



LBMA WEBINARS

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Sustainable Finance: Risks & Policy

Speakers:

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Summary:

Dr Paul Fisher (Fellow, Cambridge University Institute for Sustainability Leadership) and Terry Heymann (CFO, World Gold Council) discussed what sustainability means and the importance of ESG. Paul considered how we should think about the risks and opportunities sustainability presents to the financial sector, before looking at how regulators globally are responding to those risks. Terry presented WGC's findings on climate change, tracking gold's carbon footprint through the supply chain, and considered how reducing this footprint can benefit the mining and investment industries.

Speaker 1:

Good afternoon and welcome to today's live LBMA Webinar. Today, we welcome Paul Fisher, Fellow at Cambridge University Institute for Sustainability Leadership and Board Chairman, LBMA, Terry Heymann, Chief Financial Officer, World Gold Council and Sakhila Mirza, Executive Board Director and General Counsel to discuss the risks, policies and meaning of sustainable finance and, additionally, the importance of ESG. If you have any questions throughout the webinar, please feel free to write them into the chat function, and our panellists will try to answer them at the end, should there be time. So, please Paul, start whenever you're ready.

Speaker 2:

Okay, thank you Taylor, and thank you very much, everybody for joining us this afternoon, or morning, if that's where you're situated. This is a very interesting topic to me personally. It's something I've been working on, now, for five or six years. I just want to start by noting that I do not consider myself a green campaigner. By background: I'm an economist, central banker, ex-regulator, and the approach I take comes from that direction. It is true that climate change, sustainable finance is a moral, social, political, ethical issue, but actually that gets in the way particularly in the financial sector all dealing with it. And I come at this from the point of view that economic issues are material business risk and business opportunity for all firms, particularly financial firms, and that's why I would like businesses to try and focus on it. Put the social side of it, if you'd like, to one side to start with and think of it as a business issue and it's an area where it turns out that the public good and the private good are actually closely aligned, not at loggerheads. But somehow the campaigning

can get in the way of that. So, I'm going to be talking mostly about climate change because that is the major existential risk on sustainable finance. But the approach does cover some other aspects of the, particularly of the United Nations Sustainable Development goals as well. But this is the urgent priority.

And I would like to start just by showing this chart. Some people still don't quite believe in global warming. There's not really a scientific debate any longer about whether global warming is happening. This chart, which is taken from the UK's Met Office, clearly shows it is. The importance of this chart is that the reference point/the average temperature between 1850 and 1900 is taken as a starting point for all the calculations you will see about limiting global warming. That was the basis of the Paris Agreements in 2015. And you can find many such charts like this, just Google it on the internet. And they all show very similar pictures. Different sources have slightly different data, but they will look pretty much the same. They will all have 2016, pretty much, as the warmest year on record, but some have 2019 as the second or third warmest. Just a few points about this chart. First of all, it looks like there's a trend in Global Warming going back to the start of the century. If you look closer, up until about 1980, there's almost no trend in global temperature. It really kicks off from about 1980. I don't have time to go into the details, but it coincides with industrialization, particularly in Asia and the growth of carbon emissions from the Asian economies. It's very closely correlated and is the obvious explanation. So really up until about 1980, you could have been forgiven for not thinking there was a significant global warming going on. The trend has only really become apparent since then. If you're situated in Australia, which I believe some of you are, the data just for Australia is much clearer and you get a trend going back to 1900, surprisingly. A second thing about this chart, is to note the volatility in temperature year to year. And that UTA variation is actually much greater than the increment in the trend each year. And it's the volatility which matters in the near term because it's the volatility in the temperature, which generates the extreme weather events, and the number and severity of the extreme weather events go up nonlinearly with the average temperature. So, over time we're seeing more and more extreme weather events coming through and that's what people are witnessing. So, it is the volatility, I think, which really matters in this debate. It's the volatility which plays into the risks, of course.

