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A more sustainable capitalism will emerge from Covid-19

THE MAIN concern that is paralysing the financial markets right now is uncertainty. Investors and the business community are questioning how long this crisis will last, and when consumer and investor confidence will return, with no end in sight.

But while none of us can predict the future, when it does return, one possible outcome is that the crisis could cause an unprecedented shift in capital – potentially for the better. Why? Because coronavirus is a test of which companies will be most resilient to another global crisis: climate change.

Over the last few years, we have seen financial institutions and global companies promise to adopt environmental and social initiatives as the penny – the global climate threat – drops. Encouragingly, many of the world's largest firms seem to be increasingly aware of the risk that climate change poses to their business models. Business news in the months leading up to the coronavirus crisis was dominated by pledges to cut emissions, promises to build sustainable portfolios, and the emergence of in-house ESG teams.

But while progress has certainly been made, global emissions have continued to rise to the highest level on record.

The clock is ticking to address the climate crisis. The required technology and awareness for change is already here: what is now needed is a wake-up call for this change to become reality. And Covid-19 could be that wake-up call.

Capitalism in its current form

Gordon Power



threatens value – and is more vulnerable to losing it. Sustainable capitalism, on the contrary, creates value and has proved to be more resilient to systemic risks. As markets around the world have plunged in the last few weeks, one of the main losers from the economic consequences of the pandemic has been fossil fuel-intensive companies. In stark contrast, sustainable infrastructure has demonstrated stronger resilience in these challenging times.

Once viewed with suspicion, funds with a sustainability mandate have proved their mettle, and now routinely outperform other funds. This could be the prompt that investors



The economic shock of coronavirus will have woken up investors to this new reality

have been waiting for – a phenomenon that could see greater prevalence toward sustainable funds.

Transitioning to a low-carbon economy means dealing with growing physical risks such as extreme weather events and investing today to avoid future risk scenarios developing. Covid-19 has shown our dependencies on fossil fuel-intensive companies and is providing an unexpected stress test, enabling us to see how prepared they – and, indeed, all companies – may be for the climate change shocks that are on the horizon.

As environmental disasters, dramatic shifts in energy markets, and legislative changes emerge, those funds that have absorbed the Covid-19 shock are likely to demonstrate their resilience once again. Companies are sensitive to market signals, and as investors move to resilient low-carbon alternatives, all businesses will be forced down the same route regardless of size or sector.

We estimate that about 70–80 per cent of the cost of achieving the net-zero emissions target must come from the private sector. It is a big spend, but also a big opportunity. Contributing to a low-carbon, sustainable future could provide a greater pay-off to investors over the long-term.

The economic shock of coronavirus will have woken up investors to this new reality. When this devastating crisis is over, we can only hope that the world has learned the lessons necessary to ensure that our future is more sustainable – and more secure.

Gordon Power is chief executive and chief investment officer of Earth Capital.

DEBATE

Does the shift in police attitudes threaten Britain's free society after this crisis is over?

Our police keep us safe by consent. Overreach by rogue forces risks more than criminalising vast swathes of our society, it risks the very principle of our civilian police force.

Should drones record people going for a stroll, or Humberside police create an online portal so you can snitch on neighbours you suspect of having gone for a second walk of the day?

Yet some reason exists still. The National Police Chiefs' Council has clarified that no law stops you driving to an isolated spot for a walk. It is better to explain why people should beware crowding than any heavy handed approach.

The Prime Minister's desire has been to keep our liberties for as long as

YES

MATT KILCOYNE



possible during this crisis. His libertarian underpinning, not these forces' authoritarian attempts to control, bodes well for when it is over.

Boris Johnson must commit to ensuring that the people take back control of the freedoms that are the birthright of Brits from the police at the end of this crisis.

Matt Kilcoyne is deputy director of the Adam Smith Institute.

Our liberty is a passport for this virus. Exercising the most basic of freedoms can turn a citizen into a vector.

In these circumstances, the government has been forced to introduce unprecedented restrictions to daily life.

The public and the vast majority of experts are united in supporting these restrictions. But they must be enforced. We have experimented now with self-policing and we know that it doesn't work. It is clear we that need the professionals to police us.

Liberty is encoded in our country's DNA, thanks in large part to the nineteenth-century philosopher John Stuart Mill. Mill argued there is only one circumstance in which that freedom

NO

JOSH WILLIAMS



should ever be curtailed: to prevent harm to others.

To restrict our liberty today is not to abandon our principles, it is to understand their relative importance. Once this threat of harm has passed, our liberty can and will return.

In the meantime, we owe our support to those we ask to protect us.

Josh Williams is a speechwriter and director at The Draft.

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