

Transformative Investment principles for enabling a Second Deep Transition

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November 2022



A world-wide sustainability transition has to happen in the coming ten years

To enable this transition, tremendous long-term investments are urgently needed for tackling the interrelated challenges of climate change, biodiversity loss and growing inequality.

A fundamental change is needed to tackle the pressing challenges of our time

Simply investing 'more' has proven not to be sufficient to address these challenges

We live in a watershed moment in time, and investors have a key role to play

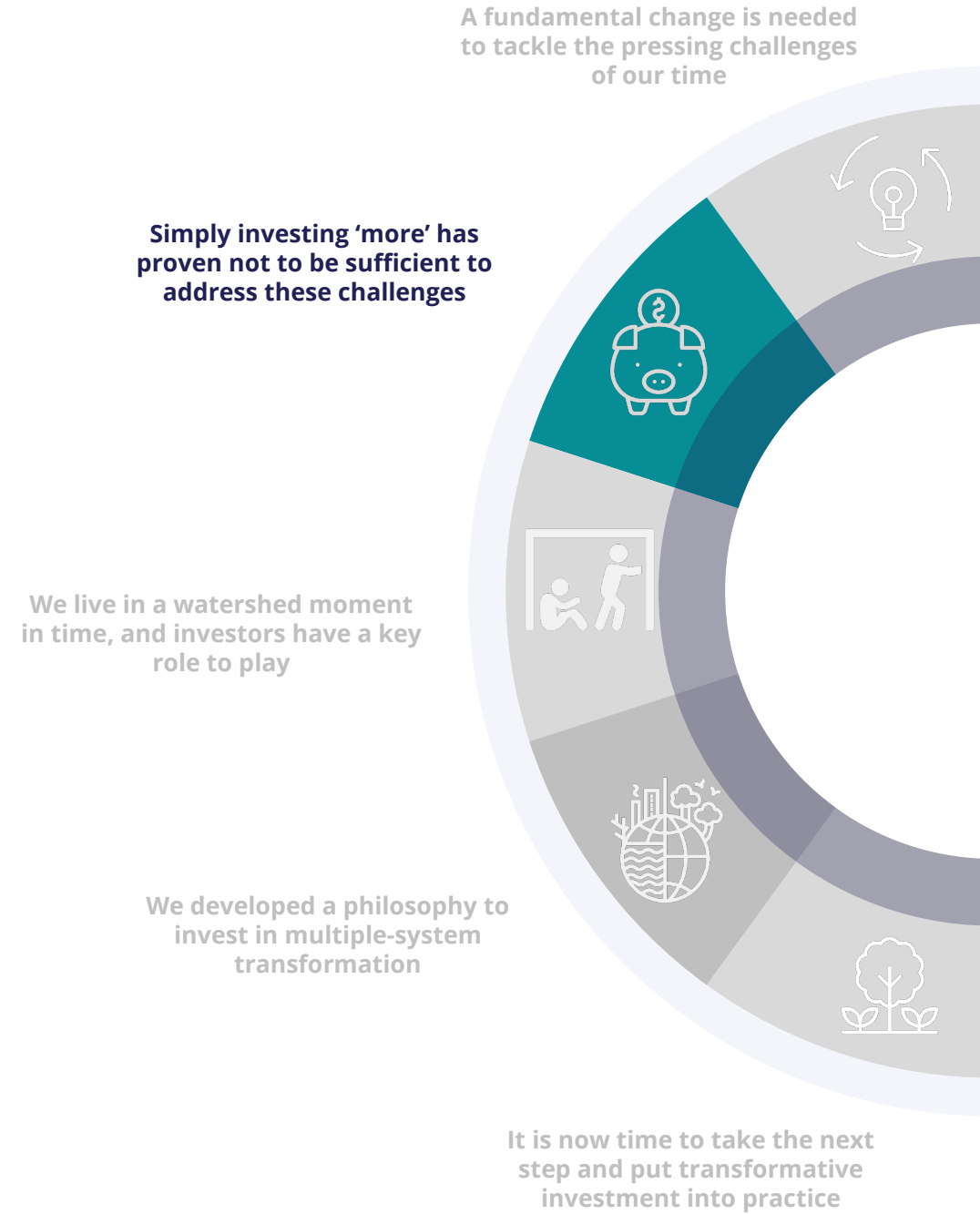
We developed a philosophy to invest in multiple-system transformation

It is now time to take the next step and put transformative investment into practice



However, dominant practices in the investment industry favour system optimisation and preclude deeper and more fundamental societal transformations.

