Finance Committee: Green Finance
Members of the Dais: *Mariana Janer-Agrelot - Jose Scherrer*
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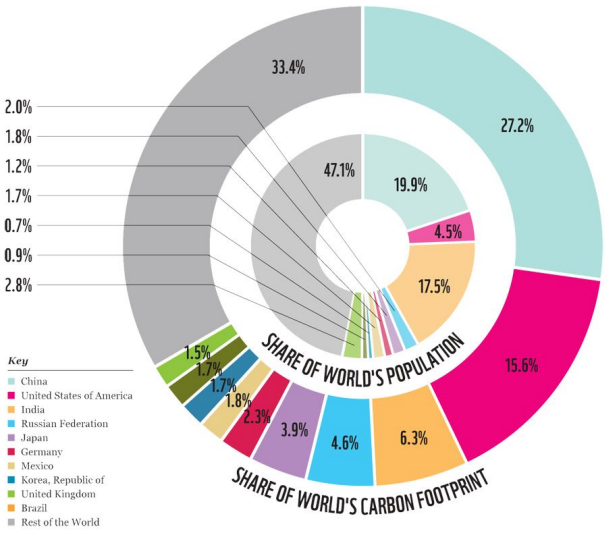
I. Introduction

Over the past 10 years, the dire effects of climate change have been explicitly present in the Earth's temperamental behaviours. The evidence for climate change is more than rapidly compounding; melting ice caps, warming oceans, rising sea levels, toxification of most of the ocean's water all substantiate the case of global warming.[1] This subject is most certainly divisive in the international system. While many actors such as the ***Nordic countries*** and the ***European Union*** have explicitly established their commitment to reducing ***pollution*** through pacts such as the ***Paris Agreement of 2015***[2], it is evident that faithfulness to this promise from carbon emitters such as China, USA and India is erratic. The withdrawal of the United States from the Paris Agreement in 2017 highlights the significance of **green finance**. Green finance is one of a number of terms used to label activities related to the two-way interaction between the environment,finance, and investment. This model strives to create a sustainable financial system: one that creates, values, and transacts financial assets in

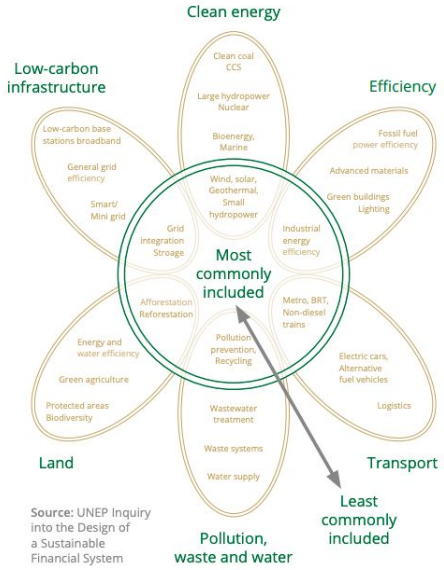


[1] "Climate Change Evidence: How Do We Know?" *NASA*, NASA, 9 July 2019, https://climate.nasa.gov/evidence/.
[2] **Paris Agreement of 2015:** international treaty, named for the city of Paris, France, in which it was adopted in December 2015, which aimed to reduce the emission of gases that contribute to global warming. The Paris Agreement set out to improve upon and replace the Kyoto Protocol, an earlier international treaty designed to curb the release of greenhouse gases.

ways that shape real wealth to serve the long-term needs of an inclusive, environmentally sustainable economy.[3] Green finance takes into contention the current trajectory of the increase of global **fossil-fuel** use which would contribute to the likeliness of the planet's temperature to rise by 4-6 degrees Celsius above its pre-industrial level. This resulting increase would be catastrophic for food production, human health, and biodiversity; indeed in many parts of the world it would threaten communities' survival.[4] Thus, increasing the demand for considerable investments in order to meet the Sustainable Development Goals (SDGs) established by the Paris Agreement is vital for the future of the global economy and humanity.

