

UN-convened Net-Zero Asset Owner Alliance

CALL TO ACTION – CLIMATE BLENDED FINANCE VEHICLES



<https://www.unepfi.org/net-zero-alliance/alliance-members/>

Convened by:

Alliance Climate Blended Finance Vehicles – Call to Action to Asset Managers

UN-convened Asset Owner Alliance

The UN-convened Net Zero Asset Owner Alliance (the Alliance) is a PRI and UNEP FI supported initiative. The members of the Alliance have committed i) to transitioning their investment portfolios to net-zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels; ii) to establishing intermediate targets every five years; and iii) to regularly reporting on progress. The publication of the first set of intermediate targets for the year 2025 by the Asset owners has already started.

One working area of the Alliance is “Financing the Transition.” It focuses on identifying priority investment segments to scale-up climate solution investments and future technologies in OECD and non-OECD markets. The Alliance concludes that blended finance is one of the most efficient instruments to de-risk investments in climate solutions and market segments that for now do not have the appropriate risk-return profile to attract largescale institutional capital.

Asset Owner Alliance members call on asset managers to build and work on blended finance vehicles collectively, to scale-up investments in climate solutions to ensure that capital flows to required projects for a net zero transition, to ensure a climate friendly path towards meeting the UN SDGs and to meet net zero asset owner needs in line with their fiduciary duty.

Request Details

- In the context of its fiduciary with regards to attractive risk-return profiles and net-zero targets, Alliance members want to drastically ramp-up investments in climate mitigation projects and business models globally, both in OECD and non-OECD markets.
- Due to the high perceived risk associated with certain types of investments (not only investments in emerging and developing countries but also in new climate mitigation-related technologies in all markets (incl. OECD)), investors require de-risking instruments, or blended finance, to be able to invest in such markets.
- Alliance members are looking for blended finance investment vehicles and instruments that would facilitate investment in such climate mitigation projects and business models at scale.
- Alliance members will work with a number of select well-designed vehicles that meet the below criteria and support them in refining their strategy to fit institutional investors’ criteria, possibly by raising public capital and providing own capital. The blended finance vehicles should be open to other non-Alliance investors.

Vehicle Requirements

Core Criteria:

- All vehicles must:
 - i. focus on climate solution investments
 - ii. invest in financially viable and sustainable underlying business models
 - iii. have strong risk (downside) mitigation mechanism for private investors
 - iv. be suitable for large institutional investors in their set up
 - v. be managed and executed by experienced and established fund managers
 - vi. not hamper other SDG goals and/or follow high ESG standards

Further Criteria:

- Scale: The vehicle should be at least US\$300-500 million.
- Manager profile: Experienced fund manager, with an established set-up with regards to processes, governance, risk management, with track-record in the relevant market, experience in setting up blended finance vehicles, credible approach to sourcing, structuring and managing the underlying deals, and experience in managing assets of larger-scale institutional investors.
- Underlying projects/portfolio: Bankable projects and businesses in developing markets or developed markets (greenfield preferred) that contribute to reduction of emissions from any (or all) of the following: energy generation and access, buildings, cities, industries, forest, land use and transport eg. via new technologies.
- Portfolio diversification: Underlying portfolios should be diversified across a high number of projects/businesses etc.
- Market: Public or private (alternatives) market vehicles, transparency on asset classes, direct or fund of funds.
- First loss structure/mechanism: All types of de-risking mechanisms (e.g. guarantees, junior equity, junior debt) – the Alliance, respectively their members, might be able to support raising donor capital
- Vehicle status: Fully structured vehicles with donor/first loss capital already secured or concept-stage vehicles
- Reporting on impact – eg. avoided emissions, carbon removal, climate solution technologies,..
- Key terms: eg. financial KPIs, management fee terms, and other.

Asset Manager Survey

Available via an online form here - <https://forms.office.com/Pages/ResponsePage.aspx?id=DVfC-4-p8UGorRKxMb2T6HGFQA6eW6NPrFHLvDEDJPJUQjNDRzc5VjNLMTThBWjhWRk40RkE3TkEwVy4u>

**If you cannot access this link, please use the form below and return to Ashley Minshull
ashley.minshull@unpri.org**

Asset Manager Name:

Criteria (as stated and explained on the page before)

Target Scale:

Manager Profile as described the page before:

Underlying projects/market/region/portfolio of Blended Finance Vehicle:

Underlying asset class/market vehicles – portfolio diversification:

De-risking mechanism (first loss/structure mechanism):

Vehicle status:

Reporting on impact and Key terms:

Use the eligibility speed check to find out whether you fulfill the criteria:

1. We are representing a fund management company
2. The focus of the vehicle is climate solution investments
3. We have an established/proven track record in managing private (or public) market investments (as relevant for the proposal)
4. We have an internationally recognized ESG policy in place or am willing to implement
5. We have experience in setting up blended finance vehicles
6. The proposed vehicle has a blended finance/first loss mechanism
7. We will report on underlying deals and impact with regards to climate change mitigation

Contact Information

Email Address:

Website URL: