

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 730427



www.cop21ripples.eu

COP 21 RIPPLES

**RESULTS AND IMPLICATIONS FOR PATHWAYS
AND POLICIES FOR LOW EMISSIONS EUROPEAN SOCIETIES**

POLICY BRIEF 6

**Finance After The Paris Agreement: The Necessary Transformation Of The
Financial System**

**Dr Matthew Winning
University College London**

Finance After The Paris Agreement: The Necessary Transformation Of The Financial System

Key points from policy brief

Making finance sustainable as a whole rather than adding a layer of sustainable finance

Sustainable finance is positive trend

- However, inefficient to result in alignment with Paris Agreement long-term targets
- Like NDCs commitment, the ambition for finance needs to be ratcheted

Finance cannot focus only on growing “green” niches

- Must simultaneously address “brown” investments in carbon-intensive assets
- Systemic changes required e.g. not simply fixing markets. A balance between:
 - Free markets, self-regulation, green niches, market pull, efficient risk pricing e.g. disclosure, voluntary standards and labels
 - System regulation, governmental intervention/push, systemic approaches e.g. prudential rules, time horizon, credit guidance

Finance must be reconciled with long-term goals

- European Investment Bank (2021 commitment) is good step



Finance After The Paris Agreement: The Necessary Transformation Of The Financial System

Fig.1 Total energy (supply-side) investments by scenario compared to reference (TIAM-UCL)

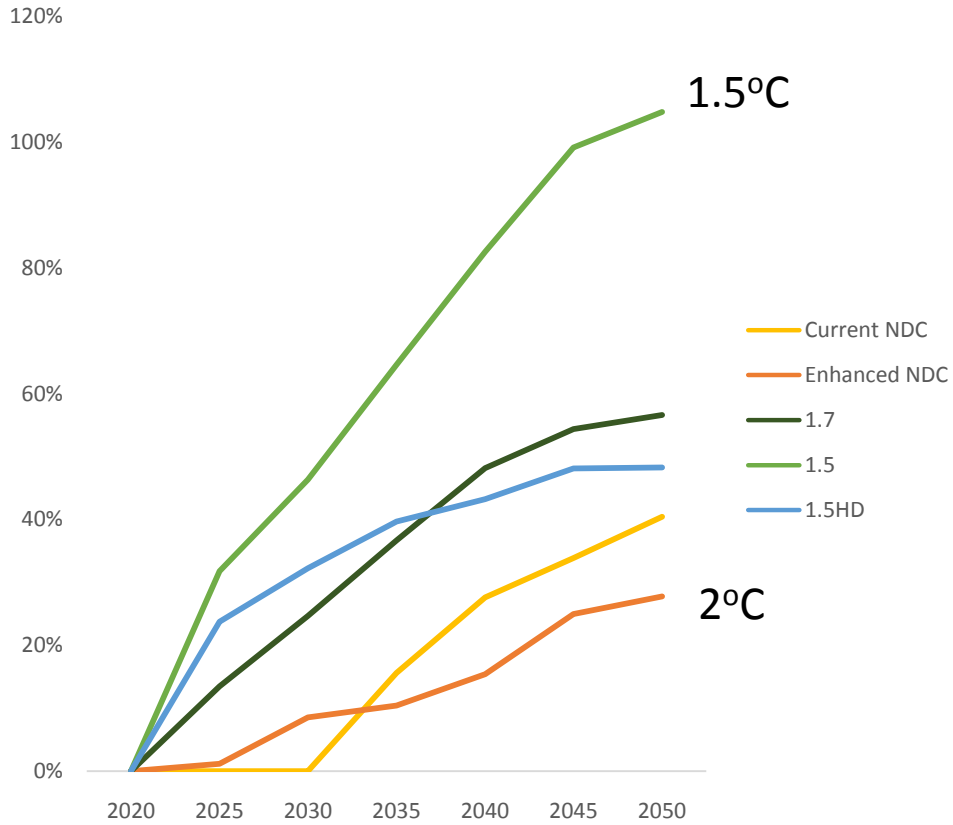
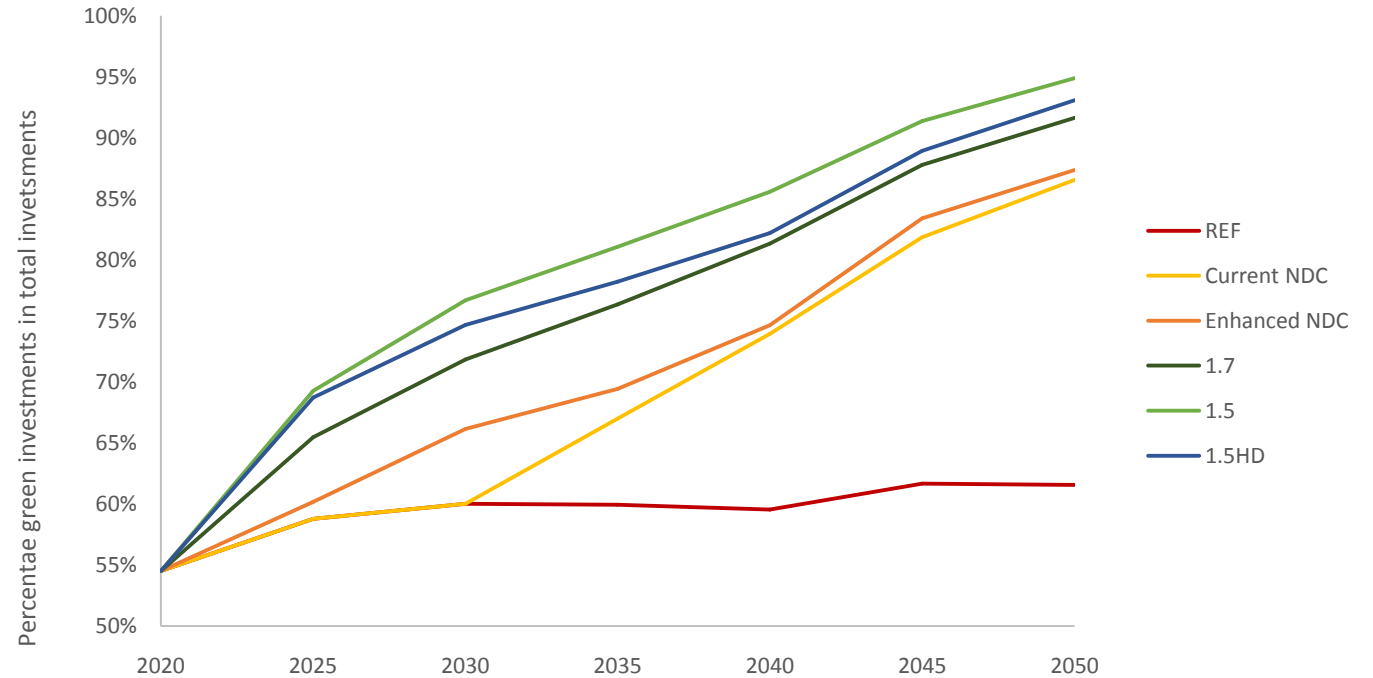


Fig. 2 Global green energy investments as percentage of total energy (supply-side)



Finance After The Paris Agreement: The Necessary Transformation Of The Financial System

Fig.3 GDP impact of finance mechanism in high- and low-income regions (MEWA model)

