



Alliance Financing Transition Track

All members call

UN-CONVENED NET-ZERO ASSET OWNER ALLIANCE

21st of April 2021



AGENDA

1. Sub Tracks Update

I. Vehicles/Instruments

- **Blended Finance Call to Action to Asset Managers**
 - Responses and next steps
 - Workshop(s) with Convergence
- **Carbon Credits**
 - TSVCM
 - Net Zero Paper
- **Work on Climate Indices/Benchmarks**
- **Carbon Removal Instruments – brief update**

II. Target Setting/Reporting

- Workshop together with MRV Reporting Track
- (Principle based) Climate Solution Investment Reporting – Guidance
- Asset Class Mapping to Principles

III. Sectors/Asset Classes

- Tender for a Digital Round Map – for climate solution investments
- Sector / Asset Class Roundtables

BLENDING FINANCE VEHICLE – CALL TO ACTION TO ASSET MANAGERS

- 10 proposals received through the Call to Action; 6 reviewed so far, thereof: 3 shortlisted for discussion; 2 eliminated; 1 on long-list.
- Short-listed proposals that meet the criteria of the Call to Action.

	BlackRock Climate Finance Partnership	SunFunder Gigaton Fund	EverSource Green Growth Equity Fund
Overview of Strategy	<ul style="list-style-type: none"> • PE strategy focused on financing renewable energy developers and projects in EMs. Focus on greenfield. • USD 500m 	<ul style="list-style-type: none"> • Private debt strategy focused on lending to off-grid clean energy solutions (including C&I), smart food systems and nature based solutions in Asia and Africa. • USD 350m+ 	<ul style="list-style-type: none"> • Private equity strategy focused on financing climate mitigation projects in India (energy, e-mobility, waste/water). Focus on greenfield. • USD 800m.
Structure	<ul style="list-style-type: none"> • Fund structured with junior (EUR 100m) and senior equity tranches (EUR 400m). • Adjusted PE waterfall with priority returns to senior investors until a preferred hurdle is met (USD 5%). 	<ul style="list-style-type: none"> • TBD – likely a three-tiered fund with first loss, mezzanine and senior tranche. Senior investors compensated at fixed or floating rate. 	<ul style="list-style-type: none"> • Fund structured with junior and senior equity tranches • Adjusted PE waterfall with priority returns to senior investors until their hurdle is met (USD 6%).
Status	<ul style="list-style-type: none"> • Fully structured. Fundraising. 	<ul style="list-style-type: none"> • Concept stage. Manager wants to collaborate with investors in structuring the vehicle and to raise the first loss. 	<ul style="list-style-type: none"> • Fully structured. Fundraising.

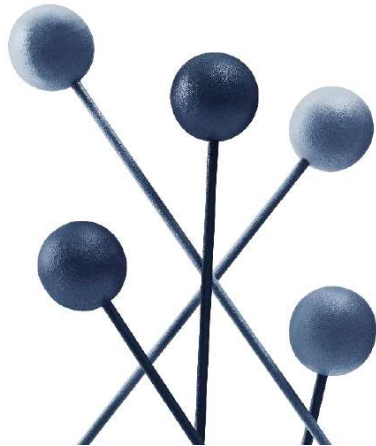
BLENDED FINANCE VEHICLE – WORKSHOP WITH CONVERGENCE



- Convergence invites Asset Owners to a workshop on debt and equity blended finance vehicles
- Of interest?
- Some time end of May/June
- What needs to be on the agenda?

TSVCM – TASKFORCE FOR SCALING VOLUNTARY CARBON MARKETS

- Guenther Thallinger now presenting the Net Zero Asset Owner Alliance as Advisor/Consultant in the TSVCM
- Brief update on the TSVCM by Marc



