

Natural Energy Enhances Corporate Value

Fiona Reynolds, Managing Director

Renewable Energy Institute and CDP event, 25th October 2017



United Nations Global Compact

An investor initiative in partnership with UNEP Finance Initiative and UN Global Compact

The PRI

Investor-led, supported by the United Nations

The PRI works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance issues and to support signatories in integrating these issues into investment and ownership decisions.

The six Principles were **developed by investors** and are supported by the UN. They have more than 1,700 signatories from over 50 countries representing over US\$73 trillion of assets.

2

UN PARTNERS:
UNEP FINANCE INITIATIVE
UN GLOBAL COMPACT



1800+

SIGNATORIES:
ASSET OWNERS
INVESTMENT MANAGERS
SERVICE PROVIDERS



70

US\$ trn
**ASSETS UNDER
MANAGEMENT**



MONTREAL CARBON PLEDGE

A PRI-led initiative supporting investor action on climate change

- For investors to measure and disclose the carbon footprint of their portfolio, or part of it
- Launched at *PRI in Person* in 2014 with the support of Christiana Figueres
- Supported by nearly 120 investors with US\$10 trillion by COP 21
- Currently nearly 150 investors have signed the pledge
- Open to all PRI signatories and non-signatories to endorse at www.montrealpledge.org

Montreal Carbon Pledge signatories include:

HESTA (Australia)

Bâtirente (Canada)

University of Ottawa (Canada)

AXA Group (France)

BNP Paribas Investment Partners (France)

PGGM Investments (Netherlands)

Secom Pension Fund (Japan)

Arisaig Partners (Singapore)

AP4 (Sweden)

Nordea (Sweden)

Alliance Trust (UK)

Environment Agency Pension Fund (UK)

Old Mutual Group (South Africa/ UK)

HSBC Global Asset Management (UK)

CalPERS (USA)

University of California (USA)

PRI signatory example



- 2014:
committed to portfolio carbon foot printing
- 2017:
identified “systemically important carbon emitters:”
 - Assessed 10,000 holdings in 47 countries
 - Identified 100 companies in 20 countries that account for 50% of portfolio emissions
 - Asking companies to address emissions:
Global Climate Action 100+

PRI SIGNATORY EXAMPLE



- **Asset under management: \$1, 674.8 billion**
- **Insurance firm headquartered in France**
- 2014: monitoring, investigating climate change
- 2015: 1 billion committed to green bonds, coal divestment
- **2017: implementation**
 - **Tripling green investments to \$3 billion, divesting \$0.5 billion from coal**
 - **Published carbon intensity of investments (Montreal Carbon Pledge)**
 - **Joined Carbon Pricing Leadership Coalition, FSB Task Force**
 - **New 15-year research programme with University of Cape Town: “Understanding, Reducing and Managing African Climate Risk”**

An ambitious path: the Green bonds market grows more than ten fold

**\$1 trillion by
2020 target**

Green bonds for climate solutions, from \$81 billion of green bonds issued in 2016

