



#4 HOW INVESTORS CAN CREATE AN IMAGINED AND JUST FUTURE BY REMOVING CLIMATE CHANGE CONFLICTS





Sustainability



Sustainability and
the investment
process



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Executive Summary

Our current consumerist, capitalist economies with 'just in time' supply chains, driving growth for growth's sake are unsustainable. Inaction to address the Paris Agreement and mitigate global warming is certain to put us on the path that ends with, as the International Trade Union Confederation (ITUC) notes, "no jobs on a dead planet".¹ Our current systems are already rife with conflicts; the solution, if handled correctly, lies in the transition to a just, low carbon and sustainable economy.

The importance of achieving a just transition cannot be understated in allowing redress to issues of inequality, poverty and hunger, among many other challenges that the United Nations' Sustainable Development Goals (SDGs) set out to solve. This is a bold series of objectives which will not be achieved by a series of short-term quick fixes. What is needed is a move away from profit-driven short-termism towards building sustainable industries and systems that deliver long term growth and investor profits. To achieve this, we need to rethink our time horizons and relearn the ability to meaningfully make inter-generational plans to achieve what is needed.

Along with this, we need to rethink our economic models. Kate Raworth's "Doughnut Economics"² exemplifies this shift from a high consumption, waste and carbon society to a sustainable existence, proffering a sweet spot where, living within the planet's regenerative capacities, we create an economic system which meets global needs whilst ending social deprivation. This

will require a new economic business model combined with a redistributive approach to wealth and resources to achieve the minimum social foundations that are required, noting they may vary geographically, but will continue to evolve through time.

"What is needed is a move away from profit-driven short-termism towards building sustainable industries and systems that deliver long term growth and investor profits."

We hope to demonstrate that this is not only possible but preferable, and that from Franklin D. Roosevelt's New Deal to the Marshall Plan, large scale projects to redress political, social and economic injustices are not without precedent in the Western world. It is merely time to redress this globally. Above all, we must not allow the perfect to become the enemy of the good but instead begin to make changes at scale and at speed to avoid the certain risks of the world so radically changed by our Anthropocene era that without change, we will struggle to maintain even a semblance of life as we know it.

1. [E3G, A Just Transition for All or Just A Transition, p3 \(2018\)](#)

2. Raworth, Kate. "Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist", Cornerstone (2018)

How Investors Can Create an Imagined and Just Future By Removing Climate Change Conflicts

In the “Ones Who Walk Away from Omelas”³, Ursula K. Le Guin invites us to envisage the city of Omelas. These are not simple folk, but citizens who are “mature, intelligent, passionate”, living free of violence, slavery, secret police, and indeed “the bomb”. Their happy existence is driven by a just discrimination between what is necessary, what is neither necessary nor destructive, and what is destructive. Yet all that they enjoy rests on a dark set of terms. Locked away in a small room is a child; neglected, malnourished and feeble minded, whose continued miserable existence is the social contract for all they enjoy. A steep cost that the citizens are aware of; at least once in their lives, they are brought to the room, meet the child and must come to terms with the dreadful cost paid for their privileged lives. For if the child were to be freed, brought out in the sunlight, cleaned, fed and comforted “then in that hour would all the prosperity, beauty and delight of Omelas wither and be destroyed.” On occasion, a citizen of any age falls silent for a few days, walks out onto the street, through the city, alone, in a straight line through the beautiful gates and out into the countryside, walking on, with purpose, seeming to know where they are going, the ones who walk away from Omelas...

Omelas is an extreme paradigm, the joyous

living of an entire society falling on the suffering shoulders of an isolated scapegoat. Yet this very calculation, the mathematics and formulas of the likes of Jeremy Bentham’s Utilitarianism,⁴ are the cornerstone of political reforms and decisions in Western democracies. They are used, in part, because quantitative calculations are easier to defend when defining the good achieved from our actions, the lives affected, the overall social benefit. It is much harder to use qualitative arguments because the virtues and principles one individual holds dear are seldom all universally held. However, in reading it, there seems to be something inherently immoral about the happiness of Omelas; it is unjust to deny one individual rights and freedoms in order to allow others happiness.