Just one more chart on the climate science. You can't really deny that Global Warming is happening, that's clear in the data. Some people still don't believe that it's man made, although, most of the scientific community have made their minds up on that. But it turns out that Global Warming is very closely correlated with carbon emissions, and this chart shows estimates of how much carbon is in the atmosphere – carbon dioxide – going back over 800,000 years, and you can see that very sharp spike at the end, which is basically the last hundred years. The last time that carbon dioxide concentrations were at this level, they think, is about the time of extinction of the dinosaurs, when sea levels were – it may have been – 50-100 meters above what they currently are now.

We leave that aside and move swiftly on, but there's not much doubt now that Global Warming is being caused by greenhouse gas emissions trapping heat and having other effects on the country's surface. So, let's leave the climate science behind. And one of the main points of this short seminar is, even if you don't believe in global warming, if you don't believe it's man made, you're still going to face a lot of the risks because governments have decided that they're going to do something about global warming and that generates risks for you as a business and particularly in the financial sector. But we look at the risks in three lenses. The physical risks – this is what you would expect – storms, floods, droughts, wildfires that we've been seeing more of in the last few years, and that comes alongside the volatility and the temperature and the more extreme weather events that we're getting. And there's also some evidence that these weather events are getting more correlated across jurisdictions, where previously they were not correlated. More interesting to me, as a policy person, is the transition risk. And this comes in two flavours really. First of all, whether you believe in climate change or not, the demand for goods and services is going to suffer structural change as a result of Global Warming. The most obvious one is an increase in demand for air conditioning units, for example, in places like the UK. There's also going to be more demand for electric cars – I shall come onto that in a minute – and you can break to a number of other things resulting from just changes in demand preferences, changes in supply conditions changing the economy. More interesting still is the risk from policy. Governments have decided to do something about climate change – 180 odd of the world's authorities said, back in 2015, that they will try to limit Global Warming to no more than 2 degrees, and most countries and jurisdictions outside the United States are adopting policies to try to hit net-zero carbon emissions by 2050. Now, until recently we haven't

known exactly what governments were going to do, because the policies that existed in 2015 were not consistent with that two degrees' target. As we find out what governments are prepared to do, those policies will undoubtedly affect businesses. They'll affect what you can and can't do, places where you can and can't make money, and some of them will cost you money because there will be new requirements. So, you have those policy risks, regardless even of whether Global Warming exists, because governments are going to do something. The legal risks we won't say too much about, but people will get sued for either causing climate change or not doing something about it when they could have done it, and now they have responsibility and that has already happened.

So, just briefly on the structural change side. Some of this will be disrupted. And, an example is driverless cars, which are already here. I've actually got one which could, in principle, be driverless. But it's a combination of different technologies coming together: batteries, renewable energy, artificial intelligence and the economics of the industry. It is going to be very much cheaper to run, and own, an electric car than it is a fossil fuel car in future. We don't know which company is going to make them. It might be Tesla – unlikely, maybe somebody else. One thing I can tell you is that driving an electric car is a whole better experience than driving a fossil fuel car, and that's another reason why eventually these will take over. There's a great academic based in the United States, Tony Seba, who does some really good videos on how business disruptions work, and how quickly they come through. And there is evidence that these technological disruptions to industry are happening faster and faster. This chart shows how some impacts of how these sorts of changes can impact on the financial sector – on financial assets. I have two charts here of equity prices. On the left-hand side, you have one of the largest utility companies in the world, Pacific Gas and Electric, and what happened to their share price in the face of wildfires in California. These were very severe, caused in part by dry, drought conditions in the forest and Pacific Gas and Electric ended up in chapter 11, in part, because of the legal liabilities associated with the physical damage from those wildfires. So, this is an example of how physical risks combined with legal risks kick in to, essentially, eliminate the value in PG&E. On the right-hand side, you have the shares of Peabody Energy, which was the world's largest privately owned co-producer, and was based in the United States. It ended up in chapter 11, in large part, because of change in U.S. policy where they moved in favour of gas, and particularly fracking, and away from coal. That was a slower moving event but, eventually, Peabody Energy lost its value. Now, I have actually sat opposite investors who had these stocks in their portfolios, and essentially lost that investment – and it was a hundred percent loss, pretty much, at that time. Now on the basis of a sample of two, you might conclude from this, I've actually been looking for more evidence. The physical risks actually get you quicker than the policy risks, from what we're seeing so far. The physical risks – although climate change appears to be a long run phenomenon – these physical risks can kick in literally overnight and can destroy the value in companies overnight. Whereas the policy risks typically take a while to formulate – the policy, takes people a while to work out what the impact of that policy is going to be. So, although, the policy risks can be sudden, they can also be a bit slower. But we have had these demonstrations of how the risks from climate change can impact on our portfolio of assets.