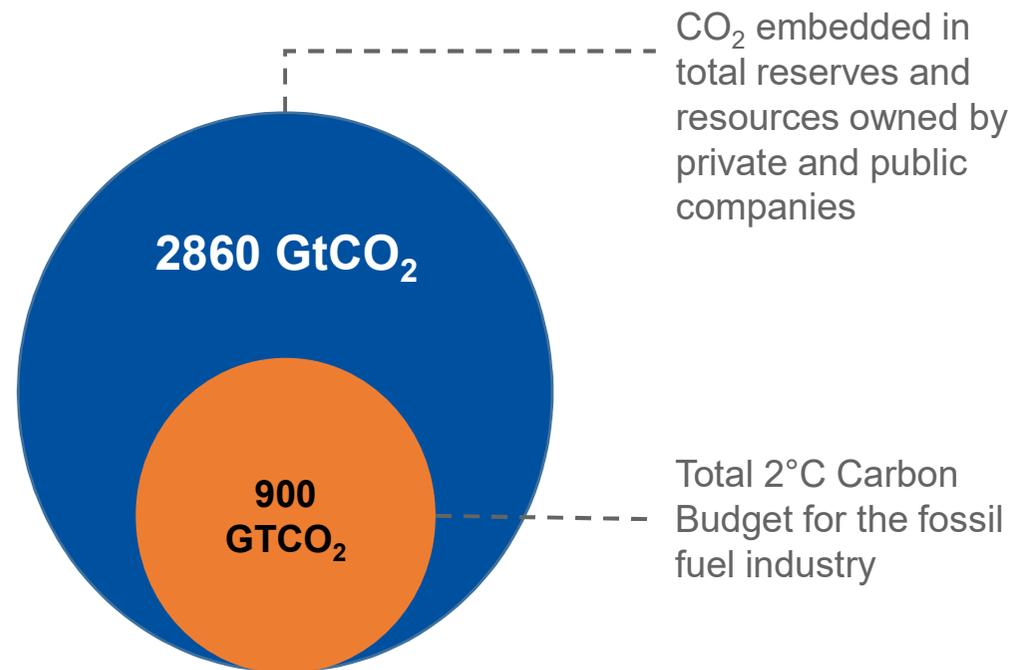
Highlights of PRI's climate work

Supporting investor action on climate change

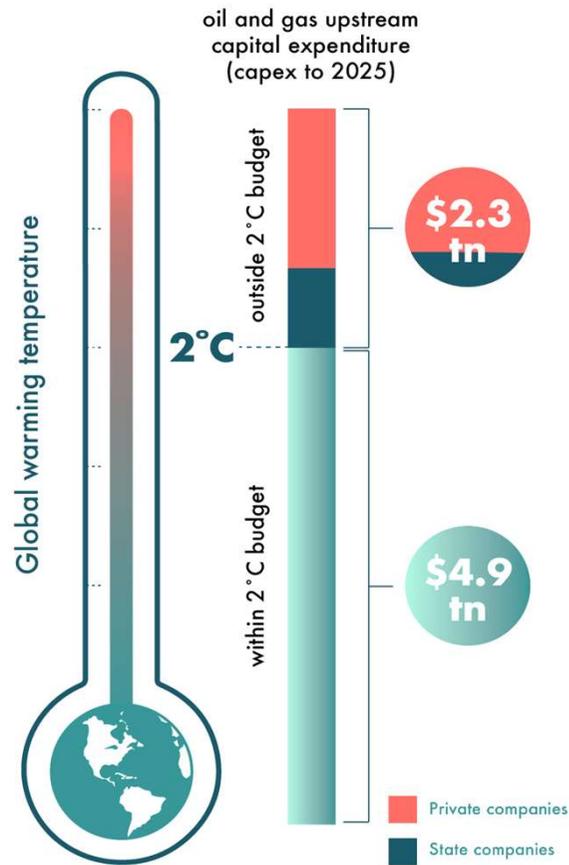
- Climate disclosure and FSB Task Force (TCFD)
 - PRI Chair served on Task Force, with strong signatory input
 - Final recommendations published 29th June 2017
 - PRI committed to drive TCFD implementation
- Investor action and practical tools
 - 2 degrees of separation report and regional workshops
 - PRI-Baker McKenzie country climate disclosure reviews
 - PRI collaboration platform alerts for climate resolutions e.g. ExxonMobil
- Paris Agreement and government action
 - Government response to US withdrawal: Paris Agreement is “irreversible”
 - G20 investor letter supported by nearly 400 investors (US\$22 trillion AUM)
 - PRI contributed to China's green finance leadership

Stranded assets: investing in unneeded coal, oil and gas reserves

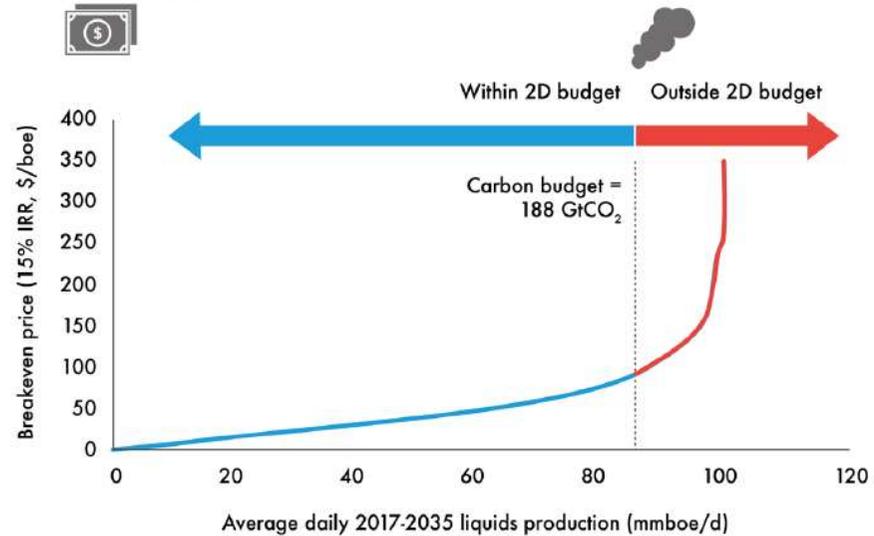
In 2013, according to Carbon Tracker, between **60-80% of coal, oil and gas reserves of publicly listed companies were 'unburnable'** if the world is to have a chance of not exceeding global warming of 2°C, when about **\$6 tn** were invested