The questions that Le Guin’s story raises are perennial in nature. The nature of justice and ethics has been debated from the earliest written records, usually combining maximising welfare, respecting freedoms and promoting virtues.⁵ Solving the climate disaster will arguably require meaningfully balancing these three throughout our global system. In achieving this, we must relinquish our uses of the fuel that has driven the last two centuries of humanity’s development and so-called progress. The transition to a low carbon economy will require wide-

3. Le Guin, Ursula K. “The Ones Who Walk Away From Omelas”, New Dimensions, USA (1973)

4. Bentham, Jeremy. “An Introduction to the Principles of Morals and Legislation”, Oxford: Clarendon Press (1907)

5. Sandel, Michael J. “Justice: What’s the Right Thing to Do?”, Penguin pp8-10 (2010)

spread systemic changes, to the technologies, power and supply chain models that we have previously relied upon, but this affords us the opportunity to “build back better” with a clear and strategic plan. It will need to address the mistakes made in the UK with coal and heavy industry, the USA rustbelt and other examples globally. For institutions to choose to do nothing is wrong, not only on moral and ethical questions of justice, but social and political questions of the survival of some semblance of civilisation and democracy as we know it. As E3G ⁶ note “The barriers to deep decarbonisation are no longer technological but instead social, cultural or political”.⁷ What is required is a “just transition for workers, affected communities and investors... a well-managed transition... that will have to consider the social and economic implications for affected regions and communities”.⁸ Inaction on the Paris Agreement to mitigate global warming is certain to put us on the path that ends with “no jobs on a dead planet”.⁹

One manifestation of these failings is shown in the Earth Overshoot calculations of the Global Footprint Network, where the outer limit is set at or before we use more of the earth’s resources than can be regenerated in that year.¹⁰

To enact meaningful change, we need to drastically rethink our goals, processes and the metrics by which we measure success. The singular challenge here is our mistaken understanding of change as a linear, issues-based process. We identify a problem, solve it and thus achieve meaningful change; in reality relatively few problems are so easily solved. Peace,

justice and equality are not finite goals which, once achieved, cannot be undone or undermined; they are equilibria requiring constant maintenance and investment; neglected they will weaken, corrupt and corrode. We need to maintain and reinforce these structures, but to meaningfully enact change requires an acceptance of the risk that necessarily accompanies attempts to transcend violence. American professor and conflict specialist John Paul Lederach warns that tunnels are linear paths and although often the shortest route, they are not a good structure for laterally addressing conflicts. Conflict transformation solutions, for him, are ‘un-tunnel-like’ because tunnels lack the creativity required for meaningful change, assume stationarity, whereas conflicts evolve and, perhaps most importantly, preclude peripheral vision that often provides the solution from out of left field.¹¹

“To enact meaningful change, we need to drastically rethink our goals, processes and the metrics by which we measure success.”

Think beyond your own existence

Having identified some of the conflicts we face, the next step is to start working on change. The pioneering sociologist and peace researcher Elise Boulding gives us two useful tools; the 200 year present and the process of future invention.¹² The 200 year present encapsulates the shared lifetimes of the oldest and youngest

6. [E3G is an independent European climate change thinktank](#)

7. E3G, A Just Transition for All or Just A Transition p2 (2018)

8. E3G, *ibid*, p2

9. E3G, *ibid*, p3

10. [Earth Overshoot Day](#)

11. Lederach, John Paul “The Moral Imagination: The Art and Soul of Building Peace”, Oxford University Press, p117 (2005)

12. Boulding, Russell J. “Elise Boulding’s Legacy to the Twenty-First Century: Reflections on Her Contributions to Understanding Conflict and Peace” USA (2016)

person that will touch your life, and which you affect, your legacy if you will. Our grandparents might have been born over 100 years ago and a baby born before you die might live for another 100 years. Our present thus spans this period, which Boulding posits should encourage a long-term perspective through considering the effects of the past that still act upon us today and our actions today that will determine the future. Our current 200 year present encapsulates the end of WW1, the horrors of WW2 and the great economic acceleration from 1950 onwards which have led to the climate crisis and a future which for the next 30-50 years will be detrimentally affected even if we were to go carbon neutral tomorrow and beyond into the twenty-second century.

Future invention is further expanded by John Paul Lederach with his "moral imagination" defined as "the capacity to imagine something rooted in the challenges of the real world yet capable of giving birth to that which does not yet exist".¹³ At the core is the desire to enact change, coupled with a robust and open curiosity; without this we risk remaining trapped in our current ruts. Instead, what is necessary is to imagine ourselves in a web of relationships, which includes our opponents, detractors and even enemies. This allows us to begin to better understand the ripple effect and impacts of our actions, whether intentional or not. This requires 'perception' to see that which is beyond what meets the eye, 'imagination' to see the creative act to envisage and invent the desired future, and 'transcendence', to see beyond existing structures and constraints preventing meaningful change. Noting the dangers of compromise, the quick solve, Lederach notes that when he first worked on conflicts in 1980s Central America,

he found strong opposition to the use of "resolution" because it carried with it a danger of co-optation, an attempt to dismiss important and legitimate issues people were raising. Quick solutions to deep socio-political issues usually meant good words but no real change. This stems from ignoring that "conflicts happen for a reason" therefore simple resolution is seldom possible; what it requires is conflict transformation to achieve meaningful change.

