How the investor voice shaped COP21
Into the post-Paris climate era

NOW IS THE MOMENT
We welcome the progress made on the climate finance package in Lima, Peru. Significant capital will be needed to finance the transition to a low-carbon economy and to enable society to adapt to the physical impacts of climate change.

THAT’S WHY NEARLY 400 INVESTORS AROUND THE WORLD REPRESENTING $24 TRILLION IN ASSETS HAVE CALLED FOR A STRONG GLOBAL CLIMATE DEAL AT COP21 IN PARIS.

In the Paris climate negotiations, WE CALL FOR STRONG POLITICAL LEADERSHIP TO PROVIDE CERTAINTY TO INVESTORS BY COMMITTING TO A CLEAR LONG-TERM GOAL. This will enable investors to deploy more capital and unleash a wave of innovation.

THE TRANSITION TO THE LOW-CARBON ECONOMY IS INEVITABLE, IRREVERSIBLE AND IRRESISTIBLE.
Together we can achieve an ambitious global agreement at COP21 that will catalyze investor action and help to reduce emissions, build climate resilience and protect the livelihoods of millions of people around the world.

INVESTOR PLATFORM FOR CLIMATE ACTIONS

Institutional Investors Group on Climate Change

INVESTORS
Savers, pension funds, insurance companies and asset managers

REALLOCATE
Investors are shifting capital from emissions-intensive activities and fossil fuels to low and zero-carbon activities

ENGAGE
Investors are assessing the exposure of investment portfolios to climate change risks

MEASURE
Investors are working with the companies to advocate for better management and disclosure of climate risks

REINFORCE
Investors reinforce their actions by encouraging strong domestic and international climate and clean energy policies

COP-21 in Paris – a guide for investors

October 2015

COP-21 could be a turning point in the world’s response to climate change – governments have decided that there will be an agreement. How strong this agreement will be is the pressing question for the little time left before the deadline. This guide introduces investors to the UNFCCC process. The Paris process has already made more progress than the Copenhagen process ever did. This guide explains why Paris will be a unique moment. It also introduces the “Paris Alliance”, the four pillars of the Paris outcome as we understand them. It presents the main content of the Alliance, including possible outcomes in terms of the long-term goal, climate finance provisions and national climate plans, and finally gives our take on what this will all mean for investment.
The road to Paris

Work to secure the Paris agreement started years ahead of COP21. In particular, through the process by which countries chose by how much to cut their own emissions – intended nationally determined contributions (INDCs) – national climate plans were developed way ahead of the Paris conference, and nearly 180 nations had submitted one by the time COP21 began. As a consequence, significant political capital had been invested into the Paris process well before the start of the conference:

January 2014

The ambition level for all subsequent INDCs is influenced by that set for the European Union. The EU becomes the first major player to submit an INDC, and partly due to a persuasive intervention by IIGCC members during the interservice consultation in 2014, the EU’s INDC is submitted with a higher ambition level of 40% rather than 35%.

September 2014

UN Secretary General convenes a summit where the Global Investor Statement on Climate Change is presented to governments for the first time – a landmark event that brought down barriers between government and the private sector.

May 2015

120 investor CEOs write to finance ministers calling for a long-term goal to be adopted by the G7, as preparation for the Paris conference. The G7 Elmau communiqué adopts for a long term goal and several heads of state and finance ministers indicate they are considering the letter in their preparations for COP21.

November 2015

The G20 discusses a proposal from Mark Carney, Governor of the Bank of England and chair of the G20 Financial Stability Board to establish a climate disclosure task force.

Investor momentum continues to build as The Global Investor Statement on Climate Change reaches 404 signatories – signalling a strongly unified investor voice asking for a robust agreement and clear market signal on climate policy. IIGCC publicises its key policy ‘asks’ for a climate deal in Paris:

IIGCC’s asks for the Paris Agreement

- A long-term goal, to signal the direction of travel
- Review and ratchet: A 5 year review mechanism for INDCs to ensure ambitions rise and the gap to below 2 degrees closes over time
- No backsliding – a provision to ensure countries cannot backtrack on their contributions
- Progress on climate finance and a recognition of the role of private capital

On the road…

- 120 CEO’s ask the G7 and G20 for inclusion of a long-term goal in Paris Agreement
- 180 countries submit INDCs on time to UNFCCC – covering over 90% of global emissions
- 404 Investors with over $24 Trn AUM support the Global Investor Statement by November 2015
- $64 billion leveraged in climate finance towards the $100 billion target

As COP21 opens in Paris on Monday 30 November Stephanie Pfeifer, IIGCC’s CEO, is live on the Radio 4 Today Programme at 06.15 am for an interview about what investors need to see in a new climate agreement.