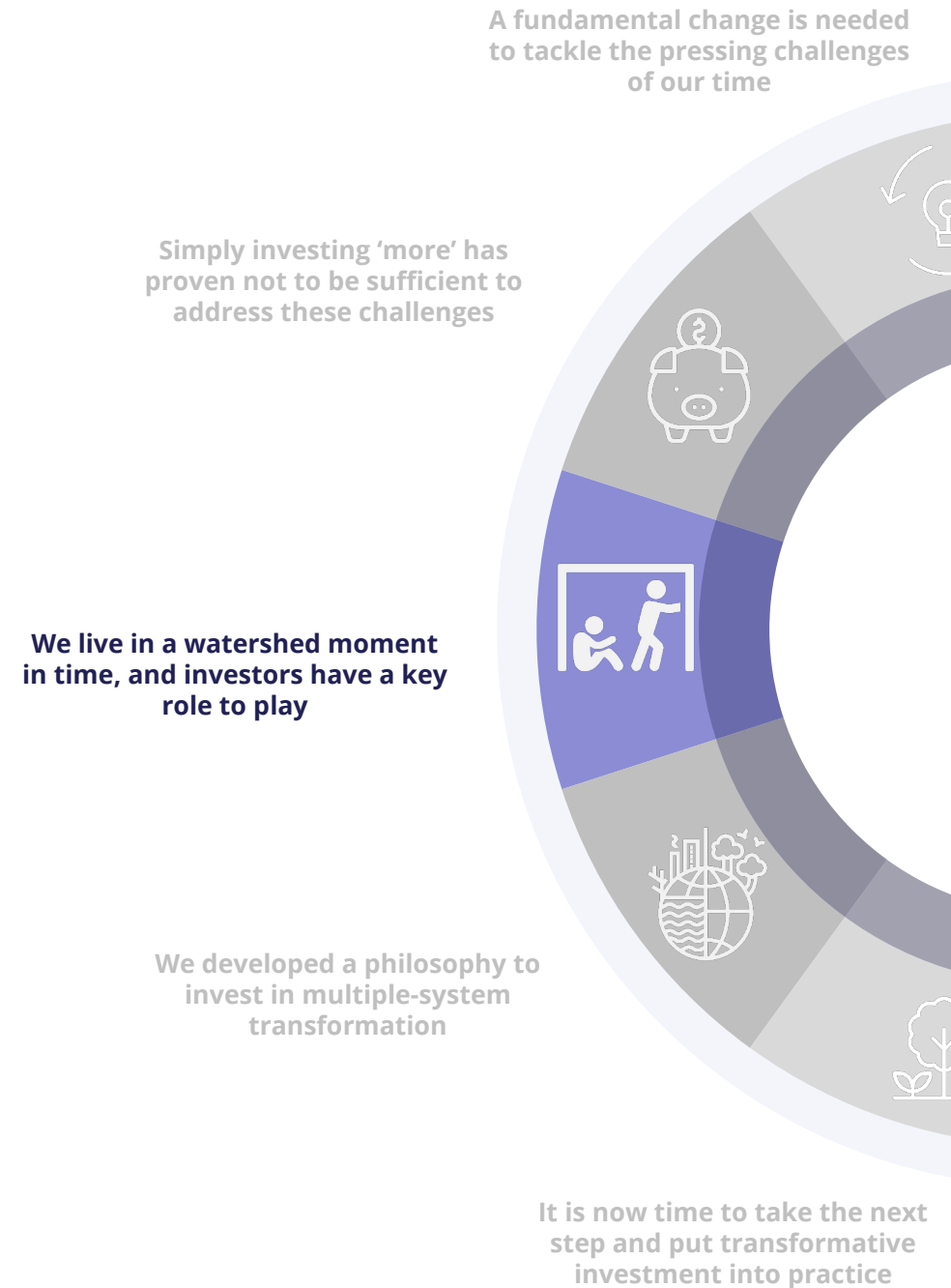
Examples include: short-term focus & iron ROI law, narrow interpretation of fiduciary duty, lack of collective action, backward-looking risk management practices, and twisted incentives.



ESG and impact investors are aware of this, but are increasingly hitting a wall.

