



Investor Group on
Climate Change

Investor Group On Climate Change (IGCC)

Submission to:

INPUTS TO THE TALANOA DIALOGUE

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SUBMISSION TO THE TALANOA DIALOGUE BY THE INVESTOR GROUP ON CLIMATE CHANGE (AUSTRALIA/NEW ZEALAND)

The Investor Group on Climate Change (IGCC) represents over 68 Australian and New Zealand institutional investors with more than \$2 trillion of funds under management, along with members of the investment community focused on the impacts of climate and energy issues.

IGCC members are invested across the Australian and New Zealand economies and are part owners of most of those country's largest companies. As managers of retirement savings and pooled investments we are concerned with the evident and increasing impacts of climate change on the global and national economies and the flow through impacts for investment returns.

IGCC also [collaborates](#) with global investor groups to develop and coordinate major investor collaborations focused on climate change, such as the [Global Investor Coalition on Climate Change](#), [The Investor Agenda](#) and the [Climate Action 100+](#).

IGCC welcomes the opportunity to provide additional input under the Talanoa Dialogue.

Where are we now?

It is increasingly apparent that there is a global transition underway, aimed at reducing the emissions intensity of economic activity in order to stabilize global warming at less than two degrees Celsius below pre-industrial levels, and move towards a net zero emissions economy by the second half of the century. The Paris Agreement is delivering a major signal to the market.

A significant shift is occurring in how business and the financial community views climate change and the need to reduce greenhouse gas emissions. Specifically, carbon has moved from being seen solely an environmental issue to also being understood as an economic risk. Whether physical, regulatory, market-driven or technological, climate change has financial implications for business and for investors. The Taskforce on Climate-related Financial Disclosure (TCFD) has played a major role in accelerating this shift.

As long-term investors, institutional investors are acutely aware of their fiduciary duties and obligations under the regulatory framework for institutional investors in Australia. In recent years, it has become increasingly clear that this obligation extends to the oversight and management of environmental, social and governance factors influencing financial performance, including climate change.

Geoff Summerhayes, Executive Board Member of the Australian Prudential Regulation Authority (APRA) stated in February 2017 and again in November 2017, that financial regulators see climate

change risk as “distinctly financial in nature” with “many of these risks foreseeable, material and actionable now”. APRA has strongly signalled that they expect investors to engage in sophisticated analysis and to be in a position to articulate how climate risk might impact business operations and strategies for managing material impacts.

But investors recognise that they should be doing much more to meet the goals of the Paris Agreement. This existing, positive action could be scaled up and accelerated with the right enabling policy framework: clear, long-term legislative programmes are critical to the ability of investors to assess and manage climate-related risks and to invest in opportunities that support a low carbon, more energy efficient and climate resilient world.

The historic achievement of the Paris Agreement was a major development, strongly supported by investors. But it is recognised that there is a gap between where existing NDCs will take global emissions reductions, and the overarching goals of the Paris Agreement.

Where do we want to be?

The signing and entry into force of the Paris Agreement, as well as the supporting Nationally Determined Contributions (NDCs), is acting as a major market signal to investors and to the private sector more broadly. A number of ‘2°C aligned’ or ‘net zero emissions’ products, portfolio strategies, corporate engagement and investor-led shareholder resolutions focused on 2°C scenario analysis are emerging. These must continue to grow.

When [surveyed](#) in 2017, Australian investors identified policy barriers as one of the key barriers to scaling up investment in low carbon solutions.

Investors are also collaborating in unprecedented numbers to call on governments to maintain their commitment to and fully implement the goals of the Paris Agreement in national policy frameworks and support long-term emission reduction pathways.

Coordinated by IGCC, along with six other groups, [The Investor Agenda](#) provides guidance to investors to encourage bold and swift action on the issue of climate change. It encourages action on actions that investors can take to support climate Policy, Investment, Engagement and Disclosure. It builds on previous collaborations, such as the 2017 [letter to Governments](#) signed by 390 investors with US\$22trillion in assets under management urging greater climate ambition.

Investors have also collaborated to support [Climate Action 100+](#), with over 270 investors with more than US\$28trillion in assets under management urging companies to improve their governance on climate change, implement business strategies aligned to the Paris Agreement and disclose through the TCFD.

Active management of the transition towards a zero-carbon economy is essential to manage the risks to existing assets and infrastructure, while opening up the opportunities for new investments in future technologies. This includes strong and continued political support for climate action and the use of market-based mechanisms to provide a price signal for the cost of carbon to facilitate its inclusion investment decisions.

How do we get there?

There are significant opportunities to realise and build upon the commitments made under the Paris Agreement.

The IGCC has developed [seven climate change priorities for investors](#), that can be used to inform an approach that builds upon international commitments under the Paris Agreement.

1. The setting of long-term emission reduction targets

Long term targets which align to the goals supported under the Paris Agreement to limit global warming to well below 2°C and move to a net zero emissions economy.

2. A durable policy framework grounded in broad political support

An integrated policy framework where the key elements are grounded in broad-based bipartisan support and able to deliver a level of investment stability.

3. A market based carbon pricing mechanism

A market based carbon price which can be incorporated into investment decisions and are responsive to dynamic market conditions.

4. An integrated approach to energy sector transition

A policy approach which manages carbon, changes in technology and energy markets in an integrated manner to deliver investor certainty and provide opportunities for just transition for workers in the sector.

5. Support for clean energy public financing vehicles

A robust approach to the provision of public financing of emerging clean energy technologies provides long-term certainty necessary to unlock private sector investment.

6. National adaption and resilience plans to manage the impacts of climate change

Adaptation and resilience planning, underpinned by scientific research, which delivers a roadmap for managing the costs and impacts of climate change for investors and the community.

7. Establishment of disclosure frameworks for climate-related financial reporting

Financial disclosure frameworks which acknowledges the financial and economic implications of climate change and promote better risk management through more effective financial reporting practises of companies. This includes implementation of the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Countries should likewise continue to engage with the processes for indicating, reviewing and increasing their ambition under the Paris Agreement. By making commitments to credible emissions reductions, in line with scientific advice, investors will have sufficient certainty to provide the capital required to transition to a zero emissions economy.

For any queries relating this submission, please contact Emma Herd, Chief Executive Officer, Investor Group on Climate Change, at emma.herd@igcc.org.au