



UN-convened Net-Zero
Asset Owner Alliance

A Call to Action to Governments to Respond with Urgency on Systemic Climate Risk

September 2024

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Introduction

Climate change is a growing and systemic threat to asset owners' core business. The 88 members of the UN-convened Net-Zero Asset Owner Alliance—a group of institutional investors with USD 9.5 trillion in assets under management (AUM)—have committed to transitioning their investment portfolios to net zero greenhouse gas (GHG) emissions by 2050, in line with their duties to manage material financial and investment risks.¹ Asset owners have always maintained that achieving these commitments will depend on policy and the real economy keeping pace with scientific pathways that limit peak warming to 1.5°C.² Beyond that threshold, the risks of severe climate and economic impacts increase significantly.³

With record breaking levels of warming over the past year and global GHG emissions continuing to rise, asset owners are deeply concerned about the stability of capital markets and the systemic risk that climate poses to their core business of providing secure retirements, comprehensive insurance offerings, and predictable returns. Members of the Alliance call on governments to act decisively and with urgency to manage down systemic risk by committing to, and implementing, national policy reforms consistent with 1.5°C carbon budgets and development pathways.

The scientific imperative for urgent action

The World Meteorological Organization (WMO)—the specialised UN agency mandated to study climate variation—reported that the global average temperature in the past decade was 1.20±0.12°C above the 1850–1900 average.⁴ The Copernicus Climate Change Service recorded 2023 as the single hottest year in the global temperature data going back to 1850 and likely the hottest year in the last 100,000 years.⁵

New scientific research on climate tipping points suggests that warming in excess of 1.5°C may lead to abrupt, irreversible, and dangerous impacts with serious implications

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- 1 NZAOA. Last accessed August 2024. Global asset owners committed to decarbonising their investment portfolios and achieving net zero emissions by 2050 [UN-convened Net-Zero Asset Owner Alliance—United Nations Environment—Finance Initiative \(unepfi.org\)](#)
 - 2 NZAOA (2024). Target Setting Protocol Fourth Edition—Background document [NZAOA-TSP-Background-Doc-2024.pdf \(unepfi.org\)](#)
 - 3 Intergovernmental Panel on Climate Change (2018). Special Report on Global Warming of 1.5 °C [Global Warming of 1.5 °C—\(ipcc.ch\)](#)
 - 4 World Meteorological Organization (2024). Climate change indicators reached record levels in 2024: WMO [Climate change indicators reached record levels in 2023: WMO](#)
 - 5 Copernicus Climate Change Service (2024). Global Climate Highlights: 2023 is the hottest year on record, with global temperatures close to the 1.5°C limit [Copernicus: 2023 is the hottest year on record, with global temperatures close to the 1.5°C limit | Copernicus](#)

for humanity. In July 2024, the Alliance received expert advice from its Scientific Advisory Board on this research, which the Board suggested should lead policymakers to take urgent action, noting that the costs of delay and inaction would far outweigh the costs of mitigating and adapting to climate change today. Without urgent action, tipping points, or thresholds at which abrupt and irreversible changes in the climate system are triggered, will be breached. The tipping points may interact with each other, creating a tipping cascade, which could lead to increased emission concentrations and further accelerated warming. The research on tipping points also suggests that the climate system may be more sensitive to elevated concentrations of greenhouse gases than previously thought, providing a stronger than ever scientific basis to reduce emissions in line with 1.5°C pathways.⁶

Financial experts have now translated this new scientific research into improved understanding of financial and economic risk. A recent cross-disciplinary research effort between earth system scientists and actuaries, for instance, examines how climate risk is likely to impact the financial system and the long-term functioning of society.⁷ That research recommends that policymakers, informed by up-to-date climate risk analyses and the realistic consequences of delay, should act decisively to accelerate policy that increases the pace of the net zero transition.

