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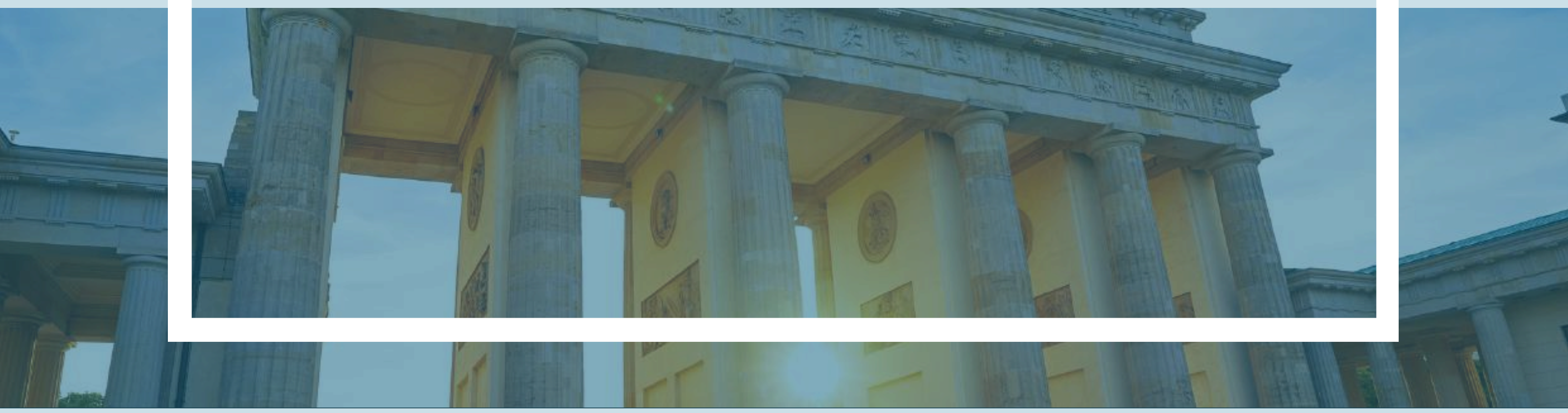
2024 ECGI RESPONSIBLE CAPITALISM SUMMIT

10 SEPTEMBER 2024

CONFERENCE REPORT

A DECADE AFTER PARIS: ACCELERATING PROGRESS TOWARDS NET-ZERO

The opportunities & challenges for companies, boards and markets



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EXECUTIVE SUMMARY

The 2024 ECGI Responsible Capitalism Summit brought together thought leaders from academia, finance, business, and policymaking to discuss the urgent need to accelerate global progress toward net-zero emissions. Set against the backdrop of the 2015 Paris Agreement and the mounting climate crisis, the summit focused on how corporate governance and financial systems can drive the global transition to a low-carbon economy.

The summit featured keynote addresses from prominent figures, including **Laurent Fabius**, architect of the Paris Agreement, **Robert F. Engle**, Nobel Laureate in Economics, and **Jennifer Morgan**, Germany's State Secretary and Special Envoy for International Climate Action. Their insights underscored that climate change is not only an environmental challenge but also a profound economic, financial, and diplomatic risk, emphasizing the need for urgent action, global collaboration, and integrated climate risk management across sectors.

Key themes that emerged from the discussions include:

The Urgency of Climate Action

Across all sessions, there was a consistent message: the window to prevent catastrophic climate impacts is rapidly closing. Speakers emphasized the need for immediate action to meet the 1.5°C global warming target, with a particular focus on increasing ambition in national climate commitments and corporate sustainability strategies.

> **"The climate crisis is no longer a distant threat. It is here, and it is happening now. Delaying action is not an option."**
>
> Jennifer Morgan, State Secretary and Special Envoy for International Climate Action at the German Federal Foreign Office

The Role of Finance

Panel discussions revealed that financial institutions are key players in the decarbonization process. While progress has been made, especially through bank exit policies and sustainable investment products, there is still a need for more aggressive action. Financial markets must fully integrate climate risks and stop financing fossil fuel expansion, redirecting capital to renewable energy and low-carbon technologies.

Technological Innovation and Industrial Decarbonization

The transition to net-zero will require innovative technologies like hydrogen, carbon capture, and battery storage and a transition to clean energy and heat as well as more circular approaches. Scaling technologies and innovative solutions requires strong regulatory support and investment.

EXECUTIVE SUMMARY

> **"The Paris Agreement was a turning point, but much more needs to be done. The global community must now raise its ambition if we are to keep global warming below 1.5°C."**
>
> Laurent Fabius, President of the French Constitutional Council and former President of COP21

Leaders from Siemens Energy and AstraZeneca shared their experiences in integrating sustainability into their business operations and highlighted the importance of corporate leadership in driving sustainable advancements.

Global Collaboration and Policy Alignment

Jennifer Morgan, State Secretary and Special Envoy for International Climate Action, emphasized that international collaboration remains crucial, conjuring the concept of “radical collaboration”. Governments, businesses, and civil society must work together across borders to ensure that climate policies are harmonized and that public-private partnerships are leveraged to achieve global climate targets.

Just Transition and Equity

A key focus of the summit was ensuring a just transition to a low-carbon economy. Vulnerable communities and developing nations must not be left behind, and the transition must include strong social safeguards to ensure that no one is disproportionately affected by the shift to renewable energy. Financial support, technology transfer, and capacity building were highlighted as essential for a fair global transition.

As the world prepares for the upcoming COP29 and COP30 summits, the 2024 ECGI Responsible Capitalism Summit emphasized the urgent need to raise ambition, strengthen accountability, and foster cross-sector collaboration. The insights shared throughout the day underscored that responsible capitalism—where businesses, investors, and governments work together to create value for society and the environment—is key to solving the climate crisis.

While the challenges ahead are significant, the summit offered hope that with the right level of commitment and coordinated action, the global community can move towards a sustainable, equitable, and prosperous future. As Laurent Fabius pointed out, we must be lucid and honest but never pessimistic—pessimism has no place in the fight against climate change, and the global community must act with determination and collaboration to achieve the necessary progress.

INTRODUCTION

The 2024 ECGI Responsible Capitalism Summit, held in Berlin on September 10, 2024, marked a pivotal moment in the ongoing dialogue around corporate governance and climate action. Almost a decade after the landmark 2015 Paris Agreement, this summit brought together leading academics, policymakers, financial experts, and corporate executives to assess the progress made toward achieving net-zero emissions and to explore the role of businesses, boards, and markets in accelerating the transition to a more sustainable global economy.

Under the theme "A Decade After Paris: Accelerating Progress Towards Net-Zero", the summit addressed the critical challenges facing the global community as it strives to meet ambitious climate targets by 2050. Keynote addresses and panel discussions emphasized the importance of responsible capitalism—an approach that balances profitability with environmental and social accountability—and highlighted the urgent need for deeper collaboration across sectors to tackle climate change.

With a strong focus on the role of financial markets, industrial transition strategies, and regulatory frameworks, the summit provided a platform for thought-provoking discussions on how corporate governance can be a driving force in fostering sustainability. Experts examined the effectiveness of existing policies, the challenges of implementing decarbonization pathways, and the need for innovative solutions to ensure the global community remains on track to meet its net-zero goals.

"The planet will probably survive what we are doing to it, but we might not. So, this is a risk. It's a long-term risk... We're talking about dozens of years."

Robert F. Engle, Nobel Laureate in Economics and Professor Emeritus at NYU Stern School of Business

As the world grapples with the increasing impacts of climate change, this summit served as a timely reminder that the corporate and financial sectors hold the keys over the trajectory of global emissions. The discussions and insights shared throughout the day stressed the importance of continued leadership, ambition, and action to build a resilient and sustainable future.

SESSION 1: DECARBONIZATION IN THE FINANCIAL SECTOR

> **"What we need to learn from the Paris Agreement is that it's important to be ambitious... we've sort of lost track of that."**
>
> Patrick Bolton, Professor of Finance, Imperial College London and ECGI

The first session of the 2024 ECGI Responsible Capitalism Summit, moderated by **Patrick Bolton** (Imperial College London and ECGI), focused on the financial sector's pivotal role in supporting decarbonization efforts. With a mix of academic insights and empirical data, the session highlighted how banks and financial institutions can influence emissions reduction through strategic lending policies, while also drawing attention to the limitations of relying on market forces alone.

Boris Vallée (Harvard Business School) presented his paper *"Measurement and Effects of Bank Exit Policies"*. His presentation explored the impact of bank exit policies—where financial institutions stop lending to high-emission industries, particularly coal and fossil fuels. He emphasized that these policies can have a "first-order impact" on emissions by restricting capital flows to high-polluting sectors, but also stressed that such measures can only complement broader government policy initiatives.

Professor Vallée presented data showing that banks with stringent exit policies are able to reduce financing for fossil fuel-related projects. This reduction creates a financial incentive for firms to transition towards cleaner energy sources, as the availability of capital becomes constrained.

Despite the success of bank exit policies in driving down emissions in the financial sector, Vallée noted that their effectiveness is inherently tied to government policies and regulations. Without cohesive government action, the full potential of these policies cannot be realized.

> **"We should throw whatever we have at this problem. And finance is definitely one thing we should throw at this problem."**
>
> Boris Vallée, Professor of Finance, Harvard Business School

SESSION 1: DECARBONIZATION IN THE FINANCIAL SECTOR

Marcin Kacperczyk (Imperial College London) presented his paper, *“Carbon Emissions and the Bank-Lending Channel”*

Professor Kacperczyk’s presentation focused on the carbon emissions bank-lending channel, offering insights into how financial institutions are adapting their behavior in response to growing climate concerns. His research shed light on the intricate relationship between banks’ lending decisions and the real economy, particularly in sectors heavily reliant on fossil fuels.