Now this next chart just shows just some of the policy interventions happening in the financial sector. I limited it to things which I have, at some point, been involved in, and tried to map a range of policy things through to the risks, as we've just described them. And this is a busy chart, it doesn't really tell you very much, what it does tell you is two things. One is, there's a whole lot of things going on and everywhere you look from city states to G20 national governments, super national regulators, prudential regulators, the EU, your investor base, your client base, everybody is throwing questions and pressures at firms, particularly in the financial sector. The other thing I've tried to highlight here was the red and the green – where the red corresponds to people trying to stop you doing things, particularly with fossil fuels, and green is where people are trying to encourage you to do something. And it turns out this is not a continuous spectrum of policy. You tend to get one group pursuing green policies, and another trying to stop brown activities. And they tend to come from certain sources. Governments, in particular, who like to be positive, like to try and promote green – green finance, green activity – and they leave it to the regulators to try and stop the things they don't like because that's unpopular.

Moving swiftly on, what the financial are regulators saying – these are pretty much quotes taken from the Bank of England's papers and they consider this to be a risk that is pervasive, far reaching, relative to other risks they look at. Although, the precise nature of those risks is uncertain, it is

foreseeable in nature, and the time horizon for the risk is a long one, but it's not a sudden, one-off event. And the extent of the risk depends on what policies are taken now to address it. By far the most expensive way of dealing with climate change will be to do nothing now and wait until the crisis kicks in and then you have to do something. And that's the lesson we learned from the great financial crisis and indeed from the recent COVID crisis. Waiting too long, and then taking action only when you have to, means it's much more expensive to deal with. Unusually, there is now an international grouping of regulators who are sharing best practice on this topic. The last count had 66 different regulatory organizations as members. What are they doing? Again, I base this largely on UK actions. but these actions are getting replicated in other jurisdictions. The PRA has issued supervisory expectations, to its authorized firms, about how climate change should be risk managed. In the UK, all financial firms are supposed to have an individual person, at senior level, accountable for managing the risks from climate change, under the UK Senior Managers' Regime. For the large banks that is, so far, from what I can see nearly always the Chief Risk Officer. The Bank of England is preparing coordinated climate stress tests for next year. Some of the work on that has been slightly delayed by COVID, but I understand it is still on track to be delivered. And there are new disclosure requirements. Up until now, these have been voluntary, but they are being written into the rule book as we speak, both in the UK and in Europe. And those first four bullet points can all be summarized – for those of you know about the Basel regime – as pillar two and pillar three interventions. And the Basel Committee has got a working group looking at the broader context, which I think would also cover pillar one, i.e., minimum capital requirement. So, there's a lot of work going on in the regulatory sector, which has got authorized firms rather focused on this activity.

