F20 High-level Forum
Heading towards a New Climate Economy

PRI perspective on G20 priorities

13th June, Tokyo

Fiona Reynolds, CEO, Principles for Responsible Investment
Agenda

- What do investors want from the G20?
- How are investors acting on climate change?
- Priorities: TCFD and just transition
PRI at a glance

Launched in April 2006 at the NYSE, the Principles for Responsible Investment has:

2 UN PARTNERS:
UNEP FINANCE INITIATIVE, UN GLOBAL COMPACT

2400+ SIGNATORIES:
ASSET OWNERS, INVESTMENT MANAGERS AND SERVICE PROVIDERS

89+ US$ TRILLION:
ASSETS UNDER MANAGEMENT

6 PRINCIPLES:
RECOGNISING THE MATERIALITY OF ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ISSUES
What do investors want from the G20?
For investors, the IPCC Special Report on 1.5°C highlights significant changes needed across sectors and portfolios

“Limiting warming to 1.5°C is possibly within the laws of chemistry and physics but doing so would require *unprecedented changes*” - Jim Skea, Co-Chair of IPCC Working Group III

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**To keep to 1.5°C**

CO2 emissions would have to decline by **45%** before **2030**

Renewable energy will need to supply **70-80%** of power by **2050**
Investors are calling on the G20 to act on the IPCC Special Report on 1.5C and step up in ambition

Global Investor Statement on Climate Change signed by nearly 500 investors ($34 trillion in assets under management) in 2019

Asks the G20 for:

- NDCs strengthened by 2020
- Phase-out of fossil fuel subsidies
- Phase-out of thermal coal power
- Carbon pricing
- TCFD implementation
- Just transition
How are investors acting on climate change?
US$1 trillion invested in low-carbon by PRI signatories

- US$397 billion in clean technology including:
  - Energy efficiency
  - Renewables

- Examples:
  - New York State Common Retirement Fund $10 billion in sustainable investment
  - Cbus net zero target for property by 2030
  - Green bonds growth

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<thead>
<tr>
<th>Thematic area</th>
<th>AUM US$</th>
<th># of signatories</th>
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<tbody>
<tr>
<td>Clean technology</td>
<td>$397bn</td>
<td>341</td>
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<tr>
<td>Green buildings</td>
<td>$407bn</td>
<td>169</td>
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<tr>
<td>Sustainable forestry</td>
<td>$66bn</td>
<td>88</td>
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<tr>
<td>Sustainable agriculture</td>
<td>$66bn</td>
<td>101</td>
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<td><strong>Total</strong></td>
<td><strong>$937bn</strong></td>
<td><strong>405</strong></td>
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Source: 2018 PRI Reporting Framework data self-reported by PRI signatories
Mobilising private sources of climate finance

PRI has developed guidance for low carbon investment and is leading work on the EU taxonomy on sustainable economic activities to help scale-up investment.
Climate Action 100+

Investors signed on to Climate Action 100+ are requesting the boards and senior management of companies to:

1. Implement a strong governance framework
2. Take action to reduce greenhouse gas emissions across their value chain
3. Provide enhanced corporate disclosure

The Climate Action 100+ is a five-year investor-led initiative to engage systemically important greenhouse gas emitters and other companies across the global economy that have significant opportunities to drive the clean energy transition and help achieve the goals of the Paris Agreement.

340+
INVESTORS SIGNED UP
33+
ASSETS COMMITTED
US$ trn
The Inevitable Policy Response: Act Now

Need for critical thinking on climate scenarios

- The PRI is supporting the development of a new recommended body of work for investors
- The longer the delay in climate policy action, the more forceful and urgent the policy will inevitably need to be, bringing disruption.
- This not yet priced into today’s markets and investment allocations.
- This work will support investors in taking action to build resilience across investment portfolios, now and into the future.
What could drive a forceful policy response?

- Falling costs of low carbon technology
- Need for certainty by all stakeholders
- Companies calling for a carbon price
- Civil society unease at weather trends
- Climate science research into impacts
- Security issues – migration, food and water
What forceful policies are needed to limit global warming?

**Carbon pricing:**
- Including border tax adjustments
- Just Transition policies

**Demand-side policies:**
- Performance standards
- Efficiency Standards

**Supply-side policies:**
- Subsidy removal
- Coal and internal combustion engine

**Sequestration**
- Negative emissions technologies
- Dietary change
Climate disclosures and a just transition
Investors seek better corporate disclosure to assess material climate risks and opportunities

- The 2019 TCFD Status Report highlights more companies need to implement TCFD and provide decision-useful information to investors.
PRI is enabling investors to disclose on climate based on TCFD through annual reporting

480 investors representing US$42trn AUM disclosed based on TCFD in 2018

In depth analysis of responses published in the PRI climate snapshot
What is a Just Transition?

Part of the 2015 Paris Agreement

Lead to a future where emissions are at net zero, poverty is eradicated, communities are thriving and resilient

A Just Transition

Economy-wide process

Produces plans, policies and investments that are fair and green
Investor Commitment to Support a Just Transition on Climate Change

Launched in September 2018

126 investors
collectively representing
USD $ 6 trillion
of assets under management
Summary

Global investors look to the G20 to scale-up ambition urgently:

- Global leaders need to step up to 1.5C
- Investors want strengthened NDCs, phase-out of fossil fuel subsidies, phase-out of thermal coal power and carbon pricing
- Two priorities: TCFD and just transition