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Sharm el-Sheikh, Egypt

Nordic pension funds want to increase climate investments in emerging markets and developing economies

At COP27 in Sharm el-Sheikh, Egypt, the Climate Investment Coalition (CIC), in collaboration with the Nordic Council of Ministers, presented key investor recommendations to bridge the climate finance and investment gap by 2030 towards emerging markets and developing economies. This was made alongside an overview of Nordic pension fund progress within climate and clean energy investments in 2022.

Despite financial challenges and a volatile economic environment, the first wave of pension fund reporting in 2022 indicates that the Nordic pension funds are still on course to reach their target of US\$130 billion by 2030. This is also the case for investments in emerging markets and developing economies, where new investments in climate solutions have continued to increase. The total, collective reporting of annual investments is expected to be announced in the first quarter of 2023.

Insurance & Pension Denmark reported today that **Danish pension funds have invested US\$9 billion in new clean energy investments since July 2021. This indicates that Danish pension funds are on track and well over halfway to reaching their 2019 commitment to invest DKK350 billion (today US\$47 billion) by 2030.** This is also the case for new investments in emerging markets and developing economies, which are proving to be on track.

This follows the CIC's landmark announcement at COP26 of a US\$130 billion collective, total commitment from Nordic and UK pension funds towards clean energy and climate solutions to be invested globally by 2030.

"The Climate Investment Coalition's collective commitment of US\$130 billion for climate investments by 2030 sent an important signal to other investors, policymakers and businesses that finance is ready and available to support the net-zero transition. Despite the numerous challenges of 2022, CIC investors are on track to reach their climate investment targets, including within emerging markets. But more must be done, faster; practical steps, such as finance vehicles, frameworks and partnerships will accelerate climate investments to flow to emerging markets, to ensure we support climate resilient development," says Peter Damgaard Jensen, Co-Chair, Climate Investment Coalition

However, to support the significantly greater increase in climate and clean energy investments in emerging and developing markets, required to put their economies on a credible path to deliver on development and climate goals, substantive and accelerated investments are urgently needed.

To support the bridging of the climate finance and investment gap by 2030, the **CIC and its Nordic pension fund members will seek to mobilise new and increased financial commitments for climate investments by 2030.**



To make this happen, the **CIC and its members will collaborate with international organisations, development finance institutions (DFI's) and governments to build strategic public-private partnerships and multilateral climate finance models** aiming to accelerate climate investments in emerging markets and developing economies.

"Africa has a pool of talented people with promising business opportunities waiting to be harvested together" says H.R.H Princess Abze Djigma, Initiator and Leader, MAMA-LIGHT® Initiative.

At the event, the CIC and Nordic pension funds outlined the following key recommendations to governments and their development partners for focus areas where intensified action will help catalyse investment and private finance flows to emerging markets and developing economies:

- **Foster enabling environments for investment through policy, regulation and planning** that create predictable investment opportunities at scale, enabling private capital to invest in the energy transition.
- **Increase the scale and predictability of pipelines of clean energy investment opportunities.** Clarity on the direction of travel and the commitment by governments to the energy transition is key to enhancing investor confidence in the availability of a continued flow of investment opportunities.
- **Promote, facilitate and scale innovative public-private financing approaches and instruments,** where relevant backed by concessional, philanthropic and blended finance.

Detailed recommendations and accompanying case studies will be released post-COP27.

The Climate Investment Coalition will build on these recommendations to work with private developers and companies, international organisations, development finance institutions (DFI's) and EMDE governments to maximise and scale up impact in this crucial agenda. Looking to COP28, taking place in Dubai in 2023, the CIC will seek to mobilise new and increased financial commitments for climate investments by 2030 from asset owners.

