



## Press release

*Brussels/Vienna, 17 May 2013*

# Tim Jackson: "Policy must force finance markets to take a longer term view"

The transition to a sustainable economy cannot be delivered without transforming the finance system away from one which is dominated by short term speculation and asset bubbles into one that lends far more to the real economy, properly integrates ecological risks into long term investment and helps savers understand how their money is allocated by banks and pension funds. This was the view of a gathering of EU sustainable finance experts this week.

**Brussels/Vienna, 17 May 2013** – European finance experts this week convened in Brussels to discuss necessary changes of the finance system for promoting the transition to a sustainable economy. Though the finance system has nearly collapsed in 2008 it is still largely in the same shape as before, claim the experts. Fundamental changes are needed in order to limit the "short-termism" of finance institutions and take a longer term perspective of financial allocations. In brief, the specialists call for less speculation and more investment, integrating ecological values in the finance system and the return of banks to their core function as intermediates between savers and businesses. More than 40 experts from 10 European countries took part in the Multinational Event "Mapping a Sustainable Finance System" held on 14-15 May 2013 in Brussels. The workshop was organized by the consortium RESPONDER, which enables scientists and policy makers to exchange experiences and knowledge with regard to sustainable consumption issues.

### **Pending: Huge amounts of investments in sustainable infrastructure and technologies**

Among the finance experts it is widely accepted that we can only achieve a sustainable economy by mobilising huge amounts of investment in different technologies and infrastructure across e.g. energy supply, sustainable mobility or increase of energy efficiency. Tim Jackson, Professor at University of Surrey: "A sustainable world requires fundamental changes of infrastructure and technologies, which will need huge investment flows. The current finance system, dominated by short term trading, is incapable of allocating capital to the long term. Policy, at EU and member state level must force financial markets to serve the needs of wider society."

### **Ecological values must be integrated**

In order to better fulfil the function of allocating capital in sustainable investments, the experts stressed the need of a banking that focuses on intermediation and productive lending instead of short-term speculation. In addition, it is of great importance that finance institutions integrate the value of ecological risks and opportunities. "One big problem is the way in which fossil fuel companies are valued in the market", stated André Martinuzzi from the Vienna University of Economics and Business and coordinator of the RESPONDER project. "It has been shown that the present value is based on the assumption that all available fossil fuel reserves will be used. If that happened, global climate change would accelerate and lead to a

catastrophic temperature increase of at least six degrees – an extreme contrast to limiting global warming to two degrees. It is necessary to deflate this 'carbon bubble'."

### Policy intervention needed

The finance experts agreed that many different types of productive investments are required in order to promote the transition to a sustainable economy. Most relevant sectors for new investments are energy supply, mobility, reducing demand for energy in buildings and changing food and agricultural systems. Chris Hewett, Fellow of the UK-based Finance Innovation Lab said of the event: "A consensus amongst sustainable finance experts is emerging about the types of policy intervention required at an EU level to transform the finance system into one that could deliver such investments. They include using central bank credit guidance, encouraging smaller and greener banks with flexible regulation and providing incentives and conditions on property lending to increase investment into energy efficiency. Above all, however, all EU financial regulation has to be aimed at radically reducing financial speculation so more capital is used in the real economy."

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### About RESPONDER:

The European project RESPONDER aims to promote sustainable consumption by assessing potential contradictions with economic growth. The project links four communities by facilitating a structured dialogue: science, policy, pro-growth, and beyond growth.

Further information: <http://www.scp-responder.eu>



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The RESPONDER consortium comprises ten partners from eight European countries. The participants are:

Organisation	Country
Wirtschaftsuniversität Wien, Research Institute for Managing Sustainability (project coordinator)	AT
Institute for Ecological Economy Research (IÖW)	DE
Sustainable Europe Research Institute	AT
University of Barcelona, Institute of Environmental Science and Technology	ES

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Technical University of Denmark, Department of Management Engineering, Innovation and Sustainability	DK
University of Surrey, Centre for Environmental Strategy	GB
Institute for Forecasting of the Slovak Academy of Sciences	SK
Universidade Nova de Lisboa, Center for Environmental and Sustainability Research	PT
Swiss Federal Office for Spatial Development, Sustainable Development Section	CH
German Federal Ministry for the Environment, Nature Conservation, and Nuclear Safety	DE