

International Economics

Academic year 2024-2025

Climate Finance and Impact Investing

El130 - Autumn - 6 ECTS

Monday 14h15 - 16h00

Course Description

The climate is changing. The world has already warmed by 1.1 degrees over pre-industrial levels, and the question is no longer if there will be global warming, but how much. The answer depends critically on the speed of transition to net zero across the world. The question is how to finance the transition, who should pay, and for what?

In principle, sustainable finance could harness the power of private finance to address global challenges like decarbonizing the economy and achieving the sustainable development goals. In practice, there are many doubts about how much can be achieved by (partly) voluntary internalization of external effects. Economic theory suggests that financing global commons is difficult, and at the same time, the science of climate change tells us that we have very little time to achieve results.

Climate change is not only unfair to future generations, it also has hugely differential effects across the world, which are visible already now. Therefore, climate finance will not only require paying for mitigating and enabling green growth in Low Income Countries (LICs) but also provide funding for climate adaptation. ESG is also contentious due to worries about "greenwashing," inconsistent definitions and regulations, and uncertainties regarding real-world impact. Policymakers are implementing laws to enhance transparency in measurement and accounting. Regulators and supervisors are emphasizing environmental risks on the balance sheets of financial institutions and concerns about financial stability. In recent years, a burgeoning "ESG industry" has emerged, involved in research, regulation, standardization, consulting, and innovation.

This course first lays the foundation of the science and economics of global commons and discusses the governance mechanisms. It will then provide an overview of instruments, institutions, and prospects of sustainable finance, as well as an in-depth discussion of the current state of our knowledge on their impact.

> PROFESSOR

[Beatrice Weder Di Mauro](#)

[Office hours](#)

> ASSISTANT

[Office hours](#)

IMPORTANT

Regular attendance is compulsory, and any absence must be promptly communicated to the teacher. In the event of missing more than two sessions, students are expected to provide well-documented justifications for unforeseeable circumstances (e.g. illness, accident, death of a relative), directly to the Direction of Studies. Failure to justify absences beyond two sessions will result in the assignment of code N.

Students are also reminded of the following legal rules:

The teacher owns the **copyright** on the material they created for this course. As such, any reproduction or distribution of this document, in whole or in part, as well as of any other material created by the teacher for the course, is prohibited unless permission is granted by the author.

Recording (as video or audio) a course without the consent of the teacher and other participants is strictly forbidden.

Syllabus

Course Outline

1. Introduction: ESG, Climate Finance and the Critics

Part I Science and Economics of Climate and Nature

2. Economics of global commons

3. Science of climate change and distributional effects

4. Nature, oceans and biodiversity

Part II. Mitigation on the Transition to Net Zero

5. Net Zero - grid, industry, buildings

6. Net Zero - agriculture, transport,

Part III: Financing and Investing Solutions

7. Global governance – COP, climate clubs

8. Carbon markets

9. Role of central banks and supervisors

10. Role of markets and banks

11. Role of asset managers

12. Impact assessment

13. Adaptation financing

14. Reserve

Readings

In addition, the course will rely on a variety of sources, including journal articles and case studies. The following recent texts serve as background and preparatory readings. Additional literature will be given at during the the course.

- Intergovernmental Panel on Climate Change, 2021, Climate Change 2022, The Physical Science Basis, AR6 WG1

- Jon Doerr, 2021, Speed and Scale, Beringin Group

- ESG Investing , Special Report by The Economist , July 22 2022

<https://www.economist.com/specialreport/>

2022-07-23

Assignments / Final Report

The grade will be based on group assignment and presentations in class and a final poster.