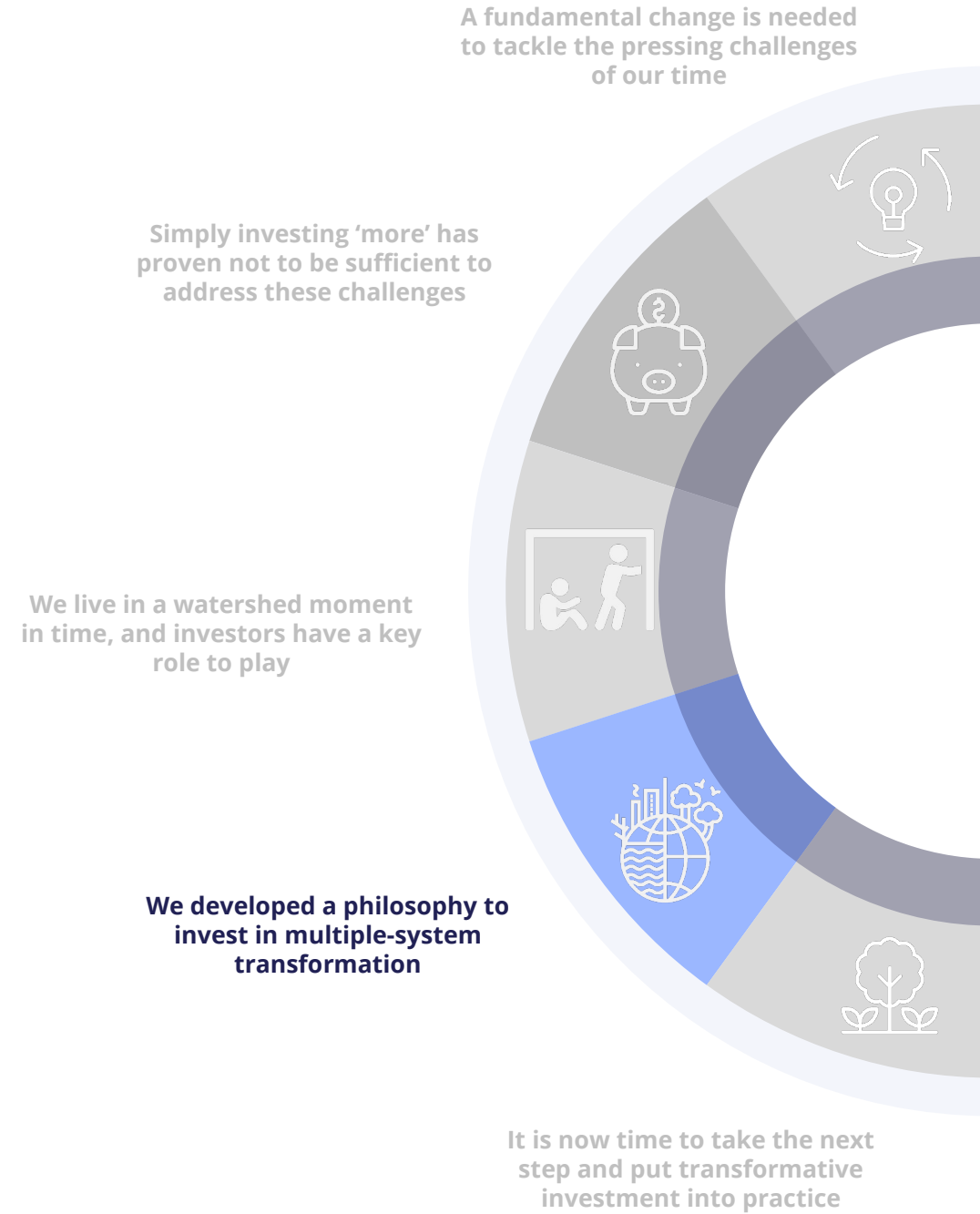
They lack the tools and practices to guide their investments in a direction that can truly target systems change.

To achieve a breakthrough in the next ten years, we need to change the way we invest.



In a transdisciplinary research project, historians, sustainability experts, and public and private investors from all over the world collaborated in to formulate a response to this challenge:

Transformative Investment
as a complement to
Transformative Innovation
Policy



The Deep Transitions Global Investors Panel consists of 16 public and private investors from all over the world:



Kate Fox



Roberta Benedetti



Nick Abel



Katherine Ng



Jonathan Hausman



Dimple Sahni



Daan du Toit



Sanjoy Sanyal



Atanas Kolev



Dominic Burke



Audrey Desiderato



Lisa Jordan



Göran Marklund



Christopher Palmberg



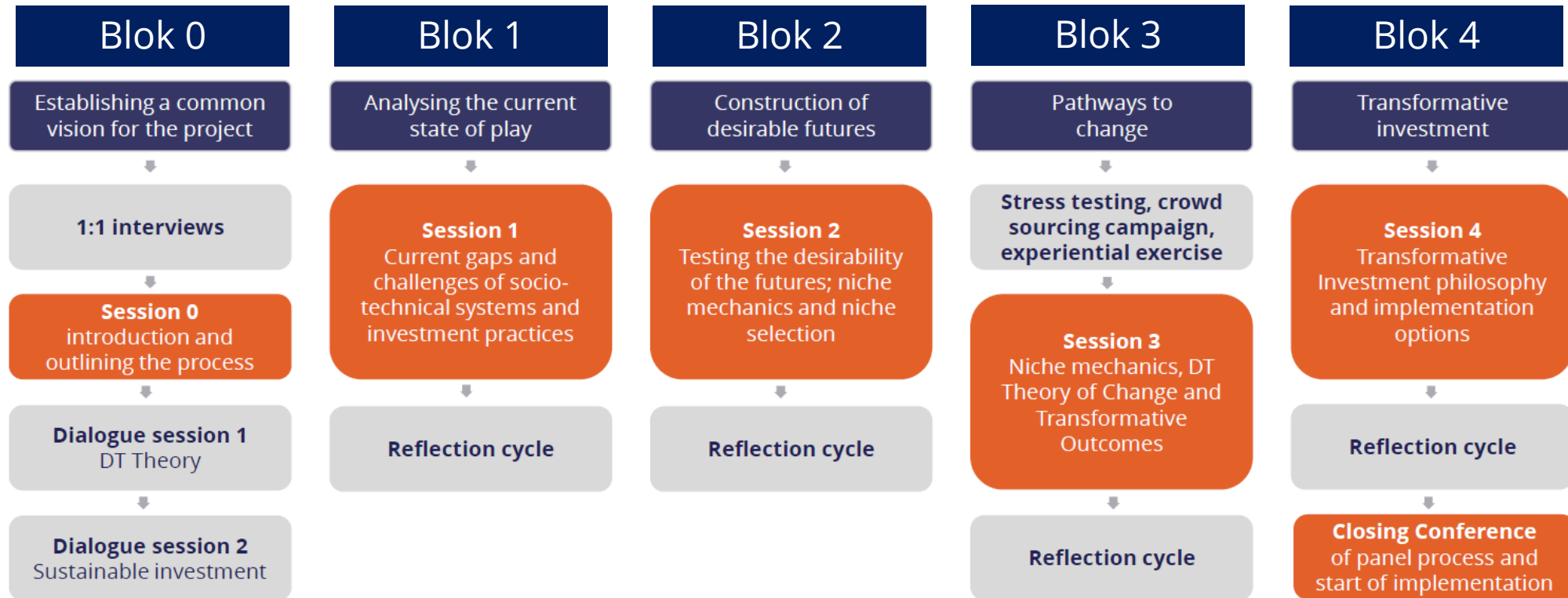
Yuni Choi



Drew von Glahn

[More about the panellists](#)

Panel Proces



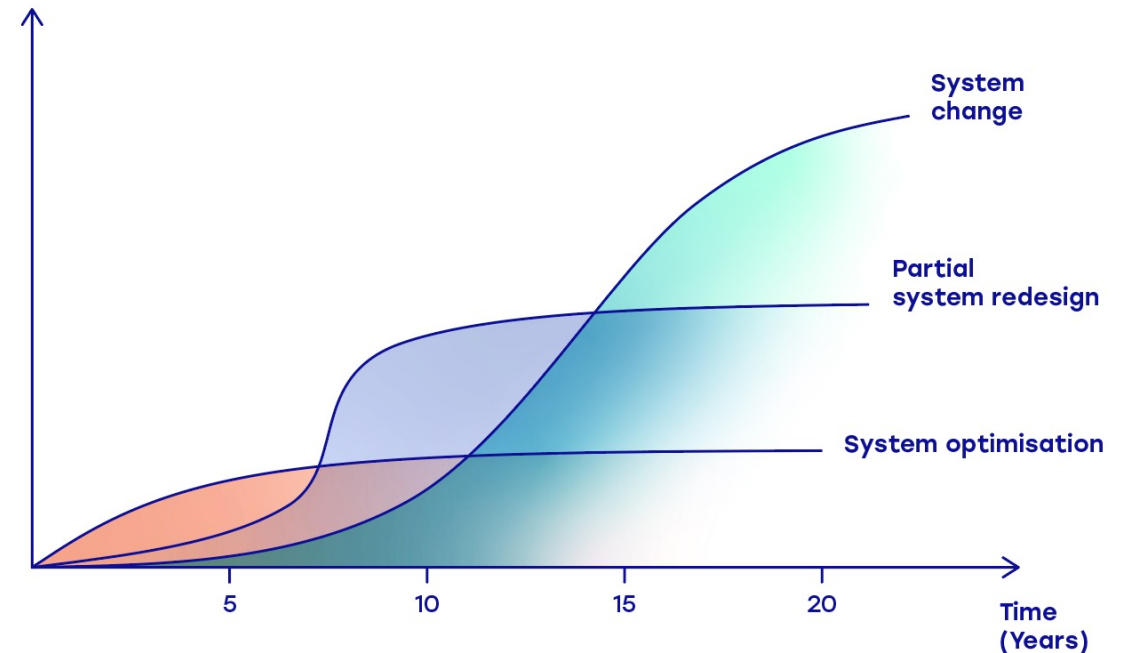
We need system change instead of system optimisation.