"Without desire to enact change, we risk remaining trapped in our current ruts."

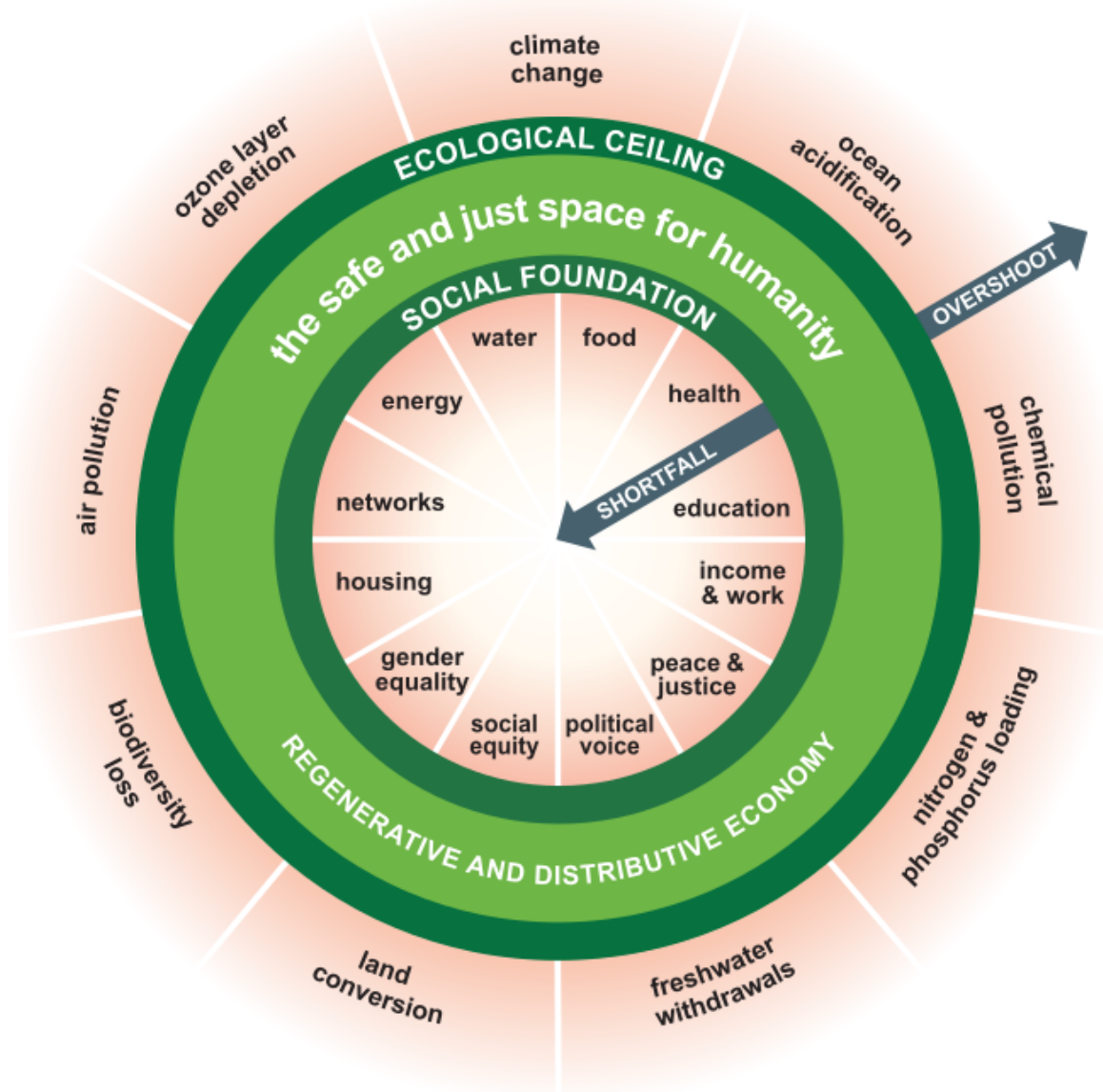
It is worth recognising that the origins of the Just Transition movements lie with Canadian union activists and movements in the late 1990s and attempts to reconcile two conflicting goals; the unions seeking decent jobs against the need to protect the environment from regional incumbent industries. Over time its uses have expanded beyond this focus on the transition away from fossil fuels or on local employment issues into a transformative process by which we move from our current high consumption waste and carbon society to a way of living which is sustainable, mitigating for the no doubt substantial ecological shocks that await us in coming decades.

