

Sustainability Now Podcast

Transcript, 19 June 2026

Mike Disabato

What's up everyone? It's been a minute. But this is sustainability now, where we cover how the environment, our society and corporate governance affects and are affected by our economy. I'm your host, Mike Disabato, and this is part one of a series of episodes we are going to do from recordings that we made from the Sustainable Finance Summit in Montreal that was put on by, of course, Finance Montreal. And we're going to publish a number of these episodes over the next two weeks that we did from and on behalf of the conference. And you're gonna hear from a number of very interesting people in the sustainable finance space. You're going to hear from Doctor Sarah Kapnick, who is the ex chief scientist of NOAA and now the global head of climate advisory at JP Morgan. She's going to be talking all about the weirdness of our natural world and its impact on all of our natural resources from drought and the Colorado River to soil health and how fertilizer stocks are hitting our food supply. You'll hear from Matthew Lawton, who's the head of Impact fixed income at T Rowe Price on the viability of blue bonds, which are bonds that are focused on rebuilding our waterways and docks and larger marine economies. You'll hear from Eric Usher, who's the head of Unep Finance Initiative, on why banks and insurers are still moving toward their climate goals, despite what some headlines might say. You'll hear from Rick Logtenberg, who's the director of Can Adapt and a city councilor member of the City of Nelson in Canada, on what happens when a good amount of capital lands in a town that's been hit by climate disaster, but they don't have the workforce and the supply chain to spend it well, how they adapt and why there's still hope for tackling climate change in this day and age. You'll hear from John E Morton, head of nature finance and investment at the World Wildlife Fund, the WWF. By the way, during the interview, I say Foundation not fund, but it's the World Wildlife Fund, so apologies for that. The pitfalls of doing it live. Irrespective, John talks about why half of global GDP depends on nature becoming as important as climate in the eyes of investors. And then you'll hear from Brian Kernahan, who's the chief sustainability officer at Manulife. I am on the framework that finally puts people, you know, housing affordability, inequality, things like that on the same footing as carbon. And last but not least, you'll hear from Ray Khalaf, the director of Mila, which is the Quebec Artificial Intelligence Institute, on how AI is trying to work towards solving a lot of the problems I just mentioned, while not trying to strain all the planet's resources at the same time. And after that conversation, I'm going to have a quick conversation about AI with one of our AI experts here at MSCI, Harlen Tufford, who's leading our research efforts on the effective governance of AI systems. So all of those speakers will be spread out in a four part series we are going to release over the coming weeks, so tune in to all of them to get a good understanding of what is on the minds of some of the leaders of sustainable finance here in twenty twenty six. And for today's episode, we're going to hear two conversations, first with Doctor Sarah Kapnick of JP Morgan, and then directly after that with Johnnie Morton of the WWF. So to kick it off, here's my conversation with Doctor Sarah Kapnick. Your fresh off of your panel. I hope it went well. And the first question I kind of want to go in does address something you sort of skirted around on the panel but didn't get to directly. It was

it's in your tipping points piece that you put out, and it looks at the tenure of CEOs being around eight years, and yet the climate priorities that they need to think about in pricing in assets much longer than that in some cases. I mean, certain things are happening now that you do have to take into account, but other things are a little bit more far off. I'm just wondering how you structure those conversations when you're sort of talking to someone that's going to be making a decision that their successor. Successor is going to have to be addressing.

Sarah Kapnick

Yes. That in that specific paper where I really made that point clear was because we were talking about nonlinear climate risks that may happen over coming decades and have high uncertainty. Some may happen soon and some may happen later. So it is a discussion of deep uncertainty, which is fundamentally really hard to have at the board level. But for broader physical climate risk, particularly that which is starting to price into the insurance markets or starting to affect commodity prices, particularly soft commodity prices. Those conversations are already happening because it takes time to get in and out of markets, or create new products, or create new raw material lines that are required. And so the discussions that we have are around what is happening today and over the next five years. But then also, how do you want to position your company for the future, knowing that the future has this systematic change over time due to climate change, as well as the volatility and shocks that may happen from extreme events, but it's a discussion for those people that are going that know they're going to be in the seat for a fixed time or and this also goes for board members who have often have time horizons that they know when they're going to leave. It is about how do you position the company into the future? Because the question is, as more scientific information comes in, as more events happen and we start to understand how the market is responding to climate, how society and the economy well, as more information comes in, things may reprice. So even if the climate events or the change events that you're concerned about may only happen ten or twenty years down the line, it. The question for a leader is when does that also get priced in? As behavior changes and that may happen before the events. And so it's about positioning oneself through that change for success. And so it's not just about when will the thing happen, but it's when will the market reprice it?

