

PRESS RELEASE

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RESEARCH ON CLIMATE FINANCE

*Economists tackle beliefs, uncertainties and risks associated
with climate change for investors and corporations*

New York, New York – Thirty-six scholars and leading researchers (including Lars Peter Hansen, 2013 Nobel Laureate in Economics, Christopher Sims, 2011 Nobel Laureate in Economics and Robert Engle, 2003 Nobel Laureate in Economics) assessed the risks of climate change for financial markets at a Climate Finance Workshop at Columbia University. Climate finance addresses how the financial system ought to manage climate risks when providing credit, making investments and delivering other financial services, such as insurance. “Climate finance, by studying the expectations of investors and corporations regarding climate change, is more critical than ever to helping us assess these risks for our economy,” said Professor Harrison Hong, John R. Eckel Jr. Professor of Financial Economics at Columbia University, who convened the Workshop in collaboration with José Scheinkman, the Charles and Lynn Zhang Professor of Economics at Columbia University, and Professor Andrew Karolyi of Cornell University and Executive Editor of the Review of Financial Studies (RFS). “Climate finance is equally important for adaptation. Significant financial resources will be required to allow industries and even countries to adapt to the adverse effects and reduce the impact of climate change,” added Scheinkman.

Innovative Policy Action

The Climate Finance Workshop focused on the biggest challenges for investors and companies - pricing uncertainty induced by climate change, real estate prices, divergent interests, corporate governance and pollution externalities of public and private firms, and perhaps most importantly reliable data.

According to Andrew Karolyi, the mobilization of all players in finance is crucial for the fight against climate change and climate finance will accelerate the transition toward a sustainable economy and improve the financial system. “What’s been driving me is to create the first body of knowledge on the topic of climate finance, and with the goal that this will influence and inspire scholars in years to come,” says Karolyi who is overseeing the committee that will publish the first body of scientific data in the United States in the Review of Financial Studies in 2018.

Background

The Climate Finance Workshop was made possible by the Norwegian Finance Initiative (NFI), which awarded research grants for two separate research projects at Columbia University and New York University. Harrison Hong, the John R. Eckel Jr. Professor of Financial Economics at Columbia University received the three-year grant to carry out research and convene the research conferences on climate change and capital market efficiency at Columbia University.

The research is in line with NFI's objective to strengthen the scientific foundation of the management of the Government Pension Fund of Norway by emphasizing areas within financial economics of particular relevance for the fund.

The workshop was organized by the Program in Economic Research (PER) in the Department of Economics at Columbia University.