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PRESS RELEASE

Safeguarding Future Retirement Funds – Time for Investors to Move Out of High-Carbon Assets Says UN's Top Climate Official

Call Comes in Advance of UN Secretary-General's Climate Summit in Late 2014

(New York, 15 January 2014) – The UN's top climate change official Christiana Figueres today urged investors to accelerate the greening of their portfolios as one crucial step towards a low-carbon economy that can better cope with the threats and seize the opportunities from climate change.

She specifically called on investors to move out of high-carbon assets and into assets built on renewable energy, energy efficiency and more sustainable ways of business that green global supply chains.

"The pensions, life insurances and nest eggs of billions of ordinary people depend on the long-term security and stability of institutional investment funds. Climate change increasingly poses one of the biggest long-term threats to those investments and the wealth of the global economy," said Ms. Figueres, the Executive Secretary of the United Nations Framework Convention on Climate Change (UNFCCC).

"Institutional investors who ignore the risk face being increasingly seen as blatantly in breach of their fiduciary duty to their beneficial owners – men and women who have worked hard all their lives to put away something for their retirement and for their children," she said.

"Investment decisions need to reflect the clear scientific evidence, and fiduciary responsibility needs to grasp the intergenerational reality: namely that unchecked climate change has the potential to impact and eventually devastate the lives, livelihoods and savings of many, now and well into the future," added Ms. Figueres.

"The continued and dangerous rise in greenhouse gases in the atmosphere is in large part the direct result of past investments in energy and mobility systems based on the use of fossil fuels. New investments must now assist in reversing this unsustainable trend, and quickly if the world is to have a chance of staying under a 2 degree Celsius temperature rise," she said.

Ms. Figueres was speaking at the 2014 Investor Summit on Climate Risk at UN headquarters, attended by hundreds of financial, corporate and investment leaders with more than $20 trillion in combined assets.

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The Summit is co-organized by CERES – a coalition and network of over 130 pension funds, investors and non-profit organizations, the UN Fund for International Partnerships and the UN Foundation.

Ms. Figueres' call comes as climate change impacts become more evident and extreme weather in many parts of the world disrupts local economies and supply chains, causing billions of dollars in damages to the global economy.

She underlined that many governments are already designing and implementing policies that shift value from carbon intense, high-pollution assets to cleaner energy and energy smart technologies, which would strand high-carbon assets.

However, many asset holders and managers lack a clear understanding of implications of current investments in high carbon assets, exposing beneficiaries to increasingly unacceptable risk now and over the decades to come.

The Global Climate Investment Risk survey by the Asset Owners Disclosure Project shows only 5 of 460 funds received a climate-friendly AAA rating, while 173 funds were rated X because they are taking no action. Far greater transparency is required.

"Companies that act now to minimize exposure will be best positioned to lead and to profit in the coming low-carbon investment landscape. Disclosure is an important first step and is currently very low," said Ms Figueres.

"I urge institutional investors to request companies they are invested in to disclose their carbon footprint and potential stranded assets such as those linked to the mining, exploration and burning of fossil fuels, and for members of pension funds to hold their trustees to account in this respect," she said.

According to the International Energy Agency, $36 trillion of global investment in clean energy will be required by 2050 to meet the internationally agreed goal of limiting global temperature rise to less than 2 degrees Celsius.

New climate-friendly assets are emerging that help reach that goal, and many corporate leaders and investment firms are already reaping the benefits of clean technology, which in many cases have outperformed other assets.

For example, the latest Quarterly Index Review from HSBC shows its Global Climate Change Benchmark Index delivered a 19.8 per cent return year to date, outperforming the All Countries World Index by 2.7 per cent. But, Ms. Figueres said, the shift to low-carbon is not happening fast enough.

“The best available evidence is that $1 trillion a year is going to be needed for greening the world’s energy supply and catalyzing a transition to a low-carbon, resilient global economy that can also boost access to energy in developing countries,” she said.

A major opportunity for investors to show their commitment to supporting low-carbon policies will be ahead of and during the UN Secretary-General’s Climate Summit in September 2014, which is anticipated to build momentum for a strong global climate agreement in 2015.

“The Summit is designed to harvest and gather all the efforts of governments and other stakeholders. We know that governments will not be able to change the emissions trajectory on their own. Therefore, the efforts of stakeholders such as the investment community are crucial,” she said.

A key first step in support of the UN Secretary-General’s Summit would be for asset owners and managers to request that all companies within their portfolios end the practice of spending shareholder funds on opposing government clean energy policies and action nationally and globally on climate change.

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About the UNFCCC

With 195 Parties, the United Nations Framework Convention on Climate Change (UNFCCC) has near universal membership and is the parent treaty of the 1997 Kyoto Protocol. The Kyoto Protocol has been ratified by 192 of the UNFCCC Parties. For the first commitment period of the Kyoto Protocol, 37 States, consisting of highly industrialized countries and countries undergoing the process of transition to a market economy, have legally binding emission limitation and reduction commitments. In Doha in 2012, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol adopted an amendment to the Kyoto Protocol, which establishes the second commitment period under the Protocol. The ultimate objective of both treaties is to stabilize greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system.

See also: <http://unfccc.int/press/items/2794.php>
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