2 degrees of separation: transition risk for oil and gas in a low carbon world



Oil carbon supply cost curve



Source: Rystad Energy, CTI analysis

A JUST TRANSITION: linking the SDGs

A **just Transition** is “a deliberate effort to plan for and invest in a transition to environmentally and socially sustainable jobs, sectors and economies”



Created by the International **Trade Union Confederation** and its partners, the Just Transition Centre will bring together and support unions, businesses, companies, communities and investors in social dialogue to develop plans, agreements, investments and policies for a fast and fair transition to zero carbon and zero poverty

**JUST
TRANSITION
FUND**

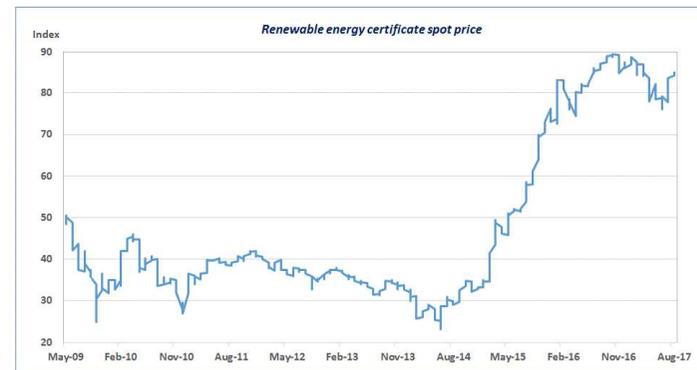
Privately funded, the Appalachian just transition fund is an intermediary that finds, funds, and helps scale community-based transition efforts that align with its commitment to sustainable economic development, equity, and energy resilience.

Policy certainty is key for investors climate action



After announcing the US withdrawal from the Paris Agreement, President Trump proceeds to roll back environmental regulations

In Australia, the frequent modifications of energy policy led to a very volatile renewable energy market



Source: IFM Investors, Bloomberg, ICAP Australia.

Climate Action 100+, supporting investors and the Paris Agreement

Investors driving business transition

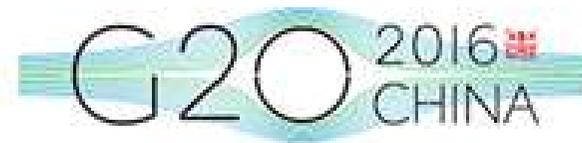
- Climate Action 100+ is a new five-year investor initiative to engage more than 100 of the world's largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosures and improve governance on climate change.
- Builds on the commitments laid out in the 2014/2015 Global Investor Statement on Climate Change, supported by 409 investors representing more than US \$24 trillion, which stated:
 - *“As institutional investors and consistent with our fiduciary duty to our beneficiaries, we will: [...] work with the companies in which we invest to ensure that they are minimising and disclosing the risks and maximising the opportunities presented by climate change and climate policy.”*



PRI'S GREEN FINANCE WORK TO DATE

- PRI recommendations adopted in 2016 G20 Green Finance Synthesis report
- Chinese investor capacity-building with the Peoples Bank of China in 2017
- Practical investor guidance: greening equities, air pollution, carbon footprinting
- Policy collaboration: PRI serves on the UK Green Finance Task Force, UK-China Green Finance Task Force, Financing for Tomorrow (France), Sustainable Finance Hub (Germany) and EU High-Level Expert Group, FSB Task Force on Climate-related Financial Disclosures

Dr Ma Jun, Chief Economist, Research Bureau, People's Bank of China speaking at PRI in Person September 2016, with 600+ investors



BARRIERS INVESTORS FACE TO SCALING UP GREEN INVESTMENT

While progress has been made in green bonds, investors cite the following barriers to scaling-up green investment:

- **Supply and shortage of bankable green projects:** Regular equity and debt capital market options, sufficient green bonds supply = limited allocation to green investment.
- **Definition and standards:** Green washing risk = higher transaction costs.
- **Data:** Lack of comparability and consistency = data can not be used.
- **Risk analysis:** Lack of methodologies = weak green assessment.
- **Investor governance:** Short-termism = lack of consideration of green.