Mike Disabato

Do you have to then is it always scenario analysis? Is it always so shifting under your feet in terms of the climate science. Climate models are trying to catch up as to what's going on. Is it always just we're going to give you three scenarios. You have to then sort of think about where you want to fit in within those scenarios. Or do you try to give them a much more direct path that you believe is going to be where the future is?

Sarah Kapnick

It's a mix, and it depends on the problem and the issue that we're talking about. So in decision making, under deep uncertainty. So when you either don't know when the timing of something will happen or you don't have a clear understanding of the full risk, you know, it's in the tail, but you don't have precision. That's when I suggest using scenario analysis and creating scenarios that you think are plausible, or ones that you want to be able to plan for so you can navigate through them so

they happen. But for other things, there are probabilistic estimates of what will happen. So we have statistics and analysis that can be used and then can be used and flow through financial modeling. So depending on the problem, depending on the challenge, you're using one or the other. And that's based on the level of uncertainty of the outcomes. And I'll add there's much more certainty in scientific outcomes than there is on societal or economic or consumer choice. But that's where business leaders, because they know their business better than anyone. Uh, that's where the dialogue happens of what do you think will happen? How will people respond? How will regulators respond? How will your consumers respond that you then couple that with a climate information that we know of what the future looks like from physics to be able to navigate through those two things. And so there's a translation of the science into business outcomes. That then allows you to create the strategy to position yourself well.

Mike Disabato

Do you have a good not not to put you on the spot, because I'm interested in the detail that you have a good example of something where it's much easier to sort of describe what's going to happen versus one that you do have to present to scenario two.

Sarah Kapnick

So I'll use an example that will that is unfolding right now in over the last couple of years, there have been more and more wildfires and wildfire risk is being priced in to insurance, but also the rates for wildfire insurance are going up. You have regions which are becoming uninsurable, but the rates are going up reflecting those increased losses. So there's an expectation of climate change drives heat, drives fire weather, which can create exposures unless you do resiliency spending to avoid wildfires. Um, and we see this in the utility sector. And that is also because there was a major event with PG and E, you, um, a few years ago. And so there's planning and there's business strategy around how to build resilience and how to spend on that. Um, and so that's the slow change due to climate change. But then also because last winter there was significantly less snowpack across the American West, and then that March heat wave came through, which melted it all off, which because in the American West, you don't get snow until or snow or precipitation generally until the next fall. We are in a condition right now where you have drought conditions and the drought conditions will worsen on the surface, which can create increased risk for wildfire. So not only was there was there a growth and resilience spending to be able to plan for it, but also on a seasonal basis? People have heightened awareness right now and have are creating their seasonal plans for how to deal with it this summer because they have expectations that there's higher risk.

Mike Disabato

Yeah, that was horrifying to kind of watch the lack of snow in the mountains and the Rockies throughout the entire time. People were just sharing pictures of just basically in December in the snow. I, I kind of jumped the second question I was going to ask you, but it does tie into what you were talking about there with the wildfire risk and then actually planning for the drought. That's kind of co-created by that and whatnot. Are there pieces of research that you read and you're thinking, this is going to become a big problem in three years, and people have not seen it? And if so, do you have anyone you want to explore?