Taskforce on Scaling Voluntary Carbon Markets

2nd Taskforce Plenary

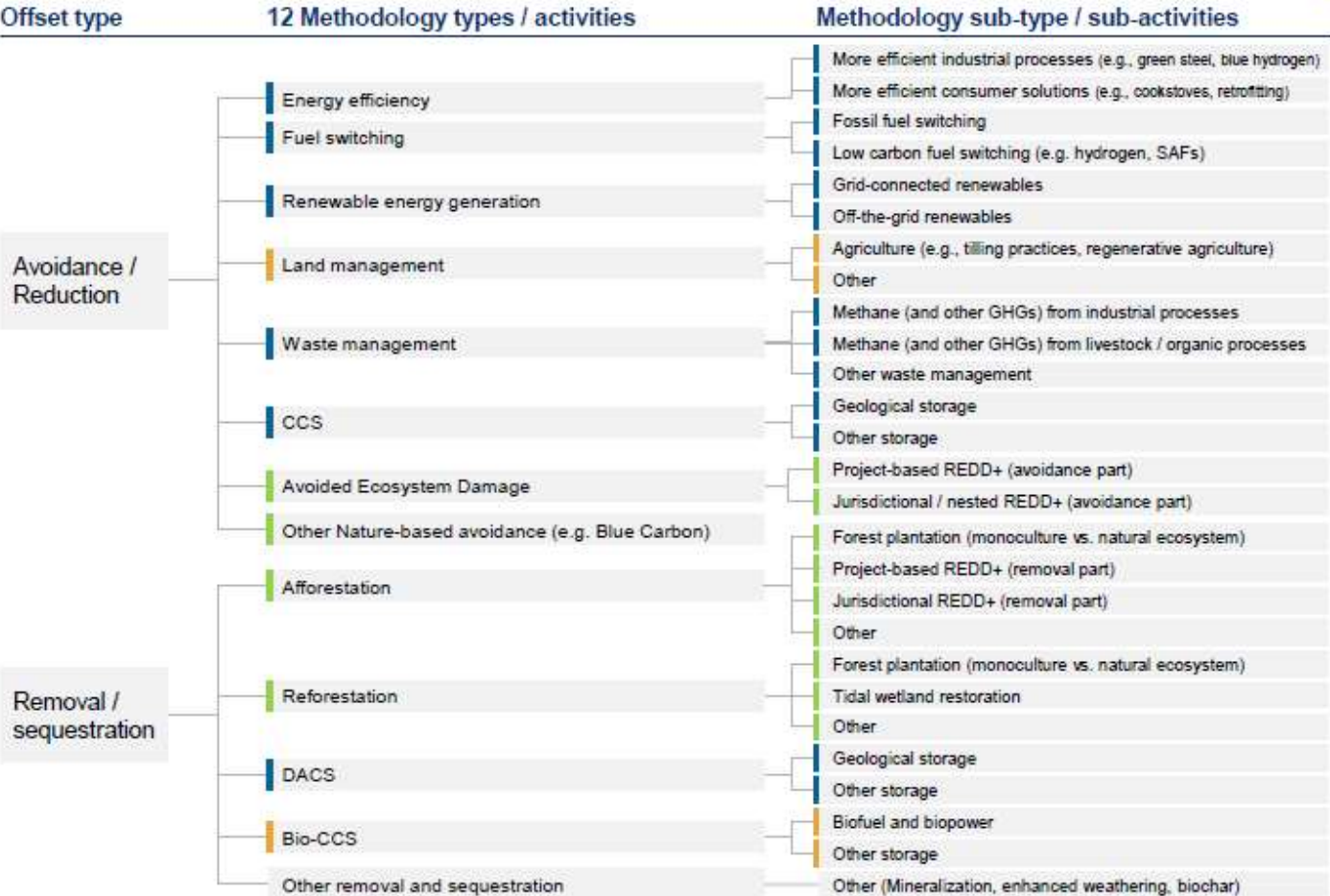
31st March, 2021

TSVCM – PROGRESS UPDATE

- Four key working areas

Working areas	Deliverable	Progress	AOA implication
Stakeholder Engagement	Raise public awareness for VCM as an important complement to direct emission reductions	Statement on use of credits in corporate claims (RE carbon neutrality / net zero) remains under discussion	Recommend to clarify / define AOA position on use of credits, especially when it comes to 'avoidance credits'
Governance	Define 'Core Carbon Principles' Oversight over standard setters w.r.t adherence to CCP	Narrower scope of governance body targeted, mainly overseeing CCP development and adherence of standard setters	AOA willing to be part of institutional sponsors of the governance body hosting the CCP?
Legal Principles and Contracts	Develop standard legal framework underpinning issuance & trading	Proposals drafted on general trading terms and best practice recommendations for Standards, key standard elements for spot and futures contracts	None
Credit Level Integrity	Develop initial set of recommendations for 'core carbon principles' – minimum thresholds for quality	Structure / Classification being developed (see overleaf)	See above, input welcomed under which conditions certain methodologies are acceptable to AOA

TSVCM – DRAFT CATEGORIZATION OF METHODOLOGIES



TSVCM – FEEDBACK WELCOMED ON GOVERNANCE MISSION STATEMENT

Purpose

In order to achieve the Paris goals of limiting global warming to 1.5 degrees Celsius, the global community needs to reach net zero emissions by no later than 2050. To credibly hit that target, climate action needs to start now. Corporates must follow a clear mitigation hierarchy: they must first reduce emissions in their own operations and value chain, followed by regular and transparent reporting of emissions reductions, and only then does effective offsetting play a role.

