Strategic Materials for a Low-Carbon Future: From Scarcity to Availability
2-3 November 2017 – Session Summary

Breakout 2c: Financing sustainable resource availability

More investors today are scrutinising the non-financial impacts of their investments. What role does the financial sector play in sustainable resource extraction? How does it integrate interdependent risks related to resource scarcity? What innovative financial tools might stimulate efficient and responsible resource extraction? Will the cost of capital increase significantly for mining companies in the future? How can investments be directed towards solutions which might have higher upfront
capital costs and even sustained periods of negative value, but which are the most sustainable - and therefore most valuable - solution in the long term?

Jamie Butterworth, Founding Partner, Circularity Capital
Ben Caldecott, Director, Sustainable Finance Programme, Smith School of Enterprise and the Environment, University of Oxford

Moderator: Karina Litvack, Independent Non-Executive Director, Eni SpA

- The current challenges to investing in sustainable companies are a lack of evidence (data); the challenge of action, and barriers to entry. We therefore need better transparency, better aligned incentives, and less cognitive bias. Particularly for extractive companies, rudimentary tools are used that are poorly applied (for instance crude carbon inventory analyses). Historically dialogue and engagement have helped, but this only tends to work when the company has strategic choices it can make: pure play companies are more problematic.
- Jamie Butterworth's Circularity Capital is interested in companies that keep assets in cycle for longer. Value has historically been generated in a linear way: fast moving consumer goods companies have 80% discard rates. But technology, data and business models are converging, making products as a service and improved asset utilisation a possibility. Circularity Capital has 840 growth-stage companies in their pipeline, out of which 1 in 100 will be selected for investment.
- There is an increasing number of investors who want both a financial and a non-financial return, and more who are interested in the idea of 'impact' investing.
- For larger companies, the circular economy is an elegant way of examining business risks. This includes benefiting from lower insurance pricing, better credit markets etc.

- A question from the audience challenged the speakers on what is new when the product-as-a-service model has been in existence since 1978. Customers seem unwilling to participate in product-as-service models; actuaries and accountants are resistant to address new accounting challenges such models might produce; and governments favour linear business models in taxation, in waste and so on. The speakers countered that the expansion of data and analytics is a clear enabler for the circular economy in the 21st Century. Also, whilst 'circular economy' is not a mainstream concept, companies will clearly choose net-present-value-positive investments - just not explicitly circular ones. The labelling of 'circular economy' may or may not be helpful at the moment.

There is low-hanging fruit for increasing sustainability, such as redirecting the 6% of global GDP currently devoted to fossil fuel subsidies.