

# NET-ZERO ASSET OWNER ALLIANCE

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Financing Transition – All Members Call

October 19<sup>th</sup> 2022



# Agenda

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1. ***For discussion*** – Track Focus Topics 2023
2. ***For discussion*** – Climate Solution Reporting in line with TSPv3 Climate Solution Investment definition
3. ***Follow-up*** – Anthropocene Fixed Income Institute “Fixed Income Optimisation for Net zero Alignment”
4. ***For your participation*** – NZAOA Side event PRI at in Person
5. ***For information*** – Climate Benchmark Discussion Paper, next steps
6. ***For discussion*** – Blended Finance Work – next steps?
7. ***For information*** – Emerging Markets Transition Investment Project – Update
8. ***For information*** – “A3 – Pronged Approach to Low Carbon” on compliance carbon markets by Sparkchange
9. **FinTrack Webinar Calendar**

# Financing Transition Track – Focus Topics 2023

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## Continue with the existing working groups?

### Proposals:

- **Continue with Blended Finance Working Group**
  - Action plan to reform DFIs/MDBs (supporting Convergence)
  - Discussing financing project pipelines
  - Continue Call to Action, value add for AOs (?)
- **Continue EMTI** – webinars workshops, raising awareness, knowledge sharing, etc.
  - Work on regions not covered yet
- **Continue Climate Benchmark Working Group**
  - Engage with index providers
- **Continue with Climate Solutions Investment Platform** – as planned

### *New - proposals:*

- **Adaptation Finance**
- **Finance the Transition** (together with MRV Track)
  - **meeting decarbonization targets**
  - **Responsible phase-out of fossil fuels/high emitting assets**



# Climate Solutions Reporting

## Definition of “climate solution investments”

To enable consistency across the Alliance membership, a definition for “climate solution investments” has been established taking into account publicly available information:

Climate solution investments are investments in economic activities considered to contribute to climate change mitigation (including transition enabling) and adaptation, in alignment with existing climate related sustainability taxonomies and other climate related frameworks.<sup>1</sup>

## Changes discussed to the reporting

- It has been discussed to **remove transition investment from the reporting sheet** – rationale: over time, all AuM is or should be invested in transitioning investments (i.e. investments should be in constituents that are on track or have the target to transition to net zero).
- **Transition enabling finance introduced as “thereof” and optional**, since it does not yet have an accepted definition.
- **Adaptation finance as “thereof” and optional** – currently there are few financial instruments that encompass adaptation finance.
- Included a **“thereof non-OECD investments”** for optional disclosure of climate solutions in emerging markets and developing countries.

<sup>1</sup> The Alliance will provide respective guidance for its members via a separate internal document.

<sup>2</sup> Changes (in red) incorporated to the reporting were discussed in the NZAOA FinTrack Reporting and Target Setting Working group on October 11<sup>th</sup> 2022.

<sup>3</sup> This table is a partial representation of the 2023 Target Setting sheet, tab *Climate Solution \_ Fin Tran*.

## Financing Transition - Climate Solution Investments Report<sup>2,3</sup>

Reporting currency is million USD			
AUM is in Mn USD	\$ million		
Timestamp for AUM data:			
	Asset Class		
Climate solutions Theme	Corporate Bonds <sup>1</sup>	Listed Equity <sup>1</sup>	Real estate (direct)
<b>Total provided in Tab 1</b>	<b>0</b>	<b>0</b>	<b>0</b>
<a href="#">Energy</a>			
<a href="#">Pollution, Waste &amp; Water</a>			
<a href="#">Sustainable Land &amp; Marine</a>			
<a href="#">Transportation</a>			
<a href="#">Manufacturing &amp; Industry</a>			
<a href="#">Buildings</a>			
<a href="#">Manufacturing &amp; Industry</a>			
<a href="#">Buildings</a>			
<a href="#">ICT</a>			
<b>In case a sector split is not possible please add the total per asset class</b>			
Certified "Green" Investments / incl. climate resilient bonds (pls. explain in line 33)			
<b>Transition Investments (bonds, infrastructure) (pls. explain in line 45)</b>			
<b>Total</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>
<b>Thereof transition enabling investments</b>			
<b>Thereof adaptation finance</b>	Colour code: green – optional to fill		
<b>Thereof non-OECD investments</b>			

