



Climate Change & Responsible Investing: The Opportunities

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Boston University's Board of Trustees

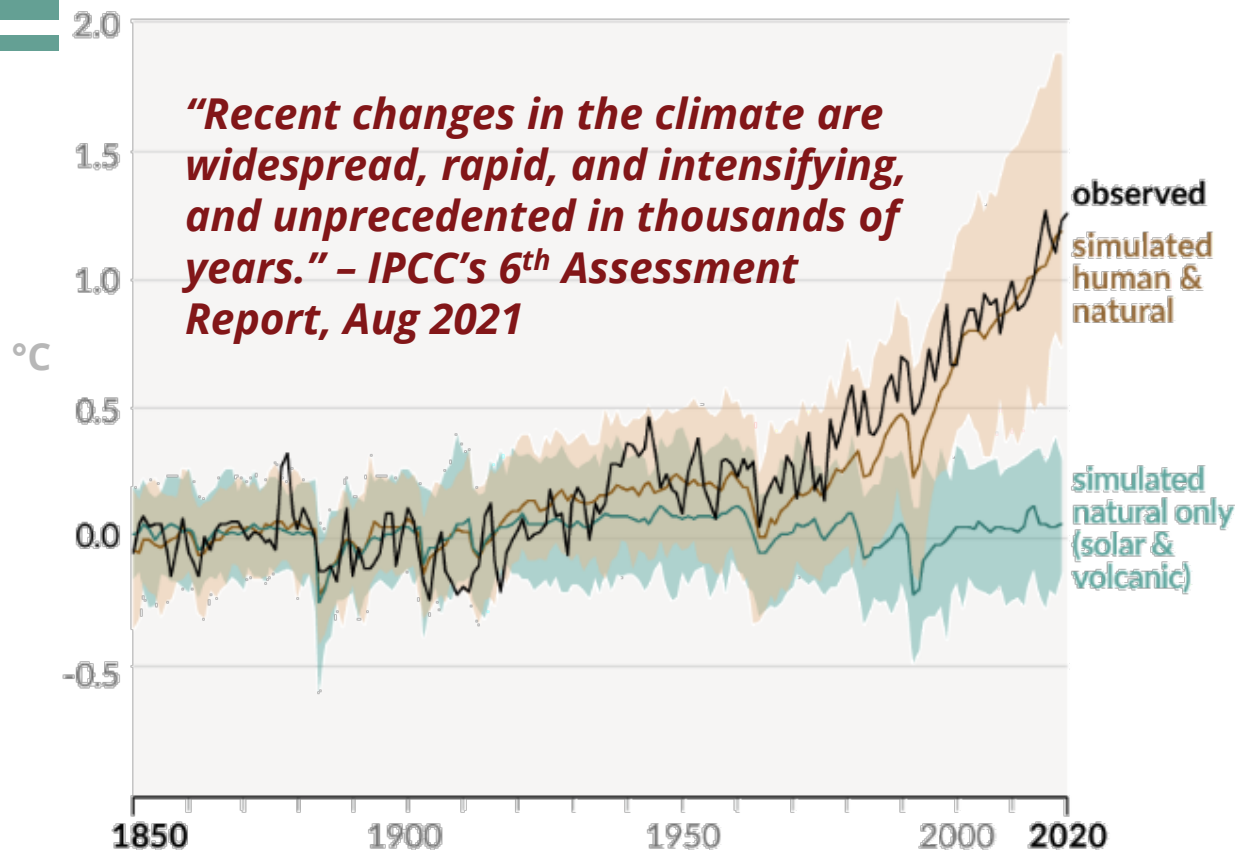
Advisory Committee on Social Responsible Investing

