

NET-ZERO ASSET OWNER ALLIANCE

Financing Transition – All Members Call

April 28th 2022



Agenda

1. Status Update Financing Transition Track
2. Emerging Markets Finance the Transition Working Group - Update
3. Survey Results – Next Steps
4. New Set-up of Working Groups and Consultation Groups
5. Webinar Calendar

1. Financing Transition Track - Update

AO Lead
Co-leads: Johanna Koeb (Zuerich), nn

**SUB-TRACKS /
Projects**

Secretariat manager
Elke Pfeiffer (PRI)

Blended Finance – Call to Action

Main contact: Eva-Maria Zagode (Allianz)

- “Call to Action” - discuss blended finance vehicles with Asset Managers and organize workshops with AOs, Asset Managers presenting the vehicles
- **Collaboration with Convergence**

Emerging Markets Finance the Transition

Main contacts: Donald Kanak, Liza Jansen; (Prudential)

- Connect to other initiatives and institutions to discuss challenges around EM Green Bonds and EM investments in general – discuss / communicate possible solutions
- Discuss transition challenges for EM companies
- Responsible Retirement (of coal)

Instruments / Vehicles

Main contact:

- Evaluate possible collaborations (eg. industry, governments, Asset Managers)
- Evaluating instruments (carbon removal instrument, green bonds, carbon markets...)

Anthropocene Fixed Income Institute Collaboration (to be approved)

Climate Benchmarks

Main contacts: Sindhu Krishna (Phoenix), David Thompson (Zuerich)

- Compare Transition Climate Indices – equity and fixed income
- Discuss EU Climate Benchmark methodology
- Possibly engage with EU Commission

Target Setting and Reporting

Main contact: nn

- *Implement together with Arabesque the **Climate Solution Investment Platform** providing transparency on climate solution investment opportunities*
- Discuss guidance for financing targets and decarbonization impact KPIs
- Continue developing principle based Climate Solution Reporting and Alliance Financing Transition target setting
- Understand, align to and engage with existing metrics and principles eg. EU Taxonomy, Green Bond Principles

Separate project

Emerging Markets

1. Net-Zero in Emerging Markets and Developing Countries

NZAOA Objective: Financing Transition in EM&DCs – Drive systemic change

1. Asset manager engagement – knowledge building:

- Renewed - **Call to Action to Asset Managers for Climate-focused Blended Finance Vehicles**, published 22nd March 2022 - in the context of the NZAOA “Scaling Blended Finance Discussion Paper” published 11/2022
- Activity: Asset Managers submit blended finance vehicles and **present to NZAOA members** (30.9.2022, **next round 24.5.2022**)
- Rationale: scaling blended finance, raising awareness, knowledge sharing and building

2. Targeted policy engagement example: G7 Representatives Workshop and Event on Scaling Blended Finance:

- Context: G7 “Investment in a better future” promoting sustainable infrastructure supporting developing countries
- 1. Workshop planned beginning of June, Berlin, inviting stakeholders to discuss with NZAOA:
 - i) obstacles and potential solutions to overcome the barriers for scaling of blended finance
 - ii) align on a concerted stream of next steps to work on prioritized solutions – “task force”
- 2. High-level public NZAOA event.
- Rationale: drive systemic change and enrich the ongoing political discussion on mobilising finance with NZAOA's perspective

1. Net-Zero in Emerging Markets and Developing Countries

NZAOA Objective: Financing Transition in EM&DCs – Drive systemic change

3. Targeted engagement of Emerging Markets and Developing Countries on net zero:

- Together with the WEF – Sustainable Development Investment Partnership (SDIP) and the EU-ASEAN Business Council (name for this project: **Emerging Markets Transition Investment Project (EMTIP)**) Series of webinars and workshops with participants from ASEAN, India and Africa planned to
 - i) raise awareness of Net Zero in EM&DC countries from an asset owner perspective
 - ii) discuss obstacles and potential solutions with EM&DC
 - iii) discuss challenges for EM investors and companies in EM&DC
- Rationale: raise awareness, exchange on obstacles, drive systemic change, summarize outcome plus additional analysis in a white paper

2. Update Emerging Market Finance the Transition

Working Group Leads: Don Kanak & Liza Jansen (Prudential)

