

INTERNATIONAL BANKING AND FINANCE LAW SERIES

# Banking on Climate Change

How Finance Actors and Transnational Regulatory  
Regimes Are Responding

Megan Bowman

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## Banking on Climate Change

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## Preface and Acknowledgements

The climate finance field is extremely new. Architectural frameworks and key players are still emerging within an Escher-style landscape of fiscal, environmental and political mutability. But I think we are on the cusp of grasping the importance of private capital and public finance to facilitating the most significant and challenging global transition of our time: the transition to a low-carbon economy. I genuinely hope this book is a timely and useful contribution to that broader endeavor.

In recent years there have been rapid developments in all major economies around the world regarding financial markets and, quite separately, climate change. These developments have made the climate finance field highly relevant and frustratingly mercurial. Indeed a litany of important and seemingly unrelated world events occurred during the research and writing of *Banking on Climate Change*. Interview data were gathered in the aftermath of the 2009 global financial crisis and at a time when societal suspicion of banks had reached an all time high. The world was still suffering economically; collapse of the Eurozone loomed constantly with potential contagion of financial failings between EU member countries; and governments within the United States, Europe and Australia were formulating legal measures to avert future financial crises instigated by irresponsible bank practices. International climate negotiations had stalled, the then-UN Climate Chief had resigned, and nations were beginning to contemplate abandonment of the *Kyoto* endeavor entirely, only to reinvigorate it in 2014. The BP *Deepwater Horizon* oil spill occurred in American waters, which precipitated public scrutiny of the world's dependence on fossil fuels and resignation of BP's then-CEO. And in Australia, the Labor Government busily see-sawed not only between its leaders but also in its affection for a carbon price, breaking promises to eventually pass a carbon tax in 2011 that was, in an unprecedented move by a government that takes power with a tax *in situ*, subsequently repealed by a Coalition Government in 2014.

In short, during the past five years it has become very clear that now is a good time to understand the discrete topics of finance and climate change *together*.

This book embodies one of the first qualitative studies on corporate climate finance. To date, very little empirical work of this nature has been undertaken in the climate finance space so we haven't really understood what makes private finance

actors “tick” let alone “go green” in real life. Banks in particular are multi-cellular and notoriously opaque creatures that do not usually welcome scrutiny. I have been very fortunate in gaining access to senior managers and invaluable information, which opened a window into bank decision-making and motivations vis-à-vis climate change. Many respondents would prefer to remain anonymous so I thank them collectively for their frankness, insights, and generosity in giving their time and knowledge to me. The empirical case study in this book – and the larger lessons learned thereby – could not exist without them.

I was fortunate enough to be selected for a number of international workshops where I could air my theses and receive insights from critical thinkers of exceptional quality. Workshops that were particularly influential on my thinking for this book include the C9/G8 Clean Energy symposium at Tsinghua University in 2011; the Cambridge University Regulation and Governance conference in 2012; the Harvard/Stanford International Junior Faculty Forums in 2012 and 2013; the Responsible Investing workshop at the University of British Columbia in 2013; and the Conference on Empirical Legal Studies at UC Berkeley School of Law in 2014. I thank participants at those fora, and other generous scholars outside of them, for their rich insights and encouragement. In particular, I give special thanks to Professors Eric Talley and Benjamin J. Richardson for their invaluable support and provocations, without which these chapters would be much the poorer; and for further nudges provided by Professors Bill Alford, Cass Sunstein, Bob Kagan, Lynne Dallas, Tima Bansal, Dan Farber, Forest Reinhardt, Venky Narayanamurti, Sam Fankhauser, Ethan Elkind and Steve Weissman.

I would also like to acknowledge the intellectual, financial and moral support of staff at the Australian National University’s Regulatory Institutions Network (RegNet) where I undertook my PhD candidature and where this book began. RegNet is recognized internationally not only for its world-class research output but also for the warmth and generosity of its people. There are some people that deserve special mention for their genuine interest and inspiring role-modeling: Professors Neil Gunningham, Val and John Braithwaite, Veronica Taylor, Hilary Charlesworth, Terry Halliday, Howard Bamsey and Dr Kyla Tienhaara.

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I especially thank the Wolters Kluwer team for their professionalism, encouragement and patience: Professor Ross Buckley, Simon Bellamy, and Pritha at NewGen editing.

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## List of Abbreviations

ADI	Authorized Deposit-Taking Institution
AGM	Annual General Meeting
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
BAU	Business-as-Usual
CalPERS	California Public Employees Retirement System
CAPM	Capital Asset Pricing Model
CBRC	China Banking Regulatory Commission
CCS	Carbon Capture and Storage
CDP	Carbon Disclosure Project
CER	Corporate Environmental Responsibility
CFP	Corporate Financial Performance
CFR	Code of Federal Regulations (US)
CIF	Climate Investment Fund
CO <sub>2</sub>	Carbon Dioxide
COP	Conference of the Parties
CSP	Social and Environmental Performance
CSR	Corporate Social Responsibility
ENGO	Environmental Non-government Organization
EPA	Environment Protection Authority
EPC	Engineering, Procurement, Construction (Contracts)
ESG	Environmental, Social and Governance
ETS	Emissions Trading Scheme
EU	European Union
FAT	Financial Activities Tax

## List of Abbreviations

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FCA	Financial Conduct Authority (UK)
FDI	Foreign Direct Investment
FDIC	Federal Deposit Insurance Corporation (US)
FIT	Feed-in-Tariff
FTT	Financial Transactions Tax
FRB	Federal Reserve Bank (US)
FSA	Financial Services Authority (UK)
FSOC	Financial Stability Oversight Council (US)
GCF	Green Climate Fund
GHG	Greenhouse Gas
GIB	Green Investment Bank (UK)
GFC	2008/2009 Global Financial Crisis
IFC	International Finance Corporation
IPCC	Inter-governmental Panel on Climate Change
IPO	Initial Public Offering
IT	Information Technology
KPI	Key Performance Indicator
KKR	Kohlberg Kravis Roberts
M&A	Merger and Acquisition
MOFCOM	Chinese Ministry of Commerce
MRET	Mandatory Renewable Energy Target
MTR	Mountain Top Removal
NGO	Non-government Organization
NDRC	National Development and Reform Commission (China)
OCC	Office of Comptroller of Currency (US)
ODI	Overseas Direct Investment
OECD	Organisation for Economic Co-operation and Development
OTS	Office of Thrift Supervision (US)
PE	Private Equity
POE	Privately Owned Enterprise
PPA	Power Purchase Agreement
PRA	Prudential Regulation Authority (UK)
PSI	Principles for Sustainable Insurance
PTC	Production Tax Credits
PV	(Solar) Photovoltaic
ITC	Investment Tax Credit
RAN	Rainforest Action Network

RBA	Reserve Bank of Australia
RE	Renewable Energy
RECs	Renewable Energy Certificates
RET	Renewable Energy Target
RPS	Renewable Portfolio Standard
SEC	United States Securities and Exchange Commission
SML	Security Market Line
SOE	State-Owned Enterprise
SRI	Socially Responsible Investment
SSE	State-Supported Enterprise
SSCN	Sustainable Supply Chain Network
TXU	Texas Utilities
UK	United Kingdom
UNEP	United Nations Environment Program
UNEPFI	United Nations Environment Program Finance Initiative
UNFCCC	United Nations Framework Convention on Climate Change
UNPRI	United Nations Principles for Responsible Investing
US	United States
USC	United States Code
VAT	Value-Added Tax
VC	Venture Capital
WBCSD	Business Council for Sustainable Development
WWF	World Wildlife Fund

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