CLIMATE RISKS OF 3 FUNDS OF ACTIAM

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GIEL LINTHORST- ECOFYS
DIRECTOR

actiam
THE RESPONSIBLE INVESTOR

ECOFYS
A Navigant Company

THE TRANSITION TOWARDS LOW CARBON ECONOMY ALREADY HAS SEVERE IMPACT ON FOSSIL FUEL COMPANIES

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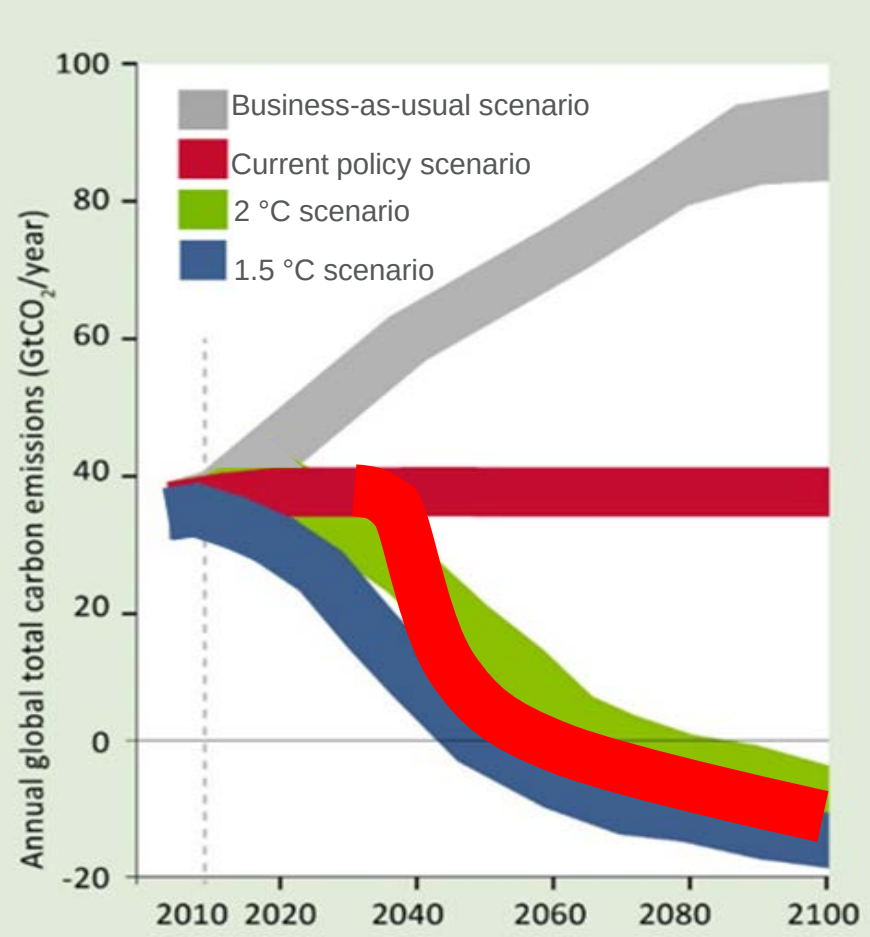
MORE STRICT POLICIES ARE NEEDED TO MEET THE PARIS AGREEMENT, LEADING TO AN ABRUPT TRANSITIONS



Source: Rogelj et al., 2015 & Climate Action Tracker

- **Current policies are not sufficient to meet the Paris Agreement, and head towards 3.4 °C**
- **Staying well below 2 °C implies net zero CO_2 emissions around 2070.** Shifting from 2 °C to 1.5 °C even means net zero CO_2 emissions around 2050.
- **Complying with the Paris Agreement will lead to robust policies and huge flows of climate finance** to drive the massive transformation in all sectors
- Delaying this process will result in a more abrupt transformation, **creating risks for companies and financial institutions**

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CLIMATE-RELATED RISKS HAVE 3 TYPES OF IMPACTS ON THE ECONOMY AND THUS ON FINANCIAL PORTFOLIOS

Climate risk factors
based on FSB-TCFD

TRANSITIONAL

- Policy and legal factors
- Technology factors
- Market and economic factors
- Reputational factors