System optimisation, such as a productivity improvement, can generate short-term positive effects. However, in the long run it **preserves the unsustainable configuration of the system** and reinforces the underlying rules of the existing system. It thus cannot bring the fundamental shift needed to address the interrelated challenges of climate change, biodiversity loss and growing inequality.

System change, instead, enables a fundamental reconfiguration of the system. It **fosters the emergence of new sustainable rules** in niches that can, in time, provide viable alternatives to the unsustainable practices of the First Deep Transition.

Deep Transitions thinking moves beyond the lure of systems optimisation, to achieve fundamental and lasting systems change.

Meeting Sustainable Development Goals = Directionality of system change

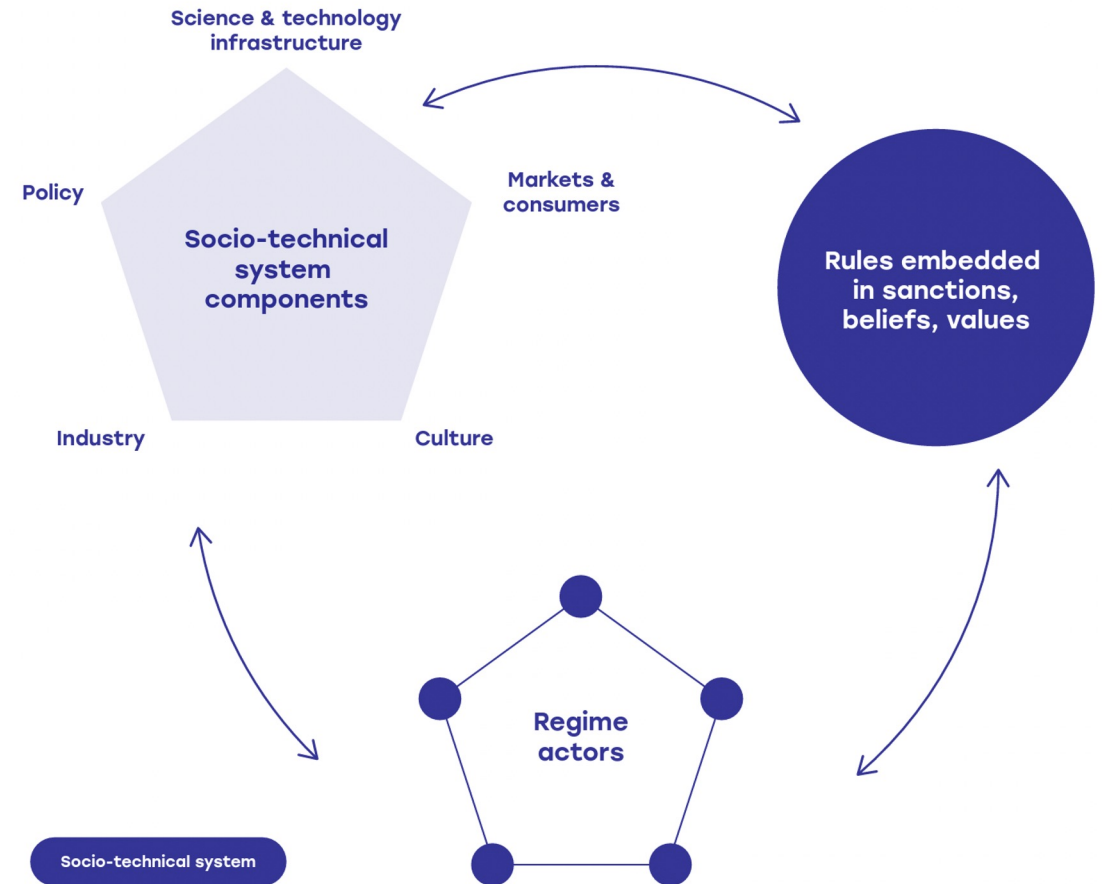


Deep Transitions thinking uses the notion of socio-technical systems to understand the nature of system change,

Systems provide basic needs, such as energy, mobility, and food. As such, they dictate everyday behaviour, from our modes of transport to the food we consume and the values we hold.

System change is therefore **not just about technological change**, it also has strong **political, economic, social and cultural** aspects. We thus apply the notion of **socio-technical systems** when talking about systems change.

Our current socio-technical systems are based on a series of unsustainable practices (or '**rules**' in Deep Transitions thinking), such as **fossil fuel dependence, globalisation, linear mass production and mass consumption**.