The Investor Platform infographic showcases the growth in momentum in major investment initiatives, receives thousands of views on Twitter.
The investor voice is loud and strong in Paris

400 investors >40 countries >$24 trillion AUM

As world leaders gather in Paris to hammer out a global climate deal, institutional investors demonstrate that they had also continued to ratchet up their contributions in a number of areas. The Investor Platform for Climate Actions showcases major milestones of investor commitments to measure portfolio carbon emissions, engage with companies, reallocate assets and reinforce these actions through policy engagement.

COP 21 Side Event on investor engagement with the fossil fuel sector

IIGCC along with Carbon Asset Risk initiative partners Ceres and Carbon Tracker organise a high-level discussion on how investors must support business and society in the transition to a low carbon economy. Hermes CEO Saker Nusseibeh and CalSTRS CEO Jack Ehnes set out their expectations to Oil and Gas companies in a live dialogue with Total’s Gerard Moutet.

Finance Day breakfast roundtable with Al Gore

IIGCC CEOs and their colleagues meet with the former Vice President of the United States along with Californian tech finance entrepreneur Tom Steyer to discuss what investors can do as negotiations approach a crucial stage to help ensure a strong agreement. Gore urges C-level investors to communicate more widely their views on fiduciary duty to manage climate transition risk.

COP 21 Side Event on investor action against climate change

IIGCC in partnership with all the networks involved with the Investor Platform for Climate Action plans and hosts a major side event on Climate Finance Day at the Paris climate talks. Panelists include AXA CEO Henri De Castries, PGGM CIO Eloy Lindeijer and Swedish Finance Minister Per Bolund.

“The investor momentum that has built up over the past 5 years will never go into reverse”

Donald MacDonald, Chairman of IIGCC and Trustee Director at BT Pension Scheme, closing the COP21 Investor Action event.

“Public funds should lead the way for private investors”

Per Bolund, Minister of Finance for Sweden on the AP funds publishing their carbon foot prints.

Investors highly visible as Carney attends COP21 to announce FSB Climate Task Force

The investor voice at COP21 gained prominence on Friday 4 December when Mark Carney, Governor of the Bank of England and Chair of the G20 Financial Stability Board arrived at the Paris climate talks. His mission was to inform the world’s assembled media that the G20 had agreed to establish a Climate Disclosure Task Force that would be chaired by former New York Mayor and business magnate Michael Bloomberg. Responding to a question asked by IIGCC board member and ERAPF CEO Philippe Desfossès at the press conference, Mark Carney noted the importance of continuing to support a carbon price.
Approaching halfway – investors still battling uphill but with a growing tailwind

At the end of week one at Le Bourget (where the US and Algeria co-chaired the technical workstream developing a draft text) COP21 President – French foreign minister Laurent Fabius – tables a new draft text. Governments accept this as a good basis for negotiation and forward it to the highest UNFCCC decision-making body, the Conference of the Parties. The presidency also proposes to establish the Paris Committee – facilitated by 14 ministers carefully chosen from developed (Germany, Poland, Norway, Sweden, UK) emerging economies (Brazil) and developing countries (Gabon) to facilitate four streams of discussion going forward. This proposal is accepted – reflecting high levels of trust in the host government of France.

Major investor announcements

UNEP FI co-hosts a LPAA Side Event held on COP21 Buildings Day which launched a global public private partnership to accelerate energy efficiency in the building sector. Chair of IIGCC’s property programme, Tatiana Bosteels (Head of Responsible Property Investment, Hermes Investment Management) is on the panel and launches new briefing on Integrating Climate Risks in Real Estate from a coalition of investors, PRI and RICS.

At the LPAA Finance Side Event, ABP, the main Dutch pension fund commits to decarbonize the totality of its listed shares portfolio amounting to €100 billion by 25% in 2020.