Sarah Kapnick

Yeah. And an area that I have written about a little bit, but haven't written anything in depth yet for the bank that I'm seeing emerges around water, and we're seeing it in the context right now for data centers. Um, but I think we'll see it more expansively across industry as well as across agriculture and soft commodities. Um, of water pressures on availability and quality are going to limit growth unless there's plans for water efficiency or desalination plants in certain regions to be able to create improved water supply. Um, if there are goals for expansion of use. So water is critical in many different industries. It's required for coolant for energy, it's required for coolant for industries. And it's required as a process for also for the industrial processes and chemical processes themselves. It's required in mining and processing of critical minerals. Um, and it has been used as a renewable and constant expectation of a resource that will be there. But with aridification in parts of the world with increased, uh, demand and well drilling and pulling the water, that's our insurance policy out of the ground. Um, coupled with changes and patterns of what falls from the sky and then is available on the surface. These things are going to come together in coming years, and I don't see it being fully priced in or understood yet.

Mike Disabato

Yeah. Are there water rights? I mean, because you've been in the public sector, so you were sort of able to see maybe the differing water rights that are associated with all of that. Uh, does that also have to be kind of taken into account who has the rights to what water systems, how those play out, especially in the West, I know is kind of mercurial and hard to manage. Does that something that people need to think about too? Who actually has rights to these waters now? That conflict can kind of spur up problems.

Sarah Kapnick

Regulation and ownership of water is also going to shape what that means for industry and the economy as development occurs. And those those things can shift in scarcity times. And, you know, one of the things I'm watching right now is, um, the availability of water along the Colorado River, and there needs to be a renegotiation of that that is required in twenty twenty six by law. Um, and we'll see if the states can come to an agreement or if it ends up going to the head of the Department of Interior or beyond. Um, in these times of scarcity, that is when the groups get forced to come together in regulation. And that's also when regulation typically shifts.

Mike Disabato

That's happening right now in twenty twenty six. So it's happening as we speak, the negotiation between the. Yeah. Do you have any idea how it's going or is it just kind of progressing?

Sarah Kapnick

There's no agreement yet, is what I will say. And so it's something to continue to watch.

Mike Disabato

And you watch the agriculture sector quite fervently.

Sarah Kapnick

Yes.

Mike Disabato

Uh, and you recently wrote about the lack of certain fertilizers due to just the constraint of fossil fuels. Is, is the, is the ability to replenish the soil with fertilizer just something that the industry is like, look, we can keep doing this. Or do you see? I mean, this is I'm going kind of off piece now with the questions, but I'm personally fascinated. Is there a desire for regenerative agriculture and industrial scale? Or is it just kind of, look, we're going to keep relying on these nitrogen inputs, phosphate inputs, and hope that the soil can be replenished in that way.

Sarah Kapnick

Yeah. I've written two pieces in the last year on agriculture. One was a deep dive into agriculture. And what is driven increase in productivity since the nineteen sixties really was the development of natural gas driven fertilizer production, particularly for nitrogenous fertilizer production. Um, and I also wrote one recently on what the Straits of Hormuz and the Iran conflict are, are causing a supply shock right now in nitrogenous fertilizers in particular. Um, and we, those fertilizers led to increased productivity, but also globally because we knew that we needed to apply them to be able to improve productivity. But the science of that has really also been evolving over the last decades of what makes a really healthy soil and what leads to optimized agricultural productivity and how much precise inputs you need, and also long term health of that soil. So we're now at a point where we analysis globally of soil health, and particularly in corporate agricultural locations, is that soil health has been declining because we haven't had that full science and it's been evolving. And so now, as you were mentioning on goals around regenerative agriculture, there's a the goals around regenerative agriculture, particularly commitments around that are now shifting toward soil health around the world with the understanding that soil health is now actually leading to declines in productivity already. So it's about seven percent, six or seven percent for corn production is reduced in parts of the US because of soil health. Um, the EU did an assessment and they actually create a law towards monitoring soil health going forward as a first step to understanding what they need to do for soil health. Um, and the estimates for that law that came out in December were that it's roughly fifty billion euros a year are lost due to soil, low soil health. Um, and that number shoots up to above one hundred and fifty, um billion years when you also include analysis during drought years, because when soils are healthy, they retain more water. And so actually it becomes really important in drought conditions and stress conditions for productivity. Um, and so actually there's corporate commitments, there's um towards soil health. Um, there's also um, individual, uh, laws that are starting to pop up around improving soil health and that is all towards productivity. So right now you also have the fertilizer crunch. So we know that in certain parts of the world where those fertilizers from the Middle East are typically shipped. Do you not have access to the same amount or globally because it's a broad commoditized market? Um, the price of it has gone up by over thirty percent, um, since the Straits of Hormuz were closed. Um, and, and as a result, it is a major input to agricultural production. And we will see that particularly in future plantings that are starting to happen now into next fall, um, with the disruption in that fertilizer that with those fertilizer costs going up, there will be decisions about applying the same amount and then increasing costs, which will