Additional Quotes

"Private equity and investment in the just transition and beyond will require massive sources of funding and finance. Long term savings like pension and provident funds can play a critical role in amassing and directing the flow of such funds. In South Africa we have used such funds to drive massive infrastructure in transport, health and public private partnerships and it has proven to work as our country undertook its post-apartheid reconstruction and development programme over the last 25 years. We now need similar investments to enable the just transition towards 2050. Importantly shareholder activism should continue to play a role in ensuring that workers' savings are invested to protect the environment and are used to achieve our net-zero economic growth pathway." **Thuli Khumalo, Chief Operations Officer, Presidential Climate Commission, South Africa**

"Denmark is a pioneer country, inspiring other countries to make green commitments to invest in the green transition and I am happy to announce that the Danish insurance and pension industry has invested USD 9 billion. in new clean energy investments since medio 2021. Despite volatile financial markets and global stock declines, we are still on track closing in on the target of investing USD 47 billion



in clean energy investments towards 2030.” **Kent Damsgaard, CEO, Insurance and Pension Denmark**

“Our current climate investments in emerging markets and developing countries are limited. We would certainly do more of that, if there were more truly impactful investment opportunities available on the market, if more of these investments proposals were within our risk limits, and at a scale that makes it worthwhile spending the extra time and resources. We call for public and private sector stakeholders to promote and facilitate this development.” **Helena Hagberg, Head of Sustainability, Skandia Mutual Life Insurance Company**

The transformation from fossil fuels to renewables is crucial for reaching the 1,5 degrees target. Yet, investment levels are still far too low to increase the production capacity to anywhere near what is necessary, especially in emerging markets. KLP is investing in renewable infrastructure globally, and has until today contributed to financing the construction of nearly 50 new renewable power plants. We are committed to continuing these investments with around US\$600 million annually. We expect these investments to continue generating attractive returns and have a strong climate impact.” **Heidi Finskas, Vice President Corporate Responsibility, KLP**

“We need governments to fast-track policies that can increase the financial investments urgently needed for climate action: clean energy, climate solutions and resiliency, especially for developing economies. At the heart of this policy agenda, biodiversity must be placed on a pedestal - because every credible path to net zero includes it: reversing nature loss, ending deforestation and scaling nature-based solutions.” **Jan Erik Saugestad, CEO Storebrand Asset Management**

“Ensuring a just expansion of clean energy in emerging markets is critical for delivering on our common climate goals, and the current geopolitical situation has only made it even more urgent. We have invested in several projects in developing countries through partnerships with other Danish pension funds and the Danish government and we are more than ready to invest even further to meet the commitment we made for 2030. But we need to make the investment opportunities more accessible and remove some of the red tape if we truly want to accelerate climate investments in emerging markets.” **Jon Johnsen, CEO, PKA**

More information:

The Climate Investment Coalition (CIC) is a public-private partnership that catalyses financial commitments into green investments to be deployed by 2030. It supported the mobilisation and announcement of a total collective commitment of US\$130 billion from pension funds at COP26 in Glasgow in November 2021. This announcement was presented by Nordic Heads of State and Government and CEOs of Nordic and UK pension funds, to be invested in clean energy and climate solutions by 2030 and reported on annually.

Committing pension funds in 2019: Members of Insurance & Pension Denmark.

Committing pension funds in 2021: Almenni Pension Fund, ATP, Bank Employees' Pension Fund, The Pension Fund for Reykjavik City Employees, Birta Pension Fund, Brú Pension Fund, Environment Agency Pension Fund, Festa Pension Fund, Frjálsi Pension Fund, Gildi Pension Fund, Greater Manchester Pension Fund, Ilmarinen, KLP, Lifsværk Pension Fund, Lív Group, LSR - Icelandic Pension Fund for State Employees, Merseyside Pension Fund, Nest Pension, Pension Fund of Commerce, Skandia, SL The General Pension Fund, SPP, Stapi Pension Fund, Storebrand Group, Varma Mutual Pension Insurance Company.

2021 commitments comprise of investments in*:



Climate Investment Coalition

- Equity investments - Listed
- Equity Investments - Unlisted
- Green Energy Infrastructure - OECD
- Green Energy Infrastructure – Emerging Markets
- Green bonds and debt
- Climate-friendly investments in properties, etc.
- Other investments / unallocated

*3.4% of the total 2021 commitment is to be invested in 'empowerment'. We have included this amount in close discussion with the pension fund and will report on it yearly.

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