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CONCOURS INTERNE POUR L'ACCES AU CORPS D'ATTACHE ECONOMIQUE DE LA DIRECTION GENERALE DU TRESOR

SESSION 2022

EPREUVE ECRITE D'ADMISSIBILITE DU 29 MARS 2022

TRADUCTION ECRITE EN FRANÇAIS D'UN TEXTE EN ANGLAIS

(Durée : 1 heure - Coefficient : 1)

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TOUTE NOTE INFERIEURE A 8 SUR 20 EST ELIMINATOIRE

Green investors' filthy secret, The truth about dirty assets. Polluting businesses are moving into the financial shadows. *The Economist*, February 12, 2022.

SINCE 2016 the value of investments in financial products that claim to abide by environmental, social and governance (ESG) rules has grown from $23trn to $35trn. Bloomberg Intelligence reckons it could exceed $50trn by 2025. ESG funds typically tell their customers that they do their bit to tackle climate change when they invest in publicly listed companies. Most individual investors take these claims seriously and buy these funds in good faith.

Such faith is not always well-placed. A lack of rigorous measurement means that greenwashing is rife and bogus claims go uncontested. Many funds claim that there is no trade-off between maximising profits and green investing. And ESG funds often seek to meet their goals simply by excluding the shares of firms in polluting industries from their portfolios, and piling instead into pricey tech stocks, from Alphabet to Zoom.

The Western world's dirty assets are heading into the shadows. Public firms, including European oil majors such as Shell, and large listed mining outfits, are selling their most polluting assets in order to please ESG investors and meet their carbon-reduction targets. But those oil wells and coal mines are not being shut down. Instead they are being bought by private companies and funds that have alternative sources of capital and stay out of the limelight. Little wonder: owning dirty assets may require a thick skin, but it is likely to be profitable. Private-equity firms have snapped up $60bn-worth of fossil-fuel-linked assets in the past two years alone, from shale fields to pipelines.

The shift to the shadows is problematic for two main reasons. First, the claims being made by listed firms that they are helping to decarbonise the planet are questionable. Second, as dirty assets pass into private hands, it becomes harder to tell if their owners plan to reduce their output over time, or expand it. All that has been created is a system of arbitrage, in which dirty assets change hands to misplaced applause.

What to do? First, impose more carbon taxes or carbon prices. Such tools are the best ways to align the profit motive with the imperative to cut emissions, and so unleash the power of markets to reallocate capital quickly and efficiently. The other answer lies with institutional investors, such as pension funds, endowments and insurers. If institutional investors are serious about being green, they should consider the entire carbon footprint of their portfolios. The task of measuring these footprints, and avoiding double-counting, is onerous but crucial. Finally, investors should question the idea that the best way to make polluters pollute less is to dump their shares. Such dumping is supposed to raise the cost of capital for polluters, and thereby impede new investment by them. But this does not work if there is an abundance of alternative private cash willing to buy up those shares—which there is. Larry Fink, the boss of BlackRock, the world's largest asset manager, has suggested a different approach. Sincere green investors—and there are plenty of them—should hold on to dirty shares and work with managers to reduce emissions. He is right. To be truly green, investment strategies must be less black and white.