He outlined that while banks have indeed altered their lending practices by reducing loans to high-emission firms, there is limited evidence of these changes having a significant impact on the broader real economy. Instead, the primary adjustments have been in corporate behavior, with firms reacting to reduced access to capital by deleveraging and reducing capital expenditures (Capex).

He noted a reduction in total debt for firms with higher carbon emissions, particularly those subject to Science-Based Targets initiative (SBTi) standards. This was accompanied by an increase in firms’ environmental scores, although Kacperczyk cautioned that this improvement often stemmed from environmental opportunities and vague future commitments rather than substantive reductions in emissions.

A critical point raised was the need for banks to better align their lending practices with genuine environmental outcomes. While there has been some progress in reducing capital flow to high-emission industries, banks must focus on fostering real-world decarbonization efforts rather than relying solely on financial metrics.

> **"Central banks have been pushing the commercial banks to actually participate in decarbonization, but I think another element of this is the whole stakeholder pressure."**
>
> Marcin Kacperczyk, Professor of Finance, Imperial College London

The first session underscored the complexity of decarbonization within the financial sector. While bank exit policies and lending adjustments are promising tools, their real-world impact on emissions remains limited without broader government action and clear regulatory frameworks. The session highlighted the critical role of banks in influencing corporate behavior but called for a stronger alignment between financial practices and environmental outcomes. For financial institutions to truly drive the transition to net-zero, they must go beyond reducing capital for high-emission industries and actively support green and transitional projects.

SESSION 1: DECARBONIZATION IN THE FINANCIAL SECTOR

Key Insights:

Bank Exit Policies as a Tool for Decarbonization

The session demonstrated that exit policies, where banks cease lending to carbon-intensive industries, can be effective in reducing emissions. However, their success depends heavily on complementary government actions and regulations. Vallée and Kacperczyk both stressed that financial institutions cannot drive the transition alone; coordinated policy support is crucial.

Limited Real-World Impact

Although banks are taking steps to reduce their exposure to high-emission industries, the overall impact on actual emission reductions in the real economy remains limited. Firms respond to financial shocks by adjusting their balance sheets—cutting Capex and increasing liquidity—rather than by significantly altering their environmental practices.

Challenges of Transition Financing

The discussion highlighted the tension between reducing financing for "brown" industries (e.g., coal, oil, and gas) and supporting the transition to "green" industries. There is a pressing need for banks to not only withdraw capital from high-emission sectors but also actively finance transition projects, which will play a key role in decarbonizing these industries over time.

Interplay Between Regulation and Market Forces

Both speakers emphasized that regulatory frameworks and governmental policies must be tightly integrated with market mechanisms to achieve decarbonization goals. Financial markets alone cannot drive the transition to net-zero emissions; policy interventions such as carbon pricing, stricter emissions regulations, and public finance support are essential for accelerating progress.

SESSION 2: CARBON EMISSIONS ALLOWANCE MARKETS

> **"The main purpose of carbon markets is cost efficiency. How can we reduce emissions at the least cost?"**
>
> Estelle Cantillon Professor of Finance, Université libre de Bruxelles

The second academic session at the 2024 ECGI Responsible Capitalism Summit focused on carbon emissions allowance markets, both voluntary and regulated. Moderated by **Dirk Schoenmaker** (Erasmus University Rotterdam), the session brought together experts in market design and climate finance to explore the evolving role of carbon markets in the global effort to combat climate change.

Estelle Cantillon (Université libre de Bruxelles) presented her paper, *"Market Design for the Environment"*.

Professor Cantillon's presentation delved into the intricacies of market design and how different environmental issues require tailored approaches. She focused particularly on the evolution of the EU Emissions Trading Scheme (ETS), offering insights into its development and lessons that could be applied to other markets, especially voluntary carbon markets.

She highlighted the early years of the EU ETS, describing its initial "laissez-faire" approach, which eventually gave way to more structured regulation under frameworks like MiFID (Markets in Financial Instruments Directive). The lessons learned from this evolution—particularly regarding scope, price volatility, and allocation—were presented as key considerations for any emissions trading scheme.

She also discussed the recent introduction of the Border Carbon Adjustment Mechanism in the EU, which aims to address carbon leakage —where emissions reductions in one region lead to increased emissions elsewhere. The mechanism ensures that imported goods are subject to the same carbon pricing as those produced domestically, helping to level the playing field for industries within the EU.

Cantillon pointed out that as the ETS expanded in scope, from narrowly focusing on a few sectors to covering a broader range of industries, issues such as price volatility were gradually addressed by tightening allocation approaches. Through this learning process, the ETS has become an increasingly effective market for regulating emissions, serving as a model for other regions.

SESSION 2: CARBON EMISSIONS ALLOWANCE MARKETS

Zachery Halem (Director, Lazard Climate Center) presented his paper, “The Evolving Role of Greenhouse Gas Emission Offsets in Combating Climate Change.”

Professor Halem’s presentation centered on the role of voluntary carbon markets and the challenges they face in contributing to global decarbonization efforts. His focus was on the problems that have historically plagued voluntary offset markets, such as additionality, leakage, and double counting.

He outlined the steps involved in creating a carbon offset—from project initiation and verification to listing on a registry and monitoring. He discussed the integrity challenges facing voluntary markets, particularly the difficulty in ensuring that offsets represent genuine emissions reductions. The problem of additionality (i.e., ensuring that projects reduce emissions beyond what would have happened without the project) was highlighted as a significant hurdle.

He discussed various reforms aimed at improving the transparency and credibility of voluntary markets, such as better verification methods, the use of satellite imaging and blockchain technology, and stricter governance structures. These innovations, while promising, are still in their early stages and will need time to become widely adopted.

Halem also emphasized the diversity of pricing and quality across voluntary offsets, which makes it difficult to treat offsets as commodities. He proposed that carbon credits could be structured more like bonds, with "ecological interest payments" that reflect the quality and durability of the environmental benefits.

> **"I am optimistic around using financial tools, financial devices, and risk transfer in order to incentivize greater participation."**
>
> Zachery Halem, Director, Lazard Climate Center

This session highlighted the complexity and evolving nature of carbon markets, both voluntary and regulated. The discussions revealed that while significant progress has been made—especially in regulated markets like the EU ETS—voluntary markets still face substantial challenges in credibility and effectiveness. As technological innovations and regulatory frameworks continue to develop, the future of carbon markets will depend on careful market design, robust governance, and the ability to tailor solutions to the specific environmental problems at hand.

Cantillon and Halem provided valuable insights into the current state of voluntary carbon offset markets, offering lessons learned from the EU ETS and potential pathways forward for voluntary markets. Their presentations revealed the need for conceptual and institutional innovations and the importance of regulation, technological advancement, and differentiation between types of markets to ensure that carbon credit trading can contribute meaningfully to the global decarbonization effort.

SESSION 2: CARBON EMISSIONS ALLOWANCE MARKETS

Key Insights

Tailored Market Design for Different Environmental Issues

Cantillon underscored the importance of adapting market design to fit specific environmental challenges. She cautioned against lumping all carbon markets together, as the nature of the problem (whether it is a pollution issue or a nature-based solution like carbon sinks) significantly affects how the market should be structured. For example, the EU ETS, which is focused on pollution, differs fundamentally from voluntary markets, which often deal with nature-based solutions.

Lessons from the EU ETS

The EU Emissions Trading Scheme has been a learning process, and its evolution offers important lessons for other carbon markets. By starting with a relatively narrow focus and gradually expanding in scope and regulation, the ETS has addressed key issues such as price volatility and carbon leakage. Cantillon's presentation emphasized that these lessons could be applied to other voluntary carbon markets, particularly in terms of regulation and the role of government in providing integrity and transparency.

Challenges in Voluntary Carbon Markets

Halem's presentation made clear that voluntary carbon markets face significant challenges, particularly regarding credibility and the real-world impact of offsets. Halem pointed out that many voluntary offsets fail to deliver additionality or long-term emissions reductions, often because of vague commitments or the complexity of measuring emissions reductions in nature-based solutions.

However, he remained optimistic about the potential for technological advancements like satellite imaging and blockchain to improve transparency and accountability in these markets.

The Future of Carbon Markets

A central question that emerged from this session was whether voluntary and compliance markets, such as the ETS, should be integrated. While there are advantages to scaling up voluntary markets by linking them to more established compliance frameworks, both Cantillon and Halem stressed the need for caution. They argued that voluntary and compliance markets serve different purposes and that integrating them could undermine the effectiveness of both.

Cantillon emphasized the need for clear distinctions between "pollution" markets (which deal with emissions reductions) and "provision" markets (which deal with environmental services like reforestation). She cautioned against trying to integrate markets with fundamentally different objectives and regulatory structures, pointing out that such an approach could weaken the integrity of emissions reductions.

PART 2: KEYNOTE INTRODUCTIONS

> **"The key challenge is to ensure that these transitions and the EU growth agenda are well aligned and move forward together to drive EU competitiveness."**
>
> François Delattre, Ambassador of France to Germany

The 2024 ECGI Responsible Capitalism Summit resumed after lunch with a welcome by Ambassador **François Delattre**, France's Ambassador to Germany, emphasizing the importance of international collaboration in the fight against climate change. Reflecting on his experiences during COP21, Delattre highlighted the critical role of diplomacy in achieving the Paris Agreement, noting that it has significantly shaped global climate efforts. He underscored France's continued leadership, alongside Germany, in advancing climate action and preserving biodiversity.

