



Net-Zero Asset Owner Alliance Financing Transition – All Members Call

UN-CONVENED **NET-ZERO**
ASSET OWNER ALLIANCE

July 21st 2021



 United Nations-convened Net-Zero Asset Owner Alliance



AGENDA

Track Updates and next steps

1. **Financing Transition Target Setting/Reporting**
 - **Revised Financing Track Target – for MRV Track voting**
2. Sectors/Asset Classes
 - Digital Round Map – for climate solution investments
3. Vehicles/Instrument
 - Carbon Credits
 - Planned Workshop with IETA
 - Blended Finance Call to Action to Asset Managers
 - Open Letter/Position “Scaling Blended Finance”

Appendix

MOTIVATION FOR TARGET SETTING PROPOSAL

Need for real world impact

1. **Portfolio reduction targets should (as far as possible) be achieved through transition of the real economy**, not the selling of fossil fuel assets to other investors. Impact is the focus of the engagement and financing tracks
2. **The new IEA report asks for a quadrupling of the yearly investments in renewable energy from 2020 to 2030.** AOA should support this goal (in some way to be defined in 2022) as massive investments in a clean global energy system are clearly needed. Eg to take coal out of power generation in OECD countries before 2030 and help LDCs to “leap frog” fossil fuel expansion as their energy demand increases

The expectations to AOA

- **Calls for finance to scale climate solutions are high on the political agenda** and indeed in the preparations to COP26
- **Other investor initiatives already incorporates financing targets**, eg PAII/Net Zero Investment Frame Work and Climate Investment Coalition.

FINANCING TRANSITION – TARGET SETTING, PROPOSAL

Targets

1. Report on progress on a climate-positive trend – **is mandatory for all Alliance members** (as with engagement target)
2. **An individual public quantitative progress target is recommended / optional.** AOA will develop guidance for quantitative financing targets in 2022 (vote: **optional or recommend**)
3. **Contributions to Alliance’s Financing Transition work tracks** for example supporting activities enlarging the universe, providing larger transparency, building solutions or developing a climate solution reporting

Reporting

- **Assets under Management** of Climate Solution Investments
- **External individual public /Internal for public aggregations reporting of inventory (base year) and annual progress as defined is mandatory** (vote on: **internal* / external**)
- Report on OECD and non OECD countries (recommended)
- **Reporting on impact KPIs is recommended** – one possible KPI eg. avoided emissions for owned renewables
- Portfolio revenue share in green/brown activities, EU taxonomy compliant (optional)

* Internal for aggregations on Alliance level for Alliance reporting

Red: new adjustments from track (not up for vote)

Green: area for MRV track vote

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DIGITAL ROADMAP – TENDER AND NEXT STEPS

- Tender for Digital Road Map
- Received applications: 12 platforms / data providers applied up to date

Paneltech.US	Net Purpose
Cleantech Group	Arabesque
Cardo AI	Earth Labs Group
Evercity	2° Investing Initiative
Phenix Capital Group	Capital for Climate
Clarity AI	Drawdown Europe

- First screening process finalized
- Now calls/bi-lateral alignment with all relevant candidates to follow – finalized
- Consultant will be hired – finalized
- Arabesque & Net Purpose are the final candidates for running the platform – final decision expected until next week
- Selected partners to be connected & kick-off of content work
- User journey draft in progress

A USER JOURNEY DRAFT (ASSET OWNERS)

How it will work: Asset Owner / Investor



Maxwell visits / registers for the Digital Map platform (Disclaimer / accounts?)



The online system enables him to search for climate solutions globally and understand high level alignment with goals and targets (further details on the next page)



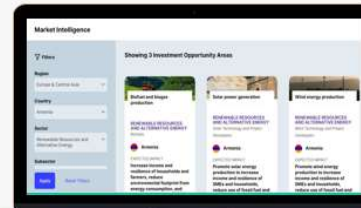
Maxwell is interested in a project and connects to the asset manager for more information



Maxwell facilitates a full due diligence on the basis of the information provided by the asset manager / enterprise



Digital Map functionality



Directory / Map



Data Sourcing

A USER JOURNEY DRAFT (ASSET OWNERS)

3 clicks away from your climate solution

Directory: 1st click + select

Filters:

- **Climate solution** (based on EU Taxonomy, Project Drawdown)
- **Investable asset classes** (a threshold of e.g. 20% would be needed)
- **Sector**
- **Region**
- **Country/ies of risk**

2nd click: list of suitable investments

List of suitable products:

- **Name of product**
- **Climate solution** (based on EU Taxonomy, Project Drawdown)
- **Investable asset classes** (a threshold of e.g. min 20% contribution to climate solution needed)
- **Name of Asset Manager**
- **Sector**
- **Country/ies of risk**

3rd click: selected product information

Product / company information

- **Name of product/fund/project**
- **Climate solution + description** (based on EU Taxonomy, Project Drawdown)
- **Investable asset classes** (a threshold of e.g. min 20% contribution to climate solution needed)
- **Name of Asset Manager**
- **Contact details / website**
- **Sector**
- **Country of risk**
- **Domicile of Fund (if relevant)**
- **Available structure (GP/LP, blended finance, first loss piece, etc.)**
- **KPIs/Metrics**
 - GHG Emissions: (scopes 1-3); total
 - Carbon Footprint
 - GHG intensity of investee companies
 - Exposure to companies in the fossil fuel sector
 - Share of non-renewable energy consumption (compared to renewable energy sources, as a %)
 - Avoided emissions

Tbd: mandatory /optional filters

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WORKSHOP PLANNED WITH IETA (INTERNATIONAL EMISSIONS TRADING ASSOCIATION)



