

EXTENDED ABSTRACT ONLY

Environmental Finance: A Research Agenda for Interdisciplinary Finance Research

Linnenluecke, M.K.^a, Smith, T.^b and McKnight, B.^c

^a Faculty of Business and Economics, Macquarie University, Sydney, NSW 2109, Australia

^b UQ Business School, The University of Queensland, St Lucia, QLD 4072, Australia

^c McMaster University, 1280 Main Street West, Hamilton, ON, L8S 4M4, Canada

Email: martina.linnenluecke@mq.edu.au

Abstract: Environmental Finance is an emerging and rapidly growing interdisciplinary field of research, concerned with the financial implications of environmental change for industries and firms, and the need to transition to a sustainable economy. The field brings together research in finance and the natural sciences to develop financial and market solutions to some of humanity's most pressing concerns; namely, climate change and shifts in other Earth system processes. Firms need to adjust to these environmental changes, which offer many opportunities for wealth and growth. There are various historical examples of technological breakthroughs over the history of modern markets that have driven growth and wealth; such as, railways, electricity, automobiles, radio, microelectronics, personal computers, biotechnology, and the internet. The 2015 Paris Climate Agreement has given the green light to clean technology firms worldwide to start commercializing their patents. This will create the next technological breakthrough – a clean tech revolution that will drive growth and wealth in the same way as earlier breakthroughs. This article summarizes the state of this newly formed interdisciplinary field and sets out avenues for future research.

Keywords: *Environmental finance, asset impairment, adaptation to climate change, volatility, real options*