



# Climate Change & Responsible Investing: The Opportunities

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Boston University's Board of Trustees

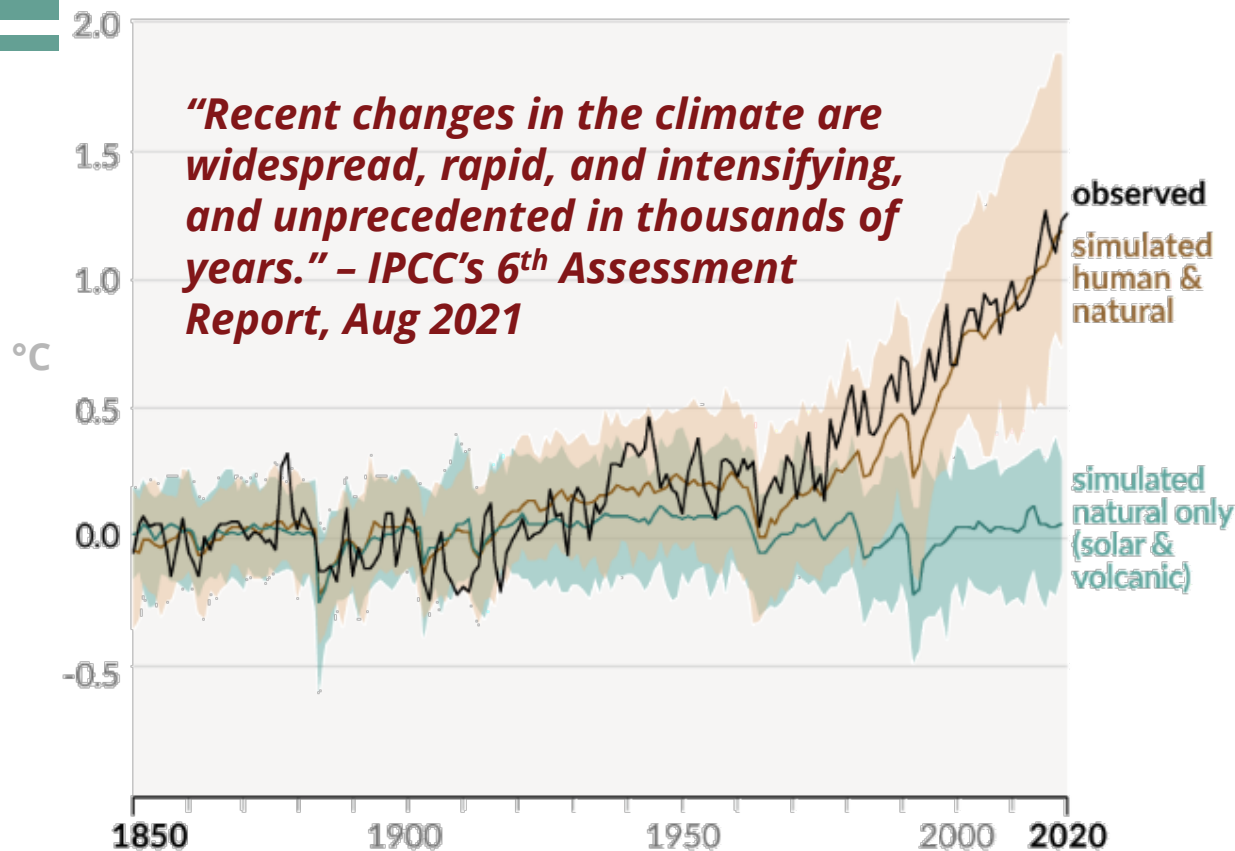
Advisory Committee on Social Responsible Investing

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# There is now global acceptance of the need to decarbonize the economy