drive commodity inflation for those soft commodities that come out of it or applying less. And then there's reduced production or shifting to different types of crops, which then also reduce the original production. And so it's going to put pressure on those high fertilizer need crops.

Mike Disabato

I wonder if the companies even know. But way back I used to want to go into agriculture. And I back at the beginnings of MSCI, I would reach out to these companies and say, do you know who your farm suppliers are? And a lot of them said, not really. So I wonder how well they're going to be able to take into account all those risks and know if their end suppliers are actually incorporating that into their growth seasons and what they're planting and when they're planting. And I think I think that's going to be quite a hard thing to actually map that supply chain, to see if all those good intentions are actually being put into place, because it must be at the farmer level, right, that you really have to change the practices that are typically done.

Sarah Kapnick

Yeah. So it's choices that the, the actual farm level. Mhm. Um, and as we learned during Covid, and then as we learned with Ukraine invasion, and then we learned now again with Iran conflict, um, most people have not vigorously mapped out their supply chains and aren't aware of how many suppliers are in their supply chains and where those pain points might be. Um, should there be a conflict or should there be a trade disruption? Increasingly really large corporates are moving towards trying to do that mapping to try and better understand that because they've now had multiple events that have led to volatility. So they have to do that. Um, but at the smaller farm level and many farms, um, around the world are on smaller farm level, they don't necessarily have access to that information. Mhm. Um, which is also partially why some of the new solutions right now in certain types of fertilizer, um, that are either bio based or other fertilizers that might be paired with actually the seeds themselves. I think we'll see much more interest in either localized availability of, of that and self-sufficiency of access to it in a similar way that we're seeing with energy security may start to pop up with fertilizer security. Um, and I'll also add that at the international level coming out of the FAO. Um, and also coming out of various bodies on food security, there's a discussion of shoring up fertilizer supplies going forward. And should there be either stockpiles or more self-sufficiency in fertilizer, instead of relying on this global network that is developed because of these shocks and increase in shocks is affecting the food systems and affecting food security. So it will be a very dynamic next couple of months because we don't know what will happen. But in terms of when the Straits will reopen, when all the factories will reopen. But what we do know from prior shocks like this is that the cost of fertilizers typically take many months, many years to actually restabilize. And so that pricing pressure will put pressure on innovation and figuring out what to do going forward.

Mike Disabato

Great. I think we're at time. So Doctor Sarah, thank you so much for everything. Thanks for joining me and have a good rest of the conference.

Sarah Kapnick

Thank you for having me.

Mike Disabato

Okay, we're back at Sustainable Finance Summit put on by Finance Montreal. And I have with me John, uh, Morton for the World Wildlife Foundation. John runs the nature finance and investment team at WWF. He's the former senior advisor to President Obama and Secretary Janet Yellen on climate and sustainability. And now his role is focused with WWF, uh, partially on biodiversity. And so really, the first thing I wanted to talk about is something I know a lot of people discuss when it comes to this sort of analysis, and comparing it to climate. And climate took about a decade from concept to financial industry integration and something that people can put into their decision making. And so where are we on that journey for nature broadly? And do you see an equivalent for the one point five degree scenario that will bring nature into mainstream?

