

News release

BlueOrchard publishes Climate Finance study

Zurich, 25 September 2019 – Impact investment manager BlueOrchard (“BlueOrchard”), in collaboration with the FINEXUS Center for Financial Networks and Sustainability of the University of Zurich, has analysed opportunities and challenges that climate change poses for financial players. A strong partnership between private investors and the public sector was identified as a pivotal element to maximise synergies and mobilise capital required to achieve the targets outlined in the Paris Agreement and the Sustainable Development Goals (SDGs).

In “Rethinking Climate Finance”, BlueOrchard and Prof. Stefano Battiston, director of the FINEXUS Center for Financial Networks and Sustainability of the University of Zurich, discuss climate-related risks and their impact, especially on less-developed countries as well as potential economic losses in the financial system. Building on their experience and knowledge in the asset-management industry, the paper highlights the urgent need but also great opportunity for private financial players to develop portfolios that are more resilient to climate-related risks. The paper provides insights in the form of a case study and a private investor survey, discussing how climate finance and investment vehicles must be developed further to meet private investors’ needs and expectations in order to enable them to take advantage of the climate finance market’s opportunities and to increase their engagement in climate finance.

Furthermore, the paper identifies important steps that need to be taken in order for the private sector to realise the significant role it has in upscaling the funding needed to reach the targets of the Paris Agreement and the SDGs and help tackle the consequences of climate change. Rethinking financial risk by taking a science-based and forward-looking approach to risk has been identified as key for resilience. Finally, the strengthening of the partnership between private investors and the public sector has been highlighted as a crucial aspect in this context.

The paper is enriched by a number of testimonials of renowned public and private sector representatives, such as the European Investment Bank, the German development bank KfW, and Nordea, the largest financial services group in the Nordic region.

BlueOrchard and the Department of Banking and Finance of the University of Zurich are working towards a cooperation to develop scientific metrics and bridging the gap between research and practice. This paper on climate finance presents a first step in that direction.

“Public concessional finance alone is unlikely to bridge the climate finance gap. Achieving climate mitigation and adaption objectives requires major engagement of the private sector by scaling up private investments. The private sector still has a long road ahead and could benefit significantly from partnering with the public sector”, said Maria Teresa Zappia, BlueOrchard’s CIO.

Stefano Battiston, SNSF Professor of Banking and director of the FINEXUS Center for Financial Networks and Sustainability of the University of Zurich pointed out: *“Navigating the transition to a low carbon economy requires public and private investors to rethink their approach to risk analysis. At the University of Zurich, we have developed a framework to manage climate-related financial risks using a forward-looking approach. Sustainable finance is a priority for the University of Zurich and we are excited to leverage Blue Orchard’s vast network of investors to share our climate-finance methodology with market participants.”*

Patrick Scheurle, CEO of BlueOrchard said: *“Through the collaboration with the FINEXUS Center for Financial Networks and Sustainability of the University of Zurich, we are able to provide our partners and*

investors with a systematic analysis of the rational of private financial actors to start assessing climate change risks and take advantage of their opportunities. Our aim is not only to provide meaningful insights and guidance related to climate finance but also to send a strong signal that action regarding to climate finance is much needed and of highest importance."

About BlueOrchard Finance Ltd

BlueOrchard is a leading global impact investment manager. The firm is dedicated to fostering inclusive and climate-smart growth, while providing attractive returns for investors. BlueOrchard was founded in 2001, by initiative of the UN, as the world's first commercial manager of microfinance debt investments. Today, BlueOrchard provides investors around the world with premium investment solutions, including credit, private equity, and sustainable infrastructure. Being an expert in innovative blended finance mandates, the firm is a trusted partner of leading global development finance institutions. With a major global presence and offices on four continents, BlueOrchard has invested to date more than USD 6bn across 80 emerging and frontier markets, enabling tangible social and environmental impact. BlueOrchard is a licensed Swiss asset manager of collective investment schemes authorized by FINMA. Its Luxembourg entity, BlueOrchard Asset Management S.A., is a licensed UCITS management company as well as a licensed alternative investment fund manager (AIFM) authorized by CSSF. For additional information, please visit: www.blueorchard.com.

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