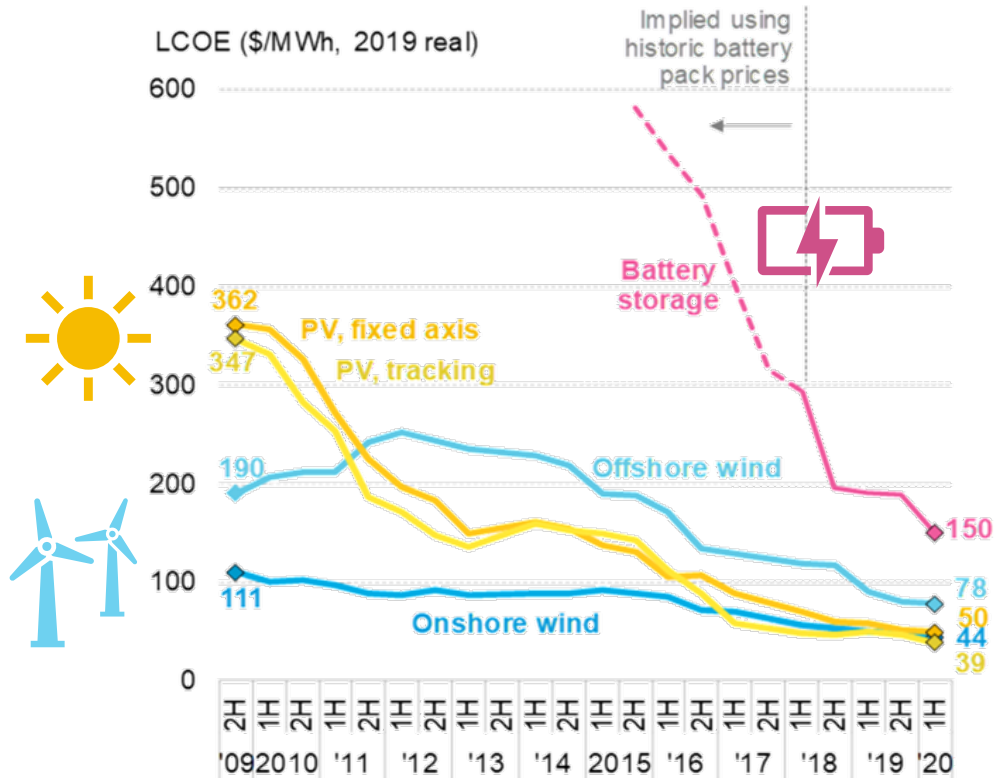
b) Change in global surface temperature (annual average) as **observed** and simulated using **human & natural** and **only natural** factors (both 1850-2020)



- At least **one fifth (21%) of the world’s 2,000 largest public companies** (those on the Forbes Global 2000 list) have already committed to meet **net-zero targets**.
- Over 590 investors with **over US\$110 trillion in assets requested companies disclose through CDP** on climate change, water security and forests. Over 9,600 companies are already reporting via CDP.
- **883 companies** have set formal carbon-emissions limiting targets via the **Science Based Targets initiative (SBTi)**.
- In the US, more than 3,900 CEOs, mayors, governors, college presidents, and others signed the **“We are Still In” pledge** with respect to the Paris Climate Agreement
- Even 12 CEOs of the world’s largest oil and gas companies formed the OGCI to **“achieve net zero emissions as early as possible.”**