Kate Raworth sets out her theories in "Doughnut Economics".¹⁴ She believes economics must change to move humanity to a sustainable existence on the earth and at the core is the "doughnut" set out in Figure 1 overleaf.

13. Lederach, John Paul "The Moral Imagination: The Art and Soul of Building Peace", Oxford University Press, (2005)

14. Raworth, *ibid*

Figure 1: Doughnut Economics



Source – doughnuteconomics.org

This doughnut separates three areas: the central hole denotes existence at a level of critical social deprivation; the space beyond the doughnut foreshadows an economic activity which exceeds the level the planet can support. This leaves the body of the doughnut – the ring – which sits between these two spaces and represents a just and safe space for humanity; just due to a minimum social provision that supports all and safe because it exists within the planet's

means. This seemingly simple target design is linked with other changes, including recognising that the complexity of societies/economies cannot be represented by models that simplify to the point of failing to usefully reflect reality, relinquishing the myth of the "rational economic man" in policy design, becoming regenerative by design (the circular economy) and ultimately ceasing what she calls our "growth addiction". Through abandoning the pursuit of

linear growth (2-3% per annum), we would be able to reduce our use of the earth's resources to levels that are sustainable. This will require a redistributive approach to wealth and resources to achieve the minimum social foundations that are required now, noting they may vary geographically, but will continue to evolve through time. Not all is gloom and despondency. She cites extensive examples of changes achieved through nudges¹⁵ rather than financial incentives and concludes that for "the devastating effects of climate change... The smart way... for policymakers... may lie in encouraging a judicious mix of risk-savvy "problem solvers" and behavioural nudges".¹⁶

Whilst not the model of a peacebuilding practitioner, the fictitious but brilliant anti-hero Doctor Gregory House offers a fascinating analogy to the applied uses of conflict resolution, management, and transformation. A bitter man who limps the halls of the Princeton-Plainsboro Teaching Hospital, he believes that everybody lies, that Occam's razor holds and, almost always, that somebody screwed up. On the surface, medicine treats symptoms in the short term to prevent greater illness. However, House works in diagnostic medicine; not treating the symptoms but finding their cause, thereby curing the illness, which the symptoms might even obscure. In short Dr House's processes are representative of the different elements of approaching conflict. It is necessary to identify and treat the symptoms to prevent a greater deterioration in the patient's health, as it is necessary, in the short term, to prevent conflict escalation. Conflict resolution is centred on dealing with the direct issues as and when they occur. However, as House continually proves, treating symptoms is not enough; pre-

vention of escalation is crucial to truly address conflict (or cure a patient). Creating stability and safety through a framework to limit conflict outbreaks enables a community to truly envisage a future and work towards it.¹⁷ Here conflict management buys enough time for true diagnostic medicine (conflict transformation) to be put into effect. It is only through the application of the first two lenses - resolution and management - that the third - conflict transformation - will have the time and space to develop. Conflict resolution develops a sense of safety and stability that can allow conflict management to channel the symptoms of conflict and violence to prevent further escalation of the situation. Conflict transformation is the final and crucial step which moves from a mere suppression of the symptoms and control of further degeneration to the actual possibility of healing and recovery. What is clear is that real change is constrained by the time it takes; it is not a process that can be successful in the short term.

"Conflict transformation moves from suppression of symptoms and control of degeneration to the actual possibility of healing and recovery."

