

Media Information

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Capitalising³ on Natural Resources: New Dynamics in Financial Markets

Report of the 9th International Sustainability Leadership Symposium 2008 published

Zurich, 22 December 2008 – Today the report of the 9th International Sustainability Leadership Symposium, which took place from 10 to 11 September 2008 at the Swiss Re Centre for Global Dialogue in Rüschlikon, Zurich, was published. It summarizes the findings of the conference at which some 180 participants, among them experts such as Lord Nicholas Stern, author of the “Stern Review on the Economics of Climate Change”, Hans-Bernd Menzel, CEO of the European Energy Exchange, and Achim Steiner, Executive Director of the United Nations Environment Programme discussed the topic of “Capitalising³ on Natural Resources: New Dynamics in Financial Markets”.

Download the full report at:

www.sustainability-zurich.org/natural-resources

According to the report, the management of natural resources, such as air and climate, water, and biodiversity and food, presents societies and economies with an enormous challenge. The availability and quality of natural resources have come under threat, commodities and public goods are becoming scarce. Ecosystems are reduced in their diversity. The rapid economic expansion of emerging markets, the rise in wealth and affluence coupled with the growing global population as well as the evident climate change add complexity to the challenge of natural resource management.

The financial sector has the potential and the instruments to play a vital role as a catalyst for the conservation and value enhancement of natural resources. The conference examined how financial markets and institutions may channel investment capital into more efficient uses of scarce resources. Acute scarcities were perceived as main drivers for innovation with respect to natural resource usage and protection. However, markets also emerge when scarcities are created through the introduction of cap and trade systems or where new financial products are modelled according to norms such as environmental liability rules, thereby helping to deal with scarce resources such as biodiversity.

The conference identified regulation as a key factor for the emergence and development of environmental markets and products. Markets require clear objectives such as emission caps, but also information and confidence. Political will, as a reflection of public choice is fundamental, but has to be reliable and predictable to avoid market disruption and to breed investor confidence.

The symposium demonstrated that the success of the carbon market, which today displays the characteristics of a fully developed capital market, cannot be transferred to other environmental markets without significant adjustments. Although much hope is vested in the ability to use the experience of creating the carbon market to build similar markets for water or biodiversity, there is no “one-size-fits-all” approach to harnessing market forces for natural resource usage and protection. Differentiated and tailor-made solutions are needed to reflect the specific features of different classes of resources.

Since markets for natural resource management are in very different stages of development, the approaches of investors to “testing the waters” of natural resource usage and protection vary greatly. Some develop or use investments based on environmental, social and governance criteria, while others may err on the side of caution by choosing sponsoring or strategic philanthropy with a reputational focus as a market entry. As some are “testing the waters” others may be driven by price differentials. Thus, opportunism will remain a reality also for environmental markets.

In summary, the symposium revealed that market dynamics in natural resource management are still at a nascent stage. Further public policy stimulation and a sense of urgency are needed to help avert potentially devastating environmental degradation.

About The Sustainability Forum Zürich

The Sustainability Forum Zürich (TSF) is an independent, non-profit, non-partisan association, founded by leading representatives from business, science and public authorities from Zürich and increasingly joined by financial market players from throughout Europe. As laid down in its statutes, the association has the purpose of organising and realising the annual International Sustainability Leadership Symposium and other dialogue events as well as connected research and promotion of projects, in particular as pertaining to the sustainability topic relevant to the financial market.