II. Economic and Financial Development

In December 2015, at the COP 21 in Paris, France, 196 countries came together to forge a climate change agreement that pledged to keep global warming to 2 degrees Celsius or less[5]. In order to reach this goal, The International Energy Agency estimated that the cumulative investments needed in energy supply and efficiency need to reach $53 trillion in the year 2030. At the start of 2018, **sustainable investment** rose by more than a third since 2016, reaching $30 trillion in assets globally. This means that the financial system has been fluctuating drastically towards a more sustainable development, but still has a long way to go. The main purpose of the global financial system is to



[3] *"The Green Finance Qualifications Work Book"* Chartered Banker Institute

[4] *"Why is Green Finance Important?"* Sachs, Jeffrey D.; Thye Woo, Wing; Yoshin te, January 2019

[5] *"Greening Banks and Capital Markets for Growth" IFC, http://unepinquiry.org/wp-content/uploads/2018/11/Raising_23_Trillion_Greening_Banks_and_Capital_Markets_for_Growth.pdf*

devote the world's savings to the most productive and beneficial uses. Facing the most prominent issue at hand, the world's savings should be invested in markets like the Global Environment Fund (GEF). The GEF is an **asset management fund** that analyzes the performance ratings in investment and portfolio construction to help investors incorporated their capital in corporate sustainability leaders[6]. These types of companies are the ones that help manage where the green investments are directed to and change the course of the financial system towards a more green development.

III. Environmental Impact

Industrialization has left a huge impact on the environment since it started during the middle of the 1700s. When the Industrial Revolution started, people were amazed at how their economy was exponentially advancing; but, they didn't take into consideration the potential impact that burning coal and other fossil fuels to power the new equipment and machinery would have on the environment. These industries release approximately 10 million tons of toxic chemicals per year[7] that keep diminishing the quality of the environment and in the long-run might make the Earth unlivable for humans. The toxins that the industries liberate into the environment can affect different points in the environment.

The four primary impact points of industrialization are air, water, soil and habitat[8]; which are essential for any type of life to exist on the planet. The biggest problem right now is air pollution, and it is mainly caused by the burning of fossil fuels in manufacturing industries,

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[6] *"Environmental Impact and Sustainability." Global Environment Fund (GEF), http://www.globalenvironmentfund.com/.*

[7] *"Toxic Chemicals Released by Industries This Year, Tons." Worldometers, https://www.worldometers.info/view/toxchem/.*

[8] *Folk, Emily. "Environmental Impacts of Industrialization." EcoMENA, 28 June 2019, https://www.ecomena.org/environmental-impacts-of-industrialization/.*

which release a large amount of carbon monoxide, hydrocarbons, organic compounds, and chemicals into the air that exhaust the quality of the air we breathe. Another big problem is water pollution, especially in regions where the industries are located next to natural sources of water because they can release toxins that are extremely hazardous to health. A widely known example of water pollution by industrialization is in the River Nile, located in Egypt. Industrial waste thrown into the river led to the presence of metals in the water which posed a significant risk not only on human health, but also on animal health and agricultural production[9]. Soil contamination is another threat to the environment and it has increased mainly because of the lead that industrialized companies use in the manufacturing of products. This lead contaminates the soil and the crops that grow there, which can lead to human health issues. The last primary impact point of industrialization is habitat destruction, which refers to the destruction of ecosystems to create roads and to get lumber. Destroying habitats disturbs the animal and plant population and might make some species go extinct, which can lead to the disturbance of the natural order of the ecosystem. These main impact points of industrialization are the ones policy makers and investors are trying to help change because if they are diminished, nature can prosper in a more sustainable environment.

