

Institutional Investors Group on Climate Change (IIGCC) Request For Proposals: Climate Transition Paper

Mapping out decarbonisation technologies, the cost to transition, and a methodology to support investors to translate climate goals into financial metrics

Issue date: 15th February 2021

Closing date and time: 5th March 2021 17:00, close of business (COB)

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1. Background

- 1.1. The Institutional Investors Group on Climate Change (IIGCC) is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 270 members, mainly pension funds and asset managers, across 16 countries, with over €35 trillion in assets under management.

IIGCC's mission is to mobilise capital for the low carbon transition and to ensure resilience to the impacts of a changing climate by collaborating with business, policy makers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviours that address the long-term risks and opportunities associated with climate change.

2. Invitation

- 2.1. Through this request for proposals ("RFP"), IIGCC invites you to submit a Proposal for the Climate Transition Paper. The detailed Terms of Reference can be found in section 6 of this RFP.
- 2.2. Due to the complexity of the work to be undertaken, IIGCC welcomes joint bids from two or more organisations / bids from consortia.
- 2.3. The following key dates apply to this RFP:

RFP Issue Date	15 th February 2021
RFP Closing Date and Time	5 th March 2021 COB

- 2.4. Proposers are to direct any queries and questions regarding this RFP to the above IIGCC contacts. IIGCC will endeavour to respond to any queries submitted.
- 2.5. IIGCC may amend the RFP documents by issuing notices to that effect to all Proposers and may extend the RFP closing date and time if deemed appropriate.

3. Proposal submission

- 3.1. Proposers must submit their Proposal to IIGCC no later than 17:00 GMT on 5th March 2021 by email to: jlazuen@iigcc.org, dboyd@iigcc.org, and lgrahamwood@iigcc.org. The subject heading of the email shall be [RFP – Climate Transition - [Proposer(s) Name(s)]]. Proposals must be prepared in English.
- 3.2. Any Proposal received by IIGCC later than the stipulated RFP closing date and time, and any Proposal that is incomplete, may not be considered.

4. Information to be provided by Proposers

- 4.1. Proposers must include details of proven experience and knowledge of investment methodologies in the context of climate change. Examples of previous or similar work is welcome.
- 4.2. Proposers should indicate the necessary resource and costs to complete the project, broken down by component.

5. Conditions

- 5.1. IIGCC is not bound in any way to enter into any contractual or other arrangement with any Proposer as a result of issuing this RFP. IIGCC reserves the right to terminate the procurement process at any time prior to contract award. By participating in this RFP, Proposers accept the conditions set out in this RFP.
- 5.2. IIGCC requires the successful Proposer to send a copy of the Proposer's child protection policy before the contract can be awarded.
- 5.3. Proposers should read IIGCC's privacy note before submitting a proposal. The privacy note can be found on IIGCC's website [here](#).

6. Terms of Reference

1. Introduction

The transition towards a net-zero world by 2050 is an unprecedented task. A myriad of companies belonging to different sectors will decarbonise at different paces depending on regulatory pressures and

on their access to capital and technology. In this process, investors will play a pivotal role in allocating capital to key transition technologies or to the companies behind them. However, today investors are facing several challenges such as uncertain technology pathways, varying cost assumptions, and the overall translation of climate goals into useful financial and portfolio metrics.

IIGCC's Net Zero Investment Framework recommends that investors set an initial goal for investment allocation to climate solutions representing a percentage of revenues or capex from AUM (Assets Under Management), increasing over time, in line with investment trajectories of key sectors based on different decarbonisation pathways.

However, it is challenging for investors to understand the level of increase in their investments towards climate solutions that they should be targeting. This uncertainty applies to the totals by sector, by technology, by geography, and the relative metrics that would help take investment decisions and keep track of the progress. To achieve this, a common methodology is needed in the investment community.

2. Project Objective

IIGCC is seeking to provide robust estimates against which investors can set investment goals through actionable metrics and prioritise investment in the sectors and technologies that could maximise emissions reduction. The technologies of choice in each sector should be based on reasonable cost and maturity (Technology Readiness Level). This paper should address three key areas:

1. **Background:** map out emissions by sector and quantify the abatement of key technologies under different net-zero by 2050 scenarios.
2. **Investments:** Quantify investments trajectories required by sector and by technology to meet net-zero 2050 aligned climate scenarios. Recommend the prioritisation of investments in key sectors and technologies to maximise impact through a framework or methodology.
3. **Methodology:** Create a methodology for investors to track progress and translate climate goals into financial metrics i.e. tCO₂ /US\$ invested, investment trajectories.

* Provide references and background data in excel format of the above. Methodology and assumptions to be clearly documented.

3. Scope and Approach

Information-gathering process

This project should be conducted through primarily through secondary research using available datasets, studies, and literature, complemented by primary research to address evidence gaps if necessary, and supplemented by interviews with relevant experts, including NGOs.

4. Deliverables

The deliverable should consist of a 20-30-page report addressing the components set out below. It should be succinct, clear and in plain English. Visuals (charts, schemes) are preferred over lengthy text but data should be well contextualised.

IIGCC recognises that given the different expertise required to complete sections 3 and 4 of the study, proposers could submit proposals to complete the entire study or proposals to complete either sections 3 or 4 separately.