More generally, across industry, the biggest game in town over the last few years has been the Task Force on Climate Related Financial Disclosures, set up by the G20 Financial Stability Board, because they are worried that the impact of climate change could lead to a sudden widespread fall in asset prices, which will create a financial stability risk. One of the ways you can reduce that risk is to have better disclosure from firms across industry, which enables people to price the risks better in advance. And they recommend people will disclose around governance, best strategy, risk management, their metrics and their targets. And, of those four, the one that tends to be the weakest element is the strategy – which needs to be active. This isn't an agenda where it pays to wait and be told what to do. Being active and try to find out what your customers want is the key thing. Now, given the time limitations, I'm going to skip through to precious metals. We'll leave aside what's happening in Europe. How does all this apply to precious metals? Which is why we're here today. Well, the good news is the top three points on this slide. Gold and other precious metals have properties that could make them an essential part of the technology that's needed. They can be recycled in large scale, which is great for the sake of the economy, and there are huge cost-saving opportunities. Wherever you look at it, mining, refining and logistics, in particular, all use large amounts of energy, and renewable energy is going to be a lot cheaper than fossil fuel energy going forward. It's already reaching the crossover point and people are already saving money by switching. If firms don't switch, they risk being undercut by those who do and get the benefit. And, so, this will become a competitive issue. And then there are things which will bear down on these three which need to manage its risks from physical transition and legal. All firms will eventually, I think, be required to demonstrate a path to zero carbon emissions, and that will be volunteered to start with. And again, all firms will be required eventually to meet the TCFD recommendations on disclosure. My message to the precious metals industry is that 'You could be seen as part of the solution'. Given the first bullet points on this slide, if you get lumped in with fossil fuel miners, for example, you could be seen as part of a problem, and so it's very important that the industry puts a very positive message on it. I will stop there, just with the thought that this agenda is being implemented by governments. It's here now. The risks are not just long term, they can actually crystallize unexpectedly at any point. And these risks mean it's an agenda on which firms can either make money or lose money depending on what action they take. So, I'll stop there and hand over to Terry.

Speaker 3:

Right, well, thank you very much to the LBMA, thank you for the opportunity to speak about what the World Gold Council has been doing and, hopefully, my slides are now up on the screen, if that's not the case, then somebody can let me know. I agree with everything that was said around the importance of the industry taking action on climate change, the recognition that this is an issue from a financial perspective and that it has financial implications and the gold sector has been taking action, and it's important that it continues to take action. One of the drivers that we're increasingly

seeing from the investor community is understanding both – two of the points that were discussed before – where, and how, the gold industry is taking action to reduce its emissions, but also, critically, the way in which the changing environment will impact asset prices of gold and of companies in the gold industry. Both, as just discussed, around the physical and around the transitional risks associated with it. We put out a report last year, looking at gold and climate change, current and future impacts, and really focused on three topics. Firstly, looking at the carbon footprint, the entire gold sector as it is today. Secondly, as it's just been discussed, looking at what the net-zero pathway can look like for the gold supply chain, with a particular focus on the mining side, and I'll talk to that. And then thirdly, and this speaks to the opportunity for the sector, the role that gold might play as a risk asset – as a climate risk asset – given the potential that there is significant asset repricing given climate change.

So, looking at the carbon footprint, we undertook what we believe is the most thorough analysis to date across the entirety of the gold supply chain – upstream and downstream – and the key finding is really just how much of the emissions are associated with the mining and direct processing aspects of the gold supply chain. Approximately 99% is in the upstream part – very little emissions are associated with downstream in terms of fabrication of jewellery and technology. And what that means is, firstly, it's a very different profile to many other commodities, and not just fossil fuels, but many other metals as well. And secondly, and critically, it's fairly straightforward to see where the opportunity is for de-carbonization. And to Paul's points – and I fully agree with them – there is a real opportunity here for de-carbonization, and the ability for this industry to decarbonize is an opportunity, in that I think it will attract investors and it will demonstrate that this industry can be at the forefront of addressing issues, global issues and challenges associated with carbon. If we look at the net-zero pathway for the sector, and, again, this is setting out what we believe is possible, it is not a forecast per se, but we think it is absolutely realistic that the gold sector as a whole – again, given the particular focus on gold mining, given the emissions associated – can get to net-zero by 2050. And that is in line with the Paris accord and the commitment to keep emissions well below three degrees and, ideally, significantly below that. How can that happen? Well, I think it's going to become an economic driver. As was mentioned earlier, renewables are becoming increasingly cost competitive and storage solutions are also becoming efficient from a cost perspective, as well as an energy usage perspective. So, the tables on the right of this slide look at the decrease in costs over the last few years. And if you forecast that out over the next few years, you can see there's going to be an ever more compelling case to change energy sources from a financial perspective. That, I think, is very positive. It means that there's a real commercial driver – in addition, obviously, to the driver around reducing carbon emissions. But then there are other reasons as well and, in particular, in the mining sector there's been a big push around reducing diesel usage. And that is obviously around carbon emissions, but it is also because diesel can be a challenge to manage on sites, particularly when used underground; it can have health implications, in terms of the particulars. And, so, you've had seen lots of movements away from diesel for a few different reasons.