Success will involve increasing voluntary carbon credit volume by up to 15 times current volume by 2030 while simultaneously increasing the integrity of the underlying credits. Over the next 30 years, billions of dollars will flow from those emitting carbon to those sequestering carbon in the ground or preventing its emission. For finance to flow to the right projects, a well functioning voluntary carbon market (VCM) is needed.

Mission

The mission of the governance body is to promote the integrity, liquidity and growth of the global VCM. In order to do so, it will embrace membership participation of companies and organizations active in all segments of the Voluntary Carbon Market and will engage with industry groups, investor alliances, government agencies and NGOs whose members or activities are involved with the market.

The Association's goal is to build the market by ensuring the supply of high integrity carbon credits is sufficient to meet the demand from institutional, corporate and individual purchasers. Rapid VCM growth requires core carbon principles and standards for high integrity carbon credits that are broadly accepted and applied; infrastructure, technology and solutions that foster market data and price transparency; and, sufficient debt and equity capital formation to support a liquid market for VCM credits.

Mandate

The Voluntary Carbon Market Association will strive to fulfil its mission in three ways:

- Establish, host, and curate the CCPs and additional attributes and develop a CCP assessment framework to set principles for supplier, VVB and standard setter eligibility.
- Provide oversight over standard setting organizations on adherence to CCPs and participant eligibility / oversight.
- Coordinate work of and manage interlinkages between individual bodies. Serve as the steward for the Voluntary Carbon Market and endeavor to foster its responsible growth by defining a roadmap for success

NET ZERO POSITION – INPUT TO CARBON CREDITS BY FINTRACK

- A team is currently working on a draft position on carbon credits for the Alliance Net Zero Paper
- As soon as we have a stable draft we will share with you for your feedback

NEW TOPIC - CLIMATE INDICES / BENCHMARKS

- Any interest to work on this topic **Climate Indices and Benchmarks – EU Paris Aligned Benchmarks / EU Transition Benchmarks?**
- EU Climate Benchmarks disclosures regulation – analyse benchmarks of various providers
- Call scheduled with **S&P 27th of April at 12 pm-1:30pm CET**
- **Please let Elke know if you or an expert from your organization would like to join this working group or the call with S&P!**



EU climate benchmarks and benchmarks' ESG disclosures

Works to enhance the ESG transparency of benchmark methodologies and to put forward standards for the methodology of low-carbon benchmarks in the Union



Climate Paris Aligned Indexes – for Net-Zero Strategies

S&P Dow Jones Indices Launches Paris-Aligned Climate (PA) and Climate Transition (CT) Eurozone Indices

FTSE Russell study on
EU Paris-aligned
benchmarks

CARBON REMOVAL INSTRUMENTS

Assessment on Carbon removal instruments

- Assess pros/cons with respect to **economics (risk/return)** but also with respect to effective **carbon removal / permanence**
- **Instruments** (draft assessment – work in progress)
 1. **Cost Curve of Removal and Sequestration instruments**
 2. **New Business Models**
 3. **Assess the various instruments**
 - Buy Certificates
 - Direct investment in commodity – nature based solutions
 - Direct investment negative emission technologies
 - Synthetic Index

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PRINCIPLE BASED CLIMATE SOLUTION INVESTMENT REPORTING



Workshop with MRV Track on Reporting 20th of April

PRINCIPLE BASED CLIMATE SOLUTION INVESTMENT REPORTING

Status of Discussion:

The Sub Track is working on **guiding principles** – see current agenda proposal (draft document see UNEPFI Extranet), including planned deadlines:

1. **Executive Summary** – Guidance to AOs how to use these Principles and this Booklet (until end of May)
2. **Comparison and assessment** – of Principles/Standards
3. **Mapping Asset Classes to existing principles** – **NEW - DRAFT**
4. **Guidance for listed equity, listed bonds, private equity and debt** (also case studies in a separate document) (until end of April)
5. **Principles**
 - 5.1 ICMA – International Capital Market Association
 - 5.1.1 Green Bond Principles
 - 5.1.2 Climate Transition Finance Handbook
 - 5.1.3 Handbook – Harmonized Framework for Impact Reporting
 - 5.1.4 Green Loan Principles
 - 5.2 Climate Bond Initiative
 - 5.2.1 The Standard
 - 5.2.2 Taxonomy
 - 5.2.3 Sector Criteria
 - 5.2.4 Transition Principles
 - 5.3 EU Green Bond Standard - **NEW**
 - 5.4 EU Taxonomy Real Estate – Energy Performance Certificate (EPC)
 - 5.5 **Forestry** (until end of April)
6. **Taxonomies**
7. **Regulations**
 - 7.1 **EU Sustainable Finance Disclosure** (DRAFT – work in progress)

Green: open

PRINCIPLE BASED CLIMATE SOLUTION INVESTMENT REPORTING

- Taxonomies/Principles compared -> high level consistent!
- Mapping Asset Classes to Principles

First Draft

Asset Class Mapping

Which Principle can be used/translated for/to which asset classes?

