

# FINANCING ENVIRONMENTAL TECHNOLOGY: THE CASE OF SWEDEN

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**MISTRA**  
FINANCIAL  
SYSTEMS



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# Financing Environmental Technology

## Agenda:

- I. Private sector investments in environmental technology:
  - What do we know from the financial economics literature?
  - UNEP inquiry/MISTRA Financial Systems report.
  
- II. A few words on the Swedish context.
  
- III. And what will MFS do?

# Financing Environmental Technology

- We do not know that much of how to finance this transition *per se*. However!
  - There is lots of evidence on financing of risky, innovative investments in new technology.
- There are two market failures.
  - Social returns > private returns (spillover effects).
  - Capital market imperfections.
    - Limited collateral value, agency costs, etc.
    - Debt vs equity financing.

# Swedish Context

- Market based financial system
  - Relationship vs. arm's length financing.
  - IPO market
  - VC market, angel financing, etc.
- Policy landscape
  - Taxes vs subsidies (SCB Environmental Accounts).
  - Start-up financing (though, Lerner, 2009).

# Broad Picture

- Innovation in the financial sector → Lowering cost of equity capital.
  - Accounting standards and Financial transparency.
  - Investor protection.
  - FinTech.
- Application to the transition toward clean technologies:
  - Path dependence.
  - Policy landscape: Subsidies 'dirty' vs 'clean' technologies.

# Looking Ahead: MFS

- Governance work package in MFS:
  - Mapping the Swedish economy and Angel financing market.
  - Investor and entrepreneurship belief.
  - Investment horizons.
  - Financial sector attitudes toward long-termism.
  - Investing in complex financial products.
  - Etc.

THANK YOU!