Working collaboratively with SDIP and EU ASEAN Business Council. **Aim: Conduct webinars on bridging emerging market and developed market perspectives on net zero and transition investment**

- Webinar held on 11 April, focusing on ASEAN (details and recording on next slide)
- Two more webinars are planned in 2022, focusing on Africa & India. [Do you have suggestions for expert speakers?](#)

In addition various roundtables are planned

- Focus of first roundtable: **Green/transition/sustainability-linked bonds in emerging markets.**
Planned 10 June 4-5.30pm
[Do you have suggestions for expert participants with emerging market investing experience to join?](#)
- Topics of future roundtables in 2022: Challenges for investors in EM investment / Good engagement from EM perspective / Transition challenges for high-emitting industries operating in EM

Funding from NZAOA for **technical consultant to write-up insights** and circulate among stakeholders

2. Update Emerging Market Finance the Transition

Webinar on “Financing of Net Zero Transition in Emerging Markets”

The graphic features a background of solar panels and wind turbines. At the top left, logos for EU-ASEAN, UN-convened Net-Zero Asset Owner Alliance, and SDIP are displayed. The main title 'The Financing of Net Zero Transition in Emerging Markets' is prominently shown in white text, with the date and time 'April 11, 2022, 4pm (SGT)' below it. The event is organized by the EU-ASEAN Business Council. The graphic lists the following participants:

- Opening Remarks:** Donald Kanak, Chairman of EU-ASEAN Business Council, Chairman of Prudential Insurance Growth Markets.
- Keynote Speech:** H.E. Dr. Aun Ponnorniroth, Deputy Prime Minister & Minister for Finance & Economy, Cambodia.
- Moderator:** Sean Kidney, CEO, Climate Bonds Initiative.
- Speakers:**
 - Wempi Saputra, Assistant Minister of Macroeconomy and International Finance of Indonesia.
 - Ritu Arora, CEO and CIO of Asia, Allianz IM.
 - Reynaldi Hermansjah, CEO, Indonesia Infrastructure Finance.
 - Ramesh Subramaniam, Director-General, South-East Asia Department, Asian Development Bank.
 - Daniel Purba, SVP Investment & Strategy, PT Pertamina.

Supporting Partners: eurocham INDONESIA, EUROCHAM MALAYSIA, and eccp.

Recording available here: <https://youtu.be/zqsjnl06wI4>

Update on Energy Transition Mechanism

ETM was featured in [Indonesia S20's webinar on "Just energy transition"](#) on 17 March 2022. Speakers of the webinar included:

- Hon. Joko Widodo, President, Republic of Indonesia; Chair of G20
- Mr. Masatsugu Asakawa, President of the Asian Development Bank. Remarks start at 14:41, mentions ETM at 17:48 as an example of innovative finance and a way for ADB to mobilise substantial resources to provide a just and inclusive transition
- Hon. Sri Mulyani Indrawati, Minister of Finance, Republic of Indonesia. Remarks start at 48:55, mentions designing an ETM at 52:07
- Hon. Arifin Tasrif, Minister of Energy and Mineral Resources, Republic of Indonesia
- And others.

The European Banking Authority's recently recommended allowing securitisation that is not backed by a portfolio of green assets to meet the EU Green Bond Standard requirements, provided that the originator commits to using all the proceeds from the green bond to generate new green assets. This could be a positive development for ETM and EMTIP.

Amendment on the last paragraph

3. Overview of the FinTrack Survey 2022

- 30 questions
- 4 weeks+ run time
- 9 participants

3. Survey results

General part on the Financing Transition Track

What is your main motivation? What added value do you expect?

- **Helps our organization to set targets** on Financing Transition
- **Unlock the pipeline of transition finance** investment opportunities
- **Exchanging thoughts** with respect to **new (direct) climate impact investment solutions** in established developed as well as emerging markets.
- To bring the **EM perspectives** to the discussion
- Information about **what we could do in the future**
- We have a **focus on climate solutions** to manage the transmission of climate risk to our investments over the long term.
- **Finding interesting transactions** that have a large impact and that resonate with our corporate objectives

What are the most relevant topics in the Financing Transition context for your organization?