Precedent exists for the large-scale change needed

There exists a rich history of delivering large scale political, social and economic justices in the midst or wake of major crises. Franklin D. Roosevelt's New Deal, and the visionary Marshall Plan are examples. The Marshall Plan provided

15. Nobel Laureate Richard Thaler (University of Chicago) and Cass Sunstein (University of Chicago Law School) defined nudges as "altering behaviour predictably without excluding options or changing economic incentives." "Nudge: Improving Decisions about Health, Wealth and Happiness", Yale University Press, USA (2008)

16. Rowarth, *ibid*, p114

17. Lederach John Paul, "The Moral Imagination: The Art and Soul of Building Peace", Oxford University Press, pp10-13 (2005)

unprecedented aid to repair a Europe ravaged by war acting as a foreign policy tool to achieve geo-political stability at a cost of c.\$13billion versus some \$300billion of WW2 costs. If such all-encompassing and wide-reaching change was possible in the wake of a great depression or global conflict, what stands in the way of a 'Green New Deal' to address the biggest challenge humanity has ever faced? A shared and imagined future, not a compromise attempting to plaster over the cracks. Actions such as carbon pricing, internalising environmental and social costs, as UK general insurer Aviva has proposed, are good first steps to a true picture of the sustainability of a business.¹⁸ But this problem is not simply an economic and financial one; what is required is meaningful engagement from a broad range of sectors, industries and disciplines driven by the idea that business for good is good business and that "capital markets can become the primary facilitator of a global green and just economy".¹⁹ This requires a shift in mindset.

Any "New Deal" must deliver a sustainable world, coupled with a comparable technological revolution. Technology must not only be the backbone of the modern economy in power or water supply and transmission mechanisms, transportation networks and hubs, communications networks or supply chains, it must also be used to educate, innovate and connect the world and become a key accelerator to deliver the transition to the low carbon economy. But how can you build the momentum to drive that change? American congresswoman Alexandria Ocasio-Cortez, a leading proponent of America's

Green New Deal, shared "A Message from the Future", a message about what a Green New Deal could achieve, building a national smart-grid, retrofitting buildings, inserting a green, sustainable transportation network, restoring wetlands and other natural habitats to undo the damages done to biodiversity and the biosphere.²⁰ In this we can include indigenous communities as an integral part of the answer; they own or manage 28% of the planet's land which accounts for over 40% of formally protected areas and nearly 40% of the remaining terrestrial areas with very low human intervention.²¹ Three-quarters of the land environment has been significantly altered by human actions, but these impacts have been less severe or even completely absent where the land is managed by

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Indigenous Peoples.²² This should be contrasted with the actions of Rio Tinto which in May 2020 destroyed a sacred Aboriginal site in the Juukan Gorge that was the only inland site in Australia to evidence occupation through the last Ice Age 46,000 years ago.²³ What made this destructive act worse was that Rio Tinto apologised for distress caused, but not for the destruction of the site, blaming "a misunderstanding about the future of the Juukan Gorge."²⁴ Whilst the action was legal, this was not seen as justification or

18. Hoek, Marga. "The Trillion Dollar Shift", Routledge, pp198-199 UK (2018)

19. Hoek, *ibid*, pp198-99

20. [A Message from the Future with Alexandria Ocasio-Cortez \(2019\)](#)

21. [Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services \(IPBES\) Global Assessment \(2019\)](#)

22. IPBES *ibid*

23. <https://www.theguardian.com/australia-news/2020/may/26/rio-tinto-blasts-46000-year-old-aboriginal-site-to-expand-iron-ore-mine>

24. <https://www.theguardian.com/australia-news/2020/jun/16/rio-tinto-repeats-apology-for-blasting-46000-year-old-rock-shelter-to-expand-mine>

indeed a valid defence, as shown by the departure of the CEO and two other senior executives following unprecedented calls for accountability by shareholders.²⁵ It was only then that Rio Tinto issued an unreserved apology acknowledging a breach of partners' trust and a failure to uphold company values.²⁶ It is perhaps a reminder that even if something is legal it may not be right.

Yet we continue to ignore the voices and needs of indigenous populations in the pursuit of increased energy security and economic growth. In August 2020, in a bid to increase self-reliance and boost post-Covid economic growth, Indian president Narendra Modi announced plans to open 40 new coalfields in some of India's most ecologically sensitive forests. At least seven blocks were previously deemed "no go" areas for mining and about 80% are home to indigenous communities and thick forest cover; one which overlapped the Tadoba tiger reserve has already been removed. This stands in stark contrast to Modi's inauguration of Asia's largest solar farm in June 2020. India is the world's cheapest producer of solar power and the cost of constructing a new solar plant is 14% less than that of a building a new coal plant. With proper investment, it has been estimated that the solar energy industry could generate as many as 1.6m jobs in India by 2022, far more than would be generated by domestic coal.²⁷

An imagined future, built with creativity, innovation and daring

There are two very different roads that we can follow. One continues our current "business as usual" consumptive attitudes and further continues to destroy areas of biodiversity and ecological importance and cultural landmarks. The

other is not only an imagined future, but it is an inclusive future, one which leaves no one behind and which protects people across the spectrum. An imagined future, where we would be happy to accept almost any given role within it.