# Anthropocene Fixed Income Institute

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## Fixed Income Optimisation for Net zero Alignment

Presentation to the NZAOA 27 September 2022  
Anthropocene Fixed Income Institute

Presentation 27<sup>th</sup> of September  
Please find recording and presentation [here](#)

Get in touch with Justine Leigh Bell [justine@anthropocenefii.org](mailto:justine@anthropocenefii.org), Anthropocene Fixed Income Institute, for  
Fixed Income Optimisation for Net Zero Alignment **of your Investment Portfolio**

# NZAOA Side Event at PRI in Person



## [Link and registration](#)

### **Net-Zero Asset Owner Alliance side event planned 29.11. 4-6pm CET, followed by a dinner.**

- Side event, 4-6pm CEST, planned as track break-out sessions.
- Dinner – get together
- We are sending an official invite with a registration link asap.

# Call to Action for Asset Owners to use **net-zero aligned** Benchmark and call for development with Index Providers

## Ten Key Principles



1. **Transparency** in methodology and design
2. **Starting point of decarbonization “today”** – avoiding de facto base-line exclusions of hard-to abate sectors
3. **Reduce emissions in line with a 1.5C trajectory** taking into account companies with credible transition plans
4. **No mechanical exclusion of high-emitting sectors (except coal)** – rather tilt the weights in favour of the decarbonization leaders
5. **Key metrics to be comparable to the parent index**, tracking should be practical
6. **Different speed of decarbonization** for different sectors and geographies
7. **Forward looking indicators** are a key input in the decarbonization process
8. Benchmark universes need to **report on climate KPIs**
9. Engage with data providers directly and indirectly to get **complete and accurate data**
10. The benchmark universes should **incorporate metrics for the just transition**



# Call to Action for Asset Owners to use **net-zero aligned** Benchmark and call for development with Index Providers

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## **Next steps & timeline**

- Feedback from Track Leads by 21<sup>st</sup> of October
- Approval by Reps 3<sup>rd</sup> of November
- Editing and designing (week 7<sup>th</sup> of November)
- Publication 21-22<sup>nd</sup> of November

# Scaling Blended Finance – Workshop & Statement



These organisations, initiatives and individuals support the Net-Zero Asset Owner Alliance's key asks to policymakers to create systemic change in the field of climate financing with the goal of accelerating climate action in emerging markets and developing economies. The Alliance appreciates their invaluable support.



Mark Carney

UN Special Envoy for Climate Action and Finance and Co-Chair of GFANZ

Nigel Topping

UN High-Level Climate Action Champion COP26

Huge THANK YOU to everyone who contributed

## Call on Policymakers to Support Scaling Blended Finance

[Link](#)

- Financial Times Sustainable Views: [Blended finance: has its time come?](#)
- ESG Investor: [COP27: Adaptation on the Agenda](#)
- BusinessGreen: [NZAOA: Policymakers urged to boost blended finance to achieve Paris Agreement goal](#)
- Environmental Finance: [NZAOA urges policymakers to tackle 'major deterrence' to EM climate investment](#)
- edie: [Investors call on policymakers to derisk finance support for Paris Agreement and SDGs](#)
- GlobalCapital: [Net Zero Asset Owners call for derisked EM climate investments](#)
- Responsible Investor: [ESG round-up](#)
- ESG Investor: [Take Five: A bolder blend](#)
- Regulation Asia: [NZAOA Issues Call to Action on Blended Finance](#)

[Link](#)

# Scaling Blended Finance – Next Steps?

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Continue to drive the agenda and contribute to knowledge sharing among AOs

- **“Call on Policymakers to support scaling blended finance”** 28<sup>th</sup> of September accompanied by an op-ed
- **High-level event, 5<sup>th</sup> October, 4-6pm CEST** “Unlocking the Potential of Blended Finance for Climate Solution Investment in Emerging Markets”
- Continue **Call to Action to Asset Managers** to collaborate in driving the development of blended finance vehicles at scale and to enable knowledge sharing as selected vehicles are presented to Alliance members ?
- Continue **partnership with Convergence** in realizing recommendations to drive systemic change as well as facilitating knowledge sharing
- **Collaborating** with GFANZ, other investor groups and policymakers
- **Engaging and facilitating webinars** with foundations, DFIs and MDBs, and other organizations to advance the scaling of blended finance through knowledge sharing and close collaboration

# NZAOA High-Level event on Blended Finance – 5<sup>th</sup> of October

Support spreading the information on this event – [recording](#)



The banner features a teal background with a grid pattern and a cityscape silhouette. Logos for UN Environment Programme Finance Initiative, PRI, and Investment Leadership Programme are at the top. The event title, date, and main theme are prominently displayed in white text. Three speaker portraits are shown at the bottom.

