



The London Accord
CO₂

The London Accord first started in 2005 when an informal group of researchers, financial services organisations and investors led by Professor Michael Mainelli came together to discuss how investment research expertise could help inform policy-makers on issues such as climate change.

In 2007, the London Accord released the first "open source" research resource both online and with a CD. Reports set out the context for investments in climate change solutions, analysed individual opportunities and discussed the implications for the construction of investment portfolios.

The project's sponsors, The City of London Corporation, BP plc, the Z/Yen Group, Forum for the Future and Gresham College hope this 2007 publication has encouraged investors and policy makers to engage meaningfully in reducing the risk of climate change and continues to do so. The sponsors are grateful to research contributors who have shared their efforts.

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Foreword

Sir David Lewis, Lord Mayor of the City of London Corporation

2007 – 2008

In many ways the London Accord is a unique project. It is certainly the largest piece of collaborative research the City of London has ever undertaken. It also represents the most comprehensive analysis of how solutions to climate change can be funded. Yet in the most crucial sense, the London Accord is not unique at all.

Show the City a problem, and the City will show you a way of solving it - whilst finding innovative opportunities for the market at the same time.

Global warming in this century is projected to be two to ten times greater than in the last and we are heading toward a fundamental disruption of our ecology, our economy, and our society both in this country and around the world.

The task is enormous and can only be tackled by large-scale and systemic changes – and the City knows that these must involve the global investment community and those using the financial markets in all their forms, many of which are centred on London and the UK.

We have to accept that some climate change already is built in to our future, indeed, the evidence is that it is already happening. However, we do have the power to limit the scope and severity of climate change, by stabilising and reducing atmospheric levels of greenhouse gases.

Sceptics point to the size of the investment needed to do this and have questioned the feasibility. But the Stern Review made a strong macro-economic case, the UNFCCC detailed what is required, and the financial industry has identified the private sector opportunities.

Beginning in London but then rapidly including contributions from around the world, (with significant work from companies in France, Switzerland, Germany and the US), the London Accord has over the last year seen some of the finest financial minds in the world examining the opportunities for investment in climate change solutions. Their aim was to understand what drives these opportunities, what creates value for investors, and what impact of Government policy has upon them.

The results of their deliberations, contained within this report, make essential reading for anyone wishing to take effective action in combating climate change.

Why the London Accord Matters

Sir Michael Snyder, Policy Chairman of the City of London

2003 – 2008

Finding the solutions to the problems brought by climate change will require the involvement of all of us – as individuals and acting collectively – but the City’s special contribution will be to help unlock the power of the markets.

As Policy Chairman of the City of London Corporation, I am elected to help find the policies that will help the City keep evolving and thriving, so consideration of the impact of such a major issue as climate change is a key part of my task.

Research is a fundamental tool in this endeavour and the City of London’s extensive research programme is familiar to all those involved in international financial services.

But the size and scope of the climate change challenge is such - and the issues involved so complex - that Professor Michael Mainelli and I quickly agreed that only a large-scale collaborative project involving many players from the international financial community could hope to begin to map out the terrain.

Governments have a special role in meeting this challenge but the financial services industry – as is already proving through the carbon markets – can operate as a major lever for change. In fact dealing with the issue will be impossible unless the City is fully engaged.

All those who invest for pensions, finance infrastructure or engage in the myriad of other financial activities that come under the umbrella of “the City” have a vital role – and all who want to solve the problems ahead are deeply grateful to the work begun here by those far-sighted firms and institutions that have joined the London Accord.