



ADAM SMITH  
PANMURE  
HOUSE

## THE HUTTON SERIES

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### SESSION TWO REPORT THE RESPONSE FROM THE FINANCIAL SECTOR

Tuesday 1<sup>st</sup> December 2020

14:00-16:00

The Hutton Series on Climate Change is a series of events taking place across 2020-21 at Adam Smith's Panmure House, bringing together a diverse cross-section of experts, business leaders, scientists, and concerned citizens in the service of one simple aim:

to identify *ten key priorities, innovations & actions to mitigate the climate crisis.*

Our keynote speakers for this second session were Keith Skeoch, Chairman of Aberdeen Standard Investments Research Institute and Interim Chairman of the Financial Reporting Council and Kirsty Hamilton, former Director of the Low Carbon Finance Group. Each led a keynote for five minutes, before taking questions and participating in a debate panel, led by Prof. Heather McGregor (Executive Dean, Edinburgh Business School, Heriot-Watt University). Our speakers were joined by Willie Watt Chair of the Scottish National Investment Bank (SNIB) and Prof. John Ludden CBE of Heriot-Watt University to debate and discuss how the financial sector can help mitigate climate change.

The event was hosted virtually by Panmure House and simultaneously livestreamed as an interactive webinar via Facebook and the Panmure website. The broadcast is available on the Panmure House website.

Write-ups will be produced after each session by the Lyell Centre and the Research Centre for Carbon Solutions, and published on the Panmure House Global Gateway website. A final write-up will be produced ready for distribution at COP26 in November 2021.

Hosted by Graham Watson, Chair of Panmure House Advisory Board

Chaired by Prof. Heather McGregor, Edinburgh Business School, Heriot-Watt University

Introduced by Professor Richard Williams, Vice Chancellor, Heriot-Watt University

## THE PANEL:

Keith Skeoch, Chairman of Aberdeen Standard Investments Research Institute and Interim Chairman of the Financial Reporting Council

Kirsty Hamilton, former Director of the Low Carbon Finance Group.

Willie Watt, Chair of the Scottish National Investment Bank (SNIB)

Prof. John Ludden CBE, Lyell Centre, Heriot-Watt University

## THE RESPONSE FROM THE FINANCIAL SECTOR:

- **Values:** Encourage setting of social values in investment - “saving to save the planet”.
- **Clarity:** Provide clarity of purpose to financial institutions by better identification of Environmental, Social, Governance (ESG etc.) investments.
- **A whole system and coherent investment chain:** Create an integrated system where the various cogs across the financial sector, government and society are connected and rapid, workable and accountable and capable of accelerating change through investment. Policies must be well designed to ensure that capital can invest at the right pace and scale required to deliver climate objectives.
- **A climate-change age-gap:** Work with the future generations in closing a perceived difference of understanding and trust on issues of climate-change through discussions on their immediate and longer-term concerns with respect to the role of the financial institutions in both climate damaging investments and climate-change solutions.
- **Monitoring:** Create a monitoring system so stakeholders can be sure that investments are made at scale and at a pace that is commensurate with net-zero targets. Track and rate investible outcomes through reporting systems and advanced digital technology.
- **Government reporting:** Require an Annual Climate Action Budget to be presented alongside the UK and Devolved Administration’s annual budgets on the state of investment, progress in actions and achievements against climate change targets.
- **Task Force on Climate-related Financial Disclosures (TCFD):** Make the requirements of the Task Force on Climate-related Financial Disclosures (TCFD) mandatory for investment companies, resulting in a clearer framework and taxonomy for investor’s choices. UK can show clear leadership in this area.

- **Government investment:** Mobilise commercial investment through a well-connected public and private sector delivering the needed scale of well targeted investments e.g., in asset-backed infrastructure with private sector lease-back, decarbonising housing stock, in EV charging networks (build on earlier public sector pilot investment success, such as for wind energy).
- **Pension schemes:** Provide pension contributors with the tools that allow them to move away from default investment positions and encourage pension contributions in what are currently viewed as ‘niche investments’ in Environmental, Social, Governance (ESG). Require mandatory company positioning in reporting on climate objectives. Create an open market-place discussion on rankings of ESG financial tools.
- **Investment:** As immediate action is needed, investors can start by targeting the most impactful - e.g., grasp lower-hanging fruit to build investor confidence (e.g., wind energy, natural gas to hydrogen and heat-pumps).
- **Carbon trading:** Although an attractive proposition if politically and globally accepted and integrated into wider plans, it is viewed as being open to avoidance through loopholes and too slow to obtain buy-in and achieve scale.
- **Trade-offs:** Behavioural changes in consumption are essential in the face of potential damage to economies and livelihoods from inaction on climate change, at the same time we must be alert to the unintended consequences of certain actions (e.g., demand for metals for EV and the economy of small-scale mining) and work across sectors and silos to avoid those while staying on track.

## HUTTON SERIES STRUCTURE

This debate will be followed by four events over 2021 and leading up to the COP26 meeting in Glasgow in November 2021 in which the outputs are refined.

Event #	Content/Objective	When
1	Inaugural session. Explain objectives and process of Series. Ask speakers and audience to come up with a list of radical solutions. Must cover three main stakeholder groups: science, business, citizens.	Oct 6 2020
2	Response from the financial sector. What can we realistically afford, what are the financial tools at our fingertips; how do we mobilise the tools; how do we ensure trust between stakeholders?	Dec 1 2020
3	Response from the science sector. What are the disruptive technologies that we can put in place, what pace can we achieve change? Include industry (big energy, technology).	March 9 2021

4	Response from concerned citizens. What is the level of trust, how can citizens support actions? What would they do that has not been proposed?	April 20 2021
5	What are the Engineering solutions?	May 18 2021
6	Concluding event: presenting the solutions and their feasibility.	June 29 2021