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

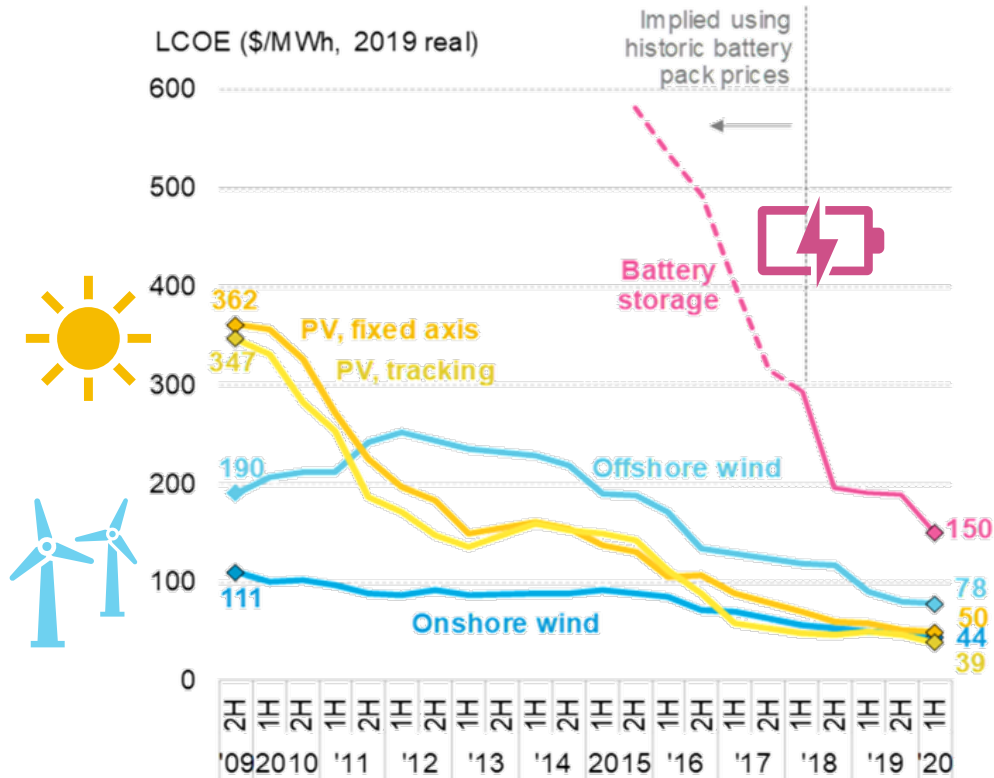
b) Change in global surface temperature (annual average) as **observed** and simulated using **human & natural** and **only natural** factors (both 1850-2020)



- 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.”**

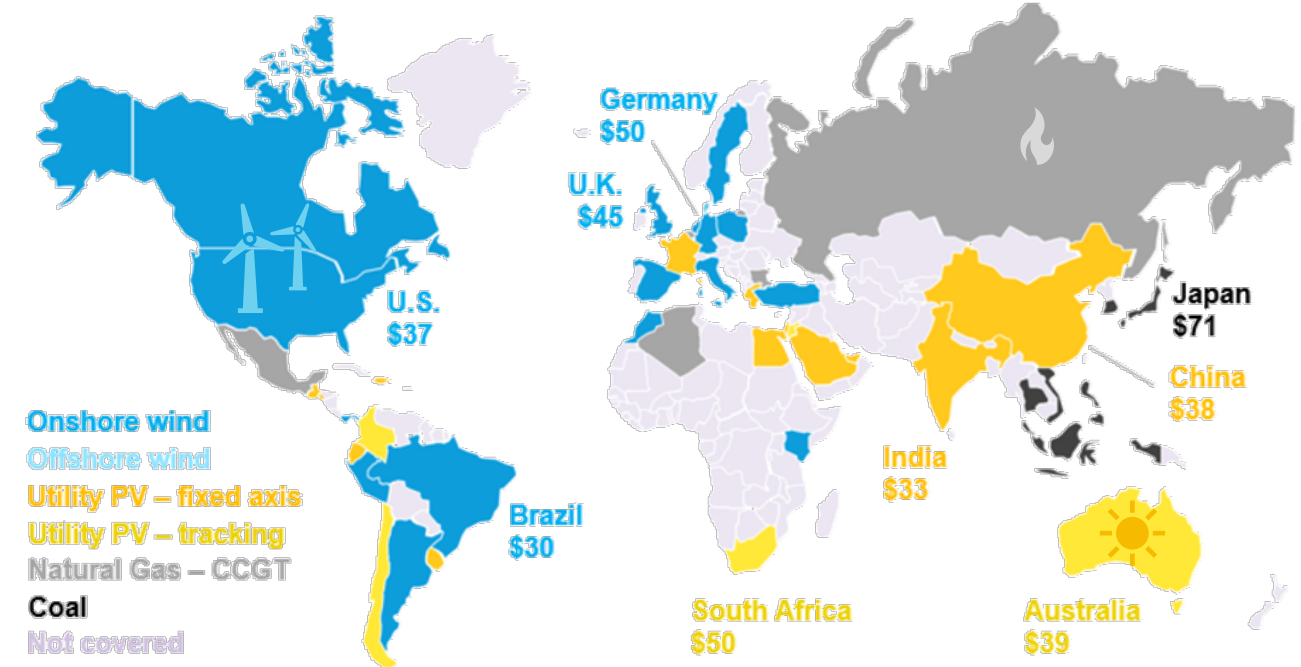
“Green” Electricity is getting cheaper, globally

