2°C SCENARIO ANALYSIS FOR BANKS AND INVESTORS

LONDON; AUGUST 2017
Applied by over 200 financial institutions to date...
...supervisors, and governments.

Climate Alignment Pilot Tests

OUT OF THE FOG: Quantifying the alignment of Swiss pension funds and insurances with the Paris Agreement

OCTOBER 2017

Learn more about the project and various initiatives at a national and international level
Are financial portfolios on a ‘smooth’ transition?

6°C Scenario

‘Too late, too sudden’

2°C Scenario
MODEL: ROADMAP VS PLANS

CORE PRINCIPLE: FAIR SHARE
10% of market share
10% of deployment efforts

Developed by the European consortium SEI Metrics
(2Dii, Frankfurt School of Finance & Management, CNRS, Kepler Market, CDP, ...)

2°C target

RENEWABLE POWER

2015 2020
LINKING REAL ASSETS TO FINANCIAL ASSETS

INVESTMENT PORTFOLIO

Financial instrument

LISTED PARENT COMPANIES

OWNERS

FORWARD-LOOKING DATA ON PRODUCTION CAPACITY

+100,000 power plants
~95 million cars produced
~22,000 oil and gasfields
~36,000 airplanes
~10,000 ships
~2,200 cement factories
~13,000 steel plants
~2,000 coal mines

Sources: Economic Intelligence databases (Global Data, Wards Auto, etc.)
OWNERSHIP OF ASSETS

INVESTMENT PORTFOLIO

OWNERS

LISTED PARENT COMPANIES

Financial instrument

DATA ON PHYSICAL ASSETS

2D ROADMAP

OWNERSHIP OF ASSETS

Sources: Economic Intelligence databases + Ownership databases (Orbis) + ownership analysis by the University of Zurich
MATCHING WITH +2M ISSUERS OF SECURITIES

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INVESTMENT PORTFOLIO

12 levels of corporate ownership trees

FINANCIAL INSTRUMENT

LISTED PARENT COMPANIES

OWNERS

DATA ON PHYSICAL ASSETS

ENERGY TRANSITION PROFILE OF +100,000 STOCKS AND BONDS IN KEY ENERGY-RELATED SECTORS

Sources: Bloomberg, S&P cross reference

2D ROADMAP

Sources: Bloomberg, S&P cross reference
LINKING REAL ASSETS TO FINANCIAL ASSETS

INVESTMENT PORTFOLIO

ON DEMAND PORTFOLIO ANALYSIS

+ MATCHING WITH 25,000 FUNDS

Sources: MorningStar, AMBEST, freedom of information Act requests, Supervisory authorities
LINKING REAL ASSETS TO FINANCIAL ASSETS

INVESTMENT PORTFOLIO

OWNERS

LISTED PARENT COMPANIES

Financial instrument

2D 'BENCHMARK'

2D ROADMAP

DATA ON PHYSICAL ASSETS

Renewable power capacity additions, 2017=1

Renewables - Equity

- >6°C
- 6°C-4°C
- 4°C-2°C
- >2°C

Global stock market
Pension funds
Insurance
Global economy
LINKING REAL ASSETS TO FINANCIAL ASSETS

2D ‘BENCHMARK’

INVESTMENT PORTFOLIO

Financial instrument
LISTED PARENT COMPANIES
OWNERS

2D ROADMAP

DATA ON PHYSICAL ASSETS

Renewable power - Listed equity portfolios

% share renewables in total planned capacity additions 2017-2022

Swiss pension funds’ and insurance’ listed equity portfolio
LINKING REAL ASSETS TO FINANCIAL ASSETS

INVESTMENT PORTFOLIO

2D ‘BENCHMARK’

OWNERS

LISTED PARENT COMPANIES

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DATA ON PHYSICAL ASSETS

2D ROADMAP

Gas production - Stock market

Growth in gas production, 2017=1

- >2°C
- 2°C-4°C
- 4°C-6°C
- >6°C

Global stock market
Pension funds
Insurance company
Global economy
Geographic exposure
LINKING REAL ASSETS TO FINANCIAL ASSETS

INVESTMENT PORTFOLIO

2D 'BENCHMARK'

Financial instrument

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DATA ON PHYSICAL ASSETS
WHAT ARE THE MODEL’S STRENGTHS?

- Forward-looking nature of the assessment,
- Asset level data
- Sector-specific analysis
- 2°C, science-based benchmark
- Usability for engagement and stock-picking

WHAT ARE THE MODEL’S FLAWS?

- Limited sector coverage
- Does not fully capture thematic tilts.
- Complexity - Cannot be distilled to a single number
Banks and 2°C scenario analysis: The new frontier

Big data matching hundreds of thousands of physical assets with companies

A new system of identifiers across the global universe of financial assets, from local loans to global capital markets
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