Money Matters Initiative

Lighthouse Foundation Grant – Interim Report

The Money Matters Initiative began in June 2016, and Positive Money has played a core role in its development since then. Enabled by the generous support of the Lighthouse Foundation from September last year, we have since made significant progress on each aspect of the agreed work programme, particularly in developing the strategic framework of the initiative, conducting interviews with key stakeholders from within and without the financial and banking system, and in developing a network of collaborators and potential participants. This short report outlines the main developments in these areas for the Lighthouse Foundation in advance of the official network launch in October, and includes our next steps and a detailed breakdown of budgetary spend.

Audacious Goal

Crafting an audacious goal is a key part of the systems change methodology employed by the initiative, because it helps to unify the network of participants around an ambitious and impactful purpose, and to set an ambitious but desirable goal. Our draft audacious goal is:

By 2025, European and US bank lending is consistent with staying within a 2◦C global temperature increase.

The initiative is currently consulting on our draft goal, and has received a variety of feedback thus far. Whilst the goal has been lauded for its ambition, scale, and for reflecting the urgency of climate change, some interviewees have questioned whether the short time scale is realistic, and have also questioned why the goal is not consistent with the Sustainable Development Goals (2020) or the Paris Agreement (2030) of a 1.5º limit. This lower target recognises the impact that the higher temperature increase would have on vulnerable island nations, and therefore the implications for a just transition to a more sustainable economy.

Given the renewed focus on bank lending and the current 2º framework, the core team has renamed the initiative from Money Matters to the 2º Lending Initiative. We will continue to consult on our audacious goal and will sign off the final wording in advance of our launch event in October.

Strategic Framework

One major advancement has been the development of our strategic framework and intent statement, which has seen numerous iterations and which was a primary output of a 4 day working retreat in Switzerland at the beginning of May. The framework document includes an overview of our problem analysis, theory of harm, co-creative and collaborative methodology, and our solution design process.

Broadly speaking, our solution strategy is to mobilise a collaborative network of senior stakeholders and influencers from within banking and finance, government, regulators, and civil society, and to facilitate and support them in developing initiatives that leverage key strategic intervention points to end the problem of bank lending driving climate change. It is crucial that the network members themselves conceive, design, and own these initiatives, so as to ensure buy-in and commitment from across the stakeholder network, as well as to deliver impactful interventions that are informed by actors across the system, and to minimise capacity overload on our small core team.

This means that we do not yet know what interventions will be designed by the participants, so to help guide this process we have highlighted five "critical shifts" that we believe need to happen to disrupt the problem. Each critical shift has several constituent success factors, and we are currently consulting our interviewees and potential network participants on the potential leverage, efficacy, and accuracy of this framework, as well as the hypotheses and assumptions that sit behind it. The table below outlines our current thinking on the critical shifts needed to address this problem, whilst the full strategic framework is available on request.

1. Growing the New[1]		
General Vision: Array of different banking institutions that are fit for purpose vis-à-vis climate-positive lending at the community, regional and national levels and at different sectors under different ownership models and accountable to different groups of stakeholders. The communities that each type serves…		
Growing Green, Progressive, and Ethical Banks	We don't have many green/progressive/ethical banks and the ones we do have tend to be small and constrained in their ability to grow, even though the demand is there. And they are potential acquisition targets because of increasing M&A pressure and shareholder impatience.	We have a flourishing green/progressive/ethical banking sector with high market share and few barriers to growth. They are attractors and beacons demonstrating innovation and leadership in establishing new markets and financing solutions for climate-positive lending.
Growing Greener Public Banks	We don't have many public banks and they haven't necessarily integrated climate into their missions, policies, and programs.	We have a flourishing public banking sector[2] that is leading infrastructure investment in key sectors, and using its public financing and regional bank sector support services to advance climate-positive retail lending.
2. Changing the Old[3]		
Reducing Harm	Big banks are actively investing in projects and businesses that are	They are not.

[1] Strategies to contribute to these shifts may include prize programs; cultural levers; competitive dynamics; evolving governance models; redefining risk; leveraging consumer, citizen and major client demand for climate-positive lending; and leveraging existing advocacy networks (such as climate movement, divest-invest actors, shareholder advocacy community).

[2] Includes regional, local and public savings banks as well as state-owned banks.

	the major contributors to climate change.	
Creating a Race to the Top	Big banks' financing of climate solutions is uneven and insufficient to meet the scale of the 2° challenge.	Climate is integrated into every strategic and loan decision made by big banks to a degree that is consistent with the 2° challenge.
3. Measuring Impact Performance		
Bank Impact Measurement	Banks don't understand their positive or negative impact to climate and can't compare their impact to that of other banks.	Banks have a reliable and fully implemented standard and practice to transparently measure and assess their climate impact.
Bank Impact & Risk Assessment & Disclosure	The climate impact and risk of banks and their clients' portfolios are not generally disclosed.	Regular and complete climate risk and impact assessment and disclosure is the norm for the banking sector and we're able to assess the performance of the whole sector.[3]
4. Aligning the Monetary System with the 2° Goal[4]		
Aligning Money Creation with 2° Goal	Around 80% of new money creation goes into the speculative FIRE sector, systematically causing financial instability which undermines systematic progress on climate.	Most new money creation is being directed into sustainable real economy lending.[5]
Aligning Central Bank Policy & Practice	Central banks are starting to think about climate change as a risk to financial stability.	Central bank policy and practices are aligned with the 2° goal.
5. Harnessing Technology for 2° Goal		
Leveraging FinTech[6] toward 2° Goal	FinTech is unrelated to sustainability and seemingly agnostic about climate outcomes.	The majority of FinTech ventures and systems are aligned with the 2° goal.