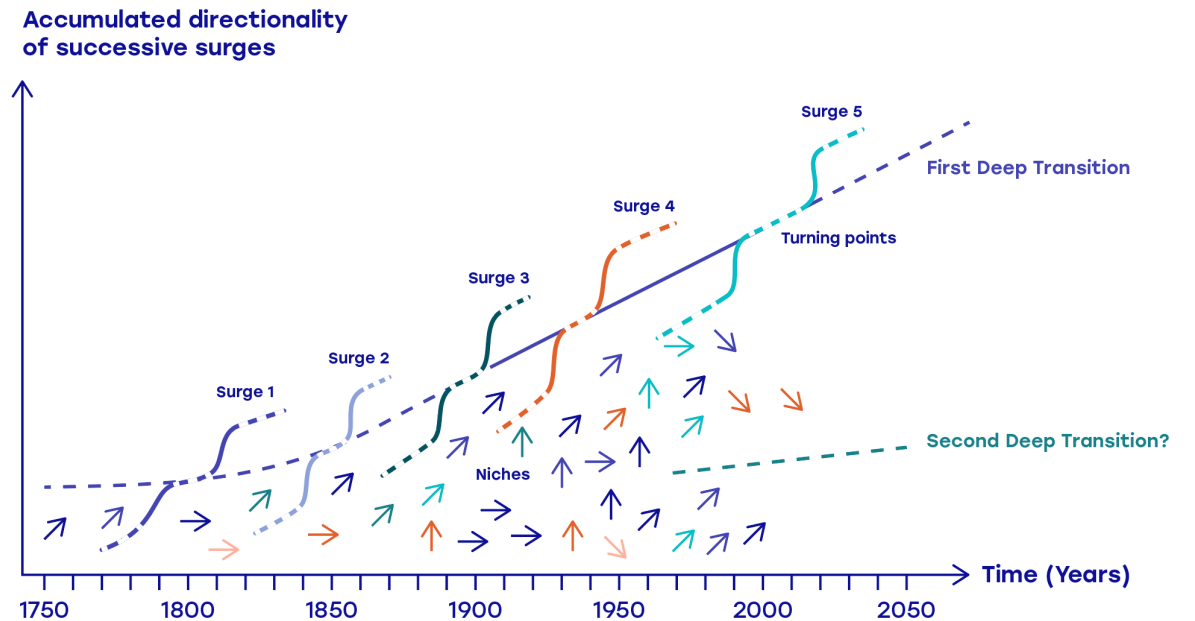


Single system change is not enough. We need multiple system change, rebuilding entire economy/society = Second Deep Transition

The unsustainable systems of the First Deep Transition are strongly interconnected. Their underlying rules reinforce each other and form the backbone of everyday life. For instance, our energy system heavily relies on gas and coal; our mobility depends upon oil, and the food system uses nitrogen fertiliser produced with natural gas.

Changing one system in isolation will thus not bring about a Second Deep Transition. For a sustainability revolution to take root, a focus on transforming multiple systems is needed.

Deep Transitions thinking is geared towards multiple systems changes that can **challenge and disrupt current unsustainable systems and replace them with sustainable alternatives.**



- Surges:
 1 Industrial revolution | 2 Steam and railways | 3 Steel, electricity and heavy engineering |
 4 Oil, automobiles and mass production | 5 Information and telecommunications

Successive surges of development of the First Deep Transition, and possible emergence of Second Deep Transition

What is the definition of a Deep Transition?

A series of interconnected and sustained fundamental transformations of socio-technical systems in similar directions, coming with surges of development and leading to new socio-technical landscapes.



PAIR OF THE EARL OF DUDLEY'S THICK COAL PITS IN THE BLACK COUNTRY.



Meta-Rules of the First Deep Transition

- Mass-production
- Individual mass-consumption
- Linear production
- Carbonized production and consumption
- Building global value chains
- Resource extraction
- Externalization of social & environmental costs
- Nature/animals are there to be exploited
- Social benefits will come through tickling down effect



Meta-Rules of the Second Deep Transition

- Sharing economy
- Circular economy
- Low-carbon production and consumption
- Building local value chains
- Internalisation of social & environmental costs
- Nature/animals should be respected
- Just Transition/inclusion
- Social benefits through addressing basic needs to base of the pyramid
- Resource efficiency

Deep Transitions published a philosophy for investing in transformation.

The investment philosophy helps investors steer their investments towards **multiple system change**, transformation and, ultimately, the Second Deep Transition.

The philosophy argues **to go beyond compliance with ESG standards, impact aims and metrics.**

We promote investments that are geared towards the **long term**, can cope **with radical uncertainty**, and can **induce a Second Deep Transition**, rather than optimising the existing practices of the First Deep Transition.