Caisse des Dépôts commits to dedicate €15 billion to direct green investments until 2017 and commits to a 20% decarbonisation target, covering the totality of its listed shares portfolio, amounting to €55 billion.

Climate Finance in the negotiations

Well before COP21 several OECD countries have outlined their climate finance plans and an OECD analysis concludes that current climate finance flows add up to over USD 60 billion annually from public and private sources. This number is crucial for trust amongst negotiators in Paris keen to know that capital is already flowing towards adaptation and mitigation at a pace that can be scaled up to reach a USD 100 bn goal by 2020. Towards the end of week 1 at COP21 India publishes a counter study, claiming current climate finance flows run to no more than USD 2 billion. This intervention proves obstructive, although it becomes clear the stark difference is down to issues of methodology and the way concessionary finance is counted (or left out by India).

Home stretch – Investor collaborations sustain message in week 2

Tuesday 8 Dec: At the elegant 19th century Hotel Pomereu in the heart of Paris, IIGCC member Caisse Des Despots hosts a soiree where investors and invited guests enjoy animated and convivial discourse about the likely shape of a final agreement. The Bold Green Infrastructure Investment Coalition is launched. IIGCC joins the $43 trillion group of investors, public sector and development banks in supporting this platform.

Wednesday 9 Dec: IIGCC Chair Donald Macdonald and seven more IIGCC members join 11 other investors, 10 institutions / international banks, and government representatives from 8 OECD nations around the table for a significant private COP21 side event held at the Grand Palais: The 6th OECD annual high level breakfast on institutional investors and the low carbon transition hosted by the OECD, ERAFP and IIGCC.

Thursday 10 Dec: The OECD hosted another event on the fiduciary duty of investors to analyse and curb climate risk in their portfolios. Donald MacDonald (IIGCC Chair) and Steve Waygood from Aviva participated.
Driving a new consensus

The high ambition coalition transforms the agenda

Following the arrival of ministers for the start of the formal Conference of the Parties on Monday 7 Dec, negotiations shift when a key new “high ambition coalition” emerges. Led by the Marshall Islands, this includes the US, EU, Canada, Mexico, the island states, several African nations, Brazil and Australia. This new alliance firmly tables a key island state demand to tighten the global temperature goal to 1.5 degrees and begins working tactfully behind the scenes to secure progress on this and other sensitive issues. India and China express concern because they fear being side-lined, but the high ambition coalition remains sufficiently tactful to keep everyone in the negotiation room. In the background IIGCC members utilise their standing gained within EU fora to build a similar bridge between the EU and the island states as well as Latin America through a series of bilateral meetings.

Key meetings and bilaterals

Alliance of Small Island Developing States (AOSIS)

IIGCC members meet with this crucial deal-maker in the Paris process. AOSIS countries are strongly affected by climate change and often move the larger grouping of developing countries (G77) in a progressive direction. Topics discussed include the long-term goal, the review and ratchet mechanism and climate finance.

European Commission

IIGCC members discuss the crucial role of climate finance to enable vulnerable developing countries to sign up to the Paris agreement. IIGCC presents its “five recommendations” climate finance paper and discusses the Commission’s prognosis for likelihood of an agreement on a long-term goal. Domestic EU policy issues for the New Year are also in focus.

United Nations Secretary General’s office

IIGCC and the other investor groups meet with the UNSG’s office to brainstorm on an implementation summit the UN Secretary General intends to host in 2016.

UK Undersecretary of State for Energy and Climate Change Lord Bourne

IIGCC members – alongside business groups – meet with Lord Bourne to hear his take on the negotiations and discuss options for supporting an ambitious agreement.

MEP Gerben-Jan Gerbrandy

IIGCC members meet with this key MEP to discuss the role of investors in the climate discussion and a possible roundtable on the EU-ETS in the new year.

California governor Jerry Brown

IIGCC members meet with Jerry Brown to hear his take on the likely agreement and discuss the investor role.

Argentina

IIGCC members discuss the role of investors in the climate finance discussion and present key IIGCC asks for the Paris agreement to this crucial deal-maker for South American countries.

On the margins of the negotiations, IIGCC also has ad-hoc bilateral exchanges with Switzerland, India, South Africa, Sweden and the UNFCCC secretariat.