"We continue to ignore the voices and needs of indigenous populations in the pursuit of increased energy security and economic growth."

A great example is the transformation of Royal DSM (formerly Dutch State Mines), founded in 1902 to mine coal in Limburg. Former CEO, Feike Sijbesma, claimed that they were once one of the most polluting companies in the world. In the early 1970s they sold their last mine and transitioned into a bulk chemical company. In the 1990s, following internal debate about their vision of the future, they acquired the largest Dutch biotech company, which is when Sijbesma joined. Their future vision was not as a bulk chemical company but driven by two goals; to be a successful business and to improve the world. Even in 2008, Sijbesma rightly thought that it was possible to make money for your shareholders and to create a better world.²⁸ So, a mining company now works to combat malnutrition, to produce new and renewable energies, and to use the ideas of the circular economy to combat waste. The moral imagination is at the heart of what Royal DSM has achieved, staying grounded in the challenges of the here and now whilst daring to see beyond it, to envisage a better future using recycled materials and

25. <https://www.theguardian.com/business/2020/sep/11/rio-tinto-ceo-senior-executives-resign-juukan-gorge-debacle-caves>

26. Rio Tinto, *A breach of our values*

27. <https://therising.co/202006/24/coal-mines-modi-india/>

28. *The story of DSM through the eyes of CEO, Feike Sijbesma* (2019)

to create ecologically friendly products instead of bulk chemicals or coal extraction. The stock price of Royal DSM has increased from a low of €15.76 following the Global Financial Crisis in 2008 to €117.96; an increase of over 780%.²⁹

What was necessary was that daring, the willingness to take a risk, to envisage and engage in the messy challenges of change. Companies such as Royal DSM offer inspiration for what is possible if you take those first few steps. Lederach reminds us, in nuclear fission, critical mass is where the reaction becomes self-perpetuating; reaching this point requires both awareness and action, it does not occur naturally. Once reached, radical change is self-perpetuating, but it requires identifying the potential that would change the way we live whilst avoiding further harm and creating a fairer, more just society.

Whilst systemic and supranational response is required, for change to be meaningful it cannot solely rely on the regulatory approach which trickles down through the economy. A holistic approach is required that engages grass-root organisations to mobilise tired societies to make radical changes to their way of life, with Thaler's "nudges" and Lederach's "moral imagination" providing much of the impetus. There is an inherent contradiction that sits at the heart of discussion around transitions to a low carbon economy. The materials necessary to create the required infrastructures, technologies and equipment to act as a catalyst for this transformation often come from extractive industries which are massive contributors to climate change. What sacrifices to progress are therefore justified, how are these judgements made, and what justifications, if any, can be made to the developing world who are seeking to increase their stan-

dards of living to those of the Western world?

The word "just" is an important one. For Paul Roberts, a reactive transition would encapsulate a patchwork of programs that would be defensive in nature.³⁰ For the transition to be just it must be planned, taking into consideration all vulnerable communities, the impacts of inaction and the ultimate effects of the plan. Such a transition would be just if it reacted fast enough to limit climate impacts and protect communities and societies most vulnerable to the ravages of climate disasters.³¹

"Whilst systemic and supranational response is required, for change to be meaningful it cannot solely rely on the regulatory approach which trickles down through the economy."

Change is often opposed, but true innovation requires a moment of imaginative creativity which dares to radically alter the world as we currently experience it. It jumps from the "is" of current experience to the "ought" of how life might potentially be lived. The 20th Century saw innovations that few could have possibly imagined; the defeat of diseases such as polio & tuberculosis, the invention of the aeroplane, we split the atom and sequenced DNA. Progress is not, ipso facto, a good thing; it is as much how these advances are used as what advances are achieved that are effective. A discussion will be required about those values and purposes

29. <https://www.dsm.com/corporate/investors/shares/share-performance.html>

30. Roberts, Paul, *The End of Oil*, Bloomsbury Publications pp10-12 (2014)

31. Ibid 1, p1

that we wish to put at the centre of our existence. Lederach uses the analogy of the physics required in syphoning a liquid; a light pressure applied overcomes inertia and gravity to start a flow but once the tipping point is reached the forces that initially opposed change now sustain the momentum. The first steps on this journey will be the hardest but as more stakeholders recognise the desperate need for action at speed and at scale these forces will begin to work in your favour. All it takes is the courage to dare to dream of the future that you want to leave at the end of your 200 year present.

