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Unconventional climate policy: the next frontier

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The Canfin-Grandjean Commission released its report yesterday, commissioned by the President of France, Francois Hollande. This [report](#) explores conventional and unconventional policy options to increase investment in low-carbon, and climate-resilient infrastructure projects.

After the economic crisis, central banks put in place a series of so-called 'unconventional monetary policies', notably quantitative easing, forward guidance on negative interest rates, and so on. As noted by Canfin and Grandjean, these policies stabilised the global economy but did not relaunch investment. And 'green investment' remains well

below what would be needed to stay below 2 degrees.

A similar kind of policy and intellectual evolution is occurring in the sphere of climate policy. Hitherto, climate policy has been dominated by what we might term 'conventional climate policy instruments' – carbon pricing, standards, and technology policies such as feed-in tariffs.

Recently, however, there has been an increasing amount of research and policy experimentation with 'unconventional climate policy instruments', notably to create stronger incentives for the financial sector to invest in low-carbon, climate resilient projects.

This is based on the realisation that the lack of strong conventional climate policies is only one factor holding back climate investment. Investors are also constrained by other incentives that they face, quite apart from climate policy. Chronic and systemic short-termism in the financial sector is only one example. These incentives are the consequence of current market structures and, in part, regulation. Addressing them appears crucial to freeing up capital for climate investment.

In a recent paper for a leading international think tank on climate and financial governance, the Centre for International Governance Innovation (CIGI), IDDRI and CDC Climat Research explored [the rationale for unconventional climate policies relating to the financial sector](#). The paper also explored potential entry points for international financial governance institutions to better integrate climate issues in the current mandates and work. Many of the recommendations in this paper find an echo in the Canfin-Grandjean report. The paper shows that there is a lot that international financial governance institutions could do to better integrate climate issues, without fundamentally deviating from their current mandates. Some, particularly at the national level, are starting to do so.

It is therefore encouraging to find this convergence of perspectives between the analysis being released by reports like the Canfin-Grandjean Commission, the [UNEP Inquiry on a Sustainable Financial Sector](#), and IDDRI's work in this field. They provide a basis of policy recommendations that could be picked up over time in institutions like the G20, the IMF, and the insurance and banking regulators.