PHYSICAL

- Physical impact

Key impacts

- **Costs**
- **Sales**
- **Stranded assets**

Apply per asset class

- Equity
- Sovereign Bond
- Corporate Bond
- Real Estate
- Commodities

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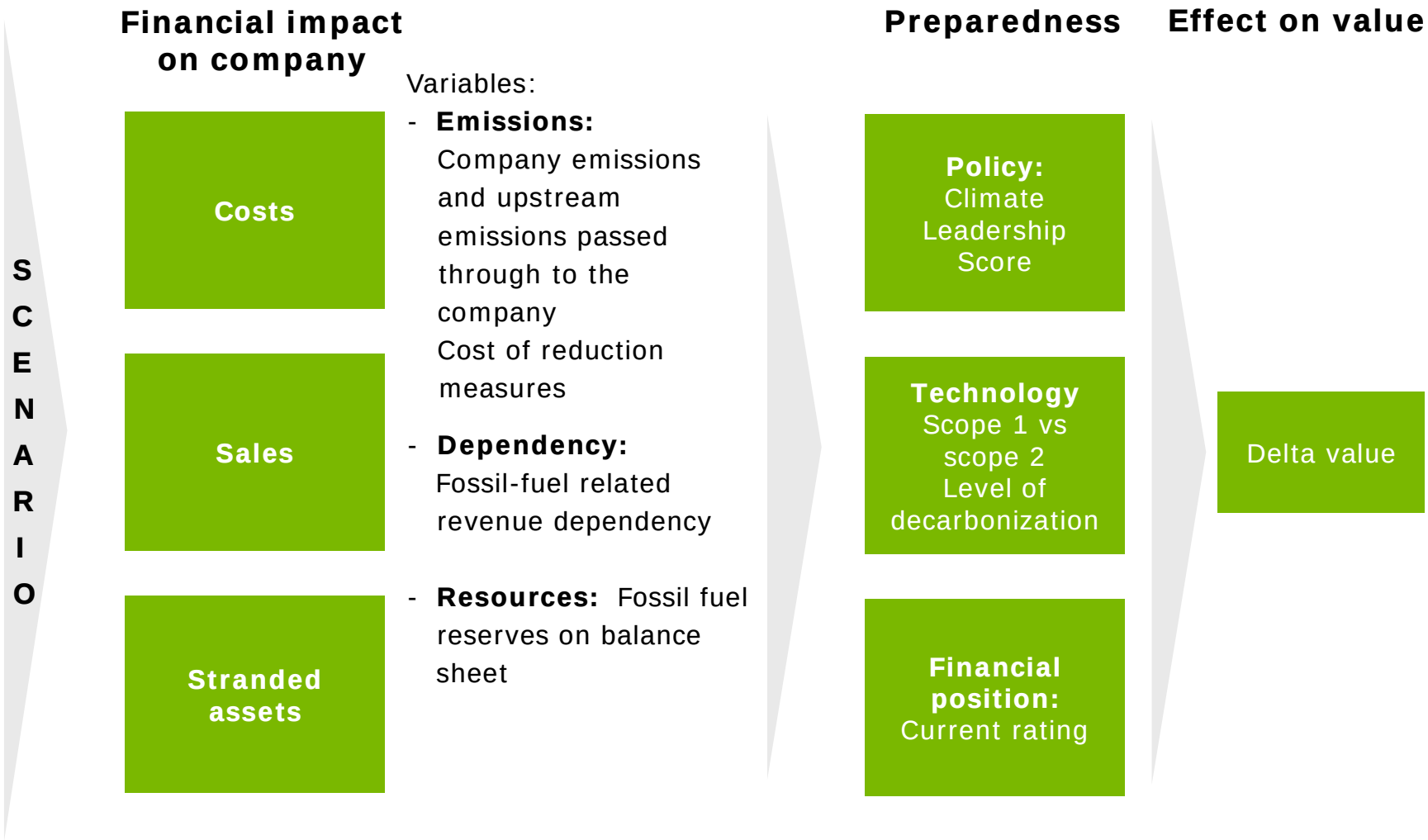
OUR CLIMATE-RELATED STRESS TEST MODEL QUANTIFIES TRANSITIONAL RISKS