Philippe Defosses spoke on behalf of IIGCC at a roundtable hosted by John Kerry, US Secretary of State.
Securing an unequivocal signal

Deal is signed! What next?

The first universal climate agreement in history, requiring efforts by all kinds of countries – incorporates every key investor ask that IIGCC brought to COP21:

- **High ambition level** – plus a tighter overall objective that refers to a 1.5 degrees temperature goal – a valuable long term signal for investors and a crucial ask for the small island developing states who led the high ambition coalition.

- **Net Zero** – A reference to an objective to balance GHG emissions and their removal, i.e. to realise net zero emissions, in the second half of this century.

- **A ratchet mechanism** – It’s agreed that countries will update their nationally determined contributions every five years from 2020 – something that prevents a locking in of ambition levels whilst technologies mature further. Countries will start a dialogue about their next INDCs in 2017. Governments agree that each subsequent INDC will progress from previous efforts, i.e. that ambition will strengthen and countries cannot backtrack on prior commitments. Countries are also invited to come forward with 2050 low-emissions development strategies in line with the long-term goals – providing crucial information for investors on emissions pathways at a country-by-country level.

- **Clarity on climate finance** – Countries agree a climate finance goal of USD 100 bn by 2020 that will also serve as a floor, indicating that funding levels will continue to rise thereafter.

- **Legal framework** – Contrary to what some press claims, parts of the agreement – including the most important provisions such as the global long-term goals – are legally binding.

Ratification

The agreement will be signed by world leaders in April 2016 during a UN summit and remains open for signature some months after that. It will be ratified in most countries; in others (such as the US) it can be signed through by presidential decree. A further implementation summit will be hosted by the UN Secretary General later in 2016 and the entire Paris Agreement will be reviewed in 2023, to ensure it remains relevant. Whilst national climate plans are voluntary, they show the extent of political will – which helps ensure they set higher ambition levels and attract broader participation than any legally binding structure might secure.

The agreement implies that the EU’s 2030 objective needs to tighten to reflect the Paris agreement target of “well below 2 degrees” or even 1.5 degrees. The EU may well commission further research into cost-effective pathways before committing to this. However, it is likely that legislation to implement the EU’s 2030 framework will now adopt the upper end of the politically possible range and might be subject to further revision once the 2030 target has been raised.
Delivering the low carbon transition

What can investors do now?

The Paris Agreement demonstrates that investors are a credible voice in the global climate negotiations and through coordinated and committed engagement the signals investors need to support the low carbon transition will be delivered. In years to come IIGCC will need to continue amplifying the investor voice into the discussion on how the Paris Agreement is implemented into national and regional policies. Likewise as the window to 2 degrees is still open, investors will need to continue to build on their commitments and partnerships established in order to align their portfolios to the necessary transition to a low carbon economy.

Through IIGCC, investors can participate the following actions in 2016:

EU Policy programme
- Support EU and member state implementation of INDCs in emissions reductions and energy efficiency.

Global Policy programme
- Continue to communicate investor support for the Paris Agreement up through the signing ceremony in April 2016, the UN SG’s summit on Sustainable Development Goals in July 2016 and G20 Summit in Hangzhou in September 2016, which will have a special focus on green finance.

Climate solutions programme
- Engage boards and trustees, integrate climate change into investment decision making, invest in low carbon solutions, reduce exposure to carbon risk.

Company engagement programme
- Engage with mining companies on their strategies and resilience for a low-carbon pathway, support shareholder resolutions on this.
- Work with other investors to develop expectations of Utilities companies to support engagements on their transition strategies.
- Engage with companies on their lobbying in regards to national implementation of the Paris agreement and urge companies who have publicly supported carbon pricing to ensure there is alignment with their regional trade associations.

