

**Letter**

## Power companies must accelerate decarbonisation and support ambitious climate policy

From Aberdeen Standard Investments among others

7 HOURS AGO

---

Following UN [climate talks](#) in Poland last week, the urgency of greater action required to tackle climate change could not be clearer. The risks to global markets and companies we invest in from 2C or higher temperature rises are potentially catastrophic.

The recent report from the UN's [Intergovernmental Panel on Climate Change](#) showed that half a degree of additional warming, as the difference between a 1.5C and a 2C rise in global temperatures, can be expected to result in additional economic damages globally of between \$8tn and \$11tn before 2050. Success is thus vital to those with a fiduciary responsibility for other people's long-term investments.

To this end, it is essential that we deliver on the Paris Agreement. Decarbonisation of the power sector, which accounts for about a quarter of global emissions, will define the success or failure of the low-carbon transition since it is fundamental to also decarbonising heat, transport and industry. The case for action is clear. The economics of energy are [materially shifting](#) in favour of clean energy. Early action will enable companies to manage the risks better and capitalise on opportunities that are already clear. [Research](#) has shown that bold action on climate change can deliver \$26tn in economic benefits through to 2030, while also creating 65m jobs and avoiding 700,000 premature deaths linked to air pollution.

As investors collectively representing \$11.5tn, we require power companies, including power generators, grid operators and distributors, to plan for their future in a net-zero carbon economy. Specifically, we request companies to set out transition plans consistent with the goal of the Paris Agreement, including compatibility of capital expenditure plans. We expect explicit timelines and commitments for the rapid elimination of coal use by utilities in EU and OECD countries by no later than 2030, defining how companies will manage near-future writedowns from fossil fuel infrastructure. Finally, we call on companies to support the development of ambitious climate policy aligned with the Paris Agreement and to ensure that their trade associations are aligned with this objective.

Working through organisations such as the [Institutional Investors Group on Climate Change](#), we also urge policymakers to provide clear and constructive policy signals that will support the necessary investments in low-carbon infrastructure that are fundamental to achieving the required emission cuts. We also need to see more widespread adoption of carbon pricing around the world, at levels that will facilitate the low-carbon transition.

Through initiatives such as [Climate Action 100+](#), we will continue our dialogue with power utilities to ensure that the investments we make on behalf of our clients and ultimate beneficiaries are aligned with our aforementioned expectations set out in this letter. If necessary, we will deploy all the tools available to us as shareholders to require laggards to do so. Investors are recognising the opportunities that the low-carbon transition presents. Now more than ever is the time for energy companies to do likewise and capitalise on the opportunity of the low-carbon transition.

**Aargauische Pensionskasse (APK), Switzerland**

**Aberdeen Standard Investments**

**Aegon Asset Management**

**AP2**

**AP7**

**Aviva Investors**

**AXA Investment Managers**

**Bernische Lehrerversicherungskasse, Switzerland**

**BMO Global