Gore banks on good investment climate

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The haze of wildfire smoke choking America’s east coast is a further reminder that the planet is warming and extreme weather events becoming more common. As Al Gore told this paper a few months ago: “Every night on the television news is like a major ride through the Book of Revelation.”

The former US vice-president has a chance to show how capitalism can do something about it. His London-based firm Generation Investment Management has just raised $1.5 billion from institutional investors for a new fund that will back carbon-cutting projects in unloved sectors where emissions are regarded as hardest to abate (report, page 38). This is hardcore: steelmakers, concrete factories, paper mills, plus some of the hardest nuts to crack such as net-zero airliners and carbon capture and storage. While billions is being ploughed into electric cars and other sectors where progress is easiest, the new fund will focus mostly on areas normally put in the “too difficult” tray.

The rationale has a kind of logic: put capital to work where others fear to tread. The failure rate will be high, but the opportunities for blockbuster breakthroughs are all the greater because of the lack of competition.

The new fund, Just Climate, is aiming to match the kind of returns made by conventional funds but with a massive incentive to reduce emissions too. It can make fabulous financial returns, but won’t produce a cent in performance fees if Generation, and Gore personally, unless very tough emission reduction hurdles are met too.

Much depends on how those hurdles are calibrated and how independently measured. The investment industry has had a habit of exaggerating its environmental achievements. But even before that, Just Climate needs to make returns no worse than conventional investments if it is to blaze this trail successfully. That is if anything getting a bit harder: the enormous rally in fossil fuel shares has for now royally bogged up the comparative performance figures for green funds.

Gore and Just Climate could do with a win on a biblical scale.