

Climate Change Risk for Investments, Although Growth Opportunities Exist

Hong Kong, London 23 June 2014 - As industry, investors and public authorities this week gather for the 2014 Banking Environment Initiative Forum in Asia, evidence continues to mount concerning the costs and disruptive impacts that climate change will have on the economy, society, and stability of the financial system; as well as the amount of investment needed to transition to a low-carbon economy.

Finance sector groups have published a guide to the IPCC's findings on the physical, economic, and regulatory impacts of climate change.

- **Sea-level rises:** extreme sea-level events increased by 95% between 1970 and 2010, exposing 270 million people and USD 13 trillion worth of assets
- **Rainfall patterns:** increasing flooding and drought, with variable rainfall likely to affect electricity generation
- **Food security:** changing rainfall and higher temperatures will increase crop pests and volatility in agricultural markets, affecting food companies and supply chains
- **Labour:** Higher temperatures has led to declining labour capacity and productivity. Significant investment in e.g. cooling needed to maintain productivity levels.
- **Policy:** The amount of capital required and what gets allocated will depend in part on the policy response to climate change. Willingness to invest will depend on level of risk and incentives

The summary also conveys that decarbonising the economy requires increased investment in low-carbon energy and reduced investment in fossil fuel energy sources. It also suggests that this transformation may result in 'stranded assets', where the value of assets linked to high-carbon activities is significantly reduced or eliminated because they are rendered obsolete or non-performing.

Stephanie Pfeifer, Chief Executive of the Institutional Investors Group on Climate Change, which represents 88 of Europe's largest investors worth €7.5 trillion, said:

"Investors are at risk from climate change, as well as being a potentially significant source of capital for the low-carbon investment needed to mitigate climate change. The investor community is taking action on climate change, and investments are being made, but more could be done with stronger policy. As we head towards Paris in 2015, ensuring investors and institutions have the tools to understand the impacts of climate change is crucial."

Andrew Voysey, Director, Finance Sector Platforms at the Cambridge Institute for Sustainability Leadership said:

“To avoid what governments have agreed would be unacceptably dangerous climate change, patterns of investment will need to change considerably. This will include significant decreases in investment in fossil fuel extraction and conventional fossil fuel-based power generation, and significant increases in investment in low-carbon energy and energy efficiency. If we are to ensure that this transition is as smooth as possible and avoid sudden shocks to investor value, investors, governments and others must work together urgently, fully informed about what is at stake.”

Karin Ireton, Chair of UNEP Finance Initiative’s Climate Change Advisory Group, and Director, Group Sustainability Management, Standard Bank, Africa’s largest commercial bank, said:

“The scale and seriousness of climate change as an environmental, economic, social and financial problem is not only indisputable now; it is also unprecedented. The key challenge for the finance sector in coming years will be to devise and implement strategies that weather the stresses and risks of a changing climate as well as seize the opportunities of low-carbon and climate-resilient development. This guide is an important aid for financial institutions - particularly those in developing countries - to understand the complexities and implications of climate change so that informed action can be taken.”

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Notes for Editors

The report is one of a series of thirteen, based upon The Fifth Assessment Report (AR5) of the Intergovernmental Panel on Climate Change (IPCC). AR5 represents the most comprehensive overview of climate science to date and is the fact base that will be used by governments and businesses to formulate climate policy in the coming years. Sustainable Fisheries Partnership, the European Climate Foundation, the University of Cambridge Programme for Sustainability Leadership (CISL) and the Cambridge Judge Business School have worked together to distil relevant AR5 findings into concise, clear, relevant findings and visuals derived from, and in line with, the original text.

The set of summaries cover the broad implications of climate change, how the IPCC works and give an overview of the physical science, as well as adaptation and mitigation options. The specific summaries cover the energy sector, investors and financial institutions, the transport sector, the tourism industry, the agricultural sector, fisheries and aquaculture, the defence sector, primary industries and cities, buildings and employment.

The full set of summaries will be posted at www.cisl.cam.ac.uk/ipcc.

Institutional Investors Group on Climate Change (IIGCC)

The Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration on climate change for European investors. It provides investors with a voice on climate change and platform from which they can engage with policymakers, investors, sectors and other stakeholders on addressing long-term risks and opportunities associated with climate change. The group currently has 90 members, representing assets of around €7.5trillion

The IIGCC's objectives are to: 1) encourage public policy solutions that ensure a move to a low carbon economy and which are consistent with long-term investment objectives; 2) improve company disclosure/performance on climate change; 3) encourage a pro-active approach amongst asset owners and asset managers on climate change. For further information see www.iigcc.org

UNEP Finance Initiative (UNEP FI)

UNEP FI is a global partnership between UNEP and the financial sector. Over 200 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance. Through its Climate Change Advisory Group (CCAG), UNEP FI aims to understand the roles, potentials and needs of the finance sector in addressing climate change, and to advance the integration of climate change factors - both risks and opportunities – into financial decision-making.

www.unepfi.org

The University of Cambridge Institute for Sustainability Leadership (CISL) brings together business, government and academia to find solutions to critical sustainability challenges. Through our educational programmes, business platforms and strategic engagement initiatives, we deepen leaders' understanding of the context in which they operate and help them to respond in ways that benefit their organisations and society as a whole.

<http://www.cisl.cam.ac.uk/>

Cambridge Judge Business School (CJBS) is in the business of transformation. Many of our academics are leaders in their field, creating new insight and applying the latest thinking to real-world issues.

<http://www.jbs.cam.ac.uk/home/>

The European Climate Foundation (ECF) was established in 2008 as a major philanthropic initiative to promote climate and energy policies that greatly reduce Europe's greenhouse gas emissions and to help Europe play an even stronger international leadership role to mitigate climate change.

<http://europeanclimate.org/>