Delattre also spoke about the challenges and opportunities presented by the ecological transition, stressing that it will require substantial investments but offering reassurance that Europe is committed to providing the necessary frameworks for companies and investors to succeed. He praised the ECGI Summit as a platform that brings together policymakers, business leaders, and academics to drive responsible capitalism and accelerate progress toward net-zero emissions.

Herman Daems, Chairman of the ECGI, reflected on the pivotal role that corporate governance must play in addressing the climate crisis. He emphasized that while capitalism has brought immense prosperity to many regions, it also has significant flaws, particularly in areas such as financial instability, market imperfections, and environmental degradation. Daems acknowledged the inequality and exclusion that often accompany capitalism, but also pointed out that it remains the most successful system for fostering innovation and economic growth.

Central to his address was the idea that responsible capitalism must begin in boardrooms, where corporate leaders need to balance the demands of their businesses with the responsibility they hold toward society and the climate. Daems highlighted the complex challenges facing corporate governance today, noting that responsible companies must not only be concerned with profits but also with their environmental impact and long-term sustainability. He pointed to the need for a new paradigm in which boards actively steer companies towards net-zero objectives while ensuring that their actions are aligned with global climate goals.

Throughout his remarks, Daems reinforced the importance of collaboration between academia, businesses, and policy-makers in the effort to reshape capitalism to meet the demands of the climate crisis. He concluded by urging the summit's participants to continue the dialogue on how corporate governance can be leveraged to make capitalism more responsible, and ensure that it contributes to a sustainable and equitable future for all.

PART 2: KEYNOTE INTRODUCTIONS

Marco Becht, Executive Director of the European Corporate Governance Institute (ECGI) introduced the agenda for the afternoon sessions. Becht began by expressing his gratitude to the French Embassy for hosting the event in Berlin, underscoring the significance of the venue as a symbol of international collaboration, particularly in the context of the global response to climate change. He acknowledged the embassy's contribution in supporting discussions on corporate governance and climate action, two areas central to achieving the summit's goals.

Becht emphasized the importance of connecting corporate governance with the climate agenda, noting that responsible capitalism has moved to the forefront of discussions on how businesses can contribute to achieving global decarbonization targets. He highlighted the critical role of corporate boards in driving this transition, calling attention to the fact that board members need to prioritize environmental, social, and governance (ESG) factors in their decision-making processes to align corporate actions with the goals of the Paris Agreement.

A key message from Becht was the evolving responsibility of the private sector. He noted that, while governments play a crucial role in setting regulatory frameworks, the private sector must actively participate in accelerating climate action. Corporate governance structures, he argued, are essential in ensuring that businesses adopt long-term strategies that are compatible with net-zero objectives. Becht underscored that companies that fail to take this responsibility seriously are likely to face increasing pressure from investors, regulators, and society at large.

> **"The elephant in the room is energy... they contribute over 20%. So the energy sector is the one that really needs to be the number one priority."**
>
> Marco Becht, Executive Director of ECGI and Professor of Finance, Université libre de Bruxelles

Becht also reflected on the success of the Paris Agreement, stating that it had helped pave the way for the private sector to play a more active role in addressing climate change. He acknowledged that while much progress has been made since 2015, the pace of change remains too slow to meet the 1.5°C target. He urged summit participants to focus on identifying tangible actions that businesses and investors can take to support a just and sustainable transition.

Becht called for a renewed focus on corporate responsibility and innovation in the afternoon sessions. He pointed out that the world is in a race against time to combat the worsening effects of climate change, and that corporate leadership will be pivotal in driving the transition to a low-carbon economy. He stressed that the summit's discussions would play an important role in shaping how businesses approach sustainability and governance in the years to come, calling for active participation and collaboration among the delegates.

KEYNOTE: LAURENT FABIUS

> **"What one must clearly understand is that what is at stake... making prosperity compatible with posterity. There is no greater challenge."**
>
> Laurent Fabius, President of the French Constitutional Council and former President of COP21

The keynote address by **Laurent Fabius**, President of the French Constitutional Council and former President of COP21, provided a thoughtful reflection on the successes and challenges since the Paris Agreement in 2015. As the architect of the Paris climate accord, Fabius shared his unique insights on the decade-long journey of global climate action, highlighting the key drivers of progress, the current state of the global climate agenda, and the urgent priorities for the coming years.

The Legacy of the Paris Agreement

Fabius began by revisiting the monumental achievements of the 2015 Paris Agreement, describing it as a "before and after" moment for global climate action. He emphasized that the success of the agreement was rooted in the alignment of three critical forces: science, civil society, and government collaboration.

The agreement brought together not only national governments but also cities,. universities, businesses, NGOs, and investors, creating a broad coalition committed to limiting global temperature increases to well below 2°C, ideally 1.5°C, by the end of the century.

He credited the agreement's success to the unprecedented cooperation between key geopolitical actors at the time—particularly the United States, China, and the European Union—underlining the importance of international diplomacy in addressing climate change.

Progress Since Paris: The Good and the Bad:

Fabius acknowledged that the global trajectory of climate action has seen both positive and negative developments since the Paris Agreement. On the positive side, he noted that the projected global temperature increase by 2100 has been reduced from 4-5°C to around 2.7°C, thanks to the efforts of nations to cut emissions.

However, despite this progress, he expressed concern that current efforts are insufficient to meet the 1.5°C target. He pointed out that fossil fuel industries—especially coal, oil, and gas—are still expanding, and there is a lack of cohesion between long-term climate goals and short-term actions. This disconnect is particularly troubling in light of the latest scientific warnings about the increasing severity of climate impacts.

KEYNOTE: LAURENT FABIUS

Challenges Ahead: Mitigation, Adaptation, and Justice

Fabius outlined the key challenges that remain in achieving the goals set out in the Paris Agreement. These include:

- **Mitigation:** While there has been progress in cutting emissions, much more needs to be done to accelerate the transition to renewable energy and reduce reliance on fossil fuels.
- **Adaptation:** The world must ramp up efforts to adapt to the already-inevitable impacts of climate change, such as rising sea levels, extreme weather events, and disruptions to ecosystems.
- **Social Justice:** Fabius emphasized the importance of ensuring a just transition, where vulnerable communities and developing nations are supported in their efforts to adapt to climate change and shift to cleaner energy sources. He stressed that climate action that is not inclusive will ultimately fail, as resistance from disadvantaged groups could undermine global efforts.

The Critical Role of Climate Finance

Fabius stressed that climate finance is one of the most pressing issues facing the global climate agenda today. He reiterated the commitment made in Paris to mobilize $100 billion per year by 2020 for climate action in developing countries, a target that has yet to be fully realized. He noted that the financing needs for developing nations are even greater now, particularly as they grapple with the dual challenges of decarbonization and climate adaptation.

> **"We know that the ecological transition, like the digital transition and Europe's defence, will require huge investments"**
>
> François Delattre, Ambassador of France to Germany

He called for a major reform of international financial institutions, particularly the Bretton Woods institutions (e.g., the World Bank and IMF), to better support the transition to a low-carbon, resilient global economy. This reform is necessary to unlock the financial flows required to meet the climate targets set out in the Paris Agreement and beyond.

The Importance of Diplomatic Efforts and Upcoming COPs

Fabius underscored the importance of intensified diplomatic efforts in the lead-up to upcoming climate summits, including COP29 and COP30. He emphasized the need for these events to raise the ambition of Nationally Determined Contributions (NDCs), which outline each country's climate commitments.

He argued for more concrete and ambitious sectoral commitments, particularly in high-emission sectors such as energy, transport, and agriculture. Fabius also stressed the importance of ensuring that the promises made in these NDCs are backed by robust implementation plans.

KEYNOTE: LAURENT FABIUS

> **"We must be lucid and honest... Delaying action is not an option and pessimism is not an option."**
>
> Laurent Fabius, President of the French Constitutional Council and former President of COP21

The Future of Climate Action

Looking to the future, Fabius emphasized the need for continued innovation and technological advancements but warned against the dangers of "techno-illusionism"—the belief that technology alone can solve the climate crisis. He argued that while technological solutions will play a crucial role, they must be paired with strong policies, financial support, and behavioral changes.

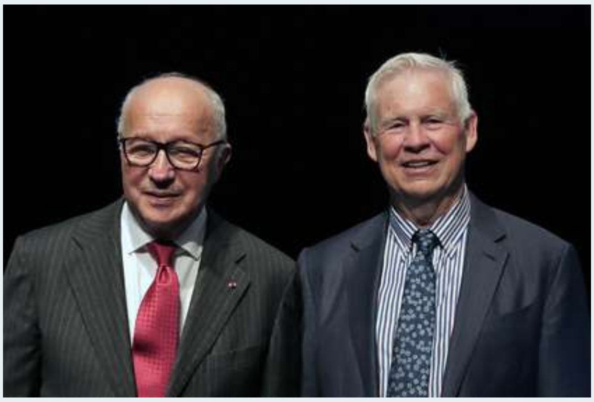
He also highlighted the growing role of climate litigation as a tool for holding governments and corporations accountable for failing to meet their climate commitments. He referenced a recent decision by the European Court of Human Rights (ECHR) in the "Swiss Senior Women Climate Case," which established that states have a duty to mitigate climate change, a ruling that could set a precedent for future legal action.

The Central Role of Public Information and Education

Fabius concluded by stressing the importance of public information and education in shaping the global response to climate change. He noted that while public awareness of the climate crisis has grown, there is still a risk of backlash and resistance, particularly in regions that are heavily reliant on fossil fuel industries.

He argued that educating the public about the long-term benefits of climate action and ensuring that climate policies are socially equitable will be key to maintaining public support for the transition to a sustainable future.