Time: 14th of September 3-5pm CET – invites will be sent to the Financing Track Members

Agenda:

Part 1: What do Asset Owners and Banks need to know about carbon markets

- Carbon Market overview: Current state of play and expectations, voluntary (what can be learned from the compliance markets?) and compliance carbon markets – compare pricing, coverage and players across leading markets/regions
- Carbon price scenarios
- For sectoral pathways – models/scenarios applied
- Discussion

Part 2: Role of Markets in Delivering Sectoral Pathways to Net Zero

- Case study from an investment portfolio
- Share general views on role of carbon credits
- How do courts' decisions influence decarbonization strategies?
- Sector specific views on role of carbon credits
 - Oil & Gas
 - Power Sector
 - Heavy Industry (Cement, Steel, Aluminium)

Summary and Wrap-up

<https://www.ieta.org/About-IETA>

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BLENDING FINANCE VEHICLE – CALL TO ACTION TO ASSET MANAGERS

- 16 proposals received through the Call to Action and reviewed by the Financing Transition Sub Track review team: 7 shortlisted for intro calls; further 7 retained on the long list for potential future review;
- Of the 7 shortlisted proposals, 5 are considered to best meet the criteria of the Call to Action and focus on developing countries, reflecting various asset classes and sectors as well as different state of structuring / fundraising:

	EverSource Green Growth Equity Fund	BlackRock Climate Finance Partnership Fund	AllianzGI Allianz Climate Resiliency EMs Debt Vehicle	Finance in Motion Net Zero Pathways Fund	SunFunder Gigaton Fund
Overview of Strategy	<ul style="list-style-type: none"> • PE strategy focused on financing climate mitigation projects in India (energy, e-mobility, waste/water). • Focus on greenfield. • c. USD 750m, of which c. USD 340m offshore sleeve funded from intl. institutional investors 	<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"> • PD strategy focused on senior lending to climate mitigation and resilience projects / corporates in EMs. Deals originated by a network of MDBs / DFIs and syndicated to the vehicle. • USD 1bn, with Allianz as anchor investor in senior tranche 	<ul style="list-style-type: none"> • PD strategy focused on senior lending to climate change mitigation projects in EMs (primarily LatAm and Asia) indirectly (via financial institutions) and directly (corporates, projects and forestry companies). • USD 500m+ 	<ul style="list-style-type: none"> • PD strategy focused on lending to off-grid clean energy solutions (incl. C&I), smart food systems and nature-based solutions in Asia and Africa. • USD 350m+
Structure	<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 8%). 	<ul style="list-style-type: none"> • Fund structured with junior (USD 100m) and senior equity tranches (USD 400m). • Adjusted PE waterfall with priority returns to senior investors until a preferred hurdle is met (USD 5%). 	<ul style="list-style-type: none"> • Fund structured with a junior and senior tranche. • Private investors participate in senior tranche and achieve investment grade rating for their investments thanks to first loss piece of 15-20% of the fund size. 	<ul style="list-style-type: none"> • TBD – likely two capital layers with junior capital or guarantees and senior tranche. • Junior tranche provides credit protection to and enhances the risk-return profile of the senior shares. 	<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.
Status	<ul style="list-style-type: none"> • Fully structured. Fundraising completed. 	<ul style="list-style-type: none"> • Fully structured. Fundraising. 	<ul style="list-style-type: none"> • Structuring. Fundraising for first loss. 	<ul style="list-style-type: none"> • Structuring. Fundraising for first loss. 	<ul style="list-style-type: none"> • Manager wants to collaborate with investors in structuring the vehicle & raising first loss.

BLENDED FINANCE VEHICLE – NEXT STEPS

- Intended first round of publication of the 5 prioritized blended finance vehicles on the Alliance's website not possible due to various reasons.
- **Instead: 1.5 hours workshop with all interested Alliance members planned for end of September**, in which asset managers present the respective 5 blended finance vehicles and answer related questions (15 min. sessions each).
 - Invite to the workshop will be circulated four weeks in advance.
 - Overview of prioritized vehicles and pitchbooks/AM's presentations will be circulated two weeks in advance.

OPEN LETTER / POSITION “SCALING BLENDED FINANCE”

- **Draft attached to the invite “How to Scale Blended Finance”**
 - **Your feedback in track change mode please by Tuesday 27th of July**
- Time lines and next steps
 - Feedback by FinTrack members and Track Leads by 27th of July
 - Share with PRI, UNEP FI, Reps 29th of July
 - Share with COP26 team, GISD and Convergence
- Beginning of September – finalize consultation questions
- Plan: to New York Climate Week (20.-26. September) introduce with public consultation

INFORMATION SHARING - HOUSEKEEPING

- We propose to skip the next call 18th of August due to holiday season
- **New file sharing tool:** <https://www.unepfi.org/alliance-extranet/> new password:
AOAprivate
 - Strictly confidential – only for Alliance members
 - Only download possible, no uploading

APPENDIX

ANNEX: FINANCING TRANSITION – TARGET SETTING, FIRST VERSION

Targets

- Report on progress on a climate-positive trend (without a specific quantitative progress target)
- Number of contributions to activities enlarging the universe and building solutions eg. dialogues with DFIs building, conducting round tables increasing the supply side of low carbon investments

Level of Target Setting

- On AOA level for external publication
- Internal yearly AOs individual reporting for information, tracking and consolidation

Reporting on progress ...*

- Assets under Management
- Avoided Emissions from ownership of renewable infrastructure (optional)
- Portfolio revenue share in green/brown activities, Report on OECD and non OECD countries

* details to be discussed