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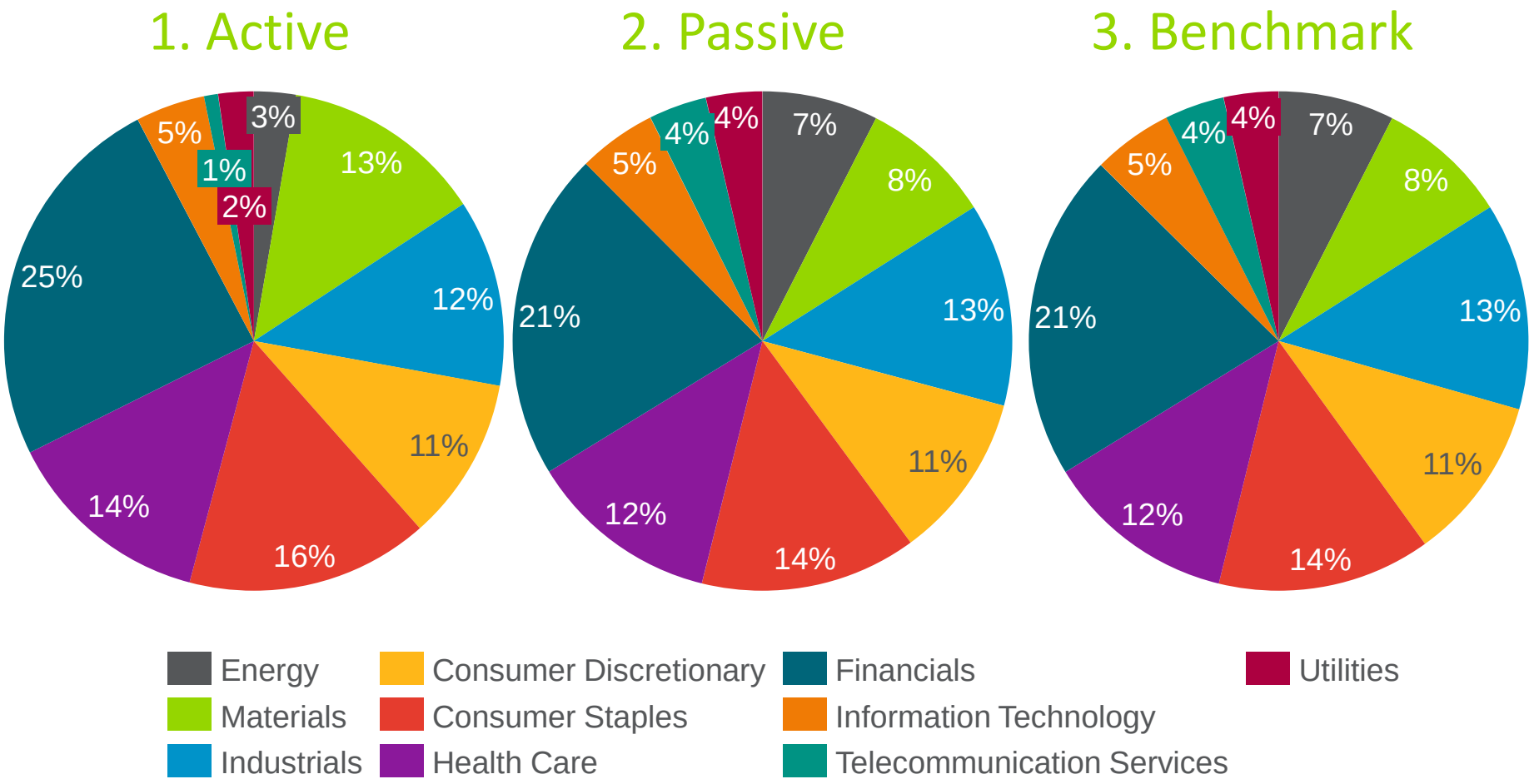
APPLYING OUR STRESS TEST MODEL TO THREE FUNDS OF ACTIAM SHOW…..