Over the course of writing this article, the global pandemic, has drastically impacted our lives. However, the argument that this was a “Black Swan” event has been refuted by Nassim Nicholas Taleb,³² who developed the economic theory. If prominent figures such as Bill Gates might be believed, although rare, this event was wholly predictable.³³ Whilst the long-term consequences are still difficult to accurately predict, what has been revealed is just how vulnerable entire sections of our societies and economies are to shocks. It has shown in stark relief the systemic flaws in our current systems and the injustices and inequalities that challenge our societies. What better time than now to think about the core values and ideals that we should be tapping into, to imagine this shared future worth fighting for?

Climate science has reached the terrifying set of conclusions and predictions that we face a disastrous future if we do not radically alter our behaviour, and has been giving us this warning clearly since the 1980s.³⁴ Despite all of this, we seem to be moving too slowly, too cautiously

and too casually. The climate crisis represents the single largest collective gamble that humanity seems willing to take, playing against the very biosystems that give us life.

“The climate crisis represents the single largest collective gamble that humanity seems willing to take.”

Adjust standards of living or risk failure to meet Paris Agreement

Meaningful response to the climate crisis has been hampered by its geopolitical nature. To date, the impacts of climate change have fallen more heavily on the developing world, who are not as well-resourced to respond. This has allowed many, particularly Western, politicians to ignore the problem. However recent incidents including the wildfires in Australia and California, record snowfalls in Canada and flooding in Indonesia, Brazil and the UK, have placed these crises on the evening news across the western world.³⁵ Yet still we seem to drag our heels on making and indeed meeting the necessary global collaborative targets to achieve these necessary changes. As Rahm Emanuel, the controversial Chief of Staff of the Obama Administration, put it “never allow a good crisis to go to waste. It’s an opportunity to do the things you once thought were impossible”.³⁶ When, if not now, in a conflict that puts in question the very survival of society as we know, is the time for us to dare to be bold and

32. www.newyorker.com/news/daily-comment/the-pandemic-isnt-a-black-swan-but-a-portent-of-a-more-fragile-global-system

33. Gates, Bill, “The next outbreak? We’re not ready” TED (2015)

34. [Spencer Weart & American Institute of Physics](#)

35. [Public Health England, Global Hazards Weekly Bulletin](#)

36. www.washingtonpost.com/opinions/2020/03/25/lets-make-sure-this-crisis-doesnt-go-waste/

to envisage the future that we want to leave for our children? The time to act is now, so what is stopping us?

At the heart of our apparent reluctance to make the transition to a more just, sustainable and low carbon economy is loss aversion. Many fear that to meet the Paris Agreement, we will have to sacrifice our standards of living, giving up eating meat, travelling and foreign holidays. Many are unwilling to do this to avoid a climate disaster, unable to put self-sacrifice ahead of self-interest. At an economic level, our loss aversion also stems from our fear of sacrificing our competitive edge, of letting potential profits slip away in the pursuit of more ethical or sustainable business practices. However, if we internalise the externalities around climate change and environmental degradation, it swiftly addresses artificially low consumer prices that come at the cost of human exploitation, planetary destruction and an abrogation of our responsibility to societies both locally and globally.

Sadly, our consumer-driven and capitalist ways of 20th Century living will have to drastically change to meet the problems of the 21st Century. Whether through exceptionalism or arrogance, we do not yet accept that we are not above nature, but dependent upon it for our continued survival. Our anthropocentrism is such that we seem to believe that we can continue to extract, consume and mould natural resources to our needs and wishes without repercussions. Climate science is now recognised as clearly informing us just how mistaken that view is. The Covid-19 pandemic has revealed the fragility of our economies, financial systems and “just in time” supply chains to any disruption. It is time to imagine a better, brighter shared future, before the chance to do that is lost to events and circum-

stances that become beyond our control. In the words of Raymond Williams, “to be truly radical is to make hope possible rather than despair convincing”.³⁷

“Financial institutions need to recognise that climate change will trigger changes throughout their valuation, risk and allocation models and new risk-factors will be required.”

What we are faced with therefore is the need to create models of investment and finance that are environmentally and ecologically sustainable. Financial institutions need to recognise that climate change will trigger changes throughout their valuation, risk and allocation models and new risk-factors will be required. They should consider transitioning some lines of business and create others to reflect changing risks, risk appetites and economic models. It is now clear that a transition to avoid the worst impacts of climate change, the physical impacts of insufficient transition actions or some combination of both will become major drivers of asset values and therefore portfolio risk and returns.

Fiduciary duty is no longer a reason to ignore sustainability; indeed, fiduciary responsibility cannot be met without assessing, measuring and managing the impact of climate change, biodiversity destruction, social inequalities, the transition to a low carbon economy and other sustainability issues over the short-, medium- and long-terms. This increased understanding will

37. Williams, Raymond, *Resources of Hope*, Verso, p118 (1989)

lead institutional investors via ESG screening to a greater embracing of impact investing. The immediate result may be a swift transition of a corner, perhaps 10% of a portfolio, to meaningful impact products, creating a “posterchild” section to be used as a yardstick or a target design for the longer term; this might include directing new money purely into impact investing.

The hardest part is constructing a just transition pathway for existing portfolios which migrates institutional investors out of their current asset mix, parts of which are deeply harmful to the planet and therefore their stakeholders, and some of which run the risk of becoming stranded assets. This will take longer, recognising the conflicts exiting existing holdings could generate and the need for stakeholder engagement and the time and space required to apply conflict transformative processes to the very real problems of sunset industries that might dominate a region or economy. Investment strategy will therefore require greater flexibility and engagement than has historically been the case; the ability to index large parts of a portfolio that then require little oversight will diminish. Sector and stock selection will drive returns and evolving regulation and consumer preferences could radically alter index or portfolio tilts. This is not to say that active management will miraculously start to produce alpha, but to caution that “market” performance will be severely impacted if forecasts of 40-60% falls in sectors such coal, oil & gas and utilities prove correct. Equally, forecasts of further strong rises in the renewable energy and sustainable infrastructure sectors seem hard to challenge. By contrast, impacts in the consumer discretionary sector, for example, may vary widely. We now have new drivers of risk and return overlaid on those that we have long been using. Most important will be how investors blend their investment strategy for the short,

medium- and long-term. Attempting to transition portfolios by market timing, to squeeze the last returns from sunset sectors, risks being trapped in stranded assets with tumbling values. The role of the pension fund trustee has long been undervalued, but the challenges they face in the coming years and the likely scrutiny of their decisions and actions taken or not taken are only going to increase.

“Attempting to transition portfolios by market timing, to squeeze the last returns from sunset sectors, risks being trapped in stranded assets with tumbling values.”

The solution is a comprehensive “Green New Deal” with a clear roadmap for work, with retraining where necessary for all those in struggling industries and recognising the need to share knowledge, expertise and technologies. This can be done by placing the “sweet-spot” of Raworth’s doughnut ring as its core value – including all, within the means and resources of the planet. To do this we need to include a diversity of experiences, backgrounds and thoughts in the conversation. As Henry David Thoreau so admirably put it, “if I devote myself to other pursuits... than the eradication of any wrong... I must first see that I do not pursue them sitting upon another man’s shoulders”.³⁸ Central in our minds therefore should be that in whatever course we choose to avoid the impending climate disaster our actions should not increase inequality globally. Let us not mistake competitive advantage for systemic injustice or indeed build our solutions on the shoulders of others who do not share in that success.

38. Thoreau, Henry David, On the Duty of Civil Disobedience, The Complete Works of Henry David Thoreau, Kindle edition, position 39269 (1849)

It would be foolish to deny that these are challenging and lofty goals. Change is a messiness of ideas and process, and this transition will not occur without setbacks. Lederach likens making meaningful change to a spider in the garden spinning its web “essentially a blind animal with a limited nervous system, building a complicated structure in an unpredictable environment”.³⁹ The scope and scale of our challenge is such that we will not have the ability to always test our plans in controlled conditions before moving at scale and speed to achieve necessary change. There will be errors, and indeed even if firms make meaningful transition decisions ahead of

the curve, not all will necessarily survive. But when the risks are weighed between the radical uncertainty of striving boldly into a new world that seeks to form the just, sustainable low-carbon economy we so desperately need versus the certain risks of the world so radically changed by our Anthropocene era that we will struggle to maintain even a semblance of life as we know it, it barely seems to be much of a choice at all. For too long we have enjoyed the festivities, the joyful and bountiful life as “citizens of Omelas”. At what point are we going to accept that it is past the time we should unlock the door to the room, and set the poor suffering child free?

39. Lederach, John Paul, *The Moral Imagination: The Art and Soul of Building Peace*, Oxford University Press, (2005)



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