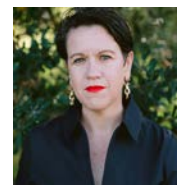


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Confront the science – Time for investors to reset climate change expectations



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In light of recent scientific, political and corporate developments, the climate finance and governance community needs to take stock, recalibrate, and plan for a step change.

Scientists have told us for decades the only way to hang onto a safe climate is to reduce greenhouse gas emissions to real zero. But the UN Environment Programme's (UNEP) [Emissions Gap report](#) released last month reached a devastating conclusion: nine years after the Paris Agreement was negotiated we're still increasing emissions and we're doing so at a higher rate than before the pandemic. UNEP found that in 2023, "*Global greenhouse gas emissions set a new record of 57.1 GtCO₂e in 2023, a 1.3 per cent increase from 2022 levels.*"

Acknowledging the current state of climate science and the insufficiency of global decarbonisation efforts to date has profound significance for the actions and priorities of institutional investors and the ecosystem that supports their activities.

The non-state climate governance ecosystem includes civil society organisations like ACCR, along with an array of service providers, collaborative initiatives, industry associations and philanthropists. The ecosystem engages in diverse strategies and

tactics towards a shared purpose, a shared reason for being. In simple terms, this shared purpose is to prevent further harmful climate change using the tools and power available to institutional capital and capital markets. Under this shared purpose each participant in the system has goals.

Here I want to make a distinction between two categories of goal. I'll call them 'indicative' and 'absolute'.

Indicative goals are signposts; setting them is an exercise in anticipating how change might play out and meeting them is an indication that we are on the right track, that we are headed towards our destination. An example of investors meeting an indicative goal is '\$20tn AUM supports statement on decarbonisation policy,' or 'investor group gets company to commit to targets/disclosure regime.'

Absolute goals are objective and non-negotiable. They tend also to be, but are not always, shared across participants in the ecosystem. Real world emissions reduction is an



absolute goal, which speaks directly to atmospheric physics, a system that only deals in absolutes. An example of an absolute goal being achieved is 'real world emissions reduce by a scientifically meaningful percentage in 2024.' (This is of course an incomplete goal, because emissions need to go down, year on year, in line with science, until real zero is reached.)

The climate governance ecosystem operates in a dynamic environment of ever-increasing complexity. It is appropriate for us to set and seek to achieve indicative goals, particularly given the non-linear and collective nature of success. But meeting indicative goals is only meaningful if they take us closer to absolute goals, to our North Star.

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That's the problem we face today: the overwhelming thrust of available scientific evidence tells us that, against our absolute goal, we are not only not on track, we are still heading in the wrong direction. Against our absolute objective – massive, rapid reductions in global emissions – we're so far behind that the scientific community's tone has changed

dramatically in the last 12 months, with a [recent article](#) co-authored by a collection of the world's leading scientists warning that “*we are on the brink of an irreversible climate disaster.*”

This is despite the wide availability of mature technology that can decarbonise our energy and industrial systems, and the mountains of indicative success of the ecosystem – shifting capital flows, negotiated targets and disclosures, massive coalitions, huge pools of capital that have signed onto declaratory statements and are using their resources to participate in initiatives that appear to support the shared purpose.

The climate finance architecture that investors have developed, bookended by the entry into force of the Paris Agreement in 2016 and the Glasgow COP in 2021, has not proven adequate to the task. Targets that investors and civil society carefully negotiated with companies have not been honoured, and in the case of some companies whose activities have a material impact on the Earth's atmosphere, like [Shell](#) and [bp](#), targets have been rolled back. Our indicative goals have proven to be unreliable pillars for upholding our absolute goal.

A major recalibration in approach is needed. The climate governance ecosystem must decisively reckon with the best available climate science, and correct for the lag in science uptake and integration into its architecture. This will involve looking thoroughly and honestly at the norms

and practices the investment sector accepts.

For just one example, existing oil, gas and coal reserves take us many times beyond our global carbon budget. Yet investor climate initiatives are reluctant to take a position in support of the scientific and practical necessity of ending hydrocarbons exploration, and company boards that authorise continued expenditure of shareholder funds on fossil fuel expansion enjoy strong shareholder support. This is a loophole that investors now need to close, and the most up to date science gives them the opportunity to do so.

While in recent times attention has begun to focus, quite rightly, on the practical inevitability of overshooting the 1.5C temperature goal, investment community chatter that casually takes this information as an invitation to move onto a “new” goalpost (1.7°C? 1.9°C? 2°C?) represents a fundamental disconnect between conventional financial sector practice and scientific reality.

Investors have not adequately factored the cost of our collective delay and its impact on global temperature pathways into their investment models. This is because the models themselves are no longer fit for purpose, with their failure to account for cascading physical impacts – including climate tipping points, acute weather events and socio-economic factors – and the severity of our inaction to date. Investors must accurately assess what the costs of overshoot will be to their portfolios –



and ask is it a cost that can be borne? This problem is particularly worrisome to defined benefit investors that must be able to adequately identify and evaluate risks to their long term ability to deliver to beneficiaries.

While there has always been an urgency to our work, there is a deeper urgency now, with the prospect of irreversible change to the state of our climate. Some level of climate harm is now unavoidable, and as a global community we are now coming to understand that 1.5°C was never safe – we are seeing this play out almost every week, from Gujarat to Brazil to Florida to Valencia. There will be no reversion to the mean of pre-industrial climate stability within the lifetimes of all people now living.

The climate doesn't care that we tried our best but relied on outdated information – we must ensure that the best available science is the centre of strategy and goal-setting, and be prepared to adjust our approach as it evolves. Immediate rapid reductions in global emissions remains our absolute goal and our best and least cost chance of mitigation of harm.

About the Author

Brynn is Executive Director at [ACCR](#), an experienced lawyer and strategist in corporate governance, active ownership, environmental, social and governance (ESG). ACCR invests in and engages with listed companies to reduce real world emissions, in line with science, for the benefit of shareholders.

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