£4.5m pledge from IKEA Foundation to back sustainable finance action at Oxford University

The IKEA Foundation has supported with a grant of £4.5 million over three years four key Oxford University Sustainable Finance Group projects, which will make a significant contribution to aligning finance and the financial system with the goals of the Paris Agreement.

In order to ensure finance flows into sustainable projects and industries – and deliver on the Paris goal of keeping global temperature rises to 1.5°C – financial institutions need to understand the risks and impacts of their investments and the implications for the bottom line.

Dr Ben Caldecott, director of the Oxford Sustainable Finance Group, insists action is urgent and says, ‘We need to transform financial decision-making so that the capital and financial services needed to deliver global net zero by 2050 are actually provided. We have very little time left and that’s why we’re working on what we think could be transformative interventions.’

Liz McKeon, IKEA Foundation’s head of climate action, says, ‘We have less than 10 years to reduce greenhouse gas emissions and temperature growth to 1.5°C and we cannot make it without interventions from and change within the finance sector.’

The funding will allow the Oxford Sustainable Finance Group to undertake four major projects which, combined, will help unlock non-linear change:

- **The Spatial Finance Initiative**: Poor data availability and quality makes it difficult for the financial sector to measure and manage climate and environmental risks and externalities. SFI will publish consistent, comprehensive and accurate asset-level data for the most polluting sectors. This will make climate and environmental factors facing assets, companies and portfolios completely transparent.

- **The Public and Third Sector Academy for Sustainable Finance**: Public sector and civil society organisations lack expertise and capacity in sustainable finance, which prevents them from designing effective policies, regulations and campaigns. The Academy will give governments, regulators, central banks, charities and philanthropy the knowledge, networks and skills to shift tens of trillions of dollars of capital away from unsustainable activities to those aligned with the Paris Agreement.

- **Energy Transition Risk and Cost of Capital Project**: To support the transition to net zero, the cost of capital for clean investments must come down while the cost of capital for polluting investments must increase. This project will track changes in the cost of capital for polluting companies and the factors which influence these changes. Its insights will inform policies, regulations and campaigns that could transform the energy sector.

- **The Future of Engagement Project**: While financial institutions are using engagement to attempt to deliver climate action, current strategies are not achieving the scale and pace of change needed. This project will develop, pilot and scale new and more impactful forms of financial institution engagement and stewardship.
'We need the private and corporate sectors, civil society, and government officials to recognise and rise to the challenge of the climate crisis. And we also need academic institutions, like the University of Oxford, to provide the north star – the compass, so that we’re getting the best information possible to ensure our actions benefit people and the planet,’ states Liz McKeon.

Dr Caldecott concludes, ‘This partnership and funding will enable us significantly to scale-up our world leading research and teaching. This is about going after the big wins, not slight improvements and incremental change.’

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About the Sustainable Finance Group
Established in 2012, the Oxford Sustainable Finance Group works to align finance with sustainability. The Group, based at the University’s Smith School of Enterprise and the Environment, is multidisciplinary and works globally across asset classes, finance professions, and with different parts of the financial system.

It is uniquely placed by virtue of its scale, scope, networks, and leadership to understand the key challenges and opportunities in different contexts, and to work with partners to ambitiously shape the future of sustainable finance.

Led by Dr Ben Caldecott, the centre has pioneered research on, among other things, stranded assets and spatial finance, and works across many of the key areas of sustainable finance, including risk and impact measurement, supervisory and policy development, and innovative financing mechanisms.

About the IKEA foundation
The IKEA Foundation improves the lives of children living in poverty by supporting programmes that help families afford a better everyday life and protect the planet.

More than 50% of the total grants each year focus on climate, building an ecosystem of partners to reduce greenhouse gas emissions and make sure everyone benefits from the transition to a zero-carbon economy. They focus on influencing governments, businesses, finance and people to change behaviours and ways of working that accelerate global warming.

The IKEA Foundation is funded by INGKA Foundation, owner of the Ingka Group of companies. The IKEA Foundation is independent from the retail business with a sole focus on creating brighter lives on a liveable planet through philanthropy and grantmaking.

Learn more at www.ikeafoundation.org.