

Abstract

Diversity makes the financial system more resilient. In addition, there is a diverse investment demand to make the transition to a more sustainable energy system. We need, among others, investment in energy transition, circular resource use, better water management and reducing air pollution. The two are linked. Making the financial system more diverse implies more equity, less debt, more non-bank intermediation and more specialized niche banks giving more relation based credit. This will arguably also increase the flow of funds and resources to innovative, small scale, experimental firms that will drive the sustainability transition. Higher diversity and resilience in financial markets is thus complementary and perhaps even instrumental to engineer the transition to clean energy in the real economy.