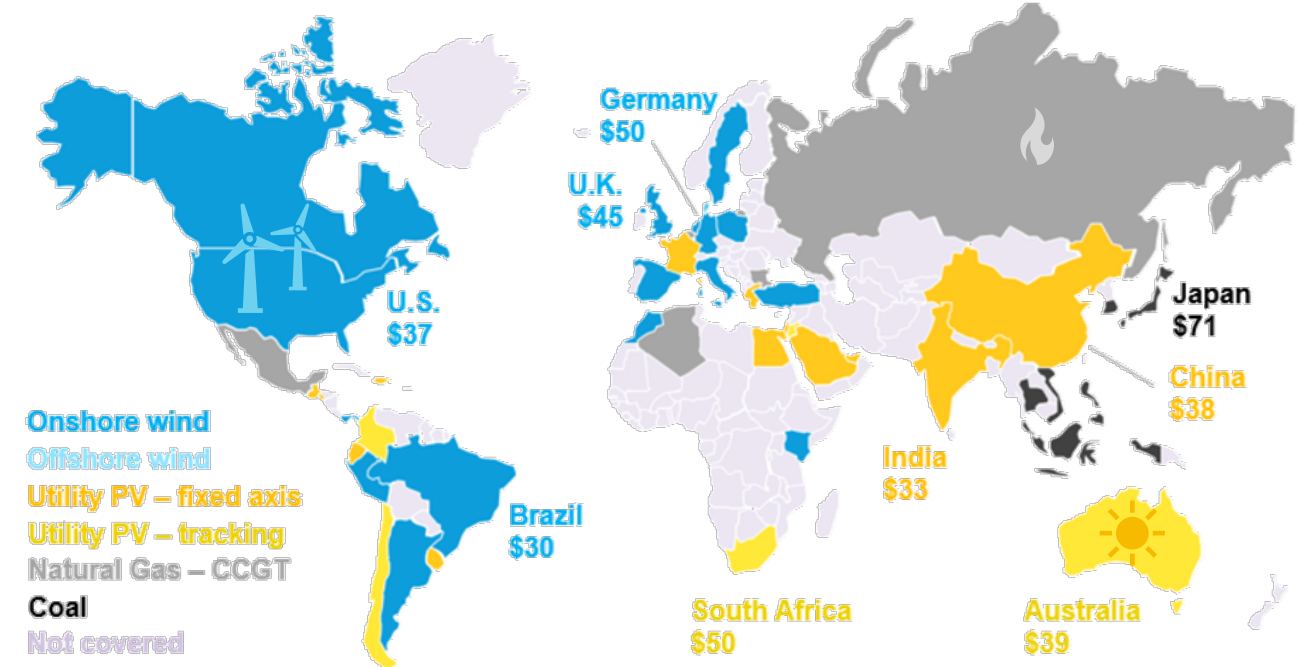
# “Green” Electricity is getting cheaper, globally

## Global Levelized Cost of Electricity (LCOE)



Source: BloombergNEF. Note: The global benchmark is a country weighted-average using the latest annual capacity additions. The storage LCOE is reflective of utility-scale projects with four-hour duration, it includes charging costs.