Laurent Fabius’s keynote address offered a sobering yet hopeful reflection on the progress made since the Paris Agreement and the critical challenges that lie ahead. He repeatedly emphasized the importance of international cooperation, the need for more ambitious climate policies, and the central role of finance and social justice in ensuring a just and sustainable transition. As the world approaches key climate milestones, Fabius’s call for intensified diplomatic efforts, deeper financial commitments, and a renewed focus on social equity provides a clear roadmap for the next phase of global climate action.



KEYNOTE: ROBERT F. ENGLE

The academic keynote by **Robert F. Engle,** Nobel Laureate in Economics and Professor Emeritus at NYU Stern School of Business, focused on the intersection of climate risk and financial markets.

Professor Engle's address provided a detailed examination of how financial markets can measure and manage climate risks, the potential for a future financial crisis triggered by climate change, and the evolving role of central banks in addressing these risks. His talk was a crucial contribution to the theme of the summit, underscoring the necessity of integrating climate risks into the financial system.

Measuring Climate Risk in Financial Markets

Engle began his keynote by discussing the importance of measuring climate risk within financial markets. He highlighted how the risk of climate change can manifest in various forms, affecting both financial institutions and the broader economy.

He introduced the concept of climate beta, a measure of how exposed a company's stock is to climate risk. Engle explained that companies involved in fossil fuels (coal, oil, and gas) typically have a high climate beta, as they are more vulnerable to future regulatory changes, shifts in energy demand, and the physical impacts of climate change.

Engle's work uses a climate hedge portfolio to track this risk. This portfolio consists of long positions in fossil fuel stocks and short positions in the broader market. The movement of this hedge portfolio over time allows investors to observe how climate risk is priced into financial markets and provides

> **"Public policy through subsidies, taxes, and regulation can create the needed conditions."**
>
> Robert F. Engle, Nobel Laureate in Economics and Professor Emeritus at NYU Stern School of Business

insight into the broader systemic risks posed by climate change.

Climate Risks in Bank Portfolios

A significant portion of Engle's keynote focused on the role of banks and their exposure to climate risk. He highlighted the growing concern among central banks and financial regulators about the potential for climate-related shocks to disrupt bank portfolios.

Engle explained that many banks continue to hold significant assets linked to high-emission industries. As governments around the world implement stricter climate policies, such as carbon pricing and regulatory restrictions on emissions, these assets could lose value rapidly, leading to financial instability.

Engle warned that if central banks and financial institutions fail to address this exposure, a climate-driven financial crisis could occur when effective climate policies are finally implemented. This crisis could be similar to past financial collapses, with

KEYNOTE: ROBERT F. ENGLE

> **"What happens [to other stocks] when energy stocks plummet? That's a question of the beta. And so if the beta is big, it means that the [company] is exposed to climate risk."**
>
> Robert F. Engle, Nobel Laureate in Economics and Professor Emeritus at NYU Stern School of Business

widespread defaults on loans linked to fossil fuel industries and other high-risk sectors.

Transition Risks and Market Behavior

Engle delved into the concept of transition risks, which arise as the world moves away from fossil fuels and toward renewable energy. These risks are particularly relevant for fossil fuel companies, whose market values are likely to decline as regulatory pressures mount and demand for fossil fuels falls.

He explained that fossil fuel companies face significant pressures, including falling price-to-earnings ratios, reduced investment, and increased consolidation. As a result, these companies may see their market values fall and their ability to raise capital decline.

Engle noted an interesting paradox: fossil fuel prices may rise during the transition, as supply becomes more constrained and companies consolidate. While this could lead to short-term profitability for remaining fossil fuel firms, it would also signal the beginning of the end for the industry as a whole. Investors looking to support the energy transition may need to embrace the idea that termination of the fossil fuel industry is necessary, even if it temporarily drives up prices.

The Role of Central Banks in Managing Climate Risk

Engle emphasized that central banks must play a more active role in managing climate risk. He argued that financial regulators should implement more stringent policies to ensure that banks account for the risks posed by climate change in their portfolios.

Engle pointed to the work being done by central banks through initiatives like the Network for Greening the Financial System (NGFS), which aims to enhance the role of financial regulators in addressing climate risks. He advocated for integrating climate risk assessments into the stress testing frameworks used by central banks to evaluate the resilience of financial institutions.

By incorporating climate risk into stress tests, central banks can better understand how exposed the financial system is to climate-related shocks and take action to mitigate these risks before they trigger a larger crisis.

Financial Market Responses to Climate Policy

Engle discussed how financial markets have responded to climate policy over the past decade. He noted that there has been significant progress in recognizing the risks posed by climate change, but that markets are still not fully pricing in the long-term consequences.

KEYNOTE: ROBERT F. ENGLE

He observed that market volatility around climate-related issues has increased as more companies, investors, and governments recognize the need for climate action. However, this volatility also presents opportunities for climate-conscious investors to capitalize on the transition by investing in renewable energy and other low-carbon technologies.

Engle warned that the market's failure to fully account for climate risks could lead to a sudden repricing of assets when climate policies are finally enacted on a large scale. This could cause market disruptions and financial losses for investors who are not prepared for the transition.

The Future of Climate Finance

Looking ahead, Engle stressed the importance of developing financial products that can help manage climate risk. He suggested that markets need to create better instruments to hedge against climate-related risks, similar to how financial products were developed to manage risks in other sectors.

He also called for more collaboration between governments, financial institutions, and regulators to create a framework that incentivizes sustainable investments. Engle emphasized that the private sector has a crucial role to play in driving the transition to a low-carbon economy, but it needs clear guidance and support from public institutions.

Robert F. Engle's keynote provided a critical analysis of the intersection between climate risk and financial markets, highlighting the need for better measurement tools, stronger central bank oversight, and new financial products to manage climate-related risks. His discussion of climate beta and termination risks illuminated the subtleties of asset pricing and why companies with significant carbon transition risk exposure may see substantially lower price/earnings ratios. Engle concluded with a call for more proactive central bank involvement and innovative climate finance solutions.

Key Insights

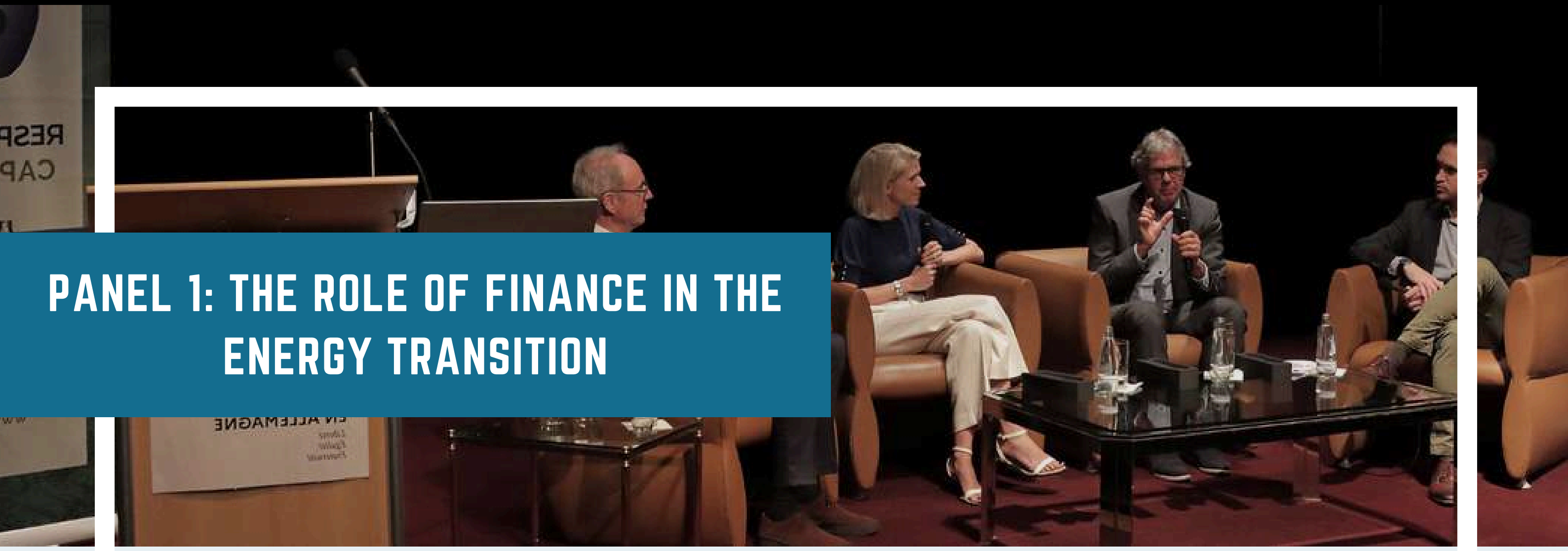
Climate beta provides a useful measure of how exposed a company's stock is to climate risk, and tracking a climate hedge portfolio can help investors understand how these risks are being priced into the market.

Banks are at significant risk of holding stranded assets linked to fossil fuel industries, and central banks need to take a more proactive approach in managing these risks.

Fossil fuel companies face inevitable declines in market value as the world transitions to renewable energy, though this transition may temporarily drive up fossil fuel prices.

Financial markets are still not fully pricing in the long-term risks posed by climate change, creating the potential for sudden market disruptions when policies are implemented.

The creation of new financial instruments to manage climate risk is essential for helping investors and institutions navigate the transition to a low-carbon economy.



PANEL 1: THE ROLE OF FINANCE IN THE ENERGY TRANSITION

The first panel discussion of the 2024 ECGI Responsible Capitalism Summit focused on the critical role that the financial sector plays in driving the global transition toward a low-carbon economy. Moderated by **Patrick Bolton** (Imperial College London and ECGI), the panel brought together leading experts to explore how banks, investors, and financial institutions can accelerate the decarbonization of industries, while also addressing the complexities and challenges involved in financing the energy transition.