- Transition, EU Taxonomy and reporting
- Learning about **blended finance**, countering perceived risks, finding ways to mitigate real risks.
- **Cancelling CO2 emissions from “traditional” investments**
- **Emerging markets**

3. Survey results

General part on the Financing Transition Track

What additional topics would you recommend to cover? Would you be ready to engage yourself in these topics and drive the discussion in the FinTrack?

- **Carbon markets subtrack**
- Following on our position paper on "The Net in Net Zero", **advancing carbon removals** - including high quality standards for carbon markets.
- **Measuring impact bottom up (project by project)** and relate that to the top down required level -> urgency becomes clearer and focus on ultra high impact projects.

What are the biggest barriers for you and your colleagues to participate and contribute more actively to the FinTrack working groups?

- The tasks take too much time
- Resource constraints and prioritisation
- Content is not urgent;
- Not enough resources to join multiple subtracks of the Alliance ;
- I don't receive enough time from my employer;
- Time constraints. (But I don't think that the tasks take too much time. I'm just busy);
- **All of the above but with the right content the time issue can be resolved.**

3. Survey results

Climate KPIs

How important are climate-related Impact KPIs for your organization?

- Very important: 3 / Important: 2 / Moderately important: 3 / Slightly important 1 / Not important: 0

Should work on climate-related Impact KPIs (such as identifying and recommending KPIs most often used, streamlining calculation methodologies, providing guidance, etc.) be a focus topic for the NZAOA?

- Yes: 6

If yes, why?

- We would like to know what kind of KPIs are used in the other companies.
- **Impact measurement will grow in importance** and convergence of standards would be good, even though not urgent to us right now
- Decarbonization in the real economy -- impact -- must be our focus.
- Without the **right KPI** any attempt is like driving in the dark
- To nuance the latter point, a KPI is never a goal in itself but is the **starting point for a discussion**

Does your company have a policy and/or strategy to increase its exposure to companies with green revenues?

- Yes: 6 / No: 1

3. Survey results

Blended Finance

Are the conversations in the Alliance useful for you and your organization (e.g. the collaboration and workshops with Convergence)?

- Yes: 7 / No: 1

What guidance can you give the FinTrack on how to further enhance the value of the discussions in this context?

- **Vehicle project and working group describing the instrument and helping to break down barriers are a very useful** manner to learn about the opportunity - and build the in-house business case
- **Sharing the know-how, best practice, and case study of the blended finance is helpful as we have not enough experience yet.**

In case you are not using Blended Finance yet, what guidance would help to start your Blended Finance journey?

- **Examples of peers** on how they got started. A Q&A on typical institutional investor internal barriers and how to respond to them
- As number of projects of blended finance is limited, it is **helpful for investors to introduce the platforms to find the projects, e.g. convergence**
- Could be **case studies from other investors** that would educate our investment committee. Along with a menu of options to consider.
- **Guidance on main bottlenecks** (shortage of Return, too much Risk in unknown countries, Reputation)

4. Structure and roles in the Financing Transition Track

Definitions

Working Groups

Working Group lead

Working Group colleague

Groups consisting of members to tackle work on a project-level

Contact person and leads the group on organizational and content level, gets supported by the secretariat if needed