Figure 1: Cheapest source of new bulk electricity generation by country, 1H 2020

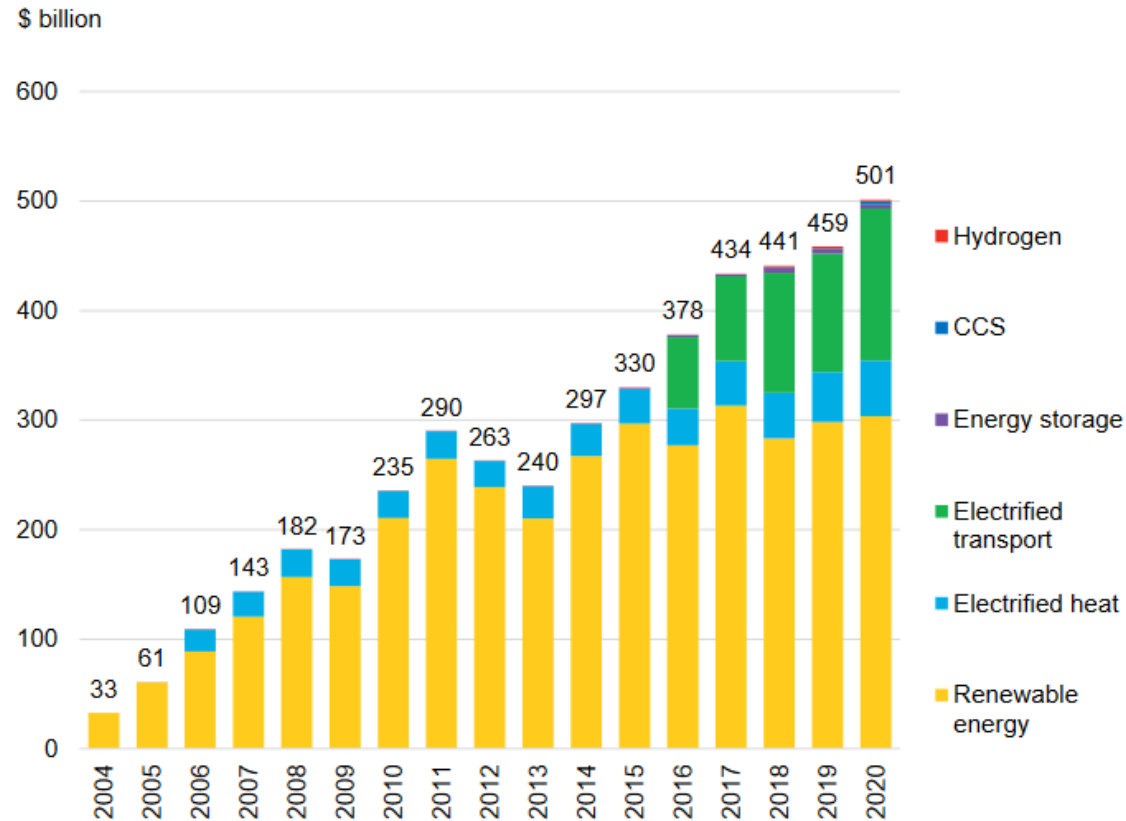


Source: BloombergNEF. Note: LCOE calculations exclude subsidies or tax-credits. Graph shows benchmark LCOE for each country in \$ per megawatt-hour. CCGT: Combined-cycle gas turbine.

Source: Bloomberg NEF  
<https://about.bnef.com/blog/scale-up-of-solar-and-wind-puts-existing-coal-gas-at-risk/>

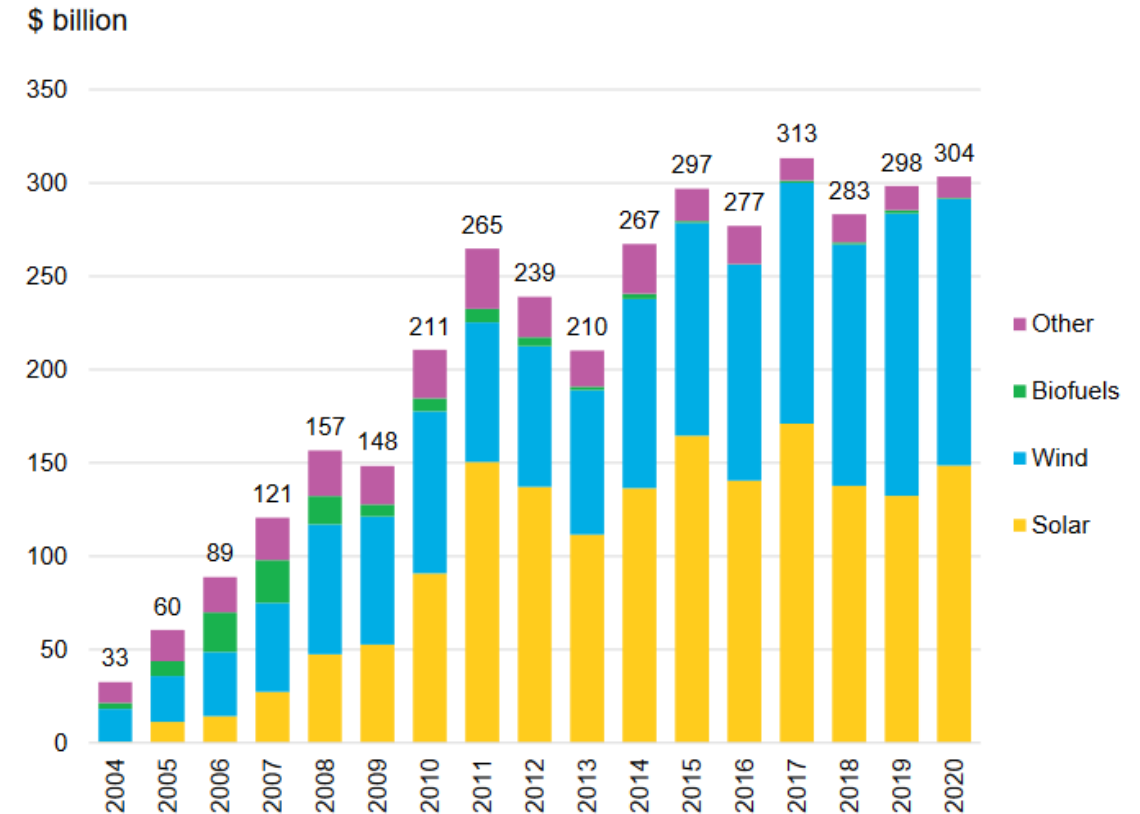
# Investments in an energy transition are growing rapidly