Nils Bartsch (Head of Oil & Gas Research, Urgewald) focused on the persistent issue of fossil fuel financing and the financial sector's role in continuing to fund oil and gas projects despite the Paris Agreement's climate targets. His organization, Urgewald, has developed databases and metrics to track the activities of oil and gas companies, which have been used by over 250 financial institutions to assess their exposure to the fossil fuel industry.

Bartsch argued that financial institutions need to cease financing new fossil fuel projects altogether if the world is to have any chance of meeting its climate targets. He pointed out that many banks and investors still have significant financial ties to high-emission sectors, which is inconsistent with the commitments made under the Paris Agreement.

He highlighted data showing that despite public commitments to decarbonization, many financial institutions continue to finance fossil fuel expansion projects. Bartsch's message was clear: without decisive action from the financial sector, the transition to renewable energy will be too slow to avoid the worst impacts of climate change.

> **"The most important very first building block of the solution is to limit oil and gas expansion, to stop oil and gas expansion."**
>
> Nils Bartsch, Head of Oil & Gas Research, Urgewald

Dirk Schoenmaker (Professor of Banking and Finance, Erasmus University Rotterdam) focused on the evolving role of sustainable finance and the need for financial institutions to integrate long-term climate risks into their decision-making processes. He advocated for a shift in how financial markets approach climate-related investments, with a stronger emphasis on long-term value creation rather than short-term profit maximization.

Schoenmaker argued that the financial system must transition from a shareholder-centric model to a stakeholder-driven model, where environmental and social considerations are central to investment decisions. He emphasized the importance of regulatory frameworks and policy guidance to encourage financial institutions to take a more sustainable approach.

He also discussed the role of central banks and regulators in steering financial markets toward sustainability. He argued that central banks should take a more active role in overseeing the climate risks that banks and financial institutions are exposed to, much like the discussions raised by Robert F. Engle in his keynote.

PANEL 1: THE ROLE OF FINANCE IN THE ENERGY TRANSITION

> **"We should not only finance change but we should also change the DNA of the financial system and of the corporate sector."**
>
> Dirk Schoenmaker, Professor of Banking and Finance, Erasmus University Rotterdam

Eva Meyer (Chief Sustainability Officer, BNP Paribas Germany) provided insights into how large financial institutions like BNP Paribas are working to integrate sustainability into their core operations. She emphasized the importance of leadership commitment and the practical steps her institution has taken to support the energy transition.

Meyer described BNP Paribas's internal strategy to reduce its exposure to high-emission industries and its efforts to finance green projects. She highlighted that the bank is taking a proactive approach by engaging with clients to support their transition toward more sustainable operations. For example, BNP Paribas has developed specific financial products aimed at supporting renewable energy projects and helping clients decarbonize their operations.

She also discussed the challenge of balancing profitability and sustainability. Meyer acknowledged that while decarbonizing the bank's portfolio is a goal, it must be done in a way that is financially viable financially viable and takes into account biodiversity and social impacts. . She argued that decarbonization is not just a cost but an opportunity for growth in new markets such as renewable energy and sustainable infrastructure.

The panel provided a deep dive into the financial sector's role in the energy transition, highlighting the need for stronger action from banks, investors, and regulators to cut off financing to high-emission industries and redirect capital toward sustainable projects. The discussion underscored the importance of leadership, regulation, and innovation in driving this change. The panelists agreed that while progress is being made, the pace of change is too slow to meet the urgent demands of the climate crisis. Financial institutions must take a more proactive approach, both in terms of reducing fossil fuel investments and in scaling up financing for the renewable energy sector.

The session concluded with a call for greater collaboration between public and private sectors, emphasizing that the financial system alone cannot drive the transition to net-zero without the support of regulatory frameworks and public policies that align market incentives with long-term climate goals.

> **"I believe in the power of finance and I believe that we as a global bank do have the responsibility to allocate the capital into the right direction."**
>
> Eva Meyer, Chief Sustainability Officer, BNP Paribas Germany

PANEL 1: THE ROLE OF FINANCE IN THE ENERGY TRANSITION

Key Insights

Fossil Fuel Financing and Transition

Bartsch underscored the critical issue of fossil fuel financing and the contradiction between public commitments to climate action and the continued funding of new fossil fuel projects. The financial sector's ongoing support for oil and gas expansion is slowing down the energy transition and undermining global climate targets.

There was a consensus among panelists that the financial sector must take more decisive steps to cut off financing to high-emission industries and redirect capital toward renewable energy and low-carbon solutions.

Sustainable Finance and Long-Term Value Creation

Schoenmaker stressed the importance of integrating sustainability into financial decision-making processes. He called for a shift in the financial system toward a stakeholder-driven model, where long-term environmental sustainability is prioritized over short-term profits.

He also emphasized the role of regulatory frameworks in guiding financial markets. Regulatory clarity and policy direction are essential to drive the shift toward sustainable finance, as markets alone are unlikely to produce the necessary change without government intervention.

Corporate Leadership and Financial Innovation

Meyer highlighted the practical steps large financial institutions like BNP Paribas are taking to drive the energy transition. She focused on the importance of corporate leadership, noting that the commitment of senior executives is key to integrating sustainability across the organization.

Meyer's discussion of financial innovation was particularly relevant, as she pointed out the creation of new financial products tailored to support the energy transition. These products are designed to help both the bank and its clients navigate the complexities of decarbonization while maintaining financial performance.

Challenges in Transitioning the Financial Sector

The panelists agreed that the financial sector faces significant challenges in transitioning to a low-carbon economy. These challenges include managing transition risks, addressing legacy investments in fossil fuels, and balancing short-term profitability with long-term sustainability goals.

PANEL 1: THE ROLE OF FINANCE IN THE ENERGY TRANSITION

Bartsch pointed out that the financial industry's progress is too slow, and without immediate action to phase out fossil fuel financing, it will be difficult to meet global climate goals. He also stressed the need for stronger public pressure and regulatory intervention to ensure that financial institutions follow through on their commitments to sustainability.

The Role of Central Banks and Regulation

Echoing earlier discussions from Robert Engle's keynote, Schoenmaker and Meyer both highlighted the importance of central banks in overseeing the financial sector's exposure to climate risks. There is growing consensus that central banks and financial regulators must take a more active role in ensuring that financial institutions manage climate risks effectively.

Schoenmaker argued that stress testing and other regulatory tools should be applied to assess how banks would cope with the financial impacts of climate change. This would help prevent financial instability linked to the energy transition and ensure that banks are prepared to support the shift to a low-carbon economy.

PANEL 2: TRANSITION PATHWAYS

> **"We are thinking about energy management systems or digital solutions that we can also bring to the market to help these industries first optimize and then decarbonize more deeply."**
>
> Christophe Schramm, Head of Strategy and Sustainability, Siemens Energy AG

The second panel of the 2024 ECGI Responsible Capitalism Summit, moderated by **Sahar Shamsi** (Partner, Oxera Consulting), focused on corporate and industrial decarbonization pathways. The discussion centered around how companies and industries can transition toward net-zero emissions, navigating the challenges and opportunities presented by technological innovation, regulatory pressures, and corporate governance.

Christophe Schramm (Head of Strategy and Sustainability, Siemens Energy Transformation of Industries) provided an overview of Siemens Energy's approach to industrial decarbonization. Siemens Energy plays a key role in helping industries transition from traditional fossil fuel-based energy systems to cleaner alternatives, focusing on innovation and strategic partnerships to drive decarbonization.

Schramm outlined Siemens Energy's efforts to phase out fossil fuels in their operations and their strategy to support industrial clients in transitioning from coal to gas and, eventually, to renewable energy. He noted that while transitioning away from coal is an important step, it is an interim solution, with the ultimate goal being a shift to carbon-free energy sources, such as hydrogen.

A significant portion of Schramm's presentation focused on the development of hydrogen technology. He discussed Siemens Energy's investment in hydrogen as a key element of the energy transition and highlighted the challenges of scaling up hydrogen projects, particularly in terms of making them commercially viable.

Nazneen Rahman (CEO, YewMaker; Board Member, AstraZeneca PLC) shared insights into AstraZeneca's efforts to integrate sustainability into its corporate strategy, providing perspectives from the pharmaceutical sector. She emphasized the importance of decoupling corporate growth from environmental impact, noting that AstraZeneca has

> **"I had a degree of skepticism whether the motivations of a big corporation really could be aligned to delivering the planet that we need to, that our children deserve. I was completely wrong."**
>
> Nazneen Rahman, CEO, YewMaker; Board Member, AstraZeneca PLC

PANEL 2: TRANSITION PATHWAYS

successfully grown as a business while significantly reducing its overall emissions.

Rahman described AstraZeneca's approach to corporate sustainability which includes delivering on its ambitious decarbonization targets and embedding sustainability into the company's governance structure. She highlighted that AstraZeneca has linked executive compensation to the achievement of sustainability goals, ensuring accountability at the highest levels of the company.

One of the key takeaways from Rahman's presentation was the importance of supply chain decarbonization. She discussed AstraZeneca's work to reduce emissions across its entire value chain, including its efforts to engage suppliers in sourcing renewable energy and improving their own environmental practices.

The second panel discussion provided valuable insights into the pathways for corporate and industrial decarbonization. Schramm and Rahman each highlighted the different facets of the transition—technological innovation and corporate governance—that must come together to achieve net-zero emissions.

Key Insights

The Role of Technology in Industrial Decarbonization

Schramm highlighted the critical role of technological innovation in industrial decarbonization. Technologies like hydrogen electrolyzers are essential for reducing emissions in energy-intensive industries, but they face significant challenges in terms of scalability and profitability.

