Session 21 – Green finance: a reflection of our eco-responsible aspirations?

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In a world aware of its excesses and their impact on the environment, green finance has become a powerful symbol. Just as popular views on these topics are reflecting more awareness, so are economic players changing how they act on the world. With green funds and green bonds, the latest jargon reflects the new challenge of making greener financial tools, despite the market's relatively limited size: barely $220 billion in the global bond market.

In the wake of the 2008 crisis and its disastrous effects on the markets, mistrust at every level dominated the financial ecosystem and people's faith in its benefits for the community. However, after several dark years, finance seems close to shedding its negative image. From being a problem to solve, it has little by little become a strategic tool for influencing the world's destiny in the hands of economic agents. And public as well as private players have become aware of how significant a force it is. For example, Bruno Le Maire, the Minister of the Economy and Finance claimed on Monday 11 December that "The climate needs finance but finance needs purpose, and to become green. It is the best way to win the fight for the planet (…) Finance will be green or nothing else; it must further the struggle against climate change and serve the general interest."

However, beyond this vision, which might still seem like a statement of intent rather than "economic science", it is important to recognise that investments in a green economy will need to be stepped up over the coming decades if we are to achieve the sustainable development objectives and ambitions of the Paris Agreement. For this to happen, the vital message to be conveyed is that combatting climate change is above all a rational choice for economic stakeholders. As Mark Carney said at COP 21, we understand that if we are to put a stop to global warming, it means not consuming part of the carbon. In the end, its future value must fall to zero. A rational investor should thus come to the conclusion that investing in sustainable projects or energy resources is the only possible approach.

Beyond this equivocal statement, it is still worth asking a number of questions. Is there any genuine commitment from businesses in this area, or is it purely a communication strategy? Can banks today do without green financing? How can we measure the real impact of investment projects on the environment? Is it the responsibility of public finances to steer private finances along the path of sustainable finance?

The relative importance of green finance should not make us forget that, in addition to the environment, the green bond model needs to be applied more generally to all social issues (social integration via housing and employment, healthcare, associations and humanitarian organisations, etc.). In the context of cuts to public spending in France and around the world, how can ever-growing social needs be financed? What about the social impact bonds market? What if finance were to save the planet by pushing economic stakeholders to adopt good practices – and by making those practices profitable?

As well as these two successive points, this session will tackle a fundamental question: how can we take back control and use the ingeniousness of finance to further a new, more sustainable and balanced cycle?