Policies currently in place put the world on track for a temperature rise between 2.4°C and 2.6°C by end of century.⁸ Scientists have warned that with current emissions trends, it may be less than a decade—or sooner—before the 1.5°C limit is breached. However, with urgent policy action, there may still be time to prevent the catastrophic outcomes that occur beyond 1.5°C of warming.

Governments urged to manage systemic climate risk and unlock capital for a just net-zero transition

Policymakers have played an essential role in recent years in kickstarting the transition to net zero. In 2023, governments signalled their commitment to “transition away from fossil fuels” at the 28th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) in Dubai. These policy reforms are allowing institutional investors to more accurately price and assess climate risk and plan their transition towards a stable, investible future. However, these actions have not yet been sufficient to prevent rising emissions and warming. More must be done.

With the next round of the nationally determined contributions (NDCs) under the Paris Agreement due in 2025, policymakers face a decisive moment where they can still reduce systemic risk by committing to and implementing national policy in line with 1.5°C pathways. Implementing effective climate policy is the single “most important”

6 Institute and Faculty of Actuaries (2024). Climate Scorpion – the sting is in the tail [climate-scorpion.pdf \(ifoa-prod.azurewebsites.net\)](#)

7 Institute and Faculty of Actuaries (2023). Emperor’s New Climate Scenarios—a warning for financial services [Emperor’s New Climate Scenarios—a warning for financial services \(actuaries.org.uk\)](#)

8 UNFCCC (2023) Decision -/CMA.5 [Outcome of the first global stocktake unfccc.int/sites/default/files/resource/cma5_auv_4_gst.pdf](#)

factor to achieving the goals of the Paris Agreement.⁹ Policymakers must act with urgency to mitigate systemic risks, seize the opportunities of a net-zero transition, and provide the certainty and stability for investors to deliver on their core business.

The Alliance calls on policymakers and regulators to urgently enact the following measures to manage down systemic risk and unlock capital for a just transition to net zero:

- Undertake systemic interventions that can deliver demand reductions for oil and gas and increase low- and zero-emissions energy supply through economy-wide action. Inefficient fossil fuels subsidies must be phased out, while giving adequate consideration to workers and communities affected by the transition.¹⁰
- Design and implement appropriate and equitable carbon pricing mechanisms, aligned with their Paris Agreement commitments.¹¹
- Implement clear policy frameworks, strong government commitments, ambitious targets, and regulatory requirements for detailed and credible transition plans that can help overcome barriers to net-zero investment.¹²
- Phase-out all unabated existing coal-fired electricity generation in accordance with 1.5°C pathways.¹³
- Scale blended finance to facilitate global finance flows to emerging markets and development economies (EDMEs), which are particularly vulnerable to climate change.¹⁴

9 Carbon Brief (2024). Meeting 1.5C warming limit hinges on governments more than technology, study says carbonbrief.org/meeting-1-5c-warming-limit-hinges-on-governments-more-than-technology-study-says/

10 NZAOA (2023). Position on the oil and gas sector unepfi.org/wordpress/wp-content/uploads/2023/03/NZAOA-Position-on-the-Oil-and-Gas-Sector.pdf

11 NZAOA (2024). Updated position paper on governmental carbon pricing unepfi.org/wordpress/wp-content/uploads/2024/05/NZAOA-Updated-Position-on-Governmental-Carbon-Pricing_final.pdf

12 NZAOA (2023). Unlocking investment in net zero unepfi.org/wordpress/wp-content/uploads/2023/09/Unlocking-Investment-in-Net-Zero_FINAL.pdf

13 NZAOA (2020). Thermal coal position unepfi.org/wordpress/wp-content/uploads/2020/11/Net-Zero-Asset-Owner-Alliance-Thermal-Coal-Position.pdf

14 NZAOA (2022). Scaling blended finance unepfi.org/wordpress/wp-content/uploads/2022/09/NZAOA_Scaling-Blended-Finance.pdf



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