Global investment in energy transition by sector



Source: BloombergNEF

Global new investment in renewable energy by sector



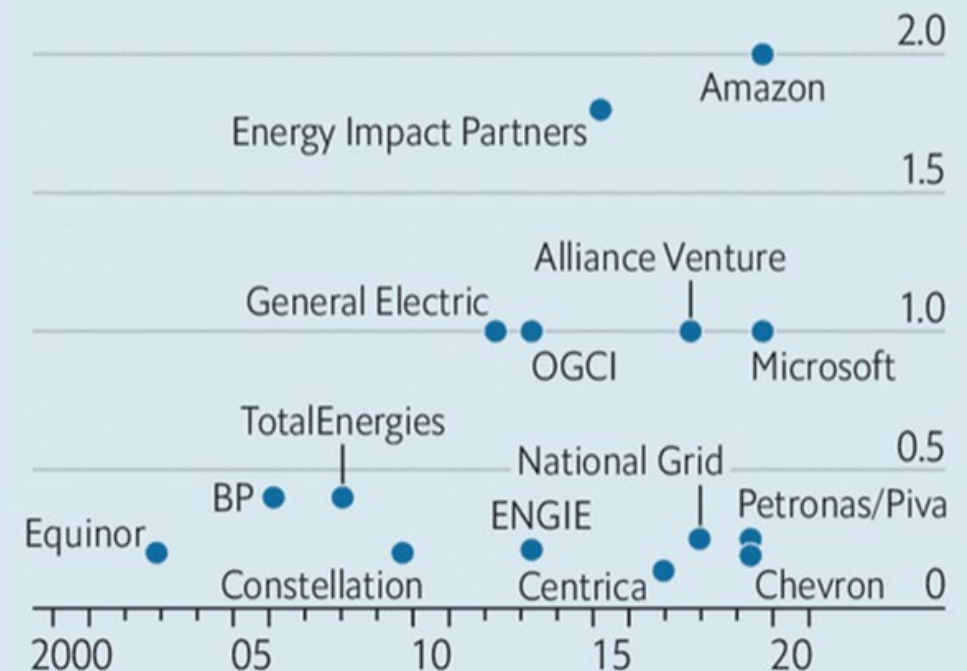
Source: BloombergNEF

# Green Funds are growing quickly

- Nordea 1 – Global Climate and Environment Fund
  - Launched in 2008 and had just **€883m in 2018**
  - Reached €6bn in February 2021, and then **€8bn in June!**
- Members of the Net-Zero Asset Managers Initiative and Net-Zero Asset Owners Alliance control **AuM of \$43tn and \$6.6tn of AuM** respectively. (UN PRI)
- The BlackRock 2020 Global Sustainability Survey of September 2020 found **425 institutional investors planned to double their sustainable assets** under management in the next five years to 37%.

## Clean in-house

Funds established to support energy-transition targets, selected companies, \$bn



Source: Imperial College London

The Economist

# Fund managers are increasingly considering global environmental goals in their actions

- In March 2021, nearly 90 private equity firms representing \$700 billion AUM signed up to a global climate initiative ahead of COP26 <sup>(1)</sup>
- **\$39 trillion of public companies by market capitalisation representing 72% of the MSCI World Index** have publicly expressed support for the climate transition and/or are taking related action, while investors with at least **\$34trn of Assets under Management** similarly support such action. <sup>(2)</sup>

FIGURE 2 Snapshot of global assets under management 2016-2018-2020 (USD billions)

REGIONS	2016	2018	2020
Total AUM of regions	81,948	91,828	98,416
Total sustainable investments only AUM	22,872	30,683	35,301
% Sustainable investments	27.9%	33.4%	35.9%
<b>Increase of % sustainable investments (compared to prior period)</b>		<b>5.5%</b>	<b>2.5%</b>



**35.9%** of total assets under management are sustainable investments

AuM of global funds with ESG Integration <sup>(3)</sup>

