

Press release

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258 Investors representing US\$15 trillion endorse national action on climate change

Embargoed until Wednesday Nov 17, 2010 2am, Australian Eastern Summer Time

Statement endorses policies to unlock the vast benefits of low-carbon markets and avoid economic devastation caused by climate change

MELBOURNE - The world's largest global investors have a powerful message for national governments: take action now against global warming to attract international investment and avoid economic disruptions far more severe than the recent financial crisis.

Citing potential climate-related GDP losses of up to 20 percent by 2050 and the economic benefits of shifting to low-carbon and resource-efficient economies, investors released a major statement today calling for national and international policies that will spur private investment into low-carbon technologies.

The statement was signed by **258** investors from North America, Europe, Asia, Australia, Latin America and Brazil with collective assets totaling over **US\$15** trillion—more than one-quarter of global market capitalization. Signatories included the global giants Allianz and HSBC Global Asset Management, plus 33 Australian investment institutions. It is the largest-ever group of international investors to call for government action on climate change.

"Current investment levels fall well short of what is needed to stem the rise of global temperatures and adapt to a warming world," said **Mindy Lubber, President of Ceres and Director of the Investor Network on Climate Risk (United States)**. "Strong government policies that reward clean technologies and discourage dirty technologies are essential for closing the climate investment gap and building a low-carbon global economy."

"A basic lesson to be learned from past experience in renewable energy is that, almost without exception, private sector investment in climate solutions has been driven by consistent and sustained government policy. Experiences from countries such as Spain, Germany and China show how structured policies can bolster investor confidence and help drive renewable energy investments. These experiences also show how such policies can bring technologies down the cost curve and eventually strengthen their competitiveness. Without comparable steps, major economies will be left behind", said **Ole Beier Sørensen, Chairman of the Institutional Investor Group on Climate Change and chief of Research and Strategy at the Danish pension fund ATP, with EUR56 billion in assets**.

Frank Pegan, Chair of the Investor Group on Climate Change (Australia & New Zealand) and Chief Executive Officer of Catholic Super said: "Investment flows to countries with regulatory certainty and strong returns. It's as simple as that. Australia should implement a carbon price as soon as possible to attract investment and avoid being last in the low-carbon race."

While low-carbon global investment is increasing, especially in Asia, investors say substantially more private capital would be available for renewable energy, energy efficiency and other low-carbon technologies, if stronger policies were in place.

Global clean energy investments are expected to eclipse US\$200 billion in 2010, up slightly from 2009 but substantially less than the roughly US\$500 required annually by 2020 to restrict warming to below 2 degrees.

According to a recent report by the United Nations Environment Programme (UNEP), clean energy investment in Europe totaled US\$43.7 billion and \$40.8 billion in Asia in 2009. Reflecting its weaker policies, North America lags well behind with US\$20.7 billion in renewable energy projects.

Australia's investment in clean energy is low relative to the investment required. The Energy Supply Association of Australia estimates required capital expenditure on generation and network assets in Australia to be AU\$51.2 billion over the next five years. While the renewable energy target is expected to generate only AU\$2 billion of investment a year over ten years to 2020.

Investors had a sharp message for lagging governments and particularly the new U.S. Congress.

"Climate change may be out of vogue in Washington today, but it poses serious financial risks that are not going away and will only increase the longer we delay enacting sensible policies to transition to a low-carbon economy," said **Jack Ehnes, Chief Executive Officer of the California State Teachers' Retirement System**, the nation's second largest public pension fund with US\$141 billion in assets. "The nation's leaders should take the cue from California, where strong clean energy policies have spurred American innovation and created thousands of jobs."

Frank Pegan said: "If Australia wants to attract low carbon investment it does not want to follow the US Government on climate policy. Looking to our regional trading partners in Asia gives a clearer picture of the future of climate change and energy investment trends."

The statement calls for the following domestic policies in both developed and developing countries:

- Short-, mid- and long-term greenhouse gas reduction targets
- Energy and transportation policies to vastly accelerate deployment of energy efficiency, renewable energy, green buildings, clean vehicles and clean fuels;
- **Strong and sustained price signals on carbon emissions and well-designed carbon markets;**
- Phase out fossil-fuel subsidies;
- Adaptation measures to reduce unavoidable climate change impacts, and;
- Corporate disclosure of material climate-related risks.

While no comprehensive agreement is expected, investors are hoping for some forward movement during the international climate change negotiations in Cancun commencing on November 29th. Among the investors' key priorities is delivery of promised fast-start climate financing, consistent with pledges at last year's UN climate negotiations in Copenhagen. The US and other developed countries vowed at that time to channel up to US\$100 billion a year of

climate finance from multiple sources by 2020, including US\$30 billion of "fast-start" funding from 2010 to 2012.

Donald MacDonald, trustee, BT Pension Scheme, and chair, Principles for Responsible Investment commented: "This statement shows investors are serious about the risks posed by climate change and the importance our community places on action by government to reach a global agreement. Investors need greater policy certainty from governments. Deferring climate change agreement adds to investor concerns that climate change risks and costs are not taken seriously. The Cancun talks provide an opportunity for all concerned governments to take leadership on this important issue and start framing an agreement needed to create a sustainable investment environment."

Other areas where investors hope to see agreements or progress in Cancun:

- The financial architecture (access, governance, etc) of climate funding, which will facilitate a greater role for private investment;
- A rapid timeframe for implementation of efforts to reduce emissions from deforestation and forest degradation (REDD) and REDD-plus);
- Robust measurement, reporting and verification (MRV) to increase confidence in national climate policies
- Expanding and deepening the international carbon market, including greater clarity on the future interplay of the Carbon Development Mechanism (CDM), Joint Implementation (JI) and emerging crediting mechanisms such as Nationally Appropriate Mitigation Actions (NAMAs) and REDD-plus;
- Support for the creation of well-functioning markets in developing countries for energy efficiency and renewable energy to accelerate effective large scale deployment of those technologies;
- A clear mandate to adopt a legally binding agreement next year at COP 17 in South Africa.

-Ends-

Notes to Editors:

Ceres is a leading coalition of investors and environmental groups working with companies to address sustainability challenges such as climate change. Ceres also directs the Investor Network on Climate Risk, an alliance of 90 institutional investors with collective assets totaling \$9 trillion.

The Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration on climate change for European investors. The group's objective is to catalyze greater investment in a low carbon economy by bringing investors together to use their collective influence with companies, policymakers and investors. The group currently has 56 members, representing assets of around €4trillion.

The Investor Group on Climate Change Australia/New Zealand (IGCC) represents institutional investors operating in Australia and New Zealand, with assets of over A\$600 billion, and others in the investment community. The IGCC aims to ensure that the risks and opportunities associated with climate change are incorporated into investment decisions for the ultimate benefit of individual investors. www.igcc.org.au

The United Nations Environment Programme Finance Initiative (UNEP FI) is a global partnership between UNEP and the financial sector. Over 190 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance. Through its Climate Change Working Group (CCWG), UNEP FI identifies the roles of the finance sector in addressing climate change, and advances the integration of climate change factors – both risks and opportunities – into financial decision-making. This is done through a comprehensive work programme encompassing research, training, events and regional activities. For more information visit: www.unepfi.org

Principles for Responsible Investment (PRI)

Principles for Responsible Investment, convened by UNEP FI and the UN Global Compact, was established to help investors achieve better long-term investment returns and sustainable markets through improved analysis of environmental, social and governance issues. The Initiative has over 800 signatories from 45 countries with more than \$ 25 trillion of assets under management.