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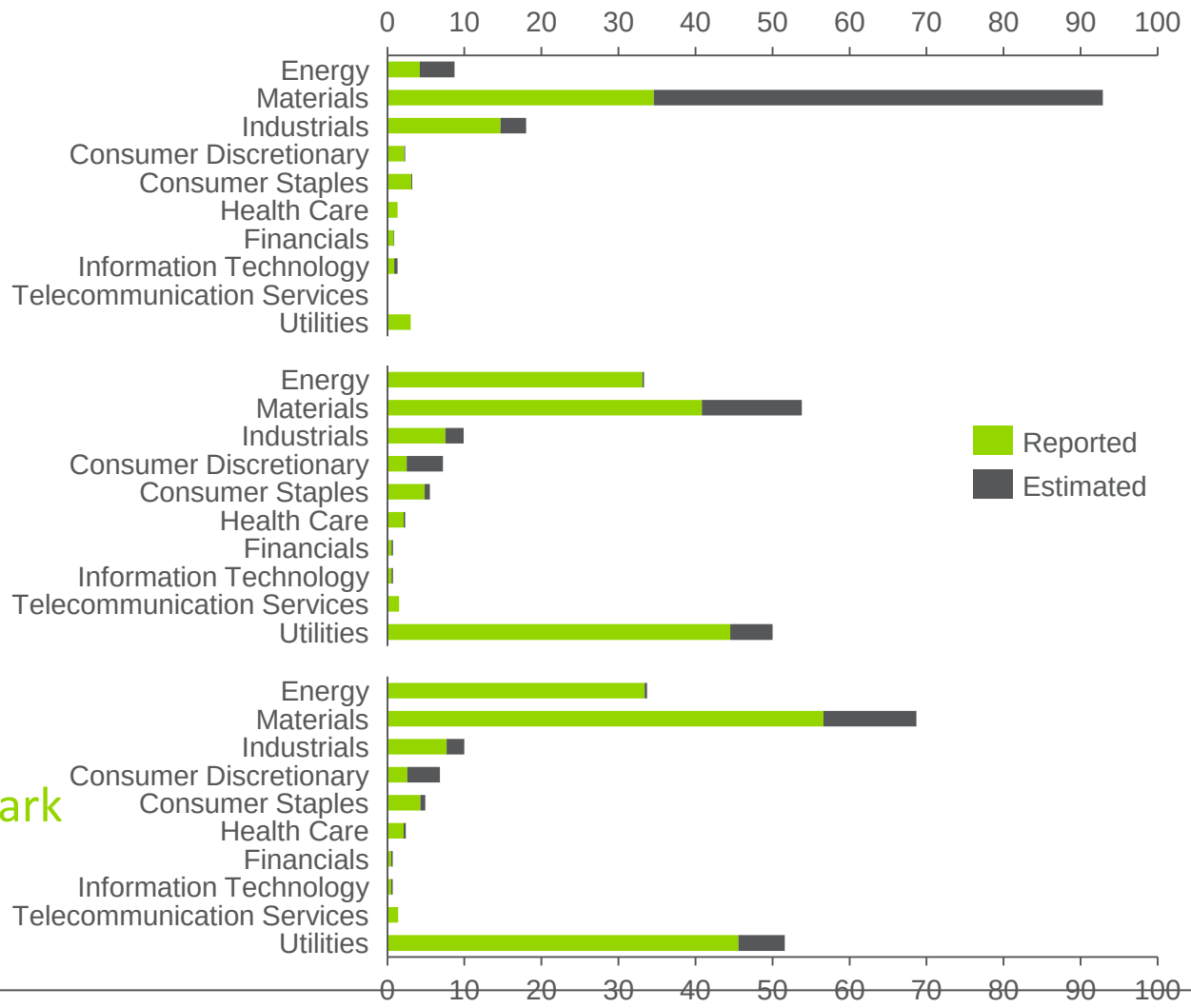
… THAT ACTIVE FUND MANAGEMENT RESULTS IN LOWER CO_2 EMISSIONS…



1. Active

2. Passive

3. Benchmark

	Total Scope 1 & 2 emissions (kton CO_2e)
1. Active	131
2. Passive	165
3. Benchmark	181

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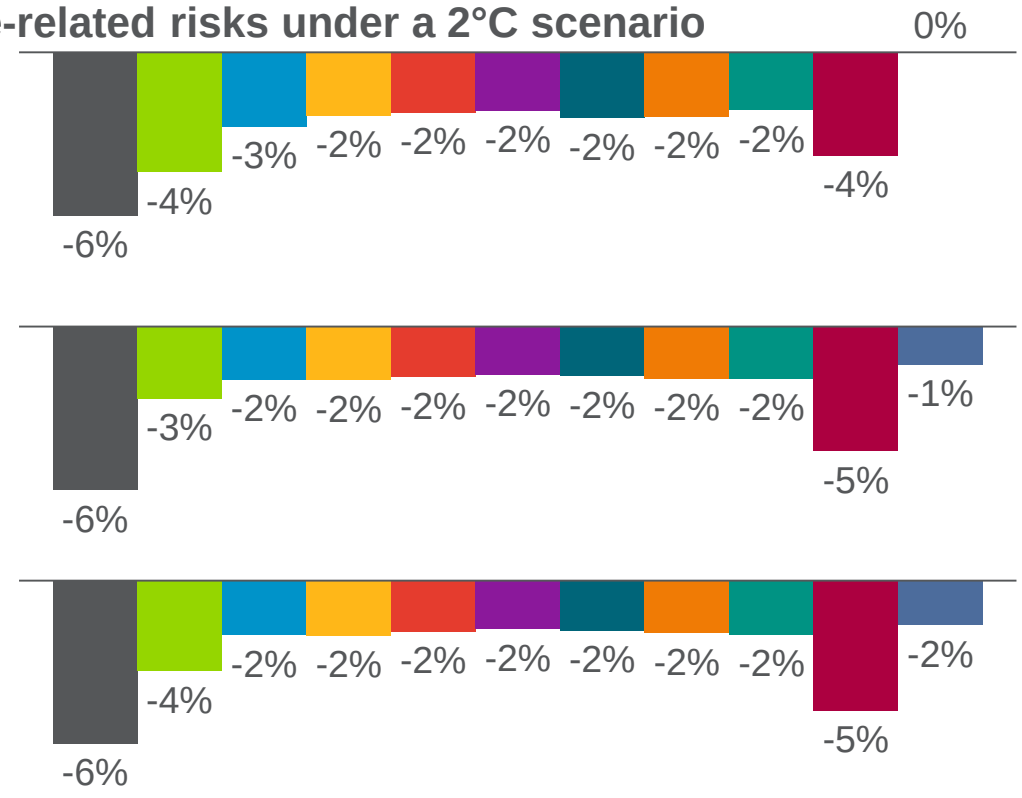
…HOWEVER THE TRANSITIONAL RISKS OF THE THREE FUNDS ARE ALMOST EQUAL

