

Glennmont Insights – Financing a clean energy future webinar series

Throughout summer 2020, Glennmont Partners facilitated a series of webinars titled 'Glennmont Insights - Financing a clean energy future'. The one-on-one 'in conversation' events with senior political and industry stakeholders took place over the course of June and July, exploring how we can bring forward the investment required to achieve decarbonisation targets and tackle climate change as we emerge from the COVID-19 crisis.

The first event was titled 'How can we build a consensus on climate policy ahead of COP26?' and saw Glennmont Director, Peter Dickson in conversation with the Labour Party's Shadow Green New Deal and Energy Minister, Dr Alan Whitehead MP. The second webinar was titled 'What will the opportunities be for sustainable investment after COVID-19?' for which CEO of Glennmont, Joost Bergsma spoke with Chair of the Energy Transitions Commission, and former Chair of the Committee on Climate Change, Lord Turner of Ecchinswell. In the final instalment of the three-part series, Peter spoke with Head of the United Nations Environment Programme Finance Initiative (UNEP FI), Eric Usher in an event titled 'How can the financial sector better align itself with the energy transition?'

Some of the key conclusions drawn from the webinar series are as follows:

- **The UK** has reached a political consensus that decarbonising the economy is a priority. Despite differing opinions on the required speed of decarbonisation, the COVID-19 pandemic has acted as an impetus to accelerate investment in clean infrastructure.
- **The European Union must be ambitious** with its COVID-19 bail-out package focusing its funding in three segments. Projects that create jobs immediately such as decarbonising buildings, packages that have the capacity to invest in the creation of assets and infrastructure and a focus on research and development to drive innovation in new clean technologies.
- We must see **further integration of environmental, social and governance (ESG) issues** into institutional investment, building an expectation that investors are not just seeking monetary returns for their investment despite the current crisis.
- **The UK Government must lead by example at the delayed COP26** in Glasgow next year to ensure there is progress on climate change related-issues throughout Europe and more broadly across the globe.
- Political tensions between the **US and China stand to inhibit the global progress** made on climate policy since Paris 2015. Both nations have shown some willingness to adopt to clean energy policies, but growing uncertainty and the US withdrawal from the Paris Agreement could damage this progress.
- **Further collaboration** between investors and the organisations they fund is required by developing relationships which award organisations for their attempts to become greener and ultimately penalise those who fail to meet their divestment targets from fossil fuels.

Dr Alan Whitehead MP, Shadow Energy and Green New Deal Minister



First elected to Parliament in 1997 as the Member of Parliament for Southampton Test, Dr Whitehead is well known for his passionate and detailed technical knowledge of energy policy issues. In keeping with his environmental credentials, he is a fellow of the Institute of Waste Management and is a member of the Board for The Environment Centre in Southampton. He is also a Visiting Professor at Southampton Solent University. For the past four years Dr Whitehead has played a key role in helping shape Labour energy policy and is currently leading work on Labour's proposals for a 'Green New Deal'.

During his webinar interview with Peter, Dr Whitehead credited the passing of the Climate Change Act in 2008 as being hugely significant in the shift towards decarbonisation and putting in place "a series of mechanisms which required the UK Government of the day to continue reductions of carbon output on a 5 year basis". He noted that the economic returns from clean energy proved that there was economic good sense, as well as climate good sense in cleaner energy, which has resulted in an alignment of the main political parties' views on the future of the UK's energy market.

On leaving the EU and its effect on the UK's decarbonisation targets, he said that he expected the UK to set targets that showed "greater ambition than Europe has so far shown". There was a need to reform the way the European energy market is regulated to ensure "it is dynamic and can make use of new opportunities in the market when they're available", he argued.

Dr Whitehead listed the importance of offshore wind, biomass production and new waste management, as well as larger infrastructure projects like tidal lagoons as the necessary investments to provide jobs, fend off the looming financial crash from COVID-19 and make progress on the UK's net-zero targets.

