IIGCC
Institutional Investors Group on Climate Change

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Submission to the Talanoa Dialogue

29th March 2018

The Institutional Investors Group on Climate Change (IIGCC) is a network of over 150 European institutional investors overseeing more than €21 trillion in assets globally. Our members take a pro-active approach to managing the risks and opportunities related to climate change, with a central mission to mobilise capital for the low carbon future by amplifying the investor voice and collaborating with business, policy makers and fellow investors.

Part of this collaboration takes the form of the Investor Agenda, a platform which calls on global investors to accelerate and scale up the actions that are critical to tackling climate change and achieving the goals of the Paris Agreement. It is a comprehensive agenda for investors to manage climate risks and capture low-carbon opportunities, and a mechanism to report on their progress in four key focus areas: Investment, Corporate Engagement, Investor Disclosure and Policy Advocacy. The agenda has been developed by Asia Investor Group on Climate Change, CDP, Ceres, Investor Group on Climate Change, Institutional Investors Group on Climate Change, Principles for Responsible Investment and UNEP Finance Initiative.

The submissions of these seven organisations to the Talanoa Dialogue form part of a co-ordinated set of engagements which will step up over the course of 2018, in advance of COP24 in Katowice.

Where are we now?

Many investors are invested across all economic sectors and geographies, making them uniquely exposed to systemic global challenges such as climate change. IIGCC's member investors recognise that mitigation of climate change is essential for the safeguarding of investments; as a result, investors are increasingly incorporating climate change scenarios and climate risk management into their decision-making[1]. In parallel, low carbon technologies and markets present significant investment opportunities which can promote global economic growth and boost job creation[2].

Investors are already taking action: globally, the share of low-carbon supply-side energy investments grew by six percentage points to 43% from 2014-2016[3]; indicatively, progress is positive towards meeting the "Green Investment Challenge" laid down in 2017 by Christiana Figueres[4]; as of March 2018, over 50 investors had signed the statement of support for the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD)[5]; and 256 investors with USD $28 trillion in assets under management have signed on to the Climate Action 100+, a collaborative five-year global initiative committing investor signatories to engage actively with the world's top emitting companies[6].

But investors recognise that they could, and should, be doing so much more. This existing, positive action could be scaled up and accelerated with the right enabling policy framework: clear, long-term legislative programmes are critical to the ability of investors to assess and manage climate-related risks and to invest in opportunities that support a low carbon, more energy efficient and climate resilient world.

The historic achievement of the Paris Agreement was a major development, strongly supported by investors[7]. But it is recognised that there is a gap between where existing NDCs will take global emissions reductions, and the overarching goals of the Paris Agreement.

Where do we want to be?

It is vital that this emissions gap is closed, via full implementation of the Paris Agreement by 2020.

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[1] Supported by guides such as "Climate Change Investment Solutions: A Guide for Asset Owners", IIGCC, Ceres, IGCC and AIGCC (2015)
[2] "Investing in Climate, Investing in Growth", OECD (2017), found that on average across the G20, the net positive impact on GDP output of a decisive transition is 1% in 2021, rising to 2.8% in 2050 (4.7% if the benefit of avoiding damages from climate change are included)
[3] "World Energy Investment 2017", International Energy Agency (2017)
[4] FTSE Russell indexes meet Figueres's climate challenge (2017)
[5] List of supporters of the TCFD Recommendations (2018)
[6] For more information, see http://www.climateaction100.org/
[7] Nearly 400 investors with USD $22 trillion in assets wrote to G20 Governments to support implementation of the Paris Agreement (2017)

Our member investors have a vision of a world where the physical and transition risks associated with climate change have been reduced and the investment opportunities created by the need for low-carbon technologies and markets have been exploited to their full potential, reaping widespread environmental, social, economic and financial benefits.

Investor action which supports progress towards this vision could be scaled up and accelerated with the right enabling policy framework: full implementation of the Paris Agreement through both existing NDCs and new, ambitious pledges which would close the gap to 1.5/2 degrees.

This would entail concrete policy measures put in place and enforced effectively as soon as possible in order to send the necessary signals to investors which will allow them to shift the trillions of capital required to finance the low-carbon transition (especially for investments which have long lead-in times). New pledges must be in place by 2020, with the process to start scaling up ambition beginning now, in 2018.

As well as policy measures, full implementation of the Paris Agreement should be backed up by strong political rhetoric from world leaders. Such signals matter to investors in terms of providing certainty and confidence that work is in hand and of sufficient priority.

How do we get there?

