

The Portfolio Decarbonization Coalition

Mobilizing financial markets to catalyze economic decarbonization

What?

The Portfolio Decarbonization Coalition (PDC) is a multi-stakeholder initiative that will drive GHG emissions reductions on the ground by mobilizing a critical mass of institutional investors committed to gradually decarbonizing their portfolios. Members of the Coalition share a dual vision and are, therefore, setting themselves two corresponding but interconnected and intermediary targets:

<p>From generating the information... (carbon-footprinting)</p> <p>First, it needs to become common practice for investors to measure and disclose their carbon exposure (or 'footprint'), meaning the carbon intensity of their capital.</p>	<p>...to taking Action (decarbonizing)</p> <p>Second, based on carbon-footprint information, a critical and growing mass of investors world-wide needs to start taking action to reduce the carbon-intensity of their investments and portfolios.</p>
<p>PDC's disclosure target: USD 500bn</p> <p>Between September 2014 and COP21 the PDC will build a community of institutional investors measuring and disclosing the carbon footprint of a total of at least USD 500bn of assets under management (AUM).</p>	<p>PDC's decarbonization target: USD 100bn</p> <p>Between September 2014 and COP21 the 'PDC's' second goal is to assemble a coalition of investors who in aggregate will commit to decarbonizing at least USD 100bn of institutional equity investment.</p>

Why?

The PDC expects that having a critical mass of institutional investors - owners of large segments of the global economy - decarbonize their portfolios will send a strong and unequivocal signal to carbon-intensive companies that carbon-efficiency is now center-stage.

Portfolio decarbonization can be achieved by withdrawing capital from particularly carbon-intensive companies, projects and technologies in each sector and by re-investing that capital into particularly carbon-efficient companies, projects, and technologies of the same sector. When large institutional investors start to re-allocate capital on the basis of companies' GHG emissions it provides a strong incentive for those companies to re-channel their own investments from carbon-intensive to low-carbon activities, assets and technologies.

Who and how?

The PDC has been co-founded by the United Nations Environment Programme and its Finance Initiative (UNEP FI), the fourth national pension fund of Sweden (AP4), Europe's largest asset manager Amundi and CDP, the the international not-for-profit organization providing the only global environmental disclosure system.

With the recognition of the UN Secretary General, Ban Ki-moon, and the support of the Principles for Responsible Investment, the Coalition will, in coming months, recruit and convene as many asset owners and asset managers as possible.

It will, however only convene and advise investors who are fully committed to measuring, disclosing and reducing GHG emissions associated with their portfolios. Consequently, investors who join the Coalition will lessen their carbon exposure with regards to current annual emissions and/or potential emissions from current fossil fuel reserves.

Leading by example

AP4 has already started taking action using a dynamic investment strategy to decarbonize its US equities and emerging markets portfolios in a way that lowers carbon intensity by 50% to 80% without sacrificing financial returns. Based on this promising experience, AP4 is now committing to decarbonize its entire equities portfolio (USD 20 billion) as soon as possible.

At the forefront of climate risk, Amundi has developed solutions to lower the carbon exposure of passively managed portfolios. Amundi has been working with two leading institutional investors, AP4 and FRR, together with MSCI, to develop a family of Low Carbon Indexes. Amundi is now engaging with major institutional investors to lower their carbon exposure.

The PDC will set-up an Operations Unit that will initially be housed at UNEP. It will pursue a number of complementary work-streams in order to achieve delivery of its two intermediary targets:

- The PDC will carry out a communication and outreach campaigns to secure investor commitments on carbon-footprinting and/or portfolio decarbonization.
- The PDC will undertake research and analysis to resolve emerging questions, both procedural /technical as well as fundamental.
- The PDC will provide orientation services to its members and interested institutions on how to fulfill commitments.
- In liaison with UNEP's Inquiry into the Design of a Sustainable Financial System the PDC will engage with governments on eventual financial regulatory components of these concepts for discussion in the lead-up to COP21.

Where

The PDC will encourage, catalyze, and facilitate the decarbonization of portfolios focused on developed countries to the same extent as of portfolios focused on emerging economies and developing countries.

Contact us

You can find the PDC at either of its founding members:

At UNEP/FI: contact - Charles.Anderson@unep.org or Eric.Usher@unep.org

At Amundi: contact - Frederic.Samama@amundi.com or Natacha.Sharp@amundi.com

At AP4: contact - Mats.Andersson@ap4.se

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