Interviewing Participants

Significant progress has been made in this area, with 50 interviews completed by the core team so far, and with 10 completed by Positive Money. This includes several high-profile infuencers such as Nick Robins (UNEP), James Vaccarro (Triodos), and Rebecca Pritchard (Triodos), with more interviews being pursued currently.

[3] Contributors may include central banks requiring disclosure of climate risks across the banking sector and ratings agencies incorporating climate risk systematically into their bond and security ratings.
[4] May require cultural and intellectual influence strategies.
[5] Policy changes could include changes to capital weighting requirements, credit guidance, public-private money creation, debt growth considerations, and more.
[6] Includes AI, big data, cybersecurity, P2P, blockchain, identity technology, etc.

Despite this progress, the core team has identified that we do not have enough interviews or expertise feeding in from stakeholders employed in the banking sector. As a result we are spending some significant time and effort identifying appropriate and willing participants from commercial banks to be interviewed, as well as those employed in regulation, government, and central banking. We want our proposals and initiatives to be adopted by the industry, and so it is a fundamental precept of the project to include, involve, and empower members of the industry to act themselves, and to own their part of the solution. Interviews conducted by Positive Money thus far include:

James Vaccaro – Director of Corporate Strategy, Triodos Bank	Nick Robins - Co-Director, Inquiry into the Design of a Sustainable Financial System, UNEP
Doyne Farmer - Director of the Complexity Economics program at the Institute for New Economic Thinking at the Oxford Martin School, University of Oxford	Nate Hagans - Post Carbon Institute, University of Minnesota
Tony Greenham – Director of Economy Manufacturing & Enterprise, RSA	Bert Hunter - Executive Vice President and Chief Investment Officer, Connecticut Green Bank
Jiohan Frijns – Director, BankTrack	Rebecca Pritchard - Head of UK Business Banking, Triodos Bank
Elie Chahuok – Senior Campaigner, Climate Action Network	Anniek Herder – Senior Researcher, Profundo

Research

Our primary research so far has been to interview stakeholders and network participants, to survey their views on our goal, hypotheses, and critical shifts. Supplementary to this we are writing up research briefings from key queries, questions, or concerns that arise from the interviews and in advance of the event launch. Positive Money has started to work on the following:

- Analysis of the scale and flows of loan capital to climate-negative industries and actors
- The design and potential impact of using capital ratios to influence lending decisions, by penalising “brown” lending and incentivising “green” lending
- Definitions of the “real economy” and how these relate to and influence sustainability

We also plan to write a “Scoping Paper” for participants in the network launch, which will lay out our positioning and analysis in more detail, and which will bring our arguments and research together in one place.

Building the Network

Building the network is an extremely important critical success factor to achieving the projects aims, and so significant time has been spent on meetings, events, networking, and promoting the initiative. Positive Money has attended several conferences and events to promote and network for the initiative, including the Collaborative Leadership Training, by Co-creative consulting and Money Matters kick-off meeting in October 2016, the Financial Times Climate Finance conference, and the New Pathways for Sustainable Development conference organised by Finance Watch and Triodos.

The latter initiative in particular is highly relevant to our work due to the significant overlap in our aims, and the concentration of target network members and collaborators in attendance at the event, particularly as it featured Christiana Figueres. Positive Money was one of 3 presenters at that conference, and has since been closely involved in designing the agenda and activities of that network. We are keen to promote integration rather than duplication of efforts, particularly given the similarity in aims and participants, and have approached the New Pathways for Sustainable Development as an exciting and aligned forum to generate further collaboration and participation. Positive Money is taking the same approach when networking with other aligned initiatives, such as the 2º Investment Initiative, and the fledgling Global Climate Finance Campaign.

We are also driving forward the recruitment and development of a core "Design Team" from amongst potential network participants and collaborators. In contrast with the Core Team who have established the initiative, designed the methodology, and built the network, the Design Team will be driving forward the development of initiatives from the network of collaborators, and taking the initiative out into industry and communities of practice. We are targeting 20 Design Team members, and so have secured 7. Continuing to recruit for the design team is a key imperative for Positive Money and the initiative during the remainder of the grant.

Convening the launch meeting

Our launch event in October will also be a significant milestone in the development of the network. At that event attendees will be presented with our research, analysis, positioning and approach to this issue, before being broken up into groups for participatory activities and workshop sessions that are intended to stimulate collaboration and enthusiasm for network membership and participation.

The launch event is being held at 3rd-5th October in the UK, and Jens Ambsdorf at the Lighthouse Foundation is warmly invited to attend.

Budget

Item	Grant allocated	Grant spent
Executive Director	£13,000	£10,000
Contractors	£7,000	£2,500