Strategic Business Opportunity

Consulting services to identify Green and Social projects and set-up sustainable financing with impact-oriented outcomes.

Business Case

Sustainable finance and investments experience unprecedented levels of customer demand with ESG funds increased 15% in 2020. Experts estimate growth of more than 30% till 2025 of all assets under management. Financial providers are investing into intensive product development with 330 new ESG funds created only last year. And while climate accounts for about 20% of new ESG funds launched in 2020, experts forecast a growing role of social issues ('S' in ESG abbreviation).

These money inflows on financial markets support new levels of demand for ESG projects. Green bonds market launched in 2013 from $3bn and then effectively doubled each year. When pandemic first hit economy and society, large-scale effects became evident in spring last year, there were speculations of reducing demand for ESG. But instead, the market experienced unprecedented growth. Green bond issuance hit $279bn in 2020. Sustainable bonds and sustainable loans market last year increased 72% reaching $742bil. Overall, the green and social bonds market topped $2tr in 2020.

EU areas (including the UK) are in dominant positions leading this growth. Both EU and UK regulators accelerated adoption of regulatory requirements for both asset managers and investors. Growing number of countries are making Net Zero commitments while more than 60 global banks introduced financial restrictions on fossil fuels financing. Another important development is a rise of shareholder activism focusing on ESG topics.

Suggested Approach

In this environment investors are increasingly looking for opportunities to finance ESG projects. Accountability is in a good position to help demand and supply meet. The challenge for the corporate customer is to identify appropriate projects with measurable impact-oriented outcomes that fits well with sustainable finance opportunities. There are some hurdles to overcome. For example, industry associations like ICMA recommend clearly identifying environmental and social objectives and high levels of transparency for project selection and evaluation to satisfy its Green Bond and Sustainable Bond principles. Similar requirements usually apply at the burgeoning sustainable loans sector.

Accountability should leverage existing capabilities and expertise in materiality review, impact assessment, reporting and communications supporting customers in their transition to the sustainable business models. Sustainable finance (sustainable loans, sustainable bonds, etc.) can be cheaper than mainstream alternatives and that shall be highlighted as a key advantage for the customer. Other customer benefits include compliance with existing and emerging regulatory requirements and better positioning at consumer and labour markets. One important possibility for multinational corporations is that in contrast to equity products, some structured (green / social) fixed income products may be attached to separate projects or subsidiaries within the diversified organization.

Sample consulting projects include climate risk adaptation & transition; physical risk mitigation; energy transition; social issues projects (product quality, improved labour management, etc.)

Opportunity Estimates

Proposition focuses on a deep and rapidly growing market. Sales efforts shall be primarily focused at middle-range companies (with turnover above $1bn) and international companies headquartered in the EU/UK. With nominal price per project between £500k - £700k, margin 40% and successful sales of 10-15 projects per year, estimates allow for £5.0 – 10.5Mio gross sales and net revenue of £2.0-4.5Mio per year.