

Investors Are Acting On Climate Change



Investor Summit on Climate Risk & Energy Solutions

In economic terms, climate change presents both serious risks and major opportunities, and investors are acting accordingly. That was the message from 450 investors—representing tens of trillions in assets—who gathered from around the world at the United Nations for the *Investor Summit on Climate Risk & Energy Solutions* in January 2012.

The investors, convened by Ceres and the Investor Network on Climate Risk, agreed that much more must be done to slow the pollution that is changing Earth's climate and triggering a rise in disruptive weather events, from droughts and heat waves to extreme flooding. Fortunately many strategies for mitigating climate risks present attractive investment opportunities with potential for strong and sustained growth.

“The risks related to climate change are now probably immense—estimates suggest they are north of \$7 trillion. That's important to me in my role as a fiduciary who helps guide \$98 billion worth of investments.”

– Rob McCord, Pennsylvania State Treasurer

Investors showcased best practices for managing climate risks and outlined opportunities for stable returns, including clean energy, energy efficiency and [green bonds](#).



The climate change issue is certain to be a major factor in investment for the foreseeable future—perhaps the biggest investment factor of our lifetimes.”

Kevin Parker
Global Head of Deutsche Asset Management

Investors are acutely aware of climate impacts on the global economy and corporate bottom lines. As a matter of fiduciary duty, we must elevate our attention and action.”

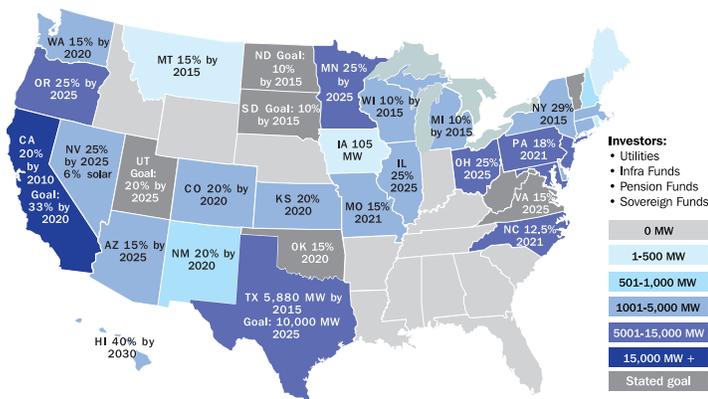
Jack Ehnes, CEO of CalSTRS



A Growing → Opportunity

- Global clean energy investment rose 5 percent in 2011 to a record \$260 billion, according to Bloomberg New Energy Finance. That is a five-fold increase since BNEF began its annual tally with a figure of \$52 billion in 2004.
- 49 new, positive carbon-reducing policies were adopted globally in 2011, led by Germany, Japan and Australia.
- Twenty-nine states have renewable portfolio standards, and 7 have voluntary renewable goals. This adds up to an expected \$400 billion investment opportunity by 2030, according to Macquarie Infrastructure and Real Assets.

Current RPS standards are expected to generate investment of over \$400 billion by 2030.



Source: RPS from Database of State Incentives for Renewable Energy (DSIRE).

- In the past few years, the nascent green bond market from the World Bank and other issuers has grown from \$1 billion to more than \$12 billion. The bonds are funding environmentally beneficial projects worldwide that mitigate climate change and help countries adapt to its effects.
- Energy efficiency initiatives are generating healthy returns for investors while cutting emissions and energy costs and creating jobs. McKinsey estimates energy efficiency's economic potential in the U.S. at \$1.2 trillion annually. Aggregating individual projects to provide access to large-scale capital is the key to unlocking this promising resource. Promising new initiatives include a \$150 million commitment by the AFL-CIO and an expected [\\$650 million investment by the PACE Commercial Consortium](#), which includes Barclays Capital.
- GE's ecomagination business is growing twice as fast as the rest of the company, with revenues hitting \$85 billion over five years. By tackling the world's biggest energy and environmental challenges, ecomagination is driving growth, innovation, and profits at GE.

For a hyperlinked copy of *Investors Are Acting on Climate Change*, go to www.ceres.org/investors-and-climate-change

Responding ← to Risk

- Leading US, European and Australian investors announced [formal guidelines](#) detailing their expectations of companies in responding to climate change, including steps on governance, strategy, goal-setting, disclosure and public policy.
- A [Mercer](#) study shows how a half-dozen of the world's largest institutional investors, including CalPERS, are integrating climate change considerations in risk management and actual asset allocations.

“In North Carolina, we know that with the outer banks there could potentially be sea level rise if we don't curb global emissions of carbon. We also know that there could be changing agricultural zones, and we are traditionally a strong agricultural state. So there are a lot of concerns about how climate change could affect the economy over time.”

– Janet Cowell, North Carolina State Treasurer.

- Water scarcity, exacerbated by climate change, is a growing risk for many water-intensive businesses, especially those located in water-constrained regions of the world. A new Ceres [Aqua Gauge](#) report helps investors analyze how companies are positioning themselves on this mega challenge.

Next Steps for climate-savvy investors

Investors attending the UN summit issued an [Investor Action Plan](#) calling for greater private investment in low-carbon technologies and tougher scrutiny of climate risks across portfolios. They warned companies to pay closer attention to climate risks and opportunities.

Among specific action steps, investors committed to:

- Research and pursue low-carbon strategies and products with competitive risk-adjusted returns across all asset classes
- Pursue cost-effective opportunities to scale up energy efficiency investments;
- Pursue cost-effective integration of water-related risks across all investment classes and investment opportunities in low-carbon, sustainable water technologies and infrastructure.
- Work with governments at all levels to support policies that promote the transition to a low-carbon economy.

Investors are also invited to join the Investor Network on Climate Risk (INCR), a forum for shared best practices, thought leadership and policy advocacy. For more info, visit, www.ceres.org/incr.

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Ceres is an advocate for sustainability leadership. It leads a national coalition of investors, environmental organizations and other public interest groups working with companies to address sustainability challenges such as global climate change and water scarcity. Ceres also directs the **Investor Network on Climate Risk**, a network of 100 investors with collective assets totaling more than \$10 trillion. www.ceres.org