And just to look briefly at some of the examples of what our members do. Those of you who don't know the World Gold Council, we're a membership association representing 26 of the world's leading gold mining companies. We're already seeing significant action on this move towards renewables, and on the move towards increased energy efficiency. And I've just highlighted a couple of examples here, there are lots more. The world's first, all electric mine is a gold mine. It's the Borden mine – it's the Newmont mine in Newmont, Ontario. All the fleets are electric, and, in large part, that is again because of this desire to move away from diesel. We're seeing the installation of huge solar arrays in many parts of the world and, if you think about the gold mining sector and where gold mines are often found, they're often found far from the grid, far from other big communities, and they need to create and develop their own sources of energy. Historically, that's meant trucking in diesel heavy fuel oil. Increasingly, companies are looking to take advantage of renewables because those are available. And IAMGold's Essakane mine is a great example, and there are others in West Africa, and beyond, where the conditions are really pretty perfect for using renewables. Use of hydropower; many mines around the world use hydropower and are looking to figure out how they can increase. And then, I think, it's important just to talk about energy efficiency. We all think about energy efficiency; we should all think about energy efficiency. Mines are no different, and there are many initiatives that are ongoing, just to take another look at the way mines operate and increase energy efficiency.

Moving on, I want to talk briefly about the role that gold might play as a climate risk-mitigating asset. And we've done some very initial analysis. It speaks to and looks at the role that gold might play in portfolios, given that there is the potential that there will be significant asset repricing. And given that gold is well understood as a risk mitigating asset and given that gold has a diverse set of demand drivers. And given that once gold is processed in the form of an investment, there are very, very low incremental emissions associated with that. All of that points to the fact that gold is likely to perform better than most mainstream asset classes under a range of different climate scenarios. And there's more on this report and I'm happy to take questions later. And then finally, again, just touching on something that Paul briefly mentioned. Gold actually can be part of the solution as the product, as well. And, in a particular form. There are some really interesting applications that are both being used today and, indeed, applications that are being developed for the future where gold's role particularly as a catalyst, again, a tiny scale, nanoparticulate, that can help provide some of the tools that will support us through the energy transition be it converting CO² into usable fuels, supporting the effective and efficient operation of hydrogen fuel cells, and there's a lot of work going on around hydrogen fuel cells, or indeed in photovoltaics, and that's already a well-established application for gold. Now, none of this is going to change meaningfully the demand for gold, but important in terms of what the metal can do as we look for new technologies.

And then finally, just broadening out the conversation a little bit beyond climate change, I want to take the opportunity to look at the Responsible Gold Mining Principles, which is an overarching ESG framework that really defines those material aspects that relate to Responsible Gold Mining. This is a set of principles that we at the World Gold Council worked on with our members – and very wide input from a range of stakeholders – and set out last year, the leading gold mining companies of the world, our members and others are implementing this now. And it really does speak to, if you conform with the Responsible Gold Mining Principles, you should be recognized as a responsible gold miner. Conformance requires public disclosure, independent assurance on that disclosure, and it is a very clear statement of the commitment that the world's leading gold mining companies have to operate responsibly, and to communicating clearly, excessively and in a way that promotes confidence through an external assurance process that they are partners and committed to sustainability for their own operations and the global gold industry. So, with that, let me pause. Information on both the Gold and Climate Change Report and Responsible Gold Mining Principles is available on our website and I will hand it back. And I think we're going to go to questions.

Speaker 4:

Great. Thank you so much both to Paul and Terry – very insightful information. I mean, the WGC report is certainly very interesting, and in terms of some of the findings you've shared with us, it has certainly been helpful. And Paul, I think, I'm probably speaking for a lot of us, by starting the presentation and very much clearly clarifying that you're not a green activist. It is looking at the business perspective and the business opportunity of sustainable finance – absolutely resonated with me at least, and with several others, no doubt. So, this is not just about the social, moral, political, but actually there is also a business opportunity that could drive some of the developments forward. So, thank you to you both for sharing your insight. Just a few questions. I'm also conscious of time. So, this one, I mean, perhaps for you both but I'll start with Paul Fisher. This is around the ESG rating agencies. There's a lot of rating agencies out there and, in fact, I just did an initial quick Google based on this question. There's over a hundred rating agencies. How useful are they, and are they actually needed? A lot of investors do place some emphasis, what's your view on these rating agencies?

