Ladies and Gentlemen,

I am here today to share with you a fascinating story about a huge movement related to climate change:

Institutional investors are finally, and in a very serious way, entering the game of action.

They are increasingly tackling climate change-related risks. And on a large scale.

The truth is that this major shift has taken place only recently. I would say over the past 18 months.

Four important developments have contributed to this movement.

First: Investors are increasingly incorporating climate risks into their standard risk management approach.

We know that short-term, markets are not taking carbon-related risks into account.

But as Governor Carney recently noted, there are at least three families of risks: physical, liability and transition risks.

Polluting companies and companies holding fossil-fuel assets are particularly exposed to these risks.
The risk on fossil fuel assets stems from the very simple fact that current reserves far exceed the carbon budget for the planet.

**Motivated by their fiduciary responsibilities, profit maximization and risk minimization, institutional investors are now understanding, analyzing and reducing their exposure to climate risks.**

And this trend is spreading. 120 investors with $10tn of AUM have already signed the Montreal Pledge and are committed to publishing their carbon footprint.

Second force: financial innovation.

There are now some new solutions available.

Low carbon indexes.

They aim to break the so-called “tragedy of the horizon”.

I.e. how can we manage a risk that has an unknown time horizon and most likely exceed what is regarded to be a standard investment horizon?

Low carbon indexes aim to reduce carbon risk in the long run without impacting market returns in the short-term.
They are simple, low cost, straightforward and transparent.

It accelerates the transition towards a low carbon economy.

Now we also have green bonds. They are promoted by leading banks.

Green bonds accelerate the funding of projects dedicated to a low carbon economy.

And as Christine Lagarde recently said, green bonds will “reallocate investment to sectors that support environmentally sustainable growth”.

Third force in place: the sharing of best practices.

The Portfolio Decarbonization Coalition was founded by UNEP-FI, CDP, AP4 and Amundi and launched during the 2014 Climate summit in NYC under the umbrella of the United Nations.

PDC has two goals:

First, to bring together the doers, i.e. actors who are taking concrete action to deal with climate change.

Second, to send a signal to other asset owners that portfolio decarbonization is feasible.
The bar was set very high; a target of $100bn portfolio decarbonization.

And by the end of the COP21, this figure will reach more than $600bn.

With these achievements, the PDC sends four strong messages.

First, to the investor community: to tackle risks associated with climate change is feasible and scalable.

Second, there is a diversity of pathways to action;

Third, the signal from the investor community to society, we are getting serious about acting on climate change.

Four, we are moving from billions to trillions

Let me finish by the last major force at work for the wake-up call among investors,

In China, Brazil, England, Sweden, and France, policy makers are exploring various measures to accelerate the mobilization of asset owners.
France is leading the pack with a new law that asks asset owners to report on their assessment of their exposure to climate change-related risks.

All in all, this means that whether you manage money in Rio de Janeiro, Amsterdam, Abu Dhabi, Kuala Lumpur, Beijing or Sydney, you cannot bury your head in the sand anymore.

It is now part of the new norm for long-term investors to come up with an answer on how to tackle climate change.

And remember, we are only at the beginning of this journey.

A journey through which financial systems can be aligned with sustainable development goals, including the fight against climate change.

Since X-mas is coming up soon I have two wishes to make on behalf of my kids’ and grandkids:

First, deliver a meaningful agreement.

Second, put a fair price on carbon.

To conclude, the financial sector is ready and is already taking action.
And remember billions mobilized today will be trillions tomorrow.

Thank you,
Mats Andersson, CEO of AP4