**UN** environment programme | finance initiative

**PRI** Principles for Responsible Investment

Investment Leadership Programme

**UN-convened Net-Zero Asset Owner Alliance Event**

5 October 2022 | 16:00 CEST | Virtual

**Unlocking the potential of blended finance for climate solution investment in emerging markets**

 **Selwin Hart**  
UN

 **Jörg Kukies**  
G7 & German  
Chancellery

 **Günther Thallinger**  
Allianz & NZAOA

# Emerging Market Transition Investment

## Past events

### Emerging Markets Transition Investment (EMTI) Engagement Roundtable

2<sup>nd</sup> EMTI engagement roundtable: 09:00-10.30 BST, 13 October 2022 (*closed event*)

#### Breakout sessions

##### a) Sharing of best practices between asset owners and asset managers:

- i. *We see that most engagements use developed markets approaches which do not always work as well in developing markets context. What are the best-practices you've seen for nuancing engagements in developing markets to better fit local context? How can we best encourage the adoption of these best-practices more?*
- ii. *What is reasonable/practical for us to ask from emerging markets relating to the transition? Can those be translated in certain principles?*
- iii. *On which topics should the engagement be focused? Does engagement on disclosure have real-world impact?*
- iv. *What are the outcomes asset owners want to see for engagement with state-owned enterprises (SOEs)? Should we have a different engagement approach for SOEs?*

##### b) Regulatory dimension on engagement:

- i. *Should stewardship codes highlight the differences between developed and emerging markets? What should these key differences be?*
- ii. *What is the role of policy engagement? Can asset managers/asset owners engage with regulators/policy makers in emerging markets?*

##### c) Collaborative engagement:

- i. *Are there ways to get more domestic allies for engagement in the emerging markets?*
- ii. *Is there enough presence of local investors in global collaborative initiatives?*
- iii. *Are there better/other mechanisms for collaborative engagement? For example, working with NGOs, creating alignment with other shareholders, better collaboration domestic and international shareholders.*

## Future events

### Webinar: Financing the Net Zero Transition in Emerging Markets – Africa Region

Webinar Africa region: 09:00-11:00 BST + WAT, 27 October 2022

This webinar will address the following questions:

[Register here](#)

- *Can emerging markets achieve net zero without sacrificing economic progress?*
- *What do African countries need from the international community to support the transition?*
- *What barriers exist to financing green projects in Africa and how can they be made more attractive for the investment community?*
- *What is the role of the private sector, and how are they transforming their business processes and operations to ensure they do not contribute to the worsening climate change?*
- *How can we incentivize the uptake of renewable energy sources across Africa?*
- *What is the role of gas in Africa's future energy mix?*

#### Keynote speaker

**Samaila Zubairu**  
CEO, Africa Finance Corporation

#### James Mwangi

CEO, Founder, Climate Action Platform for Africa & Executive Director, Dalberg Group

#### Mohan Vivekanandan

Group Executive: Origination & Coverage, Development Bank of Southern Africa & Chair, SDIP Africa Hub

#### Senior representative

Ecobank (invited)

#### Nazmeera Moola

Chief Sustainability Officer, Ninety-One (invited)