Meet regularly and draft content with peers

Consultation Groups

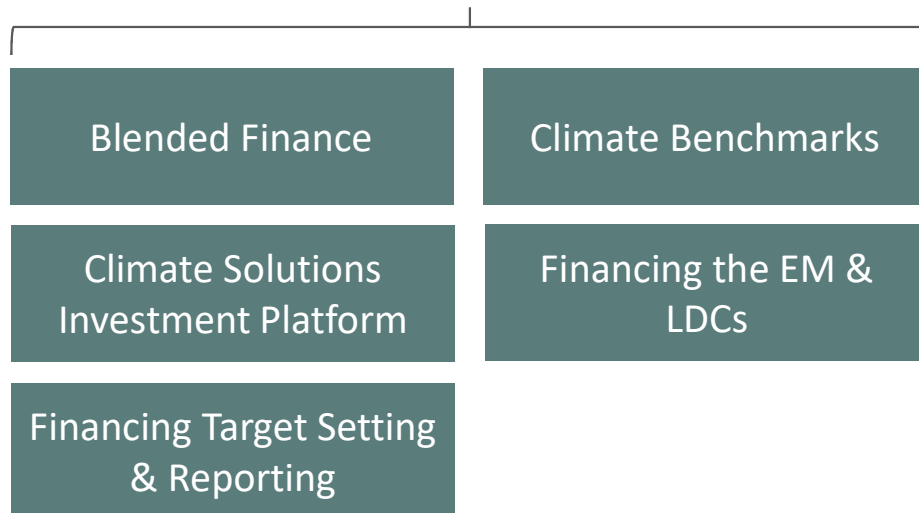
Consultation Group colleague

Groups consisting of members to review topic-relevant information on an ad-hoc basis

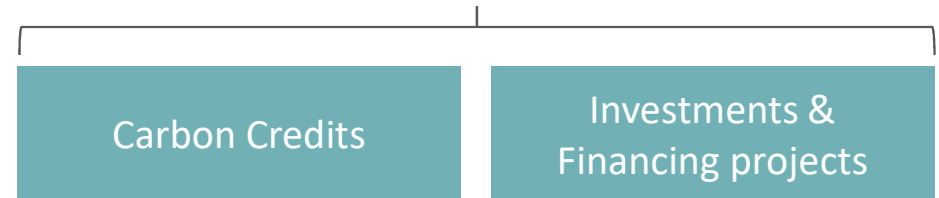
Will be contacted ad-hoc to review topic-relevant information

Structure

WORKING GROUPS



CONSULTATION GROUPS



4. FinTrack Working Groups

Active

Blended Finance –
Eva Zagode (Allianz)

- Call to Action
- Collaboration with Convergence
- G7 workshop preparation

On hold

Climate Benchmarks –
David Thompson (Zurich) &
Sindhu Krishna (Phoenix)

- Methodology, assessment of equity and fixed income
- Connection to EU Commission

On hold

Climate Solutions Investment
Platform – Lead tba

- Create platform for climate solutions with Arabesque

Active

Financing the EM & LDCs –
Liza Jansen & Don Kanak
(Prudential)

- Connect with initiatives
- Identify challenges & elaborate possible solutions
- Responsible retirement of coal

On hold

Financing Target Setting &
Reporting -
nn

- Climate Impact KPIs
- EU Taxonomy
- Green Bond Principles
- Climate solution reporting

4. FinTrack Consultation Groups

Kick-off tba

Carbon Credits

- Challenges
- Approach
- Classification

Kick-off tba

Investments & Financing projects

- CEO Alliance
- Carbon Direct
- Potential collaboration with Anthropocene

5. Express of interest

Questions

1. What is your name? *

2. What is your mail address? *

3. What topics are you interested in?

Blended Finance

Climate Benchmarks

Climate Solutions Investment Platform

In the Forms below you can express your interest to participate in the following Working Groups and Consultation Groups:

<https://forms.office.com/r/Hm8zYA678u>

- **Please also fill it out, if you are already in a Working Group or Consultation Group, as we are establishing a database with up-to-date information.**

We will reach out to you soon after your inputs. Please forward to colleagues that possibly could be interested in these topics as well. In case of questions, you can reach out to eliya.devay@un.org.

6. FinTrack Webinar calendar

Date	Time	Topic	Status
4/5/2022	5pm CET	PRI - Net-Zero investor targets & sector pathways: One Earth Climate Model	Register directly here
10/5/2022	4pm CET	Untangling carbon markets: How carbon allowances differ from offsets	Invite sent 12/04
24/05/22	1pm CET	Blended Finance: Call to Action - 3 Asset Managers present their vehicles	Invite sent 08/04
30/05/22	3pm CET	EU Climate Benchmarks with Andreas Hoepner	Invite sent 11/04
13/06/22	4pm CET	Carbon Dioxide Removals with Carbon Direct	tbd

APPENDIX

Information sharing

- **New file sharing tool:** <https://www.unepfi.org/climate-change/united-nations-convened-net-zero-asset-owner-alliance/alliance-extranet/>
- Password: AOAprivate
 - Strictly confidential – only for Alliance members
 - Only download possible, no uploading