The UNFCCC process and the Parties to the Paris Agreement can provide this enabling policy framework. It should consist of:

- Implementation and enforcement of existing NDCs, with commitments to revising them upwards by 2020 in order to close the gap to 1.5/2 degrees;
- Ensuring that national decarbonisation plans are in place for new pledges, framed within a 2050 context and designed to drive investment into the low carbon transition;
- Alignment climate-related policies to look across the real economy and finance sector i.e. encompassing carbon pricing, transport, energy, infrastructure, finance, and industrial policy;
- Phasing out fossil fuel subsidies by set deadlines;
- Adoption of carbon pricing mechanisms where this has not been done already; and

- Implementation of climate-related financial reporting frameworks in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

The above list of policy, political and process requirements, put in place by 2020, would set global and national frameworks which would inspire the confidence of global investors. These policies would send the right investment signals to support accelerated, scaled up capital being shifted towards green and away from brown technologies and markets.

Casting these policies within a long-term, 2050 context and designing them holistically to cover all sectors would also demonstrate to investors the recognition that the climate challenge transcends short-term political mandates and that overall ambition and strategy will remain as Governments change.

Increased pledges to close the gap to 1.5/2 degrees would also address the current shortfall in emissions cuts and the resultant uncertainty within the investor community that there is sufficient priority attached to climate change mitigation at senior political levels.

The above story sets out how the policy, political and process requirements of investors would fit positively into investment processes and decision-making - including stronger price signals and confidence building - in order to provide an enabling framework to support and accelerate large-scale deployment of capital towards green technologies and markets, closing the gap to 1.5/2 degrees.

In this respect, 2018 represents a unique and vital opportunity for the international community to seize.

IIGCC Membership List March 2018

ACTIAM
Aegon NL
Allianz Global Investors
Amundi Asset Management
AP1 (First Swedish National Pension Fund)
AP2 (Second Swedish National Pension Fund)
AP3 (Third Swedish National Pension Fund)
AP4 (Fourth Swedish National Pension Fund)
AP7 (Seventh Swedish National Pension Fund)
APG Asset Management
Asper Investment Management
Atlas Infrastructure
ATP
Aviva Investors
AXA Group
Baillie Gifford & Co
BBC Pension Trust
Bedfordshire Pension Fund
BlackRock
BMO Global Asset Management (EMEA)
BNP Paribas Asset Management
Brunel Pension Partnership
BT Pension Scheme
Caisse des Dépôts
CalPERS
CBRE Investors
CCLA Investment Management
Central Finance Board of the Methodist Church
CF Partners Services (UK) Limited
Church Commissioners for England
Church of England Pensions Board
Church of Sweden
CPEG (Caisse de prévoyance de l'Etat de Genève)
Danske Bank
Deutsche Asset Management
Devon County Council
Dragon Capital Group Ltd.
Earth Capital Partners
EdenTree Investment Management Ltd
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Environment Agency Pension Fund
ERAFP
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Fonds de Réserve pour les Retraites
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Glennmont Partners
Greater Manchester Pension Fund
Guardian Media Group PLC
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HSBC Global Asset Management
Impax Asset Management
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Insight Investment
Investec Asset Management
Janus Henderson Investors
Joseph Rowntree Charitable Trust
JP Morgan Asset Management
KBI Global Investors
Kempen Capital Management
Kent County Council Pension Fund
La Banque Postale AM
Lægernes Pension
Legal & General Investment Management
London Borough of Islington Pension Fund
London Borough of Newham Pension Fund
London Pensions Fund Authority
M&G Investments
Mayfair Capital Investment Management
Mercer Global Investments Europe Limited
Merseyside Pension Fund
Mirova
Mistra
MN
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MPC Renewable Energies GmbH
NEST
Newton Investment Management
NextEneregy Capital Ltd
NN Group
Nordea Investment Funds
Northern Trust Asset Management
OFI Asset Management
Ohman
Old Mutual Wealth
OU Endowment Management
P+(DIP/JOEP)
Pædagogernes Pension (PBU)
PenSam
PensionDanmark
PFA Pension
PGGM
Pictet Asset Management
PKA
Rathbone Greenbank Investments
Robeco
Royal London Asset Management
RPMI Railpen
Ruffer LLP
Russell Investments
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Stafford Sustainable Capital
Strathclyde Pension Fund
Sycomore Asset Mangement
Tellus Mater Foundation
TPT Retirement Solutions
UBS Asset Management
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Baptist Union of Great Britain
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CIG South Africa
Diocese of Salford
Diocese of Westminster
Friends Provident Foundation
Jesuits in Britain
Lutheran Council of Great Britain
Order of Preachers
Panahpur
Polden-Puckham Charitable Foundation
Religious Society of Friends
Representative Church Body of the Church of Ireland
Roman Catholic Diocese of Plymouth
Roman Catholic Diocese of Portsmouth
Scottish Episcopal Church
Servite Friars
Trustees of the Methodist Church in Ireland
United Reformed Church Ministers Pension Fund
United Reformed Church South Western Synod
United Reformed Church Trust
United Reformed Church Wessex Synod
William Leech Foundation