Speaker 2:

Well, rating agencies play a role for people who are not able to do their own assessments and their own ratings. Now, there is an argument that says, if you can't yourself assess a risk, you shouldn't be trying to take it. And most of the best investment houses in the world do their own assessments and they've used their own ratings. And, when I was at the Bank of England, we would never have relied solely on external rating agencies. We always did our own analysis, but they do have a role to play. They help put pressure on the industry. I think that they are a commercial service, you either use them or you don't. You have to be careful. Most of the time significant downgrades happen after the asset has lost its value, rather than before. So, I think they are part of the set up, they play a role. I don't think you can safely rely on them to tell you what the risks are.

Speaker 4:

And Terry, did you have any comments?

Speaker 3:

Sure. If I just add to that, look, especially on the ESG front, I think it's a relatively new field of ratings agencies trying to understand how they provide metrics from an ESG perspective. I heard it described quite well at a conference recently – well, not that recently – but, we've sort of seen, in credit markets, developments of ratings agencies over 30 years to get convergence in different ratings agencies, having methodologies that broadly give similar alignment. We're not seeing that at the moment on the ESG ratings agencies. We're seeing very different approaches, different emphases of what's important by the ratings agencies, or by the industries that they're looking at and how they think about that. And I think it's, as Paul says, it's an important service and one that the investors are increasingly paying attention to, but it's still a relatively immature process in terms of the ESG ratings agencies. It's been interesting, even just very recently seeing Jay Clayton, the Chair of the SEC, speak about some of his concerns – that they're trying to create a single number that gives an output to cross all ESG metrics. And is that feasible? So, absolutely right that investors are paying increased attention. I think there's an increasing role for industry focused indicators that really speak to the material issues for that particular industry. And that very much is what we've tried to do with the Responsible Gold Mining Principles.

Speaker 2:

And can I just add Sakhila? There's a lot of evidence now that ESG investing actually generates higher returns than other forms of investing. And nearly always it's the government's indicators, which seem to be one of the major sources of information. So, if I had to pick anything, I would try and look at ratings which look, in particular, at the governance. Companies which have good governance tend to take a longer-term view. They tend to worry more about some of these risks that might get ignored by firms with less good governance.

Speaker 4:

Okay. On to the next question and this one is, perhaps for Paul and then the third question for Terry. So, the question is, is the climate risk of client portfolios the client's responsibility, or should the banks be absorbing some of that responsibility? So, that's for you Paul.

Speaker 2:

Well, it's not so much the banks' as the asset managers. Banks don't manage other people's money. When you put money in the bank, you lend it your money and it's theirs to do what they want with. So, it's a shared responsibility. Ultimately, it is the client who has to decide what to do with their money, but they have to be informed, and they have to have investment opportunities available to them. This is why on the High-Level Experts Group, at the European Commission, we say that financial advisors should be required to ask their clients about their sustainability preferences because, what was happening was the IFAs didn't know anything about sustainable investing – they weren't offering it as a service and they were ignoring the question. Once you ask a client about their preferences, and you know what their preferences are, you then have to offer investments which are suitable for the client. And, so, there was a dual responsibility here. It wasn't being taken up by the financial advisors in terms of advising their clients on what the options were and what was available. And, so, we have changed the rules in Europe to make that a requirement.

Speaker 4:

Thank you, Paul. The next one for Terry. The question is, who would you say is ahead in quantifying CO₂ emissions and reducing them? Would you say the mining or the jewellery industry?