Schramm pointed out that while natural gas can serve as a transition fuel, the ultimate goal is to pivot entirely to zero-emission energy sources. Siemens Energy's focus on hydrogen technology was presented as a key solution for decarbonizing heavy industries such as steel and cement production.

Corporate Sustainability and Governance

Rahman provided a strong example of how corporations can successfully align growth with sustainability. AstraZeneca's approach demonstrates that companies do not have to choose between profitability and environmental responsibility: they can achieve both by integrating sustainability into their business operations. Key to this is leadership buy-in, investment and capability, and a culture which promotes sustainability as core to licence to operate.

The discussion on linking executive compensation to sustainability targets was particularly insightful. Rahman explained that by tying financial incentives to environmental performance, AstraZeneca incentivises its leadership to delivering on its decarbonization goals.

PANEL 2: TRANSITION PATHWAYS

Decarbonizing Supply Chains

One of the central challenges discussed by Rahman was the difficulty of decarbonizing supply chains. While AstraZeneca has made significant progress in reducing its direct emissions, much of its environmental impact comes from its supply chain (Scope 3). Engaging suppliers and helping them adopt renewable energy and sustainable practices is a crucial part of AstraZeneca's strategy.

Rahman emphasized that companies must take responsibility for the environmental impact of their entire value chain, not just their direct operations, if they are to achieve meaningful decarbonization in line with science-based targets.

Challenges and Opportunities

Scaling up Hydrogen and Other Technologies

While hydrogen technologies hold great promise, Schramm highlighted the challenges of commercial viability and scaling. He called for greater investment and policy support to help hydrogen reach the level of adoption necessary to decarbonize heavy industries.

The discussion pointed out that public-private partnerships are key to advancing these technologies. Governments must provide the regulatory frameworks and financial support to enable companies like Siemens Energy to scale up these innovations.

Balancing Profitability and Sustainability

Both Rahman and Schramm discussed the challenge of balancing short-term profitability with the long-term goal of sustainability. While many companies recognize the need to transition to greener practices, they also face pressures to remain profitable and competitive in the short term.

Rahman's experience at AstraZeneca illustrated that sustainability can drive growth when it is integrated into the company's core strategy. However, she acknowledged that the journey to decarbonization requires a long-term vision and commitment from both leadership and shareholders.

Regulatory and Policy Support

The panelists emphasized the role of governments in setting the policy frameworks that enable businesses to decarbonize. Strong regulatory signals are essential for driving investment in green technologies and ensuring that companies stay on track with their climate commitments.

KEYNOTE: JENNIFER MORGAN

> **"The climate crisis is a terrifying common experience, a crisis that can only be overcome by collaboration."**
>
> Jennifer Morgan, State Secretary and Special Envoy for International Climate Action at the German Federal Foreign Office

Jennifer Morgan, State Secretary and Special Envoy for International Climate Action at the German Federal Foreign Office, delivered a compelling keynote at the 2024 ECGI Responsible Capitalism Summit, emphasizing the critical need for immediate climate action and the importance of global collaboration in achieving climate goals. Drawing from her extensive experience in international climate diplomacy, Morgan laid out a clear case for why the world must accelerate efforts toward decarbonization, particularly as the impacts of climate change become increasingly severe.

The Urgency of Immediate Climate Action

Morgan opened her address by highlighting the ever-worsening climate crisis. She emphasized that the world has no time to lose, stating that the devastating impacts of climate change are already being felt globally, and the window to keep global warming below 1.5°C is rapidly closing.

She pointed to the extreme weather events witnessed in recent years—floods, droughts, wildfires, and heatwaves—as evidence that climate change is not a distant threat but an immediate challenge that must be addressed. These events are no longer "outliers" but are becoming the new normal, affecting millions of people, particularly in vulnerable regions of the world.

Morgan's core message was that delaying action is not an option. Every year of inaction makes it harder—and more expensive—to mitigate climate change's worst impacts. She urged policymakers and businesses alike to act now, highlighting that achieving net-zero emissions by mid-century will require ambitious and sustained efforts starting immediately.

Global Collaboration is Key

A major theme of Morgan's address was the need for radical collaboration. She stressed that solving the climate crisis requires unprecedented cooperation across borders and sectors. No single country, corporation, or community can achieve the needed transition alone.

Morgan drew upon the success of the Paris Agreement, which brought together governments, businesses, civil society, and municipalities to commit to climate action. She reflected on the achievements since Paris but emphasized that the pace of progress must accelerate.

She pointed out that international collaboration will be especially important in sectors like energy, transport, and agriculture, where the transition to sustainability is complex and requires coordinated action across supply chains and

KEYNOTE: JENNIFER MORGAN

regulatory environments. In this context, she called for governments, businesses, and international organizations to align their efforts and create cross-border partnerships that will facilitate a just and efficient transition to a low-carbon economy.

Lessons from Paris

Morgan reflected on the success of the Paris Agreement and how it changed the global climate landscape. She reiterated that Paris brought in not only national governments but also non-state actors, including cities, companies, and civil society, to take meaningful climate action.

The lesson from Paris, Morgan noted, was that ambition is essential. The agreement set the world on a clear path toward decarbonization, but as the science has evolved, it's clear that the global community must now "raise our game." She argued that countries must increase their Nationally Determined Contributions (NDCs) and that businesses must set science-based targets aligned with keeping temperature rise below 1.5°C.

The Role of Finance and Business in Driving Decarbonization

Morgan highlighted the vital role of finance in accelerating the transition to a net-zero economy. She called on financial institutions to step up their efforts, not only by phasing out financing for fossil fuel projects but also by actively supporting renewable energy and green technologies.

She noted that businesses and the private sector are crucial actors in this transition.

> **"We know the investments can pay off - every euro invested in climate action prevents six times as much climate related damage."**
>
> Jennifer Morgan, State Secretary and Special Envoy for International Climate Action at the German Federal Foreign Office

Companies must integrate Environmental, Social, and Governance (ESG) principles into their core operations and ensure that their business models are compatible with a net-zero future. She also stressed that businesses must be transparent about their environmental impacts, with clear reporting on emissions and the steps they are taking to reduce their carbon footprints.

Morgan praised initiatives like the Climate Action 100+, which encourages companies to align their strategies with the goals of the Paris Agreement. However, she stressed that more businesses need to come forward with credible climate commitments and follow through with concrete actions, not just pledges.

The Importance of a Just Transition

Morgan placed strong emphasis on the need for a just transition, ensuring that the move toward a low-carbon economy is socially inclusive and equitable. She warned that

KEYNOTE: JENNIFER MORGAN

> **"We modernize now or we watch the impact spiral out of control, so pessimism is not an option and radical collaboration is the way we need to go."**
>
> Jennifer Morgan, State Secretary and Special Envoy for International Climate Action at the German Federal Foreign Office

climate action which does not consider the social and economic impacts on vulnerable communities will fail.

She acknowledged the difficulties faced by developing countries, which often bear the brunt of climate impacts despite contributing the least to global emissions. For these countries, the financial and technological support from developed nations is critical for enabling their transition to renewable energy and building resilience against climate-related disasters.

Morgan reiterated the importance of the $100 billion annual climate finance commitment made under the Paris Agreement, which is yet to be fully realized. She called for wealthy nations to honor their pledges and provide increased funding to developing countries, particularly as they deal with the dual challenges of mitigation and adaptation.

Technology and Innovation

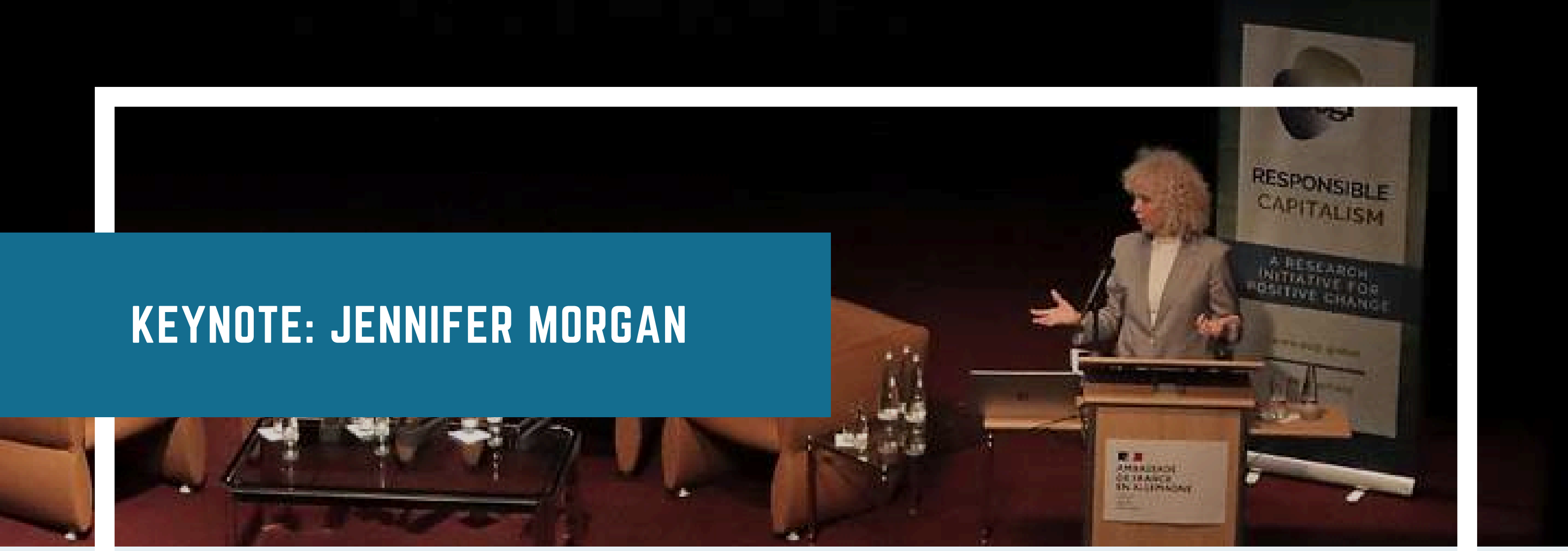
While Morgan acknowledged the importance of technological innovations—from renewable energy to carbon capture—she cautioned against relying too heavily on unproven technologies to solve the climate crisis. Echoing sentiments expressed by other speakers at the summit, she warned against “techno-illusionism”, where the hope for future technologies delays immediate action.