IIGCC is open for suggestions on structure and content. Below is a suggested format.

1. Introduction:

- Document purpose: to provide robust estimates against which investors can set investment goals through actionable metrics and prioritise the key sectors and technologies and activities that they should be seeking to maximise emissions abatement to meet climate goals.
- Context: it is challenging for investors to understand the level of increase in their investments towards climate solutions that they should be targeting.
- Application: how investors will be able to use these metrics in their broader investment decisions.

2. Background: map out emissions by sector and quantify the abatement of key technologies under different net zero climate scenarios (only scenarios aligned with 1.5C/net zero by 2050).

The sectors covered should be: Electricity & heat (and their end-use/activity: Buildings, industry etc), Industry (further breakdown of industry is welcomed: steel, cement, ammonia, chemicals etc and also differentiation between energy emissions and process emissions from industry), Transport (by road transport, shipping, aviation), AFOLU, waste, other fugitive emissions.

- Emissions by sector today (flowchart) – From sector emissions to activity/end-use to type of GHG (as shown in this [chart](#))
- Net zero climate scenario selection (IPCC, IEA): succinct discussion of the implications for sectors of some scenarios over others
- Emissions trajectories by sector under different scenarios (All sectors aggregated – 1 chart per scenario)
- Emissions trajectories by sector and region (Preferably use 1.5C scenario and apply it by region to all sectors)
- Emissions trajectory by sector and the contribution of each technology to GHG abatement (each sector separately: e.g. steel and its abatement technologies (hydrogen, EAF, material efficiency))

* Preferably, the role of offsets as a decarbonisation pathway should be minimised overall (e.g. IPCC P1-P3 but not P4) but suggestions on their use, their estimated cost, and their abatement potential (Gt abated by scenario) is welcomed.

When presenting pathways, all assumptions, such as macroeconomic assumptions, should be clearly documented.

3. Investment trajectories: Quantify investments required by sector and by technology to meet net-zero by 2050 climate scenarios. Also, recommend the prioritisation of investments in key sectors and technologies to maximise impact.

- Investment trajectories: Total (or range of total) US\$ investment needed per year to 2050 in line with different net-zero scenarios. Context and implications

- Sector, technology investment breakdown of total investment needed per year to 2050 in line with net-zero scenarios. Context and implications
- Regional/ key country profiles for the above (Europe, USA, China, Asia ex.China, India, EMEA, Latin America) – more granularity is also welcomed. Context and implications
- How can investors identify technologies by their emissions abatement impact? Frameworks and methodologies
- Recommendations on what sectors and technologies investors should prioritise based on:
 - Potential CO₂ abated
 - Technology costs and maturity (feasibility)
 - Cross-sector synergies
- Sensitivity analysis by sector: what factors affect investments in each sector? i.e. policies, access to natural resources, technology costs, transport costs, geographical risks
- How to invest in emerging technologies? Cost assumptions, development timelines, financial instruments to invest, key promising technologies.

4. Methodology and recommended metrics: how to translate the targets of the previous sections into metrics and targets to be used in investment decision making and support portfolio alignment.

- Existing methodologies and metrics used by investors: pros and cons
- Translation of investments estimates into useful benchmarks for investors:
 - How to translate sector and technology goals into benchmarks at the asset class level e.g. real estate, listed equity, infrastructure, corporate bonds, etc.
 - How to translate sector goals into portfolio level indicators and investments in a company
 - How to translate required technology investments in a sector (or cross-sector) into investments in a company
 - How to translate the above into a benchmark e.g. MSCI ACWI; Barclays Global Aggregate Corporates index
 - Suggestions of alternative metrics
- Mapping or translation of the above to EU Taxonomy criteria to determine scale-up in EU taxonomy compliant activities (e.g. % green revenues)
- Information on technology and investment ‘curves’ or ‘pathways’ for main technologies/activities to demonstrate expectation of technology development trajectory, expected role of public and private investment, and likely investment channels over these timeframes.

5. Recommendations for investors

- Identify the top-5 key technologies that investors should be focusing on, due to the impact on CO₂ abatements, technology maturity, and cross-sectoral synergies.
- What other interventions should investors undertake to materialise this technology ambitions.
- How to implement cross-sector technology projects to accelerate progress

6. Caveats of the project and possible next steps

7. **Dataset (in excel format)** with detailed assumptions of scenarios used/produced and the data of charts produced.

***Recommended data sources:** IIGCC recommends the use of existing and renowned data sources when possible.

- Technologies, IEA ETP/ IPCC
- Timeline, IEA ETP/ IPCC
- Geography, IEA ETP/ IPCC
- Investment need, IEA ETP/ IPCC, [BEIS ICF Mitigation Investment Options: Opportunity Assessment Reports | PBL Netherlands Environmental Assessment Agency](#), full report figure 4
- Financial instrument, [Financing the Low-Carbon Economy - Swiss Sustainable Finance](#)
- Technology maturity, IEA ETP

5. Timeline

- 5.1 A detailed timeline will be developed and agreed upon after a consultant has been appointed. Where data and information are not available in existing literature we recognise that additional time may be required. Where this is the case, respondents should indicate which components of the project may require additional time to complete.