Frankfurt School
FS-UNEP Collaborating Centre
for Climate & Sustainable Energy Finance

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Financial Sector – Enabler or Follower?

- Investors and finance have stepped up to the center stage in the global policy conversation on climate change
- Nevertheless, misallocation of capital remains a key barrier and is limiting the financial sector's potential of being an enabler of the transition
- Limited evidence of direct impact of sustainable finance products and initiatives
- High uncertainty with regard to path decisions, timing of transformative action as well as the short to mid-term physical impacts of climate change as driver for stronger mitigation action represent major barriers for financial decision makers to integrate climate considerations into their investment process (besides the observed inertia of the financial system)
- Stranded assets and stranded resources – burdening investors or tax payers?
- Financial sector regulation/focus "versus" or "and" real economy regulation?

New Perspectives on Debt Sustainability

- Covid-19 intensified existing economic and inequality issues including debt stress
- Climate change considerations have been integrated into rating methodologies, resulting in a number of downgrades
- Difficulties to forecast short-to medium term impacts on a national level
- Current versus future debt crises
- Climate change to significantly increase vulnerability of many countries facing high investment needs for mitigation and adaptation
- Requirements on future solidarity structures, funding mix, debt/bond terms,…