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From the desk of

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enough and there are barriers, not least financial ones, preventing it realising its true potential. We also need greater investment and more imaginative economic instruments to deliver greater energy efficiency.

This issue of *Our Planet* comes out in time for the 11th session of the Conference of the Parties to the Climate Change Convention and its Kyoto Protocol in Montreal, Canada. The growing activity over cleaner energy is in no small part due to the Protocol's anticipated, and then final entry, into force – setting emission reduction targets and time tables up to 2012. I would like to pay tribute here to Joke Waller-Hunter, the Framework Convention's executive secretary who sadly passed away in October.

Emerging economies

Besides the Kyoto process, considerable activity is taking place in rapidly emerging economies, like China, and new initiatives are being spearheaded by the G8 and the United States emphasising technology transfer to developing countries. These activities cannot be a substitute for the Protocol, but they can complement it and may – if carefully scripted – help take us beyond 2012 towards the even deeper cuts needed to stabilise the atmosphere.

Let us hope that the investment community supports all these efforts. For as the Finance Initiative report makes clear, investment that takes account of environmental, social and governmental issues both makes economic sense and meets the wider and deeper goals so many of us espouse ■

There has been considerable debate over whether institutional investors in areas like pension funds have a legal duty to factor environmental, social and governance issues into their investment decisions. Some argue that these issues affect the performance of investments and thus the portfolios they manage. Yet many institutional investors continue to take the traditional view – that such issues are marginal, even irrelevant and that their legal responsibility is simply to maximise profits along more narrow lines.

Investment decision

A new legal appraisal, aimed at resolving this dilemma, would seem to steer the debate towards the first camp and has wide-ranging implications for the way the world operates, not least over energy and climate change. The study – compiled by Paul Watchman, a partner at the UK-based law firm Freshfields, Bruckhaus Deringer, on behalf of the UNEP Finance Initiative – concludes that institutional investors do have a legal responsibility to consider wider issues in their investment decision. "Indeed", it adds, "a failure to have regard to such considerations will often be a breach of the legal duties applicable to institutional investors."

It also concludes that, legally, investors must take into account the views of those who ultimately benefit from their activities and that those views are evolving to reflect society's interests in environment,

social and governance matters. This has potentially profound implications on issues ranging from child labour to climate change.

Energy can also be a moral issue. The poor need it to pull them out of deprivation, but they also need it in more efficient and indigenous forms. Every time the oil price bounces over the \$50 a barrel mark, poor countries are forced to spend extra money that could be devoted to education or healthcare.

Golden opportunity

Over the next three decades an estimated \$16 trillion is likely to be invested in the energy sector to maintain, replace and expand infrastructure – about 60 per cent of it for electricity. This is a golden opportunity to deliver a less carbon intensive and more energy efficient world. The investment decisions of banks, pension funds, asset managers and others, whose portfolios represent trillions of dollars, will be critical in determining the energy mix.

Solar cells

Renewable energy, like photovoltaics and wind, have become increasingly competitive. Electricity generated from solar cells, for example, has tumbled from 100 cents per kilowatt/hour in 1980 to around 15 today. Meanwhile, the annual investment in renewables has risen sharply, from about \$6 billion in 1995 to over \$16 billion now. But it is clearly not

YOUR VIEWS

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