Property programme
- Integrate ESG into property investments using the soon to be published, *How to integrate ESG and climate risks into Real Estate Investor Framework*.
COP21 related coverage quoting IIGCC

23 Nov Environmental Finance • Pre COP blog: investors raise their voices on climate change Reuters • The private sector and climate change, standing on the right side of history 24 Nov Carbon Pulse • Business groups issue Paris climate text wish list Manager Magazin • Diese Investoren kämpfen gegen CO2 - aber vor allem für Rendite PV Tech • COP 21: Any deal in Paris is a good deal for solar Den Offentlige • Business leaders to COP21: Now we go for the green 25 Nov Road to Paris • 8 things that could “shift the trillions” to a low carbon economy Information • Business leaders to COP21: Now we go for the green 30 Nov BBC Radio 4 Today • As COP21 opens Stephanie Pfeifer from IIGCC explains what Investors need from COP21 Environmental Finance • 400 investors demand stronger leadership on climate change to help them invest Responsible Investor • COP21 kicks off amid a genuine sense of investor, corporate and policy transition 3 Dec Africa business • Real estate sector mobilised to play a significant role in limiting global temperature increase below 2°C Affaritaliani.it • COP21, Al Gore: “Mercati e investitori abbandonano carbone e petrolio” 4 Dec FT • COP21 Paris talks: Carney weighs in on fossil fuel pollution The Guardian • Mark Carney unveils global taskforce to educate business on climate change Executive Review (Guardian Professional Network) • Climate Home • Edie • Michael Bloomberg to head global taskforce on climate change Blue & Green Tomorrow • #COP21: Investor Voice Loud And Strong At Climate Negotiations In Paris Eufin Europees Financieel Netwerk • CO2-vriendelijker beleggen bij Rabobank Bloomberg • Carney Backs Effort for Standard Company Disclosures on Climate The Washington Post • Carney Backs Effort for Standard Company Climate Disclosure 5 Dec Green TV @COP21 • Key investor messages for negotiators at the Paris talks 6 Dec Forbes • 4 Reasons Institutional Investors Joined The Climate Movement 7 Dec Climate Home • In Paris, polluters in focus as investors spurn climate risk Financial standard • Catholic Super chief addresses climate conference 9 Dec Business Green • COP21: Ministers to work through night in pursuit of compromise deal 10 Dec NewsWeek • Prying Open the Financial Risks of Climate Change Novethic • COP21 : avec ou sans accord, nos économies ont déjà bascule Ameri Publications • Climate change deniers ‘out of touch with science’ says Kerry Advisor Perspectives • The Paris Climate Negotiations: A World in Transition The Benicia Independent • 400+ investors with more than $24 trillion support Paris Agreement Blue & Green tomorrow • Institutional Investors Group On Draft Agreement 11 Dec Your Oil and gas News • COP21 launch of Green Infrastructure Investment Coalition Energy in Demand • Highlighting the financial exposure of companies to the risk of climate change Environmental Finance • Investors hope for ambitious Paris agreement this weekend 12 Dec Bloomberg • Landmark Climate-Change Agreement Hailed as ‘Leap for Mankind’ Eco Post • Los negocios después del Acuerdo de París Washington Post • Financial Review • Countries just adopted a historic climate change accord. Here’s what happens next Carbon Pulse • Reactions to the Paris climate agreement Financial Times • COP21: Big polluters see no short-term change 13 Dec KMIB news • Paris climate agreement adopted one step further than the Kyoto Protocol Financial Review • UN Climate conference 2015: Energy companies key to climate result 14 Dec Verlagsgruppe Handelszeitung • Fussabdruck hinterlässt Spuren Devex • How can financial markets help in the fight against climate change? Insurance Journal • Landmark Climate Change Agreement ‘a Major Leap for Mankind’: Pres. Hollande Carrier Management • Climate-Change Deal Includes Insurance Provision, Avoids Liability and Compensation Tin247.com (Vietnam) • Thỏa thuận chống biến đổi khí hậu được chấp thuận: Chuyện gì xảy ra tiếp theo? The New Zealand Herald • Climate deal offers new hope - but what’s next? Apple Daily • 推動企業變革低碳轉型 (Promote low-carbon transition business change) Dec 15 I&PE • Pension funds welcome ‘momentous’ Paris climate agreement Pacific Island News Association • Business leaders react to UN climate deal Environmental leader • COP21 Climate Deal: What’s Next for Business Dec 16 Private Banking Magazine • Fussabdruck hinterlässt Spuren Indian Bureacracy.Com • FICCI joins Green Infrastructure Investment Coalition at COP21 in Paris Gazette Standard (USA) • Nations Pledge to Slow Global Warming Gazette Standard Climate Home • Theres-no-dodging-carbon-risk-after-paris-say-fund-managers Financial Times • Climate talks mark turning point for investors