UN-convened Net-Zero Asset Owner Alliance
Renewed Call to Action to Asset Managers for Climate-focused Blended Finance Vehicles

The UN-convened Net-Zero Asset Owner Alliance (the Alliance) is a member-led initiative that is convened by the PRI and UNEP FI. The 71 members of the Alliance have committed to:

i. 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. establishing intermediate targets every five years (early-joiners have already set their intermediate targets for 2025), and

iii. reporting on progress annually.

One of the Alliance’s key working areas is financing the transition of the real economy – focused on scaling-up investments in climate solutions and technologies in OECD and non-OECD economies. The Alliance holds the conviction that blended finance is one of the most efficient instruments to de-risk investments in climate solutions and in market segments that do not yet have the appropriate risk-return profile to attract large-scale institutional capital.

The Call to Action – Context and Purpose

Alliance members call on asset managers to join forces in driving the design of scalable blended finance vehicles for investments in climate solutions, so that necessary capital could flow to those companies and projects that are contributing to the net-zero transition. Investments in social impact would also fall within the scope of this Call, although the main focus remains on climate solutions. By engaging with this work, asset managers help create a path towards achieving the UN Sustainable Development Goals (SDGs), while meeting the net-zero asset owners’ needs and priorities – in line with their fiduciary duty.

This Call to Action has been developed in the context of the need for capacity building and knowledge sharing, which was raised in the Scaling Blended Finance Discussion paper, published in November 2021.
The response to the first iteration of this Call – launched in February 2021 – has been very positive: the Alliance has received 20 submissions so far, five of which were shortlisted and presented to Alliance members in September 2021. Since the initial Call to Action was well received by both the Alliance members and the asset managers – who appreciated having a platform to present their products – the Alliance decided to renew this Call to Action.

Taking its pursuit of blended finance further, the Alliance also established a collaboration partnership with Convergence in November 2021. Through this collaboration, Alliance members have access to Convergence’s online deal and investor matchmaking platform as well as further offerings tailored to improve their knowledge of blended finance. Within this partnership, the Alliance would happily connect asset managers to Convergence, thereby providing access to Convergence’s broad global network, comprised of public agencies and philanthropic foundations, among others.

This Call to Action is ongoing until further notice; therefore, we encourage asset managers to keep submitting their blended finance vehicles.

Process

- Asset managers submit their blended finance structures via the Microsoft Forms link below.
- Alliance members undertake an initial review of the submission and respond to the asset managers.
- An introductory call is scheduled for those vehicles that best meet the requirements as stated below under “Vehicle Requirements”.
- After this initial presentation in the call, Alliance members decide whether the asset manager will be invited to present and promote their fund vehicle to the Alliance membership.

Disclaimer: The selection for presentation should not be interpreted as an endorsement by the Alliance nor as a commitment to contribution by any Alliance member. In case of interest in a particular vehicle, Alliance members will undertake individual assessments, as per their own processes and requirements.
Request Details

- Alliance members want to drastically ramp-up investments in climate mitigation/adaptation projects and business models globally, in both OECD and non-OECD markets.

- Due to the high perceived risk associated with certain types of investments (not limited to emerging markets as investments into climate mitigation-related technologies often fall into this category), investors require de-risking instruments to be able to invest in such markets.

- Blended finance has been identified as an effective way to generate risk-return profiles that meet institutional investors’ expectations. Alliance members are looking for blended finance investment vehicles and instruments that would facilitate the net-zero economy transition at scale. These vehicles should be open to other non-Alliance investors.

- Alliance members are also willing to help refine the strategy of well-designed vehicles that meet the below criteria, to ensure that they fit institutional investors’ criteria.

Vehicle Requirements

All vehicles must:

- focus on climate solution investments,
- invest in business models that are financially viable and sustainable,
- have a strong risk (downside) mitigation mechanism for private investors,
- be suitable for large institutional investors in their set up,
- be managed and executed by experienced and established fund managers,
- not hamper other SDG goals and/or follow high ESG standards.
Further Criteria:

- **Scale**: Vehicles should be at least US$300 - 500 million.

- **Manager profile**: Experienced fund manager, with an established set-up with regards to processes, governance, and risk management; a track-record in the relevant market; experience in setting up blended finance vehicles; a 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 emission reduction from: energy generation and access, buildings, cities, industries, forest, land use and transport (for example, via new technologies).

- **Portfolio diversification**: Underlying portfolios should be diversified across a high number of projects/businesses etc.

- **Market**: Public or private (alternative) market vehicles, transparency on asset classes, direct or fund of funds.

- **First loss structure/mechanism**: All types of de-risking mechanisms, for example: guarantees, junior equity, and junior debt.

- **Vehicle status**: Fully structured vehicles with donor/first loss capital already secured or concept-stage vehicles.

- **Reporting on impact**: For example – avoided emissions, carbon removal, climate solution technologies, and other.

- **Key terms**: Financial KPIs, management fee terms, climate and ESG KPIs (for example, absolute emissions), and other.

**Asset Manager Survey**

Available via an online form [here](#). If you cannot access this link, please contact the Alliance Secretariat: [aoasecretariat@unpri.org](mailto:aoasecretariat@unpri.org).