[Download the investment philosophy](#)



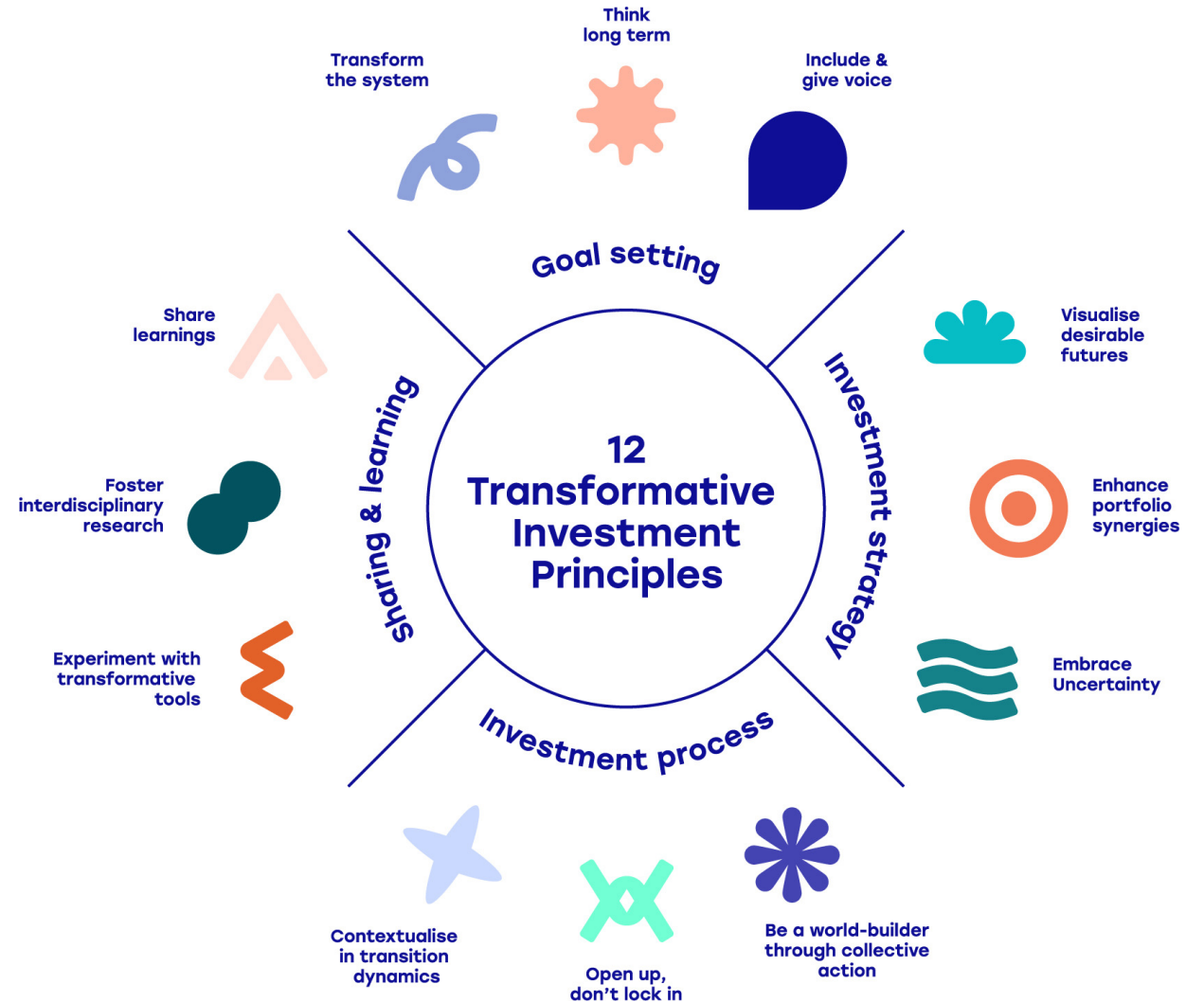
The investment philosophy presents 12 principles of transformative investment.

The principles are a shorthand designed to **aid investors in achieving systems change**. They are a catalyst for fresh thinking, dialogue and decision-making.

Their deployment within the investment practice has the potential to help **uncover (and even create) new investment opportunities** in overlooked areas with high transformative potential.

In the current context of ever increasing uncertainty and frequency of shocks, these principles can also contribute to **shield investors from exposure to profound systemic risks**.