HIGH LEVEL PRINCIPLE / Asset Classes	Public Equity	Corporate Bonds	Sovereign Debt	Private Debt	Infrastructure Debt	Infrastructure Equity	Private Equity	Real Estate
Green Bond Principles		x	in case of a green bond - yes	(x)	(x)	(x)		
Climate Bond Initiative		x	in case of a green bond - yes	(x)	(x)	(x)		
EU Taxonomy	x	x	x	x	x	x	x	<i>hardly applicable for now</i>
People's Bank of China Green Bond Endorsed Project Catalogue		x	x	(x)	(x)	(x)		
MSCI Internal Taxonomy and other providers	x	x		(x)			(x)	

(X) means could be translated

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DIGITAL ROADMAP – TENDER AND NEXT STEPS

- Tender for Digital Road Map – submission deadline 15th of April
- Current status of applications:
10 platforms / data providers applied up to date

PANELTECH.US Corp

Cleantech Group

Cardo AI

Evercity

Phenix Capital Group

Net Purpose

Clarity AI

Arabesque

Capital for Climate

EARTH LABS GROUP

LTD.

+ Convergence platform / will hand in this week
+ 2dii / will hand in this week

Join us for the screening process
and bi-lateral alignment calls.
We are looking forward to enlarge
the team!

Next steps:

- Screening process of applications starts this week (for 2 weeks)
- Bi-lateral alignment with all relevant candidates to follow
- Selected partners to be connected & kick-off of content work

REAL ESTATE INTERNAL WORKSHOP - OUTCOME

Real Estate - internal Workshop 23rd of March outcomes

Split efforts between

- MRV Track – Target Setting Protocol relevant topics
- Financing Track / Engagement Track / Sector Expertise / Policy Track – mainly engagement relevant questions left (green lease, engagement with corporates and associations, policy engagement,...)
→ next step: connect with Engagement and Policy Track

REAL ESTATE INTERNAL WORKSHOP – QUESTIONS I

Outcome of the Real Estate internal Workshop 23rd of March

1. “Technical questions” -> to be taken up by the MRV Track and reflected in the target setting protocol 2.0

- MRV / for Target Setting Protocol version 2 - giving guidance to the members:
- What is a “net zero building” based on existing publications /definitions?
- Scope of Alliance Real Estate Target Setting (scope 1-3)
- Which sub asset classes to cover (also Real Estate funds?)
- Guidance on how to improve energy mix?
- Guidance on how to enhance the buildings’ energy performance?
- Abatement potentials – improving the buildings’ energy performance
- “market-based vs location-based approach”
- What are the right KPIs – for construction and operation
- For new buildings – guidance on minimum requirements on emission intensity?
- What are realistic, near-term energy efficiency measures?
- “embodied emissions” – also to be discussed with TSP v2?

Please share the questions with the real estate experts in your organizations. We are looking forward to enlarge the Real Estate Working Group across the Alliance Tracks.

REAL ESTATE INTERNAL WORKSHOP – QUESTIONS II

Outcome of the Real Estate internal Workshop 23rd of March

2. Engagement Track / Financing Track / Policy Track / Sector Expertise to align on next steps

- Asset Owners engagement potentials
- Engagement with Industry Associations
- Tenant engagement (green lease)
- Disclosure – to engage with whom?
- Connect with GREEN (Global Real Estate Engagement Network) and other initiatives
- Policy actions required
- Building material - Sector decarbonization pathways

Please share the questions with Real Estate Experts in your organizations.

Please ask your experts to join the effort to discuss the Alliance engagement potentials for the RE sector and to discuss how to lever our networks

INFORMATION SHARING - HOUSEKEEPING

- **New file sharing tool:** <https://www.unepfi.org/alliance-extranet/> new password: AOAprivate
 - Strictly confidential – only for Alliance members
 - Only download possible, no uploading

Any general questions / remarks / ideas?

Thank you very much! Have a great evening/day!