Transitional climate-related risks under a 2°C scenario



Total value at risk

-2.6%

-2.4%

-2.7%

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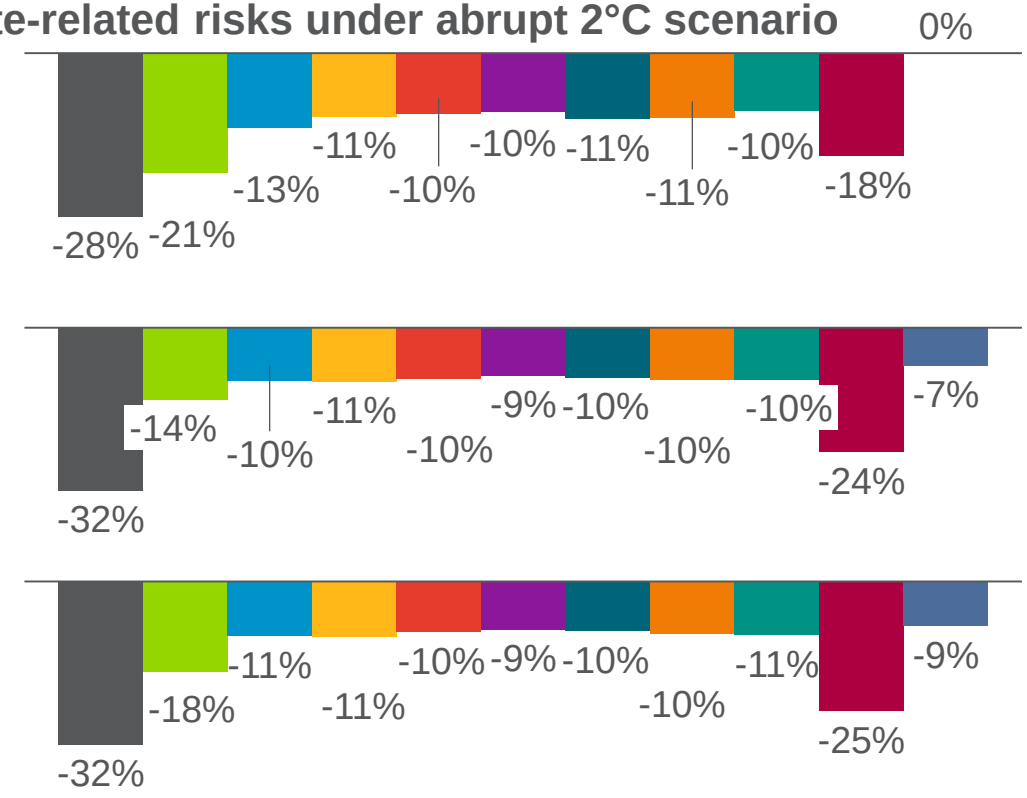
BUT UNDER AN ABRUPT TRANSITION (SHORT TERM SHOCK) RISKS GET REALLY MATERIAL

Transitional climate-related risks under abrupt 2°C scenario



Totale impact (delta waarde)

-13.2%

-12.2%

-13.4%

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TRIPLE A RISK FINANCE

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LESSONS LEARNT

1. If current policies don't step up and become more strict, it is very likely that we will need a abrupt transition to meet the Paris Agreement

2. Lower CO_2 emissions of a fund/portfolio is not a good indicator for lower risks

3. Short term shock resulting from an abrupt transition results in a significant stress for a financial portfolio

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CONTACT

GIEL LINTHORST

+31 30 662 3322
+31 6 11 366 935
giel.linthorst@navigant.com

@GielGHLinthorst
@ecofys
@NavigantEnergy

ECOFYS
A Navigant Company