

2021 Finance and Social Justice Project

Call for applicants

The FSJ Project

The Finance and Social Justice Project (the “Project”) is an extracurricular activity that gives LLM students the opportunity to work on current, real-world problems at the intersection of finance and social justice. It has three main goals:

1. To enhance **students’ employability** by further developing their professional skills.
2. To give students a practical insight into **less conventional professional careers** in corporate and financial law.
3. To help students realise their potential to **contribute to social change**.

In 2018/19, a team of eight LLM students supported [ClientEarth](#), a non-profit environmental law organisation, in the exploration of different litigation strategies that aim to promote sustainable finance in the European Union. Over the course of six months, the team wrote a 175-page report which they presented to ClientEarth at their offices in London on 27 March 2019.

In 2019/20, a team of ten graduate students explored the extent to which the Eurosystem was taking into account climate change when designing and implementing its Corporate Sector Purchase Programme (CSPP). As part of the project, the team:

- Prepared and submitted access to information requests to the German central bank and the Spanish central bank.
- Used the information obtained from the German central bank to draft a policy brief ([FSJ Project Policy Brief 1:2020](#)) that presented two ways in which the Eurosystem could begin to take into account climate change when designing and implementing measures of monetary policy.
- Drafted a blog post reflecting on the implications of the judgement of the German Federal Constitutional Court of 5 May 2020 ([2 BvR 859/15](#)) for the CSPP in light of its negative impact on climate change. The post was published on the [European Law Blog](#) and the [Oxford Business Law Blog](#).
- Submitted a response ([ECB Strategy Review submission](#)) to the European Central Bank (ECB)'s Strategy Review highlighting the potential for the ECB and the Eurosystem to contribute to mitigating the current climate emergency.

More details about the Project can be found [here](#).

The FSJ Project 2021: “Foreseeing climate change litigation risk”

Description

Finance plays a central role in our economy: it is the key that unlocks almost any project you can think of. By enabling the development of businesses and the implementation of government policies, finance has the power to shape our world in an unparalleled way. For good and bad.

In recent years, the financial services industry has been subject to a growing ethical scrutiny. For example, we have learnt that banks are financing a large proportion of the fossil fuel projects that are aggravating the current climate emergency and that the levels of bank finance continue to grow *despite* the adoption of the landmark Paris Agreement in December 2015 ([Rainforest Action Network, 2019](#)).

Regulation is one of various tools available to reshape the incentives of financial institutions. In recent years, there has been a growing number of regulatory initiatives that aim at promoting more sustainable finance. The European Commission’s [“Action Plan on Sustainable Finance”](#), published in March 2018, and soon to be revised as part of the [“European Green Deal”](#), is a prominent example.

Some critics, however, argue that these regulatory initiatives are not doing enough to support social and environmental objectives, like the mitigation of climate change. In light of the aggravation of climate change experienced in recent years, there have been attempts to influence the incentives of financial institutions using other tools. Litigation is one of those tools. In line with more general trends, climate change litigation in financial markets has been on the rise in recent years ([Setzer and Byrnes, 2020](#); [Solana, 2019](#)).

The potential financial impact of climate change litigation makes it a very powerful tool to reshape the incentives of financial institutions supporting companies whose activities contribute to aggravate climate change. But despite the growing trend of climate change litigation, however, financial institutions and their regulators still have a very limited understanding of climate change litigation risk. Arguably, one of the reasons for underestimating climate change litigation risk is the difficulty of predicting the exposure to this risk in the future.

This poor understanding is a great cause for concern: those institutions that fail to consider the risk of climate change litigation may be compromising their own viability and the stability of the broader financial system. Perhaps more importantly, the lack of regulatory support may drive us deeper and faster into a climate catastrophe.

In 2021, the Finance and Social Justice Project (the “Project”) will explore the potential for financial regulation to further support the mitigation of climate change. In particular, students participating in the Project will research how financial institutions and their regulators might improve their understanding of climate change litigation risk by relying on a novel technique of financial supervision: scenario analysis.

Outputs and impact

By participating in the Project, students will have an opportunity to inform some of the policy debates that are taking place at the moment in the UK and other countries. For example, the Network for Greening the Financial System (NGFS), which coordinates the work of over 60 central banks and financial supervisors from around the world, has recently identified scenario analysis as one of the main tools to integrate climate-related financial risks into financial regulation and supervision. The Prudential Regulation Authority (PRA) at the Bank of England (2019) is currently reviewing its supervisory framework for climate stress tests and is exploring the extent to which climate change litigation will be part of their future supervisory exercises.

The NGFS (2020) has also identified scenario analysis as a key tool for financial institutions to integrate climate-related financial risks into their risk management models. In this sense, students' research in the Project will also have the potential to inform how financial institutions in the UK and elsewhere understand and manage their exposure to climate change litigation risk.

Communicating students' research to relevant stakeholders such as financial institutions and their regulators will be a central element of the Project. To this end, students will produce a research brief that summarises the findings and practical recommendations of their research. The research brief will be published on the University's website and disseminated through the University's social media channels, and will serve as the basis of the students' communications with stakeholders. These communications will be part of a broader impact strategy that will aim to create opportunities for students to present the research findings and practical recommendations to financial institutions and their regulators, predominantly in the UK.

Academic members of staff will support and guide participating students, e.g. by delivering a series of specialised seminars and workshops. (See the Timeline in the ["Application process"](#) section of the Project's website for preliminary details.) But students will be responsible for the research outputs and for the presentation of research findings and practical recommendations to relevant stakeholders. In other words, rather than assisting others in their research, students will own, and be responsible for, the Project. This will require students to be hard-working, proactive, professional, and highly-motivated.

Intended Learning Outcomes

By the end of the Project, students will be able to:

- Critically examine how litigation and regulation might incentivise financial institutions to support ongoing efforts to mitigate climate change.
- Recognise the legal and non-legal impact of different legal tools such as litigation, regulation, corporate governance mechanisms and access to information requests, among others.
- Explain how non-legal tools such as narratives and communication campaigns might complement a legal strategy and improve its effectiveness in achieving specific legal, political and social objectives.

- Design and develop an effective legal strategy to address a specific problem of social justice in modern finance.
- Recognise and make use of necessary elements for successful teamwork, including their contribution to the development of particular skills and strengths of their teammates.
- Demonstrate appropriate standards of behaviour, both as individuals and as members of a group, including ethical standards expected in the legal profession.

Application process

If you are interested in participating in the 2021 Finance and Social Justice Project, please visit the [“Application process”](#) section on the Project’s website for further details.

Enquiries

If you have any questions about the Project, please contact [Dr Javier Solana](#).