

A version of the letter below was published in the Financial Times on 19<sup>th</sup> December 2018. See [link](#).

## **Power companies must accelerate decarbonisation and support ambitious climate policy**

Following UN climate talks in Poland ([Dec 16](#)), 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 ([Oct 8](#)) 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 energy. 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 pollution.

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+ \(July 3\)](#), 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.

**Signatories:** 95 investors representing \$11.5 trillion in assets have signed the investor letter and are listed below.

Aargauische Pensionskasse (APK), Switzerland  
Aberdeen Standard Investments  
Aegon Asset Management  
AP2

AP7  
Aviva Investors  
AXA Investment Managers  
Bernische Lehrerversicherungskasse, Switzerland

BMO Global Asset Management  
BNP Paribas Asset Management  
Border to Coast Pensions Partnership  
Caisse de pensions de l'Etat de Vaud (CPEV),  
Switzerland  
Caisse de pensions ECA-RP, Switzerland  
Caisse de prév. des Fonctionnaires de Police & des  
Etablissements Pénitentiaires, Switzerland  
Caisse de Prévoyance de l'Etat de Genève (CPEG),  
Switzerland  
Caisse de Prévoyance des Interprètes de Conférence  
(CPIC), Switzerland  
Caisse intercommunale de pensions (CIP), Switzerland  
Caisse paritaire de prévoyance de l'industrie et de la  
construction (CPPIC), Switzerland  
CalPERS  
CalSTRS  
Calvert Research & Management  
CANDRIAM  
CAP Prévoyance, Switzerland  
CCAP Caisse Cantonale d'Assurance Populaire,  
Switzerland  
CCLA  
Central Finance Board of the Methodist Church  
Church Commissioners for England  
Church of England Pension Board  
CIEPP - Caisse Inter-Entreprises de Prévoyance  
Professionnelle, Switzerland  
DWS Investment GmbH  
Elo Mutual Pension Insurance Company  
Environment Agency Pension Fund  
Epworth Investment Management Limited  
ERAFP  
Etablissement Cantonal d'Assurance (ECA VAUD),  
Switzerland  
Ethos Foundation, Switzerland  
Fidelity International  
Fondation de la métallurgie vaudoise du bâtiment  
(FMVB), Switzerland  
Fondation de prévoyance du Groupe BNP PARIBAS en  
Suisse, Switzerland  
Fondation Leenaards, Switzerland  
Hermes EOS  
Hermes Investment Management  
Investec Asset Management  
Ircantec  
KBIGI  
Kempen Capital Management  
La Française Groupe

Länsförsäkringar AB  
Legal and General Investment Management  
LGPS Central Ltd  
Local Authority Pension Fund Forum  
Local Pensions Partnership  
London Pensions Fund Authority  
M&G Investments  
Merian Global Investors  
Merseyside Pension Fund  
Mirova  
MN  
MP Pension  
Nest Sammelstiftung, Switzerland  
New York City Comptroller's Office  
New York State Common Retirement Fund  
Newton Investment Management  
NN Investment Partners  
Nordea Group  
Öhman Fonder  
Ostrum Asset Management  
P+(DIP/JOEP)  
Pensionskasse Caritas, Switzerland  
Pensionskasse der Stadt Winterthur, Switzerland  
Pensionskasse Stadt Luzern, Switzerland  
Pensionskasse Unia, Switzerland  
Pictet Asset Management  
PKA  
Prévoyance Santé Valais (PRESV), Switzerland  
prevoyance.ne, Switzerland  
Profelia Fondation de prévoyance, Switzerland  
Prosperita Stiftung für die berufliche Vorsorge,  
Switzerland  
Raiffeisen Capital Management  
Rathbones Greenbank Investments  
Retraites Populaires, Switzerland  
Robeco  
RobecoSAM  
RPMI Railpen  
Sarasin & Partners  
Schroders  
SEB Investment Management  
Skandia  
St. Galler Pensionskasse, Switzerland  
Stiftung Abendrot, Switzerland  
Storebrand Asset Management AS  
Strathclyde Pension Fund  
Terre des hommes, Switzerland  
Transport for London Pension Fund  
Trusteam Finance