

20th December 2018

Power companies must accelerate decarbonisation and support ambitious climate policy

Following UN climate talks in Poland, the urgency of greater action required to tackle climate change couldn't be clearer. The risks to global markets and companies we invest in from 2°C or higher temperature rises are potentially catastrophic.

The recent United Nation's IPCC report showed half a Celsius of additional warming, as the difference between a 1.5°C and 2°C rise in global temperatures, can be expected to result in \$8 to \$11 trillion of additional economic damages globally before 2050. Success is thus vital to those with a fiduciary responsibility for other people's long-term investments.

To this end, it is essential we deliver on the Paris Agreement. Decarbonisation of the power sector, which accounts for around a quarter of global emissions, will define the success or failure of the low-carbon transition since it is fundamental to also decarbonising heat, transport and industry.

The case for action is clear. The economics of energy [are materially shifting](#) in favour of clean energy¹. Early action will enable companies to better manage the risks and capitalise on opportunities that are already clear. [Recent research](#) has shown that bold action on climate change can deliver \$26 trillion in economic benefits through to 2030, while also creating 65 million jobs and avoiding 700,000 premature deaths linked to air pollution².

As investors collectively representing \$11.5 trillion, we require power companies – including power generators, grid operators and distributors – to plan for their future in a net-zero carbon economy. Specifically, we request companies to set out transition plans consistent with the goal of the Paris Agreement, including compatibility of capital expenditure plans. We expect explicit timelines and commitments for the rapid elimination of coal use by utilities in EU and OECD countries by no later than 2030, defining how companies will manage near-future write-downs from fossil fuel infrastructure. Finally, we call on companies to support the development of ambitious climate policy aligned with the Paris Agreement and to ensure that their trade associations are aligned with this objective.

Working through organisations such as the [Institutional Investors Group on Climate Change](#), we also urge policymakers to provide clear and constructive policy signals that will support the necessary investments in low-carbon infrastructure that are fundamental to achieving the required emission cuts. We also need to see more widespread adoption of carbon pricing around the world, at levels that will facilitate the low-carbon transition.

Through initiatives such as [Climate Action 100+](#), we will continue our dialogue with power utilities to ensure that the investments we make on behalf of our clients and ultimate beneficiaries are aligned with our aforementioned expectations set out in this letter. If necessary, we will deploy all the tools available to us as shareholders to require laggards to do so. Investors are recognising the opportunities that the low-carbon transition presents. Now more than ever is the time for energy companies to do likewise and capitalise on the opportunity of the low-carbon transition.

References:

1. 'New Energy Outlook 2018', Bloomberg New Energy Finance (linked [here](#)).
2. 'The 2018 Report', Global Commission on the Economy and Climate (see link [here](#)).

A copy of this letter is being sent via the [Institutional Investors Group on Climate Change](#) to Eurelectric as the relevant sector trade body and Germany's coal exit commission. The following European power producers by relevant investors, as companies on the 'focus list' of the [Climate Action 100+](#) global shareholder

engagement initiative: Centrica, CEZ, E.ON, EDF, Enel, ENGIE, Fortum Oyj, Naturgy, Iberdrola, National Grid, RWE and SSE.

Signatories: 95 investors representing \$11.5 trillion in assets under management or advise have signed the letter and are listed below.

Aargauische Pensionskasse (APK), Switzerland	Fidelity International
Aberdeen Standard Investments	Fondation de la métallurgie vaudoise du bâtiment (FMVB), Switzerland
Aegon Asset Management	Fondation de prévoyance du Groupe BNP PARIBAS en Suisse, Switzerland
AP2	Fondation Leenaards, Switzerland
AP7	Hermes EOS
Aviva Investors	Hermes Investment Management
AXA Investment Managers	Investec Asset Management
Bernische Lehrerversicherungskasse, Switzerland	Ircantec
BMO Global Asset Management	KBIGI
BNP Paribas Asset Management	Kempen Capital Management
Border to Coast Pensions Partnership	La Française Groupe
Caisse de pensions de l'Etat de Vaud (CPEV), Switzerland	Länsförsäkringar AB
Caisse de pensions ECA-RP, Switzerland	Legal and General Investment Management
Caisse de prév. des Fonctionnaires de Police & des Etablissements Pénitentiaires, Switzerland	LGPS Central Ltd
Caisse de Prévoyance de l'Etat de Genève (CPEG), Switzerland	Local Authority Pension Fund Forum
Caisse de Prévoyance des Interprètes de Conférence (CPIC), Switzerland	Local Pensions Partnership
Caisse intercommunale de pensions (CIP), Switzerland	London Pensions Fund Authority
Caisse paritaire de prévoyance de l'industrie et de la construction (CPPIC), Switzerland	M&G Investments
CalPERS	Merian Global Investors
CalSTRS	Merseyside Pension Fund
Calvert Research & Management	Mirova
CANDRIAM	MN
CAP Prévoyance, Switzerland	MP Pension
CCAP Caisse Cantonale d'Assurance Populaire, Switzerland	Nest Sammelstiftung, Switzerland
CCLA	New York City Comptroller's Office
Central Finance Board of the Methodist Church	New York State Common Retirement Fund
Church Commissioners for England	Newton Investment Management
Church of England Pension Board	NN Investment Partners
CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle, Switzerland	Nordea Group
DWS Investment GmbH	Öhman Fonder
Elo Mutual Pension Insurance Company	Ostrum Asset Management
Environment Agency Pension Fund	P+(DIP/JOEP)
Epworth Investment Management Limited	Pensionskasse Caritas, Switzerland
ERAFP	Pensionskasse der Stadt Winterthur, Switzerland
Etablissement Cantonal d'Assurance (ECA VAUD), Switzerland	Pensionskasse Stadt Luzern, Switzerland
Ethos Foundation, Switzerland	Pensionskasse Unia, Switzerland
	Pictet Asset Management
	PKA
	Prévoyance Santé Valais (PRESV), Switzerland
	prévoyance.ne, Switzerland
	Profelia Fondation de prévoyance, Switzerland
	Prosperita Stiftung für die berufliche Vorsorge, Switzerland

Raiffeisen Capital Management
Rathbones Greenbank Investments
Retraites Populaires, Switzerland
Robeco
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