets do)
    - ✓ *Instruments to reduce risk* in the financing cycle by increasing the likelihood of a project reaching financial close, including by decreasing cost of capital
    - ✓ *Instruments to provide seed capital* for low-carbon business having strong social impacts on top of the underlying emission mitigation
- Market-based measures that create a unified international transfer system for use by interested countries and a transparency framework for countries to account for transfers from international carbon markets
- An explicit long-term decarbonisation objective
- Socialisation of emerging proposed tweaks to financial regulatory system to address how climate risks are managed within approached to financial stability