

## BOOK REVIEWS

*Banking on Climate Change: How Finance Actors and Transnational Regulatory Regimes are Responding*, by Megan Bowman  
Kluwer Law International, 2015, 257 pp, €125 hb, ISBN 9789041152237

How are financial institutions such as banks tackling climate change? Should they, and how could they help to shift the economy towards a low carbon future? These are among the pressing questions about climate finance governance that until recently have attracted limited scholarly interest.<sup>1</sup> The emerging ‘climate finance’ sector, a new off-shoot of the long-standing global movement for socially responsible investing, attempts to harness the resources and power of the financial sector to discipline corporate social and environmental behaviour.<sup>2</sup> The global fossil fuel divestment movement, which has found a receptive audience in some universities, has drawn our attention to the finance sector’s complicity in funding environmentally dubious developments such as Australian coal mines and Canadian oil sands factories.<sup>3</sup> Less consideration has been given to whether, and if so how, the finance sector can leverage positive change, such as stimulating investment in renewable energy or strengthening societal resilience to adapt to climate change.

A fascinating contribution to the scholarly literature that grapples with some of these issues is Megan Bowman’s new book, *Banking on Climate Change*. Bowman provides a broad, multi-jurisdictional perspective of the policy and regulatory developments that are shaping the climate finance sector, including both private sector financiers and multilateral development banks. Most helpfully, the book provides a penetrating empirical analysis of the realities of how some financial institutions address climate change as well as a robust theoretical framework anchored around regulatory and institutional lenses to help to understand the nature of climate finance governance in both domestic and transnational settings. Importantly, Bowman approaches ‘governance’ as not simply the regulations and policies of states but also corporate-led codes, standards, and other forms of industry self-regulation.

The book is structured along three main axes. Firstly, it sets the scene by introducing the composition and functions of the financial sector, and the development of the climate finance market including its drivers, opportunities, and

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<sup>1</sup> See, e.g., B.J. Richardson, ‘Climate Finance and its Governance: Moving to a Low Carbon Economy through Socially Responsible Financing?’ (2009) 58(3) *International and Comparative Law Quarterly*, pp. 597–626.

<sup>2</sup> B.J. Richardson, *Socially Responsible Investment Law: Regulating the Unseen Polluters* (Oxford University Press, 2008).

<sup>3</sup> J. Schwartz, ‘Harvard Students Move Fossil Fuel Stock Fight to Court’, *The New York Times*, 19 Nov. 2014, available at: [http://www.nytimes.com/2014/11/20/us/harvard-students-move-fossil-fuel-divestment-fight-to-court.html?\\_r=0](http://www.nytimes.com/2014/11/20/us/harvard-students-move-fossil-fuel-divestment-fight-to-court.html?_r=0).

barriers. Here Bowman provides an excellent overview of the workings of the financial sector and explains how climate change issues manifest as financial risks and opportunities for lenders, pension funds, and other financial actors. She also usefully examines the emerging role of China as a global financier and its contributions to green investment. The second dimension of the book is its outstanding case study of the banking sector's response to climate change, based on a series of interviews conducted by Bowman with a variety of global lenders. Her meticulous empirical research of banks in Europe, the United States, and Australia provides interesting practical lessons for finance practitioners and policy makers regarding the opportunities for and barriers to the business case for climate-friendly investing. The third contribution of the book consists of useful recommendations for regulatory reform of corporate and investor decision making on climate finance. These proposals include a combination of direct regulatory controls and indirect, incentive-based, and informational policy tools to nudge change, but show an overall preference for less coercive approaches.

The book's principal thesis about the importance of regulatory interventions to enhance the business case for socially responsible climate finance is persuasive, if we accept that solutions to a warming planet are so urgently needed that we must work within the existing economic system. Bowman is right to be sceptical that banks 'will "make good" on their own' (p. 243), given the market discipline to act in their self-interest and for the short term. Bowman is a pragmatist who seeks to work within the system of finance capitalism to engender change rather to attempt a wholesale shift to a different economic regime. Over the long term, of course, there must be serious public debate among stakeholders about overhauling the finance *system* itself – a system structured around the primacy of profit making, market competition, open borders for global trading, and emphasis on economic growth. If humankind ever reaches an eco-utopia, it is unlikely that finance capitalism as we know it will be part of that milieu.

While *Banking on Climate Change* is without peer in this area of scholarship, it does not cover all facets of climate finance governance. The book provides excellent coverage of climate change mitigation actions but discusses in less depth climate adaptation and how the financial sector can help to fund or facilitate solutions to rising sea levels and other anticipated detrimental impacts of a shifting climate. The role of sovereign wealth funds is not examined despite the book's otherwise quite broad coverage of different financial actors. The Norwegian Government Pension Fund Global, the world's largest sovereign wealth fund and subject to a legal mandate to invest ethically, is an increasingly climate-conscious investor.<sup>4</sup> Also, the book only lightly covers the surging fossil fuel divestment movement, an issue that will warrant more scrutiny as militant civil society groups increasingly intervene in the financial sector to force lenders to change. Of course, no single book can cover every dimension of a topic, and these and other issues provide fertile ground for further

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<sup>4</sup> B.J. Richardson, 'Sovereign Wealth Funds and the Quest for Sustainability: Insights from Norway and New Zealand' (2011) 2(1) *Nordic Journal of Commercial Law*, pp. 1–27.

scholarly endeavours by Bowman and others interested in climate finance governance.

*Banking on Climate Change* is an absorbing, well-written book that should appeal to a wide array of readers beyond specialists researching climate finance governance. Practitioners and scholars of socially responsible investing will surely also find Bowman's analysis of relevance to other social and environmental causes beyond climate change. Researchers in transnational law and regulatory theory will also learn much of interest in her book. Its theoretically sophisticated analysis and reliance on extensive empirical evidence enable this book to stand out as among the best new literature on social investing in recent years. Overall, *Banking on Climate Change* is to be commended for its pioneering and insightful advancement of a new area of scholarship on one of the most topical and momentous issues for the future of humankind and the planet.

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*A Global Environmental Right*, by Stephen Turner  
Routledge, 2013/14, 208 pp, £90 hb (2013), £31.99 pb (2014); ISBN 9780415811590 hb,  
9780415821834 pb

More than half a century ago, Rachel Carson's *Silent Spring*<sup>1</sup> fervently demonstrated the negative impacts that our activities can have on the environment. Yet, we exert increasing pressure on Earth to the point where the integrity of its life-support system is at risk. This might be seen as evidence of our failure as custodians of nature, but we have not given up hope. Institutional and normative interventions are being devised to better mediate the human-environment interface. Among others, there has been a marked development of environmental rights. The field of human rights and the environment increasingly affords people a remedy to challenge decisions, to access information, and to participate in environment-related decision making in the absence of substantive environmental rights internationally.

In *A Global Environmental Right*, Stephen Turner seeks to translate the power of environmental rights from the domestic to the global domain.<sup>2</sup> Turner's point of departure is simple: to achieve sustainability, we need to impose the responsibility to protect the environment on all stakeholders, including states, business, industry,

<sup>1</sup> R. Carson, *Silent Spring* (Houghton-Mifflin, 1962).

<sup>2</sup> See also S. Turner, *A Substantive Environmental Right: An Examination of the Legal Obligations of Decision-Makers towards the Environment* (Kluwer Law International, 2009).