

## GREEN FINANCE FOR CLEANER ENERGY

The green energy lobby is looking on the crisis in the Gulf of Mexico with mixed feelings of sadness and optimism that the spill could galvanise the push for new sources of power and fresh economic models that reward cleaner energy.

There is more than a hint of "I told you so" from campaigners who have long warned that offshore drilling for oil was potentially disastrous. Energy experts such as Graciela Chichilnisky, the architect of the Kyoto protocol's carbon market, say the lesson should be to weigh the scale of the risks against the rewards.

"Offshore drilling by its own nature involves potentially catastrophic risks, namely small-probability events with enormous consequences. As with nuclear energy, the upside is relatively small," she says. "The downside, however, is

enormous. We are seeing right now what an offshore drilling catastrophe can imply for our nation."

The Columbia University economics professor is clear, though, that only with financial incentives will investment shift to clean from dirty energy.

"The first principle of creating change is you have to make the change profitable," she explains. "Finance performs a very important role in the world economy and environmentalists usually don't understand it. But if you are going to have a major transformation it is not going to happen without finance."

Green finance could be about to have its day. Chichilnisky and other campaigners are pushing hard for "climate bonds" that would provide financial incentives for the energy industry. "I am totally convinced

we have to go solely for the energy industry. They are our enemy so far and I'm convinced that until they become our friends there will be no change in the environmental agenda. Finance can do that," says the Argentinian-born economist.

Her vision for climate bonds involves investors lending money to power companies from developed nations to go into developing nations and build clean energy plants. She is convinced there is demand. "Here is the pitch: You want to invest in something that leads to more economic growth, more exports for our nation and changes the world economy towards a greener place because it decreases carbon emissions. That's a good pitch and I want to sell it globally."

**Katie Allen**