That said, Morgan was optimistic about the potential of existing technologies like solar, wind, and battery storage to transform the energy landscape. She called for governments to scale up investment in these technologies and for companies to prioritize research and development (R&D) into scalable solutions that can decarbonize high-emission sectors.

Upcoming Climate Summits (COP29 and COP30)

Morgan concluded her address by discussing the critical importance of the upcoming COP29 and COP30 climate summits. She noted that these international gatherings will provide a platform for countries to raise their climate ambition and make more concrete commitments to achieving net-zero emissions.

She highlighted that these COPs must focus on financing and sectoral commitments. In particular, COP30, which will be hosted by Brazil, will be crucial for addressing deforestation and other land-use challenges that are central to the climate agenda.



KEYNOTE: JENNIFER MORGAN

Morgan called on world leaders to engage in intensive diplomatic efforts in the lead-up to these summits, emphasizing that the global community cannot afford another round of empty promises. The time for action is now, and the upcoming COPs will be pivotal in determining whether the world can stay on track to meet the goals of the Paris Agreement.

Jennifer Morgan's keynote was a powerful call to action, emphasizing the urgency of climate action and the critical role that international collaboration will play in achieving global decarbonization. Her message was clear: delaying action is not an option, and both the public and private sectors must step up their efforts to meet the challenge of the climate crisis. By focusing on finance, technology, and a just transition, Morgan laid out a comprehensive vision for how the world can move toward a more sustainable future.

Key Insights

Urgency: Morgan's keynote reinforced the urgent need for action, highlighting that climate change is an immediate crisis, not a future threat.

Collaboration: Solving the climate crisis requires unprecedented levels of global cooperation between governments, businesses, and civil society.

Business and Finance: Financial institutions and businesses must play a central role in driving the energy transition, with clear commitments, transparency, and support for renewable technologies.

Just Transition: A successful transition to a low-carbon economy must be socially equitable, ensuring that vulnerable communities and developing nations are supported.

Innovation with Caution: While technological solutions are crucial, they should not serve as an excuse to delay necessary action on decarbonization.

CONCLUSION

> **"[The transition] will require new markets, new pricing mechanisms, and intelligent regulation"**
>
> Herman Daems, Chairman of ECGI and Honorary Chairman of BNP Paribas Fortis

The 2024 ECGI Responsible Capitalism Summit provided a crucial platform for leading experts, policymakers, and business leaders to reflect on the progress made since the 2015 Paris Agreement and explore pathways to accelerate the transition toward net-zero emissions. The summit underscored the growing recognition that corporate governance, financial markets, and international collaboration must evolve rapidly to meet the mounting challenges posed by climate change.

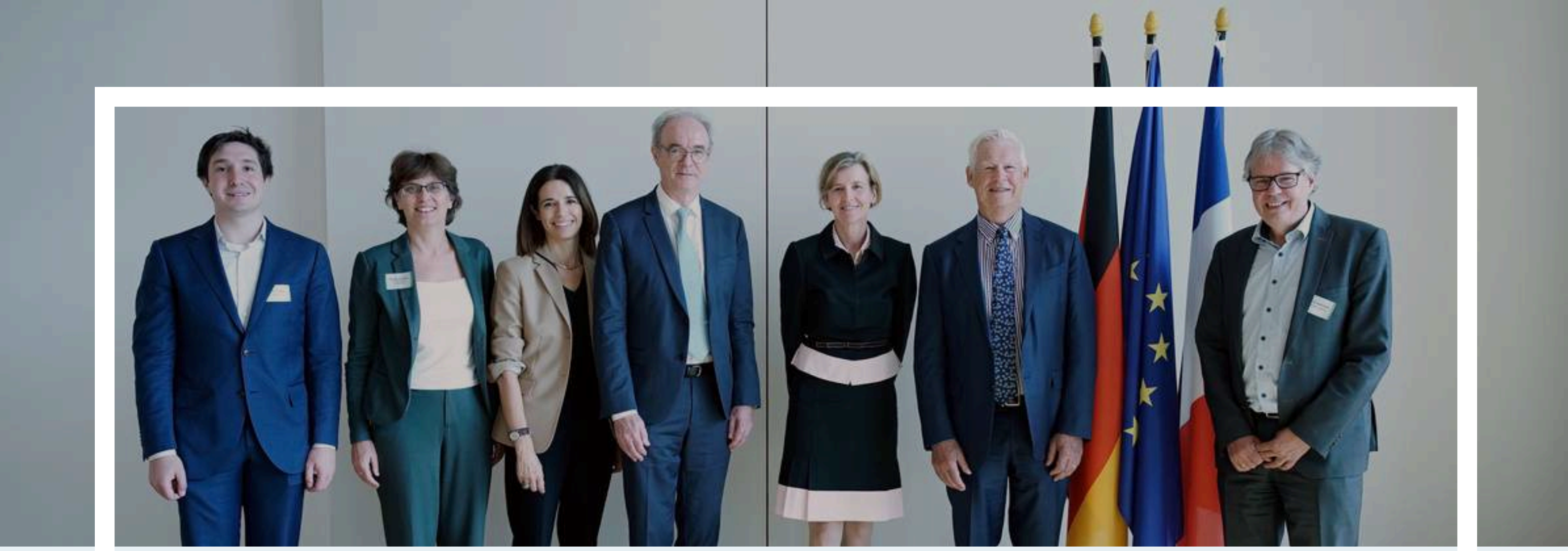
Throughout the day, keynote addresses and panel discussions highlighted the need for radical collaboration, where governments, businesses, and civil society work together to create the conditions necessary for meaningful climate action. The role of the financial sector was a recurring theme, with calls for banks, investors, and regulators to align capital flows with decarbonization goals and to cease financing projects that perpetuate dependence on fossil fuels.

The summit also brought attention to the technological and economic innovations that are reshaping industries. Speakers emphasized the potential of renewable energy, hydrogen, and other emerging technologies to drive industrial decarbonization, but they also cautioned against over-reliance on unproven solutions. The need for public-private partnerships and strong regulatory frameworks was repeatedly emphasized as essential to supporting the scaling of these technologies.

A key takeaway from the summit was the importance of ensuring a just and equitable transition, where climate action does not exacerbate social and economic inequalities. Vulnerable communities and developing nations must be provided with the financial support and technological assistance needed to transition to a sustainable future without sacrificing development goals.

As the world looks ahead to key milestones such as COP29 and COP30, the urgency of increasing ambition and accountability became clear. The stakes are high, and the window for keeping global warming below 1.5°C is rapidly narrowing. However, the summit concluded on a note of cautious optimism, with a recognition that collective action, innovative finance, and robust policy frameworks can drive the transition toward a resilient, low-carbon economy.

The insights gained from the 2024 ECGI Responsible Capitalism Summit reinforce the message that the time for bold action is now. By embracing responsible capitalism, where businesses consider the social and environmental impacts of their actions, and by accelerating investments in sustainable technologies and practices, the global community can steer itself toward a future that is not only prosperous but sustainable for generations to come.



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PROGRAMME

Tuesday, 10 September 2024

08:15 Registration

09:15 **Opening Remarks**

Patrick Bolton, Imperial College London and ECGI

09:30 **PANEL 1: DECARBONIZATION IN THE FINANCIAL SECTOR**

Moderator: **Patrick Bolton,** Imperial College London and ECGI

Panelists:

"Measurement and Effects of Bank Exit Policies"
Boris Vallée, Harvard Business School

"Carbon Emissions and the Bank-Lending Channel"
Marcin T Kacperczyk, Imperial College London

10:50 Coffee Break

11:10 **PANEL 2: CARBON EMISSIONS ALLOWANCE MARKETS (VOLUNTARY AND REGULATED)**

Moderator: **Dirk Schoenmaker,** Erasmus University Rotterdam

Panelists:

"Market Design for the Environment"
Estelle Cantillon, Université libre de Bruxelles

“The Evolving Role of Greenhouse Gas Emission Offsets in Combating Climate Change”
Zachery Halem, Director, Lazard Climate Center

12:30 Close of morning session

13:00	Registration (Public Sessions)
13:45	**Welcome and Introduction**
	François Delattre, Ambassador to Germany, French Republic **Herman Daems,** Chair of the Board, ECGI; Honorary Chair, BNP Paribas Fortis **Marco Becht,** Solvay Brussels School and Executive Director, ECGI
14:15	**POLICY KEYNOTE**
	Laurent Fabius, President of the Constitutional Council, France; Former Prime Minister of France; Former President of the Cop21 "Paris Agreement
15:00	**ACADEMIC KEYNOTE**
	Robert F. Engle, Nobel Laureate (Economics) (2003); Emeritus Professor of Finance at NYU Stern School of Business
15:45	Coffee Break
16:15	**PANEL 1: THE ROLE OF FINANCE**
	Moderator: **Patrick Bolton,** Imperial College London and ECGI Panelists: **Nils Bartsch,** Head of Oil and Gas Research, Urgewald e.V. **Dirk Schoenmaker,** Erasmus University Rotterdam **Eva Meyer,** Chief Sustainability Officer Germany, BNP Paribas
17:20	**PANEL 2: TRANSITION PATHWAYS**
	Moderator: **Sahar Shamsi** CFA, Partner, Oxera Panelists: **Christophe Schramm,** Head of Strategy and Sustainability, Transformation of Industry, Siemens Energy AG **Nazneen Rahman,** CEO of YewMaker; Member of the Board and Chair of the Sustainability Committee, AstraZeneca PLC
18:30	**CLOSING POLICY KEYNOTE**
	Jennifer Morgan, State Secretary and Special Envoy for International Climate Action at the Federal Foreign Office, Germany
19:15	**CONCLUDING REMARKS**
19:20	**COCKTAIL RECEPTION**

BIOGRAPHIES

Nils Bartsch is Head of Oil & Gas Research at Urgewald, a German nonprofit known for developing and maintaining data sets on the global fossil fuel industry. Having started his career in finance he is now in charge of GOGEL, a data base project which provides company-level information on oil- & gas-related upstream, midstream and power activities. These days, GOGEL data is being put to use by more than 250 financial institutions from over 20 countries. Nils is passionate about developing metrics which can drive the global energy transition and shed light on business activities that obstruct our pathway to 1.5˚C.