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

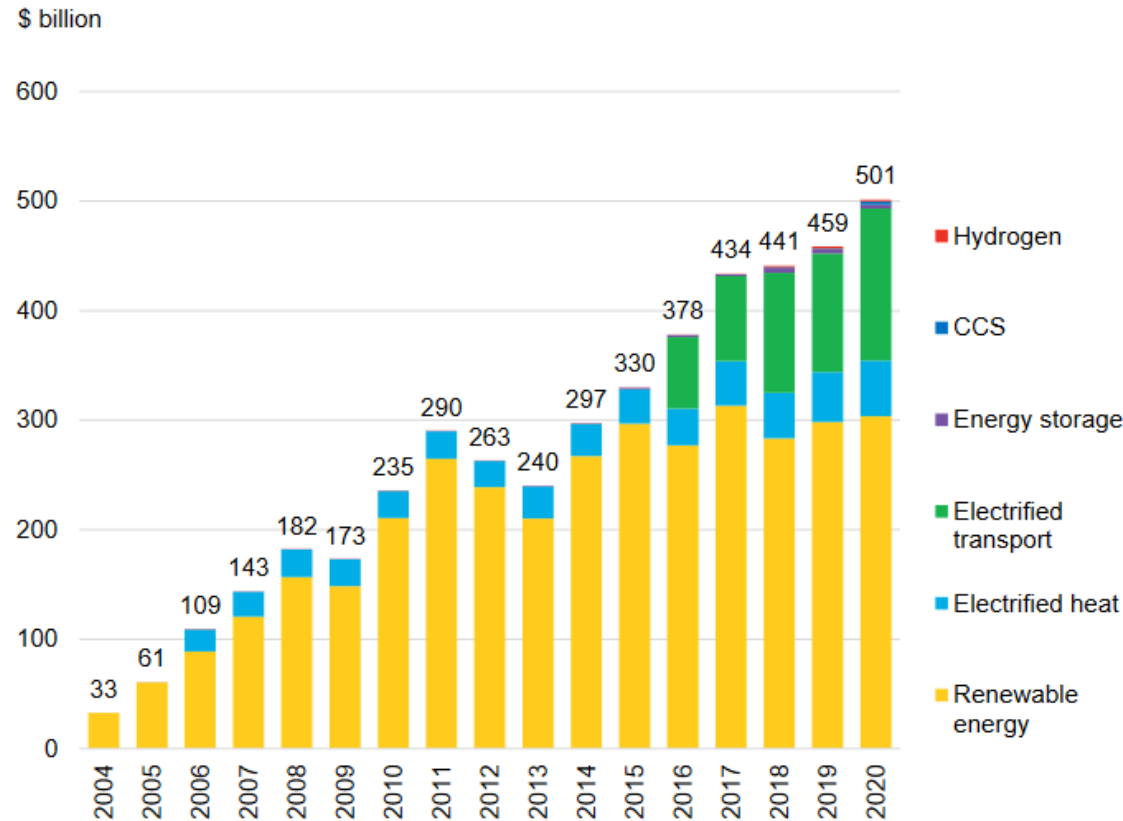


Source: BloombergNEF. Note: LCOE calculations exclude subsidies or tax-credits. Graph shows benchmark LCOE for each country in \$ per megawatt-hour. CCGT: Combined-cycle gas turbine.