John Morton

Yeah. Thanks. And thanks for the invitation to be here with you today talking about this. Um, I think, you know, if maybe to use a baseball analogy, if, if climate is on third base and, you know, we're, we're on first base. And what I mean, climate certainly isn't on third base from a we've solved climate change perspective, but we understand what we need to do. We understand the incentives that work to create decarbonization. We understand how to decarbonize and, and nature is much further behind. Right? Um, it is a harder thing to understand how to finance, um, nature. Nature is, uh, nature is everything. Nature. Nature is, is, is food, its forests, its water. Um, it is, um, it is Biodiversity and functioning landscapes, and the unit of measurement to use to protect nature is therefore extremely complicated. It's not as simple as a CO2 molecule or a CO2 equivalent, um, in, in the climate debate. So there's a lot of really good people and a really good institutions working on how to quantify and harmonize the way we think about nature. Um, but the problem is if that effort takes another ten to fifteen years, um, we are going to have lost even more of the, of what makes the world so special. That can't happen. It can't happen for moral and ethical reasons, but it also can't happen because of the economic linkages between our, uh, our capitalist system and functioning nature systems. Could could you.

Mike Disabato

Talk about that more? That that was kind of the question I was going to bring in, you know, what can be achieved by looking at all these various aspects? Um, I think it's good to note, since this is a sustainable finance podcast, that's what we'll be focusing on. But there obviously is, as you said, there's moral ethical, you know, just in the world wanting to see nature. Human beings want to be in and around nature. But aside from all those things, uh, what can be achieved by bringing in these varied aspects into sustainable finance that, that surround nature?

John Morton

And yeah, I think the first thing is to recognize that, um, as many governments and corporations do that their economic viability and success and resilience, to use a word that is quite popular these days is tied to, uh, healthy natural systems. Uh, you know, I was, I just gave a keynote upstairs here and I said, um, you know, about eighty percent of the conversation yesterday was around climate change. Um, and that's wonderful. It's music to my ears as a former climate person, but as someone who's expanded, expanded my remit now into nature and biodiversity, let's picture

a world in which you have, uh, you've, you've achieved net zero as a, as a global, uh, you know, set of economies, but you have no clean water, you have no clean, uh, you have no functioning food systems because your soils are beyond degradation, degradation status. You have no pollinators that are producing, um, natural capital to, to, to, to, uh, produce increased production. You don't have a functioning economy anymore. You're net zero. Bravo. But you're, you've destroyed the underlying basis of economic productivity. And, you know, by some estimates, well over half of global GDP is highly, highly dependent upon well-functioning healthy nature systems. And so that is the, um, recognition that corporates are beginning to have as their supply chains come under pressure, whether it's from water or from, um, you know, lack of water, right. Or from soils that are drying up or from climate volatility. Um, and so we need an economic system that produces the feedback loop, that recognizes the value of nature, and that's beginning to happen. It just needs to happen at a faster pace.

Mike Disabato

Yeah. What would that look like? You know, uh, Doctor Sarah Kapnick I had on yesterday and she was talking a lot about, uh, the loss of yield due to soil degradation as one of the main risks that she thinks the agriculture industry is going to face. Uh, what's another version of what you were just mentioning with, with you would see it in the financial system. You possibly could see it in the next five years. That could manifest as not the right word, but become apparent due to nature degradation.

John Morton

Yeah. I mean, I think water, water scarcity is a key one, right? And it's related to soil health, but it's, it's, it's, it's separate. And I think, you know, we are, um, increasingly we have at WWF, we have corporate partners who say, hey, the watershed that we operate on top of, uh, is in peril. And we are part of that problem, but also need to be part of that solution. If we're going to continue to have product production in these areas. And that's that's for companies that do anything from consumer packaged goods companies, food companies, apparel companies, etc. so companies who rely on, um, on, on the productivity of the earth and its resources, including water, soil, forestry, timber, um, these are companies and corporates that realize that they need to be investing in sustainable practices as opposed to extractive practices alone. And that is going to require different types of management, different types of arrangements. And, um, with community groups and different types of benefit sharing, um, at the, at the local level. And again, that's all something that WWF has done for years and years as a matter of, as a matter of our conservation, um, mission. And now we're, we're seeing that it's of value to corporates and investors who are who are looking to stabilize supply chains and profits, and looking for additional ways to increase resilience and, and security of, of, of offtake, essentially.