IV. Societal Impact

The societal impact from climate change is staggering. Mitigating the effects of climate change and managing a successful transition to a low-carbon economy is, in the view of many, the greatest global challenge for this and future generations.[10]Facilitating this transition will require the combined and sustained efforts of global bodies such as the United Nations, national

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[9] *"Egypt's Water Crisis – Recipe for Disaster." EcoMENA, Amir Dakkak, 7 July 2018, https://www.ecomena.org/egypt-water/.*

[10] *Thomspon, Simon, "Reconnecting Banks and Society Through Green Finance",* International Banker, 11 December 2018

governments and the private sector. Although in many developed countries the effects of global warming are not explicitly seen, many countries' flora and fauna have been either substantially eradicated or increasingly damaged. For most populations, limiting factors recognized as components of environmental resistance can be placed into four broad categories: 1) the availability of raw materials; 2) the availability of energy; 3) the accumulation of waste products; and 4) the interactions among organisms.[11] These factors are deeply affected by things such as fracking and deforestation that maximize changes in ecosystems which later lead to depravities in food production. Thus, increasing the demand for alternative options is certainly vital in green finance investments. When humans need food, they convert natural ecosystems to artificially maintained agricultural ecosystems. If these agricultural ecosystems are mismanaged, the region's total productivity may fall below that of the original ecosystem. In countries where food is short in supply and the population is growing, pressure is intense to convert remaining natural ecosystems for agriculture and will not be productive. However, to a starving population, the short term gain is all that matters. The long term health of the environment is sacrificed for the immediate needs of the population. The current situation with respect to world food production and hunger is very complicated. It involves the resources needed to produce food, such as arable land, labor, and machines; appropriate crop selection; and economic incentives. It also involves the maldistribution of food within countries. Human survival depends on interaction and cooperation with other humans. Current technology and medical knowledge are available to control human population growth and to improve the health of the people of the world. People in all fields need to understand the cause of the population problem has both biological and social

[11] Enger, Eldon D, and Bradley F. Smith. *Environmental Science: A Study of Interrelationships*. Boston, Mass: WCB/McGraw Hill, 1998. Print.

components if they are to successfully develop strategies for addressing it. Green finance, which is shaped and re-formed by innovations, addresses problems such as changing demographics, food production, customer demands, and regulation. Due to these conditions, the green-finance sector, what many may still see as a specialist field, will very rapidly become part of the mainstream of banking and finance—with sustainability, stewardship and other green-finance values part of everyday, ordinary banking practice. The opportunity it provides for the finance sector and finance professionals should not be underestimated; it is an opportunity not just to trade profitably but to play a key role in solving our greatest global challenge. This will not only help embed green finance within our sector but will demonstrate in a very practical way the social purpose of banking and help reconnect banks and society.

V. Government Policy

The global economy is delivering aggregate annual growth of 3-4%, leading to a doubling of output every generation. Yet, the current financial system is not delivering sustainable growth in two basic senses. In many parts of the world, growth has been heavily skewed in favor of the rich and it has been environmentally destructive. The most aggravating aspect of the contemporary global economy is the low rate of investment. As the ***2008 financial crisis*** took the world economy by storm, long term investments and infrastructure financing, especially for green energy projects, have dramatically decreased. Especially in developing countries, the public sector cannot afford to fill this investment gap and the private sector has not shown sufficient interest, through fear of low rate of return in long-term investments and the risks that accompany them. At the moment there are three challenges facing such strategy: identifying the right projects; developing complex plans that involve both public and private

sectors; and structuring the financing. To succeed, governments must be capable of effective long-term planning, budgeting, and project implementation.

The world needs massive investments in green energy systems and an end to the construction of new coal-fired power plants. Investments in renewable energies continue to dominate the new investments in the energy system worldwide. At the same time coal use is declining. Even though coal prices have fallen, coal production already peaked in 2013 globally and among the world's largest emitters, China, the USA, as well as in the EU. [12]In 2015, almost all countries included in the Climate Change Performance Index maintained double-digit growth rates in renewable energy and we see solar and wind technologies being more competitive from year to year. While growth rates of renewables have been particularly strong in industrialised countries in the past, emerging economies are playing an increasingly crucial role in the global energy transition. China is leading the upsurge in renewable energy, but Middle Eastern, North African and Central and South American countries are also expected to increase their installed capacity drastically by 2018. 51% of global capacity in wind energy and 53% in solar energy is already installed in emerging economies, indicating the potential of leapfrogging a fossil-fuel-based industrialisation. Although these countries' have taken action to address these challenges, considerable investment will be needed in the short and medium term to make the power sector greener, by reducing emissions and switching to renewable energy.