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

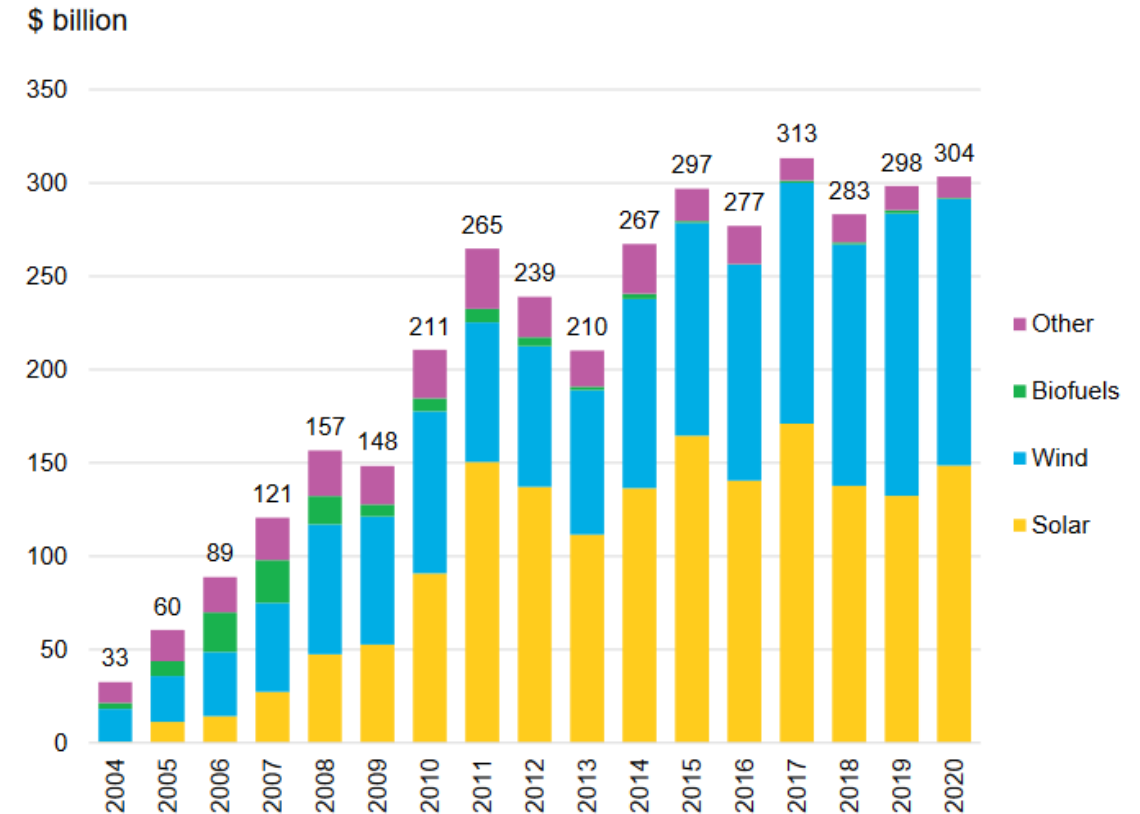
Investments in an energy transition are growing rapidly

