Climate: Renewed Sense of Urgency in Washington and Beijing

In the months leading up to the 21st UN Climate Change Conference, policy makers, pension trustees and academic thought leaders have been active devising new ways of fostering private capital stewardship and “green investment”.

At the 4th World Pensions Forum held in Paris at the end of 2014, Robin Edme, President, Group of Friends of Paragraph 47, the Inter-Governmental Sustainable Development Initiative, talked about the perceived “environmental and social commitment” of governments and institutional investors, reminding the audience that “Scandinavia, Western Europe, South Africa and some Latin American jurisdictions were usually considered as [already] well engaged in the issue, with some regional variations”.

But as long as policy makers in Washington and Beijing didn’t put all their political capital behind the adoption of ambitious carbon-emission capping targets, the laudable efforts of other G20 governments often remained in the realm of pious wishes: things changed for the better on November 12 2014 when President Obama and General Secretary Xi Jinping agreed to limit greenhouse gases emissions, with China committing for the first time to cap carbon releases and the US unveiling a plan for deep U.S. emissions reductions through 2025.

The record levels of pollution reached in Beijing in 2014 (shutting down corporate headquarters and government offices for an unprecedented time) and the “mega drought” that hit California in the spring of 2015 (imposing severe water rationing across the state) brought home the ecological message to the “big boys” before the start of the 21st UN Climate Change Conference (2015 UN CCC or ‘COP21’) that will be held in Paris in early December 2015. The stakes are high: Prof. Daniel C. Esty, former Commissioner of the Connecticut Department of Energy and Environmental Protection (DEEP) summed up the spirit of the time at the May 19 2015 OECD Green Investment Financing Forum: “the planet cannot survive another ‘success’ in name only: COP 21 needs to bring more private sector capital, investment discipline, and technical expertise to the fore… governments cannot afford the fall-rate of venture capital”.

**EFFECTIVE ASSET OWNERSHIP: UK PENSION TRUSTEES LEADING BY EXAMPLE**

The first semester of this year saw many positive developments – most notably in the UK, where pension trustees and academic thought leaders played an active part. At the February 25 2015 annual general meeting of the British Association of Member-Nominated Pension Trustees (AMNT) held in London at Lane Clark & Peacock, Co-Chairs Barry Parr and Janice Turner unveiled their “Red Lines Voting” proposals - a major advancement in long-term capital stewardship in the world’s second largest pension market, sending a strong message in favor of “greening” and more forceful investment governance.

Professor Gordon L. Clark, Chair of the 3rd Stranded Assets Forum hosted jointly by the Oxford University Smith School of Enterprise & the Environment and The Rothschild Foundation at Waddesdon Manor, and his colleagues looked at the chain of asset ownership from the perspective of institutional investment consultants (ICs) and the role “not only [they] have been playing, but also could come to play, in advancing green investment practices and products”. Catherine Howarth, Chief Executive, ShareAction, the think-tank and advocacy group dedicated to responsible investment, insisted on the active role of “citizen-beneficiaries” and the need for pension funds to be “allies in the fight against climate change”.

Others, such as sustainability expert Pierre Lenders, insist pension fund executives and the institutional investment consultants that advise them must bring to blue-chip boardrooms the modern private equity mindset needed to “drive positive impact and make strong returns simultaneously”, thus identifying early on flaws in behavior in listed companies, and then addressing them forcefully by engaging or divesting…

On June 18 2015, Pope Francis shocked neoconservative climate skeptics by publishing a bold encyclical calling for the preservation of “our Sister, Mother Earth”, thus echoing the Hellenistic ethics of the founding fathers of Western culture and civilization. These issues will be further discussed at the 5th World Pensions Forum held in Paris on December 2nd 2015 titled “Pension & SWF Investment in Long-Term Assets in a Time of Economic Re-alignment & Climate Disruption”.

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