Speaker 3:

Look, I think, the mining industry has paid more attention to this. Not least because of investor expectations on mining companies, and ESG has been a longstanding topic of discussion around what mining companies are doing to address the sustainability agenda. And I agree with Paul's points. If you think about running a business for the long term, you have to think about how you manage it effectively for the long term, and that speaks to ESG considerations. So, the ESG, the nomenclature might be new, but the idea about managing for the long-term and, therefore, thinking

about how you manage environmental and social aspects over the long term, and put the right governance in place is deeply embedded in mining companies that have a 30 to 40-year lifespan, from development to closure, for an individual mine. So yes, mining companies put a lot of effort into the overall sustainability agenda. I think climate has increasingly raised up where it's important, and there are certain jewellery companies that have gotten involved, and are engaged, but it would be great to see more.

Speaker 4:

Great, thank you. It's almost impossible to have a webinar these days without actually mentioning the current environment that we're in, partly why we have so many webinars these days. COVID-19, again, maybe open to you both. There's certainly been an impact with the fall in CO² emissions, in some cases. How do you think COVID-19, or at least the lessons we're learning from COVID-19, or at least the impact, may shape or influence government policies in the future? Would governments go back and rethink those policies? Or do you think that is just helping them sort of cement what they already have in place? I'll perhaps start with Paul on that one.

Speaker 2:

Yeah. There's three ways in which this works. First of all, COVID-19 is accelerating some trends which were already present in the economy, towards home working, towards less business travel and more video conferencing and so on. And firms for example, which were already marginal, will end up going bust almost certainly, unfortunately. Secondly, there's a whole question around whether this presents an opportunity to, what they say, "build back better." Don't waste a good crisis. Governments are having to put a lot of money in to support the economy. They could direct that money in such a way as to help meet their other agendas, of which decarbonisation is one. That is a big discussion that's going on around the world, the IMF has even weighed in on it. We'll see what happens. The third one is the one that interests me most and also most worries, and that gives me grief, so what we really learned from COVID-19 is people didn't really want to believe it was going to happen. They didn't really want to believe the worst. They didn't want to believe that we were going to go into lockdown or that tens of thousands of people would die. So, in consequence, action was generally late, generally not as effective as it would have been had it been done earlier, and the consequences were both inordinately more expensive and, sadly, deadly than they might've been if people hadn't been so optimistic at the outset about what the consequences were. And this is the second time in a short period, we have learned this. We learnt it in the Great Financial Crisis as well. People didn't want to believe we were going to have a financial crisis, didn't want to believe it was going to have the sort of effects it did. The action, therefore, to ameliorate it was much much more expensive as a result of that. And the question is, 'Are we going to learn this lesson with climate?' Are people going to not want to believe that climate is going to have these effects, not want to believe that we need to take action and not want to put in place the necessary measures? In which case we trip into it at some point in the future. Do we wait for London to flood before we re-build the Thames barrier? Surely, that's the most expensive way of dealing with it. Or do we look at history and say, yeah, when you've got these very large, significant existential risks with a reasonably high degree of probability, you need to take action and you need to take action early. And that could go either way, but I do worry slightly about the Optimism Bias that's just inherent in human beings.

Speaker 3:

I would agree with that. And, look, I think from an investor perspective, and from a financial market's perspective, how you actively think about pricing that risk today, and certainly – in terms of directing capital or engaging with management – understand what companies are doing across the precious metals industry to respond, not just to climate change, as important as climate change is, but across the ESG agenda. And that certainly is an opportunity. We're seeing more investors wanting to understand what the long term ESG agenda looks like because they realize that has real commercial implications. And I think that is just going to be exacerbated by COVID and hopefully push investors to become longer term thinkers as well. There's a real opportunity for investors to help change the dynamics and perhaps, to Paul's points – optimism is great – but also balanced with realism and looking out for the long term. And if we can, as a system, think about the long term and how to manage and organize things for the long term – including allocating capital – then that gives me hope that we've learnt something from this crisis.

Speaker 4:

Great. Well, thank you for that. Unfortunately, we have gone a little bit over, so thank you to all our attendees who've stuck it out until the end. So, thank you. We did have a few more questions. I do apologize, because of time I can't continue with those questions, but we will try to follow up with them after the webinar. So again, thank you to the attendees for dialling in and, of course, to Paul and Terry for your invaluable opinion. Thank you.

Speaker 3:

Thanks, Sakhila.

Speaker 2:

Thank you everybody.

Interested in contributing?

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