Global investment in energy transition by sector



Source: BloombergNEF

Global new investment in renewable energy by sector



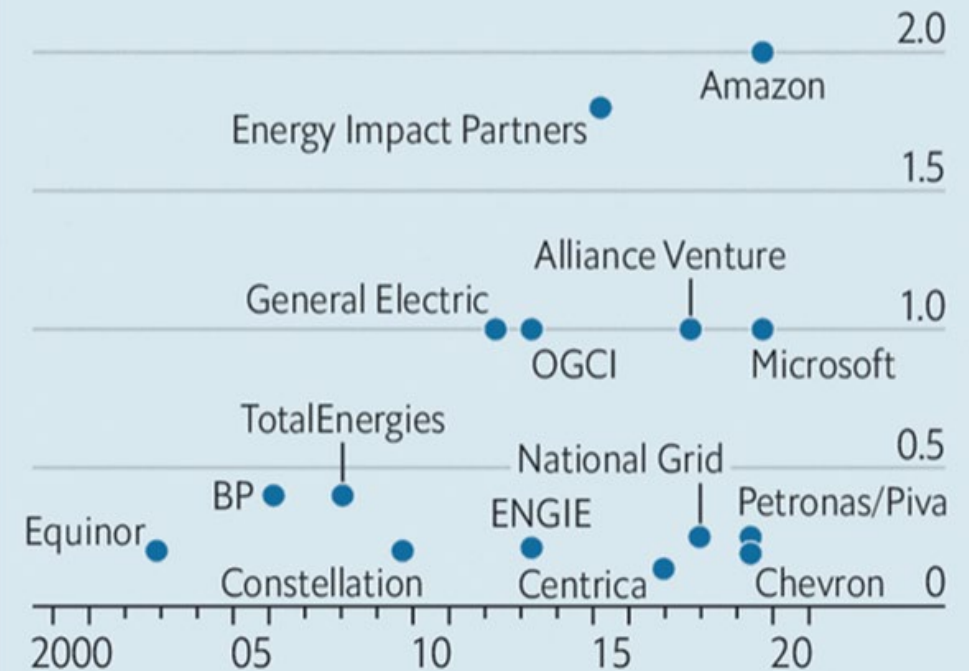
Source: BloombergNEF

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 ⁽¹⁾
- **\$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. ⁽²⁾

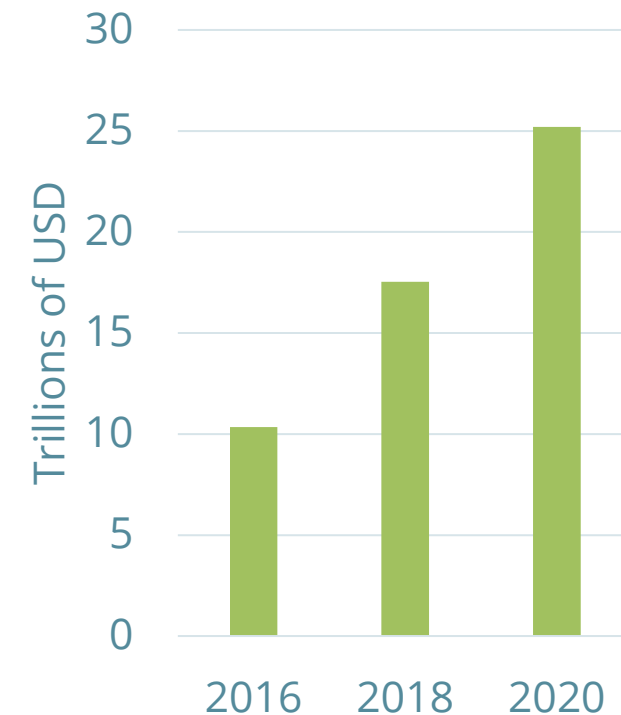
FIGURE 2 Snapshot of global assets under management 2016-2018-2020 (USD billions)

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%
Increase of % sustainable investments (compared to prior period)		5.5%	2.5%



35.9% of total assets under management are sustainable investments

AuM of global funds with ESG Integration ⁽³⁾



The Impact Measurement and Allocation Program (IMAP) at BU Solves Industry Challenges Through Academic Research



1. Financial Asset Managers share challenges regarding ESG metrics

Human Capital



Carbon Accounting



2. Academic Teams conduct research to find solutions

3. Multiple Publications Produced (Industry-Focused publications & Academic Peer-Reviewed Articles)



www.bu.edu/imap

IMAP Research Projects Currently Underway

Which companies are on track to meet Carbon Reduction Targets? (Questrom / ISE)

Are today's ESG disclosures consistent with SASB recommendations? (BU Accounting)

How do ESG ratings influence the judgments and decisions of multiple stakeholders? (BU Marketing)

Is more regulation required to appropriately price climate risk? Market Myopia's Climate Bubble (BU Law)

