

CEOs in Davos say they can't save the planet on their own



INTERNATIONAL – As the financial industry comes under pressure to avoid funding dirty energy, the heads of Citigroup Inc. and Zurich Insurance Group AG said they need their clients to do more work too.

“I say to our clients, ‘I don’t want to be the sharp end of the spear,’” enforcing industry standards, Michael Corbat, chief executive officer of the New York-based bank, said Tuesday in a panel discussion at the World Economic Forum in Davos, Switzerland. “You should set those, you get proper buy-in and we will be here to support you.”

Mario Greco, the CEO of Zurich Insurance, agreed with Corbat that carbon was mispriced, and said insurance firms are having a tough time deciding what to underwrite as a result.

Insurers are underwriting “based on ethical standards,” and “compliance with the Paris agreement, but it’s not fast enough and it’s a tough job,” Greco said. “We don’t know exactly” how

an industry should restructure itself, “and we are not supposed to do that, so the only thing we can do is stop funding. Stopping funding is a brutal reaction to market displacement.”

This year’s meeting of the global business elite in Davos has focused on sustainability, with teenage activist Greta Thunberg criticizing a lack of action on climate during her appearance.

Financial companies are under pressure to retreat from funding industries including coal-fired power, and the European Union is working on a so-called taxonomy governing sustainable investments. Lawrence Fink, who runs BlackRock Inc., last week pledged to incorporate environmental concerns into the asset manager’s investment process for both active and passive products.

“We are very much aligned” with Fink, Corbat said in Davos on Tuesday. “Where we don’t want to find ourselves is being the person that starts to dictate winners and losers.”

Corbat created the new role of chief sustainability officer at his bank in September. He said then that governments should create incentives for companies to adopt sustainable practices, rather than relying on punishments like carbon tariffs.

Greco was pessimistic that there will be more effective global agreements on matters like carbon pricing, calling the prospect “almost unthinkable.”

Global companies “will go wherever there is the best financial opportunity short-term for them, and they will follow what prices tell them to do. This is what makes me scared, or pessimistic, that we will achieve the right speed.”