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“As institutional investors, it is important that we not only decarbonize our portfolios, but also drive the real-world decarbonization. ILN’s new white paper supports investors through this important transition by showcasing practical strategies that asset owners and asset managers are taking to align portfolio impact with real-economy decarbonization.”

– Maria Montero, Principal in CPP Investment Board’s Sustainable Investment Group and Co-Lead of ILN’s Climate Change Committee.

Investing for the low carbon transition–



INVESTOR
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Turning portfolio targets into action

The global climate is at an inflection point. Emissions have continued to rise after the signing of the Paris climate accord in 2015 and now need to fall by 45% by 2030 to have any chance at keeping the global temperature rise below 1.5°C. The low carbon transition requires a significant quantity of capital to enact, estimated at over US\$3tn per year on average until 2050. However, current global financing totals only \$630bn per year, with less than half of this financing coming from private sector actors and financial intermediaries. This financing demand presents a tremendous opportunity for the investor community to take leadership in the transition to a low carbon economy and to deliver lasting returns to their stakeholders.

Many institutions have signalled their commitment to a low carbon future and are hard at work turning these ambitions into concrete actions to decarbonise their portfolios. There is often an inverse correlation, however, between portfolio impact and real-world decarbonisation when applying levers such as investments into green technology, or portfolio tilting. In response, ILN members are at the vanguard of efforts to construct portfolio strategies that drive real-world change, while delivering financial returns. These range from taking an increasingly interventionist stance on both the availability and credibility of transition plans, and the creation of detailed asset-level decarbonisation plans to support alpha generation.

This paper includes:

1. **An analysis of strategies to establish the credibility of assets’ transition plans**
2. **A summary of challenges in aligning corporate decarbonization goals with portfolio strategies, including trade-offs between immediate action and longer-term approaches.**
3. **A study of approaches to credible short-term emissions reduction targets that account for the non-linear decarbonization pathways of high-emitting assets.**
4. **A consideration of external enablers and barriers, such as data and policy support, and their impact in shaping systemic decarbonization efforts and improving financing flows.**

This Whitepaper builds on existing ILN Thought Leadership including the Net Zero Investor Playbook, to provide practical examples of how these portfolio strategies are being put into practice across diverse portfolios. It will drive awareness among the broader investor community of the successes and learning opportunities ILN members have shared as part of their decarbonization journey.

ABOUT US

The Investor Leadership Network (ILN) is an open and collaborative platform for leading investors representing over USD \$10 trillion AUM who are committed to addressing fundamental, long-term sustainability and systemic challenges. As a direct outcome of Canada’s 2018 G7 presidency, the ILN drives change through concrete actions and global partnerships.

Members collaborate and pool resources, expertise, and networks to develop, promote, and deliver concrete and scalable initiatives on climate change; diversity, equity, and inclusion (DEI); and private capital mobilisation for the global sustainable transition.