Lord Turner of Ecchinswell, Chair of the Energy Transitions Commission



Lord Turner chairs the Energy Transitions Commission, a global coalition of major power and industrial companies, investors, environmental NGOs and experts working out achievable pathways to limit global warming to well below 2°C by 2040, while stimulating economic development and social progress. Lord Turner has held a number of high-profile roles previously including Director General of the Confederation of British Industry (1995-2000), Vice-Chair of Merrill Lynch Europe (2000-2006) and was the first Chair of the Climate Change Committee (2008-2012), the independent body to advise the UK Government on tackling climate change.

During his ‘in conversation’ with Joost, Lord Turner highlighted the differences between the financial crisis in 2008 and the current crisis, noting that in 2008 the world saw a reduction in consumption and investment, leading to large fiscal deficits and drastic measures to stabilise the economy. He added that the current crisis was unprecedented in that largely, “incomes are still being earned, but consumers can’t spend”, leading to a build-up of private funds with the potential to be invested. He suggested that this environment, with government support, is the perfect time to invest in green infrastructure which in turn leads to job creation and a decarbonised economy.

On the EU’s proposed response to the crisis, Lord Turner described a balance between support packages that would create jobs immediately through projects such as decarbonising buildings, packages that had the capacity to invest in the creation of assets and infrastructure and also a focus on research and development to drive innovation in new clean technologies such as onshore and offshore wind, solar and storage, blue and green hydrogen development, electrolysis, CCS and battery, which will help us move toward our zero carbon energy goals.

Lord Turner highlighted the importance of feed-in-tariffs and CFD’s in driving investment in clean energy. He outlined the relatively risk free nature of predictable projects such as wind and solar that have a record of activity and can generate a guaranteed return for investors. Lord Turner added that the market is calling out for more projects that combine generation and storage, allowing project managers to get better returns on their energy outputs, making for attractive investment prospects and an increase in the capacity of zero carbon power.

Eric Usher, Head of the UN Environment Programme Finance Initiative



Eric Usher heads the UN Environment Programme Finance Initiative, (UNEP FI), a global partnership bringing together the UN with more than 300 banks, insurers and asset managers working to develop the sustainable finance and responsible investment agendas. Eric oversees governance, strategy and day-to-day management of UNEP FI's work programme and global network development. Usher has over twenty years of experience in the low carbon sectors, spanning technology commercialisation in Canada, solar rural electrification in Morocco and financial sector development across emerging markets. He currently sits on several industry bodies including as UN representative on the Board of the Principles for Responsible Investment.

Speaking to Peter, Eric noted the scale of the task to decarbonise our economies that lies ahead. He said that we must half our global emissions in this decade, and half them again in the 2030s – with an annual reduction of 7%. He reported that in April of this year, at the peak of the COVID-19 crisis, global emissions had dropped by 17%, and informed projections estimate an annual reduction of 7% for 2020. The pandemic had shown us what is possible, but there have already been “worrying trends” as nations show a lack of imagination, looking to kick start a recovery with high cost bail-out packages for carbon-intensive industries he added.

The integration of environmental, social and governance issues into institutional investment – especially within the EU, had seen shifts from being told you ‘can’ take environmental issues into account, to you ‘should’, and finally regulation that says you ‘must’ be conscious of these issues, Eric said.

In terms of the developing world, Eric suggested that by driving the cost down we will naturally see developing nations choosing to invest in clean infrastructure. He noted that this is a trend true of more established economies also, discussing the common use of the phrase ‘Just Recovery’ and that in practice this means providing alternatives to fossil fuels and not leaving communities behind.

On the breakdown of Sino-American relations and the effect this will have on reaching consensus on global climate targets. Eric replied that “we don’t have the meeting of minds that we had in 2015”. He remarked that China has made some “good progress” and that the US has the capacity to be world leading technologically, but that uncertainty is not good for innovation.