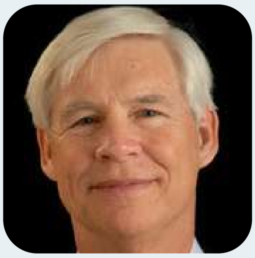
Marco Becht is a Professor of Finance and the Goldschmidt Chair Professor of Corporate Governance and Stewardship at the Solvay Brussels School for Economics and Management at Université libre de Bruxelles and also teaches at Imperial College London. He is a Founder Member, a Fellow and the Executive Director of the European Corporate Governance Institute (ECGI), and a Fellow in Financial Economics at the Centre for Economic Policy Research (CEPR). He also co-founded the Global Corporate Governance Colloquia (GCGC) series.

Patrick Bolton is a Professor of Finance and Economics at Imperial College London. Previously, he was the David Zalaznick Professor of Business at the Columbia Business School. He also worked as a professor at the University of California at Berkeley, Harvard University, the C.N.R.S. Laboratoire d' Econométrie de L' Ecole Polytechnique, London School of Economics, Université libre de Bruxelles and Princeton University.

Estelle Cantillon is a Professor of Economics at the Université libre de Bruxelles (ULB), a research fellow at CEPR and an elected member of the Royal Academy of Arts and Sciences of Belgium. Her current research focuses on carbon emissions markets, electricity market design and climate transition policies. She joined the faculty of ULB in 2004 and has held faculty appointments at Yale, Harvard Business School and the Harvard Kennedy School of Government. She also sits on the boards of Belfius group and Tapio, a climate solution start-up.

Herman Daems is the Chair of the Board of ECGI and former Chair of the Board of BNP Paribas Fortis (2009 - 2022). He is an emeritus Professor at the Faculty of Economics and Management of KU Leuven and former Chair of the Board of Governors at KU Leuven (2012 - 2020). He has chaired the Belgian Corporate Governance Committee, and was a member of the executive committee of the VBO/FEB. He was a visiting Professor at the Harvard Business School, UCLA, UC Davis, Groningen and IESE in Barcelona and held twice a Fullbright Fellowship.

François Delattre is the Ambassador of France to Germany. Previously, he was the Secretary-General of the Ministry of Europe and Foreign Affairs and served as France's Permanent Representative. He was the French Ambassador to the United States, the French Ambassador to Canada, the Consul General in New York and he was part of President Jacques Chirac's diplomatic team. He advised Minister of Foreign Affairs Alain Juppé from 1993 to 1995, after two years in the Directorate of Strategic Affairs and Disarmament at the Quai d'Orsay. He also served as Deputy Director of the Cabinet of Minister of Foreign Affairs Dominique de Villepin. In recognition of his service, Delattre has been honoured as a Knight of the Legion of Honor and an Officer of the National Order of Merit.



Robert F. Engle was awarded the 2003 Nobel Prize in Economics for his research on the concept of autoregressive conditional heteroskedasticity (ARCH) and shared the prize with Clive W. J. Granger of the University of California at San Diego. He is currently the Co-Director of the NYU Stern Volatility and Risk Institute and is the Co-Founding President of the Society for Financial Econometrics (SoFiE). Before joining NYU Stern in 2000, Professor Engle was a Professor and Economics Department Chair at the University of California, San Diego, and Associate Professor of Economics at the Massachusetts Institute of Technology. Professor Engle is an expert in time series analysis and has a long-standing interest in the analysis of financial markets. His current research is focused on climate finance and risk.

Laurent Fabius was appointed President of the Constitutional Council in 2016, by the President of the Republic. He previously occupied several governmental positions in France: Minister for the Budget (1981-1983), Minister of Industry and Research (1983-1984), Prime Minister (1984-1986), Minister for the Economy, Finance and Industry (2000-2002), Minister of Foreign Affairs and International Development (2012-2016). He was also Member of Parliament from 1978 to 2012, and served twice as President of the French National Assembly. In 2015, as President of the COP 21, he played a crucial role in the negotiations that led to the Paris Climate Agreement, the first universal agreement to fight against climate change.

Zachery Halem is the Director of the Lazard Climate Center, a position that places him at the forefront of financial analysis and advisory related to climate change and energy transition. His work primarily focuses on the financial impacts of climate change, including the effects of greenhouse gas emissions on corporate valuations, the role of carbon offsets, and climate risk quantification.

Marcin Kacperczyk is a Professor of Finance at Imperial College London with research interests in the areas of sustainable investments, climate finance, information economics, financial intermediation, and financial stability. He is a Research Associate at the Center for Economic Policy Research and the managing editor of the Review of Finance. He is a past holder of a European Research Council research grant and former President of the European Finance Association.

Eva Meyer is Chief Sustainability Officer and responsible for the sustainability activities of the BNP Paribas Group in Germany. She has built a team which serves as Center of Expertise for all business units and clients in Germany and steers the sustainability strategy in Germany. Meyer began her professional career in 2005 at Commerzbank AG, where she had various roles in the Corporate and Investment Banking division, last as a senior relationship manager. In 2014 Meyer joined BNP Paribas Corporate. Before her current position, she was responsible for Corporate Clients as Senior Relationship Manager.

Jennifer Morgan is State Secretary and Special Envoy for International Climate Action at the Federal Foreign Office, Germany. She was previously Director of the Global Climate Campaign of WWF International and Director of the Climate Program of the World Resources Institute (WRI). She was a member of the Scientific Advisory Board of the Potsdam Institute for Climate Impact Research (PIK) and the Council for Sustainable Development of the Federal Government. Before her assignment to the Federal Foreign Office, she was Managing Director of the environmental organization Greenpeace International (GPI).

Nazneen Rahman is a scientist, doctor, entrepreneur, and non-executive director. She is Founder and CEO of YewMaker, which leads leads the Sustainable Medicines Partnership and creates science-based sustainable healthcare solutions, including MCF Classifier - a medicines carbon footprint solution. . She is a Non-Executive Director at AstraZeneca PLC, where she chairs the Sustainability Committee. She was previously Professor of Human Genetics and Head of Cancer Genetics at the Royal Marsden NHS Foundation Trust. She has received many awards, including a CBE for services to Medical Science. Nazneen is also a Singer-Songwriter and has released four albums.

Dirk Schoenmaker is a Professor of Banking and Finance at the Rotterdam School of Management, Erasmus University Rotterdam. He is also a CEPR Research Fellow and co-author of the textbooks 'Principles of Sustainable Finance' and 'Financial Markets and Institutions: A European Perspective by Corporate Finance for Long-Term Value'. Before joining RSM, he was Dean of the Duisenberg school of finance and also served at the Netherlands Ministry of Finance. In the 1990s he served at the Bank of England. He is a regular consultant for the IMF, the OECD and the European Commission.

Christophe Schramme is Vice-President Portfolio and Business Strategy for Siemens Energy's Transformation of Industry business area. Before joining Siemens Energy in May 2024, Christophe was VP of Strategy & Product at Symbio (2021-2024), and held various positions at Solvay/Syensqo (2014-2021). Christophe also worked for 7 years in the public sector as adviser to the French environment & energy minister on renewable energies (2012-2013), as policy expert on energy infrastructures at the European Commission (2010-2012) and as deputy head of unit for renewable energies at the French energy ministry (2007-2009).

Sahar Shamsi, CFA, is a Partner at Oxera Consulting LLP and jointly leads Oxera's Energy and Climate Economics teams. She specialises in finance, with a focus on the economic regulation of utilities. She has advised companies and regulators across the UK, Europe, the Middle East and Australasia. She has also given expert evidence on regulatory issues in the UK and internationally, including in Austria, the Channel Islands and New Zealand. Sahar chaired Oxera's session at the World Leaders' day at COP26 on the Economics of Climate Change. Sahar is listed as an Energy Expert in the Who's Who Legal: Thought Leaders - Global Elite guide to leading lawyers and experts in the field worldwide.

Boris Vallée is the Torstein Hagen Associate Professor in the Finance Unit of Harvard Business School. He is also actively contributing to the Labor and Finance literature. His work has been cited by The Economist, the Financial Times, Forbes, The Wall Street Journal and the Boston Globe. He teaches Real Property in the MBA elective curriculum, and previously taught the Finance II (Corporate Finance) course in the MBA required curriculum. He is an Associate Editor at the Journal of Corporate Finance, a member of the scientific comittee of the Autorites des Marches Financiers (AMF), and a fellow of the Luohan Before beginning his doctoral studies, Professor Vallée was an investment banker at Deutsche Bank in London..

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