

25 May 2015

For the attention of the Finance Ministers of the Group of Seven (G-7)

As institutional investors responsible for managing the retirement savings and investments of millions of people or managing endowments, we believe climate change is one of the biggest systemic risks we face. With the right market signals from policy makers, investment in low-carbon and climate resilient opportunities can flow and climate impacts and resulting economic damages can be mitigated. An ambitious agreement in Paris with the aim to limit average global temperature increase to 2°C, as agreed previously by UN countries in Cancun, is a critical first step in this direction.

We therefore urge you to support:

- 1. A long-term global emissions reduction goal in the Paris agreement;**
- 2. The submission of short to medium-term national emissions pledges and country level action plans.**

The benefits of addressing climate change outweigh the costs. According to the IEA, using today's technologies it is possible to set the global energy and transport system on a 2°C pathway at no net cost. Marginal upfront costs in energy efficiency are offset by savings over time. This decoupling of energy use and economic growth is possible and already happening in certain regions.

However additional investment is needed and this requires well-designed policies that shift incentives from high to low carbon and climate resilient investments and ensure the deployment of available technologies, while achieving a just transition for workers and communities. Delaying action will require more stringent policies later if we are to remain within the 2°C emissions budget, exacerbating risks associated with energy investments and potentially stranding assets.

An agreement in Paris, including a long-term emissions reduction goal and strong national plans, will set a clear pathway in favour of a low carbon future and give investors clarity. This will serve to reduce policy risk, incentivise R&D, facilitate the deployment of new technologies and ultimately create new jobs.

As set out in last year's Global Investor Statement on Climate Change, the global investor community is clear on the need for strong action on climate change, including an ambitious global deal, carbon pricing and phasing out of fossil fuel subsidies.

With the appropriate policies in place we will be able to accelerate our investments in low carbon assets and advance the shift to a low carbon economy.

Yours sincerely

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