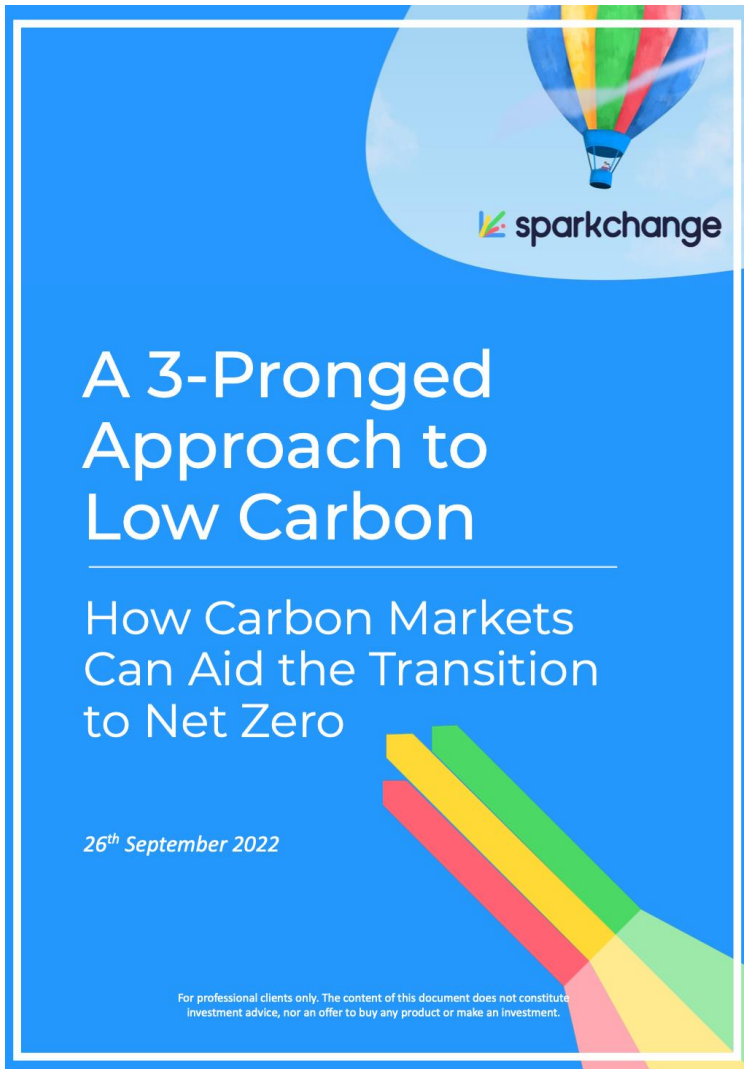
#### Rob Sherwin

VP Corporate Relations - Europe & Sub-Saharan Africa, Shell



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OF THE WORLD

# Compliance Carbon Markets



## Whitepaper on compliance carbon markets by Sparkchange: [A 3-Pronged Approach to Low Carbon](#)

### Information and key messages from Sparkchange:

- Comparison of Compliance and Voluntary Carbon Markets
- Returns, volatility and correlations
- Carbon allowances, which are issued within Compliance carbon markets, are designed to reduce emissions via the help of market forces.
- Often erroneously labelled as carbon credits, carbon allowances create a “climate divided” by creating annual emission reductions. Thus, unlike offsets, they do not have to be retired to create environmental impact, making them an investment instead of a cost.
- Allowances can also be used to hedge the carbon price exposure inherent within today’s portfolios.

# FinTrack Webinar calendar

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Date	Time	Topic	Status
27/09/2022	4pm CET	Anthropocene Fixed Income Institute: Portfolio decarbonization framework	Recording available <a href="#">here</a>
05/10/2022	4pm CET	Scaling blended finance for climate solution investment in emerging markets	Recording available <a href="#">here</a>
16/11/22	5pm CET	Climate Solutions Platform: Mockup presentation (in the FinTrack all members call)	Invite in your calendar
29/11/22	4pm CET	PRI in Person: FinTrack meeting – outcomes and strategic priorities 2023	Details tba

# FinTrack Webinar calendar - recordings

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Date	Time	Topic	Status
4/5/2022	5pm CET	PRI - Net-Zero investor targets & sector pathways: One Earth Climate Model	Recording available <a href="#">here</a>
10/5/2022	4pm CET	Untangling carbon markets: How carbon allowances differ from offsets	Recording available <a href="#">here</a>
24/05/22	1pm CET	Blended Finance: Call to Action - 3 Asset Managers present their vehicles	Recording available <a href="#">here</a>
30/05/22	3pm CET	EU Climate Benchmarks with Andreas Hoepner	Recording available <a href="#">here</a>
13/06/22	4pm CET	Carbon Dioxide Removals with Carbon Direct	Recording available <a href="#">here</a>
21/06/22	4pm CET	Opportunities on the collaboration with Anthropocene Fixed Income Institute	Recording available <a href="#">here</a>



# APPENDIX

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# Information sharing - Extranet

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- **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