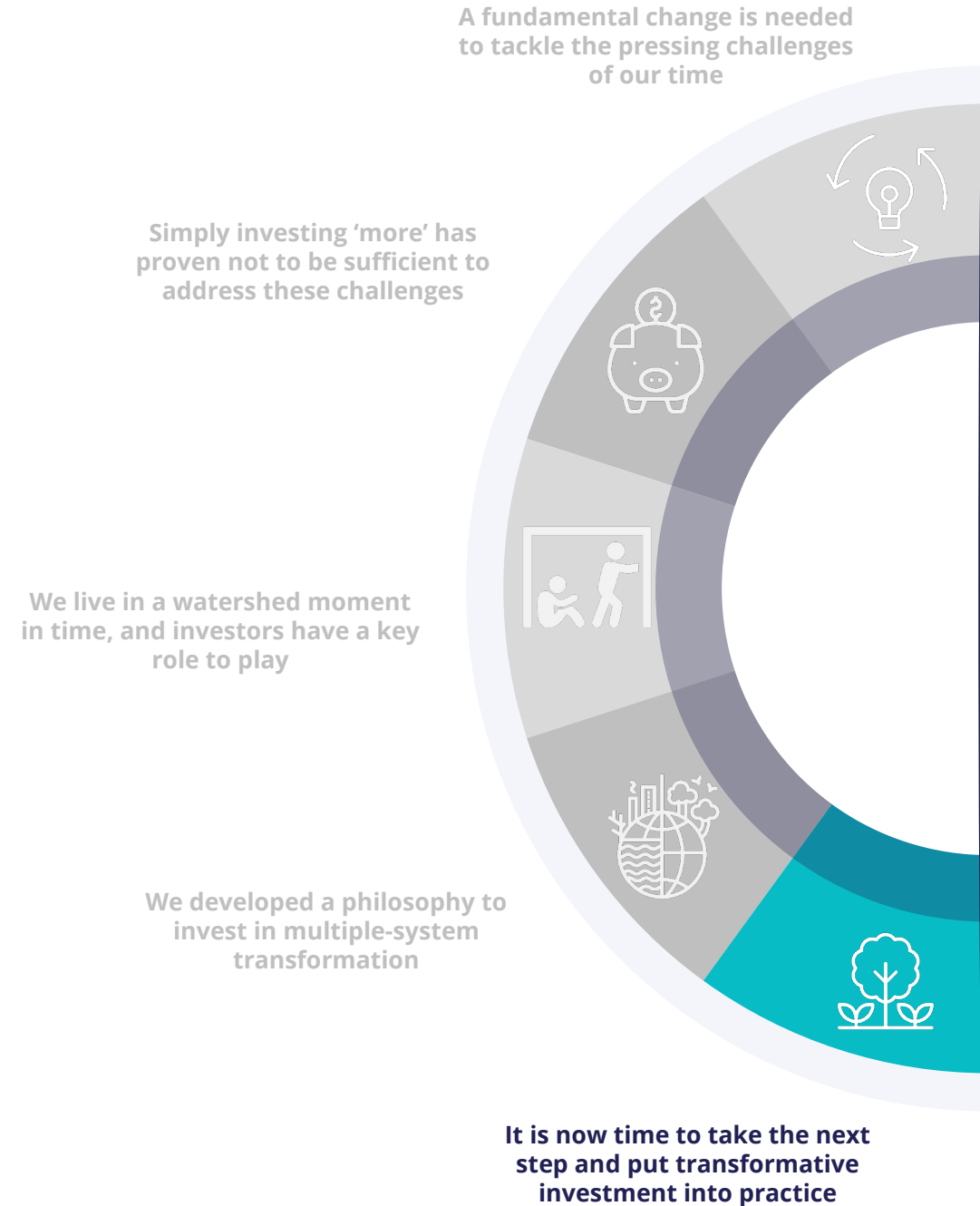
[More about the principles](#)



Next step:

Group of Investors (Panel members and others) & Utrecht University Centre for Global Challenges seek to establish the Deep Transitions Lab, a platform to implement Transformative Investment in the finance sector

The Lab will coordinate with the Transformative Innovation Policy Consortium



We'd like to invite you to become part of this initiative.

To find out how, please
contact us at j.w.schot@uu.nl
and s.j.keesman@uu.nl

www.transformativeinvestment.net
www.tipconsortium.net
www.deeptransitions.net



Prof. Johan Schot

Founder of the Deep Transitions project and Professor of sustainability transitions at Utrecht University Centre for Global Challenges



Roberta Benedetti del Rio

Co-chair of the Deep Transitions panel and a sustainability-focused investor working with, amongst others, Just Climate, a subsidiary of Generation Investment Management.



Prof. Ed Steinmueller

Professor of Information Technology at the University of Sussex. He has published widely in the field of the industrial economics of information and communication technology industries.



Susanne Keesman

Programme manager for Deep Transitions at Utrecht University. Susanne has a strong track record of managing transdisciplinary research projects in fast-changing complex environments.

For more information and our full project team, please see our [website](#)