Mike Disabato

I do want to hear more about that, that switch that WWF did, because, you know, when I was growing up, it was just pure conservation and thinking about that not switch, but an additional aspect to your organization. But is it ever difficult? This is something I didn't bring up that I was going to ask you, but I'm curious, when you go in and talk to corporates about this, uh, investors, issuers, because I know there

was a big piece that came out at one point that said, you know, X trillion of the economy is tied to biodiversity and a good functioning ecosystem. It's such a high number and it's so many things do sometimes the ideas you're trying to put out there get lost in that sort of massive number, that it's connected to the massive situation of nature.

John Morton

Yeah. They sure. Anytime you're dealing with, you know, um, of, of large numbers, it's hard to, um, let's just say assign accountability, right? Almost it's hard to, it's hard to understand what any individual actor's role should be. And so that's a problem we have in, in anything where there's public goods that are being degraded, degraded over time. Um, that's true in the climate world too, right. Um, uh, the, the, the, you know, climate change is a global problem. It is, um, one of the hard things about getting to, for example, the Paris Agreement, you know, which I had a, I had a small role in was, was, you know, how do countries take responsibility for this global problem and how do you assign targets and responsibilities at the country level and then down at the corporate level? Um, nature's a little in that sense, nature's a little easier because nature loss and the functioning of, of, of landscapes and ecosystems affects communities quite directly. Um, it affects corporates who have supply chains in those landscapes quite directly. And so in many ways, um, the realization of the, the impacts of climate volatility and associated nature degradation are easier to recognize and assign. Um, you know, both responsibility for and, and, and oversight over. And that's partly what we're, what we're trying to do as WWF is bring together those, those parties, the community groups, the corporates who care, the investors who care because they have either outstanding obligations to, uh, to, you know, in their portfolios or are thinking about how to allocate capital going forward. Um, and how do we create the assurances that a certain type of practice will be more sustainable over time and will produce the yields, both financial and productivity wise that corporates and financials are looking for?

Mike Disabato

Yeah. So I think that leads well into the last thought here. The. And what I asked you directly was the. The shift of the WWF to expand its strategy from being focused on nature and conservation to focusing on topics like sustainable finance over the past decade. It was. It. In that attempt to sort of be able to bring together this deep knowledge of conservation and how it will impact people more broadly. Uh, that that allowed for that expansion to happen.

John Morton

Yeah, I wouldn't, I'd say it's an evolution, maybe an expansion. Sure as well. I think, you know, our team was created because, and the function of nature finance and investment was created because for two reasons, I guess I would say the first was the, the board and senior management of WWF realized that we had historically done a fantastic job as an organization creating standards and policies and guidelines for, um, you know, for investors. Uh, we had done a very good job in building coalitions of investors and corporates to adopt certain standards in the climate and nature space, but we hadn't focused as much on identifying, prioritizing and then executing transactions that use those same set of standards and a set of high, high integrity WWF standards. And so we were missing an

opportunity to take all the good work that we've done over decades and turn that into, okay, here's here are examples on the ground of transactions or vehicles or funds that WWF can help catalyze the creation of that will implement all that great work that we've been doing over many decades. And that's the, that's the, the, the joy and the headache of, of my role is that, you know, we need to look out across thousands and thousands of potential conservation opportunities and look for those where there's a private finance angle, whether it's regenerative agriculture or sustainable forestry or watershed management or carbon, um, and begin to put together in each of those cases the partnerships that will allow those investments to move forward. Great.

Mike Disabato

Well thank you, John. Thanks for joining me. Thank you. Really appreciate it. Hope the rest of the conference is good.

John Morton

Appreciate it. Thanks for your.

Mike Disabato

Time. Thanks. All right. So that's it. That's our first episode one of four. Remember, stay tuned for the next parts of this series. We're gonna publish one next Tuesday and then again on our regularly scheduled day Friday, then rounded out next week on either Wednesday or on a typical day. I haven't decided yet. I like to keep things loose with these type of things. Okay, so thanks again for listening. As always, if you like what you heard, don't forget to subscribe so you can hear myself or any of the other Sustainability Now podcasts every other week. Thanks again to Finance Montreal for hosting us and setting all of this up. It was a blast. Everyone should go to their summit next year if you can. So talk to you soon and have a good rest of the day. Go, Knicks!

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