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BLENDING FINANCE CAN ACCELERATE PRIVATE WEALTH OPPORTUNITIES IN SUSTAINABLE INVESTING

01 APRIL 2021

Giles Neville, CEO at [Cazenove Capital](#), reports on a suggested direction for this sector arising from Guernsey's inaugural Sustainable Finance Week in 2020.

Returns remain a critical factor for investors who may be looking at green and sustainable investment for their portfolios – and Covid-19 may have accelerated the opportunity to achieve financial returns, and to do some good.

The opportunity for direct investing is also critical for family offices and private investors to make a difference in this sector, and making an impact, rather than simply adhering to environmental, social and governance (ESG) criteria, will be increasingly important in driving family office money into green and sustainable finance.

In short, there is no doubt that there is a role for private capital to finance the sustainability agenda. But there is still plenty of work to be done.

Issues include investors being held back by lack of adviser knowledge, concerns about greenwashing, funding strategies, and worries surrounding ESG reporting. Many of these concerns were raised by [Guernsey Finance research from 2019](#).

During Guernsey Sustainable Finance Week last summer, a panel including Guernsey private equity veteran Jon Moulton; David Bain, Editor of Family Capital; and Taeun Kwon, Head of Private Wealth Programmes at the University of Zurich's Centre for Sustainable Finance and Private Wealth, considered these issues and more.

On change induced by the pandemic, Taeun Kwon said: "Covid-19 has accelerated a lot of things. A lot of individuals and families started to question the purpose of their wealth and how they can have impact, and realise that in investing their capital, there can be no moral neutrality of it."

David Bain once wrote that billionaires would be the ones to solve climate change, not Extinction Rebellion. Common sense says no government is going to commit to such drastic cutbacks on economic growth to meet Extinction Rebellion's target of net-zero greenhouse gas emission by 2025, he wrote.

"It's a pity most public opinion scorns billionaires, because it just might be through their efforts we will deal effectively with climate change," he added.

The debate touched on the need for mixing public and private capital to accelerate developments in this area.

Taeun Kwon said: "There's a distinctive role that private capital can play. Public finance has the scale but it's extremely slow and extremely bureaucratic, for good reason, because it needs to be held up to a higher standard. But then, at the same time, it cannot experiment as much.

"So, the thing with private capital is that you can forego some return and go more into the concessional part of it, and create innovative result-based financing to incentivise more green infrastructure. Even in large scale infrastructure it's pretty clear that public capital alone is not going to be enough."

David Bain welcomed the moves towards blended finance.

"I think that's better for society because the families are risking their capital, and taxpayers' money. And so if it doesn't work out, the families lose out, not the taxpayer."

Jon Moulton said that the UK government had moved from being a "hard-nosed capitalist" to seeing corporations in a much wider nature: "They're trying to make sure big business knows it's got responsibilities."

Our speakers agreed that collaborative family office investment networks would be an enabler for private capital to move into the sustainable space.

David Bain said the opportunities which could be driven from the private wealth and family office sectors were

huge.

“I don’t see the impact of single-family offices easing off. There will be a big transfer of wealth from baby boomers to millennials over next 10-20 years and those individuals are more driven around sustainability issues,” he said.

In association with the UN’s Finance Centres for Sustainability, [Guernsey Green Finance](#) will be hosting its annual [Sustainable Finance Week in June](#). A fixture in the private wealth and sustainable finance space the event will be bringing together global policy makers, opinion formers and professionals from across the private wealth and sustainable finance to discuss private capital financing sustainability against the backdrop of CoP 26 later in 2021.

[This article first appeared in STEP Journal, Issue Six, 2020.](#)

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