



Università
Ca'Foscari
Venezia

PROJECT ACRONYM AND TITLE: Fin4Green - Finance for a Sustainable, Green and Resilient Society
Quantitative approaches for a robust assessment and management of risks related to sustainable investing

FUNDING PROGRAMME: PRIN 2020

HOST DEPARTMENT: Department of Economics

SCIENTIFIC RESPONSIBLE: Monica Billio

FINANCIAL DATA:

Project total costs	Overall funding assigned to UNIVE
€874.858	€ 168.297,00

ABSTRACT:

Sustainable finance is witnessing unprecedented growth in the sheer value of assets and instruments that account for Environmental, Social and Governance (ESG) factors under various labelling schemes. Unprecedented regulatory developments have also unfolded in Europe (e.g. the introduction of the EU Taxonomy of sustainable activities, EU 2020). Correspondingly, a number of initiatives by financial supervisors have emerged at the global level (e.g. TCFD 2017; NGFS 2019).

In contrast, the gap between sustainability objectives and capital investment allocation has been widening with the media's attention mostly directed to climate mitigation (IPCC 2018). The success of the sustainability transition requires a proactive engagement of the business sector, the financial industry and the regulatory and supervising authorities. It requires that these actors are able to assess the financial risks arising from failing the sustainability transition or not being prepared to it. Financial supervisors acknowledge that climate change raise new risks that need to be addressed and are specifically concerned with the risks associated to the sustainability transition (NGFS 2019, 2020a). At the same time, the conditions for taming moral hazard and greenwashing need to be in place.

Measuring and managing risks related to the sustainability transition is a key scientific challenge with enormous societal impact since it is a precondition to our ability to build a more sustainable and resilient society. Fin4Green addresses this challenge by developing quantitative approaches, both in an econometric and finance perspectives, for a robust assessment and management of financial risks related to sustainability. Important knowledge gaps remain on whether and how sustainability risk is reflected in market prices, and financial instruments valuation. Sustainability risks are characterised by uncertainty and/or ambiguity (challenges to precisely projecting probabilities and to reconciling market participants' expectations) and complexity (non-linear interactions among system components and sources of risk). Fin4Green aims to fill in these gaps with new quantitative methods to assess financial risk coherently with available forward-looking scientific knowledge (e.g. on climate policy scenarios, NGFS 2020a).

Further, the project achieves societal impact by building on the long experience of the team in collaborations with policy-making institutions and the industry. Fin4Green delivers actionable knowledge that can inform the design of policies to support the sustainability transition. This will allow to enable the pivotal role of the private finance sector towards a Sustainable, Green and Resilient Society, and to preserve the financial stability.

Overall, Fin4Green will develop ground-breaking research, developing novel econometric and multidimensional quantitative approaches that will include the complexity dimension, along with the uncertainty and ambiguity features.

PARTNERSHIP:

1	Università Ca' Foscari	Venezia (IT)	Coordinator
2	Università degli studi di Bologna	Bologna (IT)	Partner
3	Università degli Studi di PAVIA	Pavia (IT)	Partner
4	Università Commerciale "Luigi Bocconi" MILANO	Milano (IT)	Partner