



European  
University  
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DEPARTMENT  
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# A market-based approach to sustainable finance: Missing the point?



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## Kinanya's research: Responsible Banking

1. How do commercial banks integrate social and environmental considerations in their bank lending practice?
2. How do regulators, supervisors, the market, civil society organisations and consumers influence the capacity of banks to live up to their ambitions to operate socially and environmentally responsible?

Based on 160 interviews with bankers, central bankers, and civil society organisations.



# The problem

The way we produce and consume goods and services is not sustainable. We are destroying:

- The planet (land, air, water)
- People (human rights, health & safety)
- Society (inequality, exploitation)



# Finance to the rescue

Finance as usual	Optimise F
SF 1.0	Optimise F, subject to S and E
SF 2.0	Optimise F+S+E
SF 3.0	Optimise S + E, subject to F

How? The market!

- Internalise externalities
- Maximise integrated value
- Measure, quantify and monetize it. Stress tests
- Material ESG issues
  - S = human capital, health & safety, management, culture. Management of local stakeholders, social issues in the supply chain, brands and trust.
  - G = corporate governance: ownership structure, management compensation, voting structure and rules, business ethics and supervisory board.



Business case logic or market rationale is a pair of eyeglasses, a way of looking at the world and how we relate to one another.

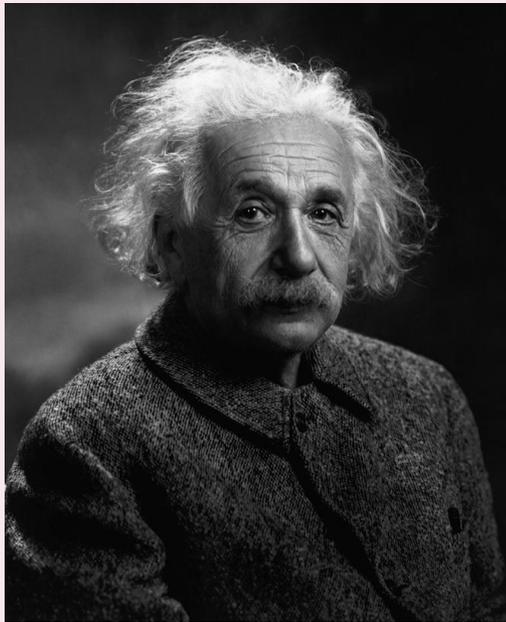


Is this way of pursuing sustainable development part of the solution or part of the problem?



# Beyond the business case

- 1. Moral reflection:** What is the right thing to do?
- 2. Public deliberation** about balance and trade-offs. What kind of society do we want?
- 3. Voice and empowerment** of affected people and communities.
- 4. Inherent value of nature.**



We cannot solve our problems  
with the same thinking  
we used when we created them.

*Albert Einstein*



# Different way of thinking

## Sustainability strategies:

- 1. Efficiency:** Producing the same but with lower resource consumption or CO<sub>2</sub> emissions.
- 2. Consistency:** Following the example of nature: nothing is 'waste', everything is re-used.
- 3. Sufficiency:** Consuming and therefore producing less.

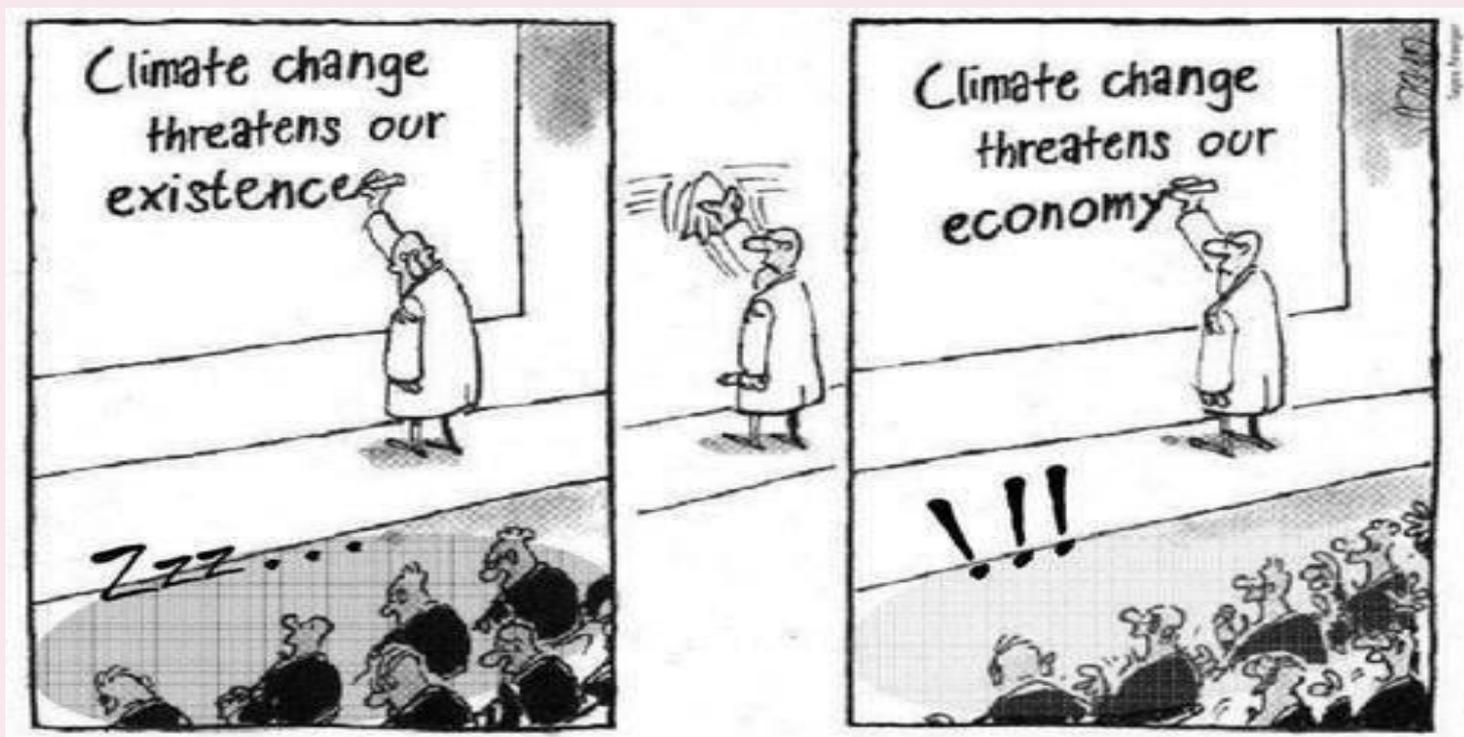


# Sufficiency

1. **Individuals:** change consumption habits & lifestyle.
2. **Companies:** design products with sufficiency values in mind: durability and repairability.
3. **Society:** How do we want to live? Which essential commodities do we want to preserve?

New needs are constantly created by technological developments and advertising. Aside from the ecological dimension, sufficiency also asks the question of whether a steady accumulation of the newest consumer goods and entertainment actually makes us happier. Sufficiency is not just ‘doing without’, but liberation.

# Conclusions



Making the market work for sustainability, great!

However, be vigilant of the sort of behaviour and thinking we normalise by the way we approach the transition towards sustainability.