

Workshop „Research Agenda Sustainable Finance 2019/20“

3rd Workshop
Berlin, December 17th 2018

Location: DIW Berlin, Mohrenstr. 58, 10117 Berlin, Germany
Francine-Blau-Room, 3rd floor

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Background

In the context of the major Sustainable Finance Conferences in February in Berlin and March in Brussels, the VfU-UNEP-FI-Roundtable and the 2.Sustainable Finance Summit Germany in September 2018, as well as in direct exchanges between experts, a number of research questions have been identified, which would need answering in order to support the implementation of a sustainable finance policy framework in general and the EU action plan I particular (see *research agenda*). On 17 December, we want to further develop this in a workshop in Berlin with researchers and think-tanks, and with research sponsors and users (from ministries, business and civil society) in order to develop a Sustainable Finance research agenda with concrete research and analysis projects for 2019 / 2020.

Each session consists of brief content-related impulses, each followed by a joint discussion of the following questions:

- What needs to be developed conceptually, empirically, model-based and analytically, so that decision-makers in policy, business and civil society can build their decisions in the coming years on a solid and transparent knowledge base?
- Identify support needs: What do research users and potential funders need in terms of concrete scientific and analytical support?
- Which concrete projects could be implemented by whom and in what timeframe and budget (to be developed further in the aftermaths of the workshop)?
- Which funding opportunities can be identified and activated together?

Agenda

10:30 – 11:00 Arrival, registration, coffee

11:00 – 13:00 Session 1: Improving the understanding of the mechanisms and channels of change/impact (and the state of play)

In this session we identify research needs and knowledge gaps related to the understanding of the underlying mechanisms of change. We need to improve our understanding about how to steer capital flows more towards sustainable development and what the most effective instruments are for achieving this (political / economic and business management). The role of specific mechanisms/channels in the market (i.e. between market players) and in companies (within the decision-making structures of individual market players) that lead to an increase in sustainable, climate-friendly investment activity need to be clearly identified, as well as methods, tools and approaches to measure their impact? Transparency about the current (sustainable or non-sustainable) impact of investment and financing activities could provide a useful starting/reference point. A differentiation between and coverage of all (relevant) forms of financing (stocks, bonds, loans) will be important.

Some initial questions:

- a) What role do ESG factors play in ratings or the valuation of companies and (in) how (far) are they used in investment and financing decisions? What benefits their active use?
- b) How do specific policies / instruments affect investment and financing decisions and how do they affect the real economy? Which financial measures (etc.) lead via which mechanisms to the reduction of CO2 emissions (of an economy)? How efficient are these measures (cost-benefit analysis)?
- c) How do changes in investment decisions affect the energy consumption and emissions of specific sectors and the economy as a whole?

Short inputs by: Prof. Timo Busch, Universität Hamburg; Prof. Marco Wilkens, Universität Augsburg; Prof. Karsten Neuhoff, DIW Berlin

13:00 – 13:30 Consolidation of findings from discussions into concrete work plan and follow-up for research agenda 2019/20

13:30 – 14:00 Lunch

14:00 – 17:15 Session 2: Which measures are required to support and activate the mechanisms and channels of action and change?

Session two builds on the discussion of the mechanisms to discuss concrete research needs and knowledge gaps in relation to what is needed to activate the identified key mechanisms. In particular we look at the role of information and data, at the anchoring and use of data for the pertinent decision making processes; and at the role of policy instruments and how to evaluate them.

14:00 – 14:45 Session 2.1: Reliable and Predictive Information

Some initial questions/issues:

- a) For dynamic assessment based on scenarios, sector roadmaps, science-based targets: how can different sectors of the real economy develop? How do you break that down to the individual company rating?
- b) How to build on existing forecasts (eg EPS forecasts)?
- c) To what extent do the disclosure metrics and indicators capture real climate impacts?
- d) Annual disclosure vs. one-off in the context of pre-contractual communication

Short inputs by: Michel Cardona, I4CE; Klaus Hagedorn, 2°investing; Sabine Pex, ISS-ESG

14:45 – 15:05 Consolidation of findings from discussions into concrete work plan and follow-up for research agenda 2019/20

15:05 – 15:50 Session 2.2: Anchoring and using information

Some initial questions/issues:

- a) How to ensure that ESG risks (including climate) are systematically included in financial market activities and decisions? Which key functions need to be addressed, created and/or strengthened?
- b) What would be the advantage of mandatory, harmonized disclosure of ESG criteria (initially e.g. GHG, energy consumption), for all actors, compared to current practice (largely voluntary, only partially harmonized)?
- c) Proportionality of reporting: review of existing practices (alignment, standardization), development of good practice examples
- d) ESG indices / benchmarks: reinforcing effect of ETFs?
- e) Mandatory integration of ESG factors and their dynamic consideration in investment and lending decisions, as well as risk management
- f) How to activate the potential of customer advisory (“Kundenberatung”)?

Short inputs by: Prof. Christian Klein, Universität Kassel; Franziska Schütze, Global Climate Forum;

15:50 – 16:10 Consolidation of findings from discussions into concrete work plan and follow-up for research agenda 2019/20

16:10 – 16:25 Coffee break

16:25 – 17:10 Session 2.3: How to evaluate existing approaches and policy instruments empirically (ex-post) and planned instruments (eg in the EU legislative package of May 2018 or in the German Climate Protection Plan) in a model-based manner (ex-ante, analytic-theoretical and through simulations)?

Some initial questions/issues:

- a) Energy and Climate Policies: Which Price Mechanisms Work Best? How do price signals affect financial market decisions?
- b) How do true cost accounting, carbon accounting and taxes, etc. work?
- c) What is the effect of Fiduciary Duties, PRIPS, and liability of bank/investment advisors?
- d) Shareholder Engagement, proxy voting etc.: How does active involvement affect the real economic performance of companies?

Short inputs by: Prof. Ulf Moslener, Frankfurt School of Finance; Matthias Kopp, WWF; Ingmar Jürgens, DIW;

17:10-17:30 Consolidation of findings from discussions into concrete work plan and follow-up for research agenda 2019/20

17:30 – 17:37 Outlook and next steps