The multilateral development banks – such as the World Bank, the ADB, and the African Development Bank – should help to finance such programs in all continents by raising more long-term debt from the capital markets at the prevailing low interest rates and then lending the

[12] Jan Burck, Franziska Marten, Christoph Bals, Niklas Höhne, "*Climate Change Performance Index: Results 2018*", CCPI.

money to governments and public-private investment entities. Governments should levy gradually rising carbon taxes and use the revenue to finance low-carbon energy systems. In addition the egregious loopholes in the global corporate tax system should be closed, which would boost global corporate tax revenue by some $200 billion annually, if not more. The additional revenue should be allocated to new public investment spending.

VI. Guide Questions:

1. What is your delegation's stance on Green Finance?
2. How can individuals, governments, and companies be encouraged to invest in Green Finance?
3. What large scale plan could be implemented to help with preserving the climate and boosting the economy?
4. Who should manage the Green Funds and in what ways can they be managed more effectively?
5. What policies does your delegation proposes to regulate the damage caused by industrial companies?
6. How can your delegation make sure that the green funds are being managed correctly?
7. How will your delegation offset the potential short term convenience of Green Finance?

VII. Key Words:

1. **Green Finance:** Green finance refers to any financial instrument or investment issued under contract to a firm, facility, person, project or agency, public or private, in exchange for the delivery of positive environmental externalities that are real, verified and additional to business as usual.
2. **Investment:** the action or process of investing money for profit or material result.
3. **Sustainable development:** economic development that is conducted without depletion of natural resources.
4. **Asset Management Fund:** management of investments on behalf of others.
5. **Policy:** a course or principle of action adopted or proposed by a government, party, business, or individual.
6. **Renewable energy:** comes from a source that is not depleted when it is used, or is naturally replenished within a human timescale (150 years maximum).
7. **Industrialization:** the development of industries in a country or region on a wide scale.
8. **Fossil fuels:** Fuels that are formed from the decayed remains of plants or animals, such as coal and oil.
9. **Emissions reduction and capture**: Emission reduction technologies aim to reduce the carbon dioxide (CO_2) produced by energy generation, transport and industrial processes. Emissions capture tends to refer to carbon capture and storage (CCS) – technology to capture CO_2 emissions produced in electricity generation and industrial processes.

VIII. Useful References

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"Introduction to Climate Finance." *UNFCCC*, https://unfccc.int/topics/climate-finance/the-big-picture/introduction-to-climate-finance.

"What Is Green Finance?" *Our Mission*, http://climatemundial.com/whatisgreenfinance/.

IX. Message from the Dias

As your chairs, we would like to wish good luck to all delegates, and we look forward to seeing how each one of you will come up with innovative and effective plans to combat this threatening force that as been put upon us. Climate change is a very big issue that needs to be addressed immediately and you will become the policy makers that will try to regulate industrial companies and encourage the private and public sectors to invest in a global green market. We wish to make clear that delegates should not limit themselves to the information presented in this briefing. You are expected to do outside research on the topic, as it is one of great complexity. Position papers are expected to have been written in **Times New Roman size 12** font and

double-spaced with **1-inch margins**. They should be 1-2 pages with an additional MLA bibliography. Submission for position papers should be no later than Tuesday, September 17th, 2019 by 11:59 PM. When submitting, please ascertain that the file is a Word document or a PDF, make sure that it is sent to the Dais email, and specify if you are a novice or a veteran delegation. Delegates, if you have any questions or concerns, feel free to contact either of the members of the dais via email.

Mariana Janer-Agrelot

mjaneragrelot@gmail.com

Jose Scherrer

scherrerjose@gmail.com

Dais email

cpnmungreenfinance@gmail.com