

## Why We Must Rewire Sustainable Finance

Guest Speaker **NINA SEEGA**

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**“Sustainability is not a cost; it’s an opportunity for long-term growth. Financial systems must shift from seeing it as a compliance issue to recognizing it as a driver of profitability and stability.”**

### **Nik Gowing**

Welcome to the Thinking the Unthinkable podcast, our latest leadership conversation.

Hello, I'm Nik Gowing.

Well, it's tempting to assume a host of negatives when the climate denial rhetoric and agenda are being driven at such a relentless pace now, especially by President Trump. But there are many positives for action on climate, biodiversity, and nature, and they are picking up pace. A transition is most definitely underway. Action on sustainable finance is becoming embedded in the making of policy and strategy. This is despite the backing off by a growing number of major corporates. They are under shareholder pressure to increase profits and dividends and to marginalize green ambitions that match what the increasingly gloomy science says has to be done at speed to preserve our lives on this planet.

So how much are the markets being reshaped? Joining me is Nina Seega. She used to be in finance. In other words, a practitioner. She is now director of the Center for Sustainable Finance at the Cambridge Institute for Sustainable Leadership. In 2024, Nina was recognized by Reuters as one of 20 trailblazing women on climate.

So, Nina, a very warm welcome. And it's remarkable, isn't it, that we're actually underestimating the speed of what's happening at such a pace?

### **Nina Seega**

Absolutely. And thank you very much for having me on the podcast.

What we are underestimating is not only the speed, but we keep talking about transition as if it's something that will happen in five, 10, or 15 years' time, whereas we are already firmly embedded into it.

If I give you an example from the US, a New York Times article just a couple of days ago pointed out that 1.8 million home insurance contracts in the US have not been renewed since 2018. That fundamentally means that not only are climate impacts hitting us in terms of their physical

impact—such as the fires we have seen in Los Angeles and the heat waves—but they are also coming through the financial system. They're landing through insurance non-renewals.

So, there are very clear impetus for action. There are very clear impacts that are already here.

### **Nik Gowing**

Why is there such skepticism? Do you think because one of the latest figures is that the costs of getting to net zero are now down by 75%, that means the costs to business?

### **Nina Seega**

Well, essentially, this is a really, really interesting statistic that came out. This is coming from the Climate Change Committee's seventh carbon budget as analyzed by Carbon Brief. What they're looking at is, in comparison to 2020 when the sixth carbon budget was published, the net costs of transitioning to net zero have gone down by 73%.

What's even more interesting is that hitting our targets for transition, hitting UK targets for transition to net zero by 2040, will decrease household costs by 1,400 pounds, they estimate, out of which 700 pounds is on energy and 700 pounds is on motoring.

So again, we are seeing fundamental changes in the costs of transition. We're seeing those cost curves coming down, but we're also seeing the benefits starting to crystallize. Now that's why...

### **Nik Gowing**

Why is this not resonating? Do you think, Nina, why are people still thinking in a very negative frame of mind?

### **Nina Seega**

Well, so there are two sides to the story, right? Let me first kind of address the first one: there are benefits. Those benefits do require upfront costs, and we need to create the right incentives for private companies as well as for people to transition, to incentivize that transition. So that's number one.

Number two, we tend to have a very different narrative out there on climate, on nature, on sustainability, and that narrative is that this transition will be costly. It's problematic. It, you know, it will require a complete transformation, and to a point, it's right. We do need a completely different economic system. However, such a transformation will help us lead warmer, healthier, and happier lives.

And what I mean by that, I'm not being cheeky by saying warmer, but the same Climate Change Committee, when doing the analysis on the seventh carbon budget, said that there are also additional benefits to the transition, and those additional benefits mean warmer, less damp homes, it means healthier diets. And they quantified those benefits as somewhere between 2.4 and 8.2 billion pounds, and not included that quantification into the net numbers. So the sense...

### **Nik Gowing**

...Let me, let me press. Let me press you though, Nina. Why do you think this is not resonating? Why do you think that, by and large, and I'm generalizing in order to make a point, that the public, or many in the public, don't understand the fact that actually much of value is being achieved, and it's costing much less than anyone assumes?

### **Nina Seega**

Because if we look at how this is being reported, the majority of the reporting is that we're doing sustainability as something that is done on the side, as something that is done for the planet, which is, on the one hand, again, right, but on the other hand, we are pursuing climate targets and nature targets in order to create a much more livable space for us on this planet, to create a much better type of lifestyle. So I think there is a little bit where we're looking at the transition as an "if," as in not now, and as in a costly thing.

If you look at the World Economic Forum's yearly risk surveys, the very famous report that gets published in January every year, if you look at it over the last five years, you will see it's a sentiment survey, right? So it's what does the business community see as the biggest risk out there? Climate, very consistently, comes as a second thing. So it's beautiful how you can see it. There's always something slightly more important in the first place. And our issues are not now. Let me just deal with this first thing, and might that be Covid? Might that be political instability? Might that be geopolitics? Might that be war? Climate is coming in second place, very consistently.

What that tells me is that people understand that it's an issue. People see it coming at them, but we're not quite getting through that bit. Economic transformation is already happening. It is already here. We see it in the auto industry, where, for example, the Asian car manufacturers, the Chinese car manufacturers, are leading on those costs and making the Western car manufacturers a lot less competitive.

### **Nik Gowing**

Now, one of the reasons we wanted to talk to you is because of what you've been saying about, and we shared a platform together in Geneva at the end of 2024, that we have to talk about all of this in very different ways, in order to frame and achieve what is needed so urgently. Is that change of phraseology? Is that change of message, change of narrative, really underway, particularly in what you're focusing on, which is finance?

### **Nina Seega**

I think it's happening. Because I think fundamentally, we cannot rely on voluntary leadership alone to get us to an economic transformation. I think it's fantastic to see individual corporates, individual financiers, trying to push the envelope, but that is not something that will get us all the way.

### **Nik Gowing**

So if it's not voluntary, what does it need to be?

### **Nina Seega**

We still need voluntary leadership. You know, that is absolutely true. What we also desperately need is the rewiring of the financial system underneath, to bring it as a completely different way that we do business. So we need to think about sustainability as a competitive priority. We need to think about sustainability as the possibility for long-term profitability, and for that, we need to think through the underlying industrial policy. We need to think through financial regulation in different ways. We have financial regulation, but most of it is currently targeting disclosure rather than potentially capital incentives, and we need to think about how do we bring this into the core financial materiality.

This cannot be sustainability. It cannot be done on the side, in the corner over there, unless it is firmly embedded into the responsibilities of Chief Risk Officers, of Chief Investment Officers. It is not going to get done.

### **Nik Gowing**

But you've expressed optimism, as a former practitioner as well yourself, that actually things are moving in the right direction. But let me put it to you that actually a lot of banks, a lot of major institutions, have downscaled or eliminated Chief Sustainability Officers recently. They've actually marginalized all of this, as if to say we're in the business of making money. Now forget all this sustainability stuff.

### **Nina Seega**

But that's almost exactly the narrative that I think is the wrong narrative to be talking about this. The question is, how can sustainability help us make money in this space? How can we rewire our markets so that doing things sustainably brings higher profitability and brings higher profitability, not only in 15, 20, or 25 years' time, but brings higher profitability today.

### **Nik Gowing**

Do you think that argument is being won yet or not?

### **Nina Seega**

I think that argument is being won in particular pockets, right? So if you think about things like coal, coal is fundamentally uneconomical. So essentially, investing in those kinds of assets right now is investing in stranded assets.

If you think about how the auto industry is transforming, if you're right now not investing in electric vehicles, if you're not investing in EV charging infrastructure, then what kind of that the money that is invested elsewhere is potentially stranded assets.

So thinking through what is the next industry in which that transformation needs to take place is extremely important, and that's core industries that are hard to abate sectors. So we're thinking cement, steel. We're thinking about the agricultural industry as well. And we're thinking about

because, again, it's not only about the climate. We need to think through the nature issues as well. So how do we create our agricultural industry that ensures food security?

### **Nik Gowing**

But let me get back to that point about Chief Sustainability Officers and people like that who are being downgraded or leaving where they've been, particularly in banks lately, and saying, I don't think actually that this business anymore is that interested in sustainability.

Is that sending a signal, which is a profound signal of change in the wrong direction? Because you've just had BP recently announcing that their future is going to be in exploiting oil, and forget all this stuff about sustainability in green.

In other words, the message being sent is against the optimism that they might have felt from someone like you, that sustainability is becoming embedded in corporate thinking.

### **Nina Seega**

I think that, let me slightly qualify my optimism. I think sustainability has to become embedded in corporate thinking through the financial materiality lens.

To come back to your question on Chief Sustainability Officers, I think these are people who have come into organizations to ultimately transform these organizations. And I think what we've seen over the last couple of years is the change of the emphasis of those roles from away from transformation to a compliance-based perspective, where there is a variety of disclosure regulations, and a lot of the time is spent by them on purely compliance-based work.

And that is not quite, I think, what many CSOs have come into those organizations to do, and I think so there is, there's clearly a shift happening, and that is absolutely undeniable. But the question is, do those roles, do those sustainability roles? Do they go into the business?

Does the responsibility for running climate and nature-related financial risk? Does that go into the chief risk officer right now? Does the responsibility for sourcing opportunities within the new economic models that we're looking at? Does that go into the chief investment officers? Does that go into the chief financial officers and how they're running?

So I think that is the bigger question, is it do? Can we create an economic model in which we transition because our alternative, as we still transition, as we have seen with the insurance industry in the US, we will transition, whatever happens. The question is, what is the shape of that transition?

### **Nik Gowing**

Now let me ask you. I mean, we're into the last three or four minutes, but let me ask you about the frankness and the openness and the honesty with which those you're dealing with, particularly in your center, how much they really are open and accurate about what they're really doing.

The reason I say that is that there are those who say we need to hear a brazen, loud, self-confident voice, or is there actually an advantage now in being soft-voiced, not really talking too openly about what you're really doing, because it's actually not politically as acceptable anymore?

### **Nina Seega**

I think you need a soft voice and a loud voice. I think if you look at the fossil fuel companies, they lobby loudly and they lobby softly. So I think for organizations that are transitioning, we need loud voices that are talking out in the market about the kinds of changes they need to see in order to invest all of the money that needs to be invested in order to ensure new industries. But at the same time, we also need softer conversations and collaborations that will drive that conversation forward.

### **Nik Gowing**

How profound do you think the change is? Because you signaled that you think things are moving in the right direction. How profound within financial institutions is the change, even though they don't really want to talk too openly about it, and are giving the impression of wanting to spread the risk or spread the awareness of what is really happening?

### **Nina Seega**

I think we are in the middle of transition. My biggest worry at this point is that with climate denial coming into the mainstream, we start putting the brakes on that transition, and if we do start putting the brakes on that transition, we increase the risks of financial instability, of economic instability, and of runaway climate change and runaway environmental scenarios, potentially reaching tipping points.

So I think we are at a really, really key, pivotal point in time where we see the impacts coming through. We see the economic impact starting to come through, and we see the role, for example, of Asia starting to emerge, because there, I haven't seen the same dampening of conversation happening in Asia compared to the US, for example.

So the big question is, this is a competitive sustainability paradigm, as Lindsay Hooper says. The question is, who will emerge from this competitive element, standing in their sectors, leading that conversation, and driving long-term profitability?

### **Nik Gowing**

So, final thought, Nina, I mean, is sustainable finance embedded now, or is it at risk? Is it irreversible, or is it actually under challenge now?

### **Nina Seega**

I think the narratives and the way we've been doing things are under challenge, and I think we need to evolve and transform the way we've been addressing this to think through a much more financial materiality lens. However, we cannot stop at this point in time because the stakes are too high.

### **Nik Gowing**

So, what would your message be to those who are skeptical, thinking that things are moving in a different direction now? Nina, we need to wake up to that and be more pragmatic. What do you say to those who may be dragging their feet or being more cautious?

### **Nina Seega**

I think the way to think about this is, if you would like your organization to still be standing in five or ten years' time, you need to be very careful about what you're investing in and which opportunities you're pursuing. The economic transformation is underway, and those who make the right choices will be the winners on that competitive level.

### **Nik Gowing**

Well, Nina, thanks so much for sharing all of that with us and giving that sense of positivity and optimism. You can reference every detail that Nina has given us. A transcript of the podcast is posted in parallel on our website, along with contact details for us and for Nina at the Center for Sustainable Finance in Cambridge.

Do please join us when we next have a conversation about Thinking the Unthinkable. Subscribe to our YouTube channel, where you'll find all our podcasts, including, of course, this one.

So, from Nik Gowing, until the next time, keep thinking unthinkable. More than ever, it's both possible, and as we've just heard from Nina, it's very necessary. Bye, bye.