

# A Sustainable Future for *Capital*

This article summarises a keynote session at GIC Insights 2021 with Michael R. Bloomberg, Founder, Bloomberg L.P. and Bloomberg Philanthropies, and three-term Mayor of New York City. The conversation focused on mobilising capital to deal with climate change and other key issues like public health, and was moderated by Lim Chow Kiat, CEO of GIC.



**Michael R. Bloomberg**

Founder, Bloomberg L.P. and  
Bloomberg Philanthropies  
Three-term Mayor of New York City

## Climate change and capital

Climate change has become an issue at the top of the global agenda for governments and companies. More and more companies incorporate Environmental, Social, and Governance (ESG) criteria into their strategies and business practices. Investors increasingly consider both returns and ESG outcomes in their decision-making processes, and are taking into account ESG concerns even when it comes to hiring decisions or potential media coverage.

Recent events like the United Nations Climate Change Conference (COP26) in Scotland have emphasised the need to take urgent climate action. The vast majority of global GDP is now covered by a commitment to reach net zero emissions. But while commitments are a positive sign, they are merely a first step that must lead to action.

Financing the global transition to clean energy will cost trillions of dollars in new investments and much will have to come from the private sector, particularly after the devastating effect that the pandemic has had on public

budgets. While these new investments will be an enormous opportunity that will see new companies formed to deal with the impact of climate change, whether they will be able to successfully stop runaway climate change is uncertain. Speeding up the rate of investments in the private sector to aid these efforts will be crucial.

Efforts like the Climate Finance Leadership Initiative (CFLI)<sup>3</sup> have been created to drive more capital to sustainable infrastructure in emerging markets. GIC is one of our partners in CFLI. Our foundation is also working with other countries, for example, Indonesia, which has the potential to be one of the world's leaders in solar power. We are helping them with public-private financing tools that reduce upfront risks and with developing business models for financing solar power at airports and other public facilities.

Other initiatives like the Glasgow Financial Alliance for Net Zero (GFANZ)<sup>4</sup> that was created in the lead up to COP26 have also helped to galvanise commitments from the private sector. The alliance currently comprises 450 firms managing around US\$130 trillion of assets

and will provide transparency and accountability to make sure that members back up their words with actions. These include providing clear standards about what counts towards net zero. Clearly defining the key terms will help to coordinate firms and ensure that they use the same metrics, thereby making their efforts more effective.

To deal with climate change, companies aim to reduce their exposure to risks when investing, while embracing opportunities from the low-carbon transition. However, they often lack the data to be able to effectively allocate capital. Industry-led efforts to fill that gap include the Taskforce on Climate-Related Financial Disclosures (TCFD),<sup>5</sup> which has created a set of recommendations to help countries measure the financial risks and opportunities arising from climate change. A growing number of businesses, governments and financial institutions have endorsed the recommendations, including the G20 countries. That is an important step towards making TCFD a global standard which will allow for a more objective comparison of ESG disclosures across industries and countries, and facilitate an increased flow of sustainable investments.



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## COMMITMENTS



\* NEW INVESTMENT IN ENERGY  
TRANSITION TO COME MAINLY  
FROM PRIVATE SECTOR

### CURRENT EFFORTS

- 1 CLIMATE FINANCE LEADERSHIP INITIATIVE  
DRIVE CAPITAL TOWARDS EMERGING MARKETS
- 2 GLASGOW FINANCIAL ALLIANCE FOR NET ZERO  
PROVIDE TRANSPARENCY AND ACCOUNTABILITY
- 3 TASKFORCE ON CLIMATE-RELATED  
FINANCIAL DISCLOSURES  
MEASURE CLIMATE-RELATED RISKS AND OPPORTUNITIES

## Focusing on coal and methane

For investors, there is mounting pressure from all parties including clients, shareholders, and employees to pay closer attention to climate change and to alter their investment approach accordingly. This can come in the form of pressure on firms to change their policies, including retiring coal-fired power plants or making products more compliant with a science-based approach to climate action. In the US, about 65% of coal-fired power plants have either closed down or are in the process of closing.<sup>6</sup>

With methane, another key source of emissions, capital can also play a part. While methane breaks down more quickly compared to carbon dioxide, it is also emitted at a very rapid rate and is much worse in terms of its climate change impact and global warming potential. In addition, there could be leakages from old coal mines, gas and oil wells, and even melting tundra. Fortunately, we are now able to fund satellites at a reasonable cost to track the location of methane leaks. That information can then be relayed to governments accordingly, but it is also up to us to help galvanise governments into action.





## Focusing on cities

When combating climate change and other issues, a focus on cities is important because it is where most people live and consume energy. That energy consumption is what drives the activity of power plants, which may or may not be using carbon-intensive means of production. By reducing energy consumption in cities, it would go a long way to reducing pollution overall. Additionally, cities are also where the vast majority of the voting population resides. Any public pressure campaign to lobby governments to take action would also therefore need to take cities and their populations into account.

## Focusing on public health

In the 12 years that I was in office in New York City, life expectancy not only went up by three years, it was also three years higher than the national average. One key driver of success was reducing air pollution along the main city roads where many children live, often getting sick because of the polluted air they used to breathe in. We also implemented the Smoke-Free Air Act in 2003, which banned smoking in virtually all workplaces in the city, so as to prohibit exposure to second-hand smoke in areas such as bars and restaurants.



## Focusing on action

Deploying funding at a pace needed to avoid the worst impacts of climate change is an enormous task which can only be achieved if we work together.

3. The Climate Finance Leadership Initiative (CFLI) was created in January 2019 to increase private sector investment in clean energy and climate solutions in emerging markets. Bloomberg (2021). [Climate Finance Leadership Initiative](#).

4. The Glasgow Financial Alliance for Net Zero was launched in April 2021 and aims to bring together existing and new net-zero finance initiatives in one sector-wide coalition. It also provides a forum for leading financial institutions to accelerate the transition to a net zero global economy. Glasgow Financial Alliance for Net Zero (2021). [About Us](#).

5. The Task Force on Climate-Related Financial Disclosures (TCFD) released their recommendations in 2017 to help companies better provide information to support informed capital allocation. The recommendations are structured around four thematic areas that represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. Task Force On Climate-Related Financial Disclosures (2021). [About](#).

6. Bloomberg (2021). [Michael R. Bloomberg Announces New Effort To Close A Quarter Of the World's Remaining Coal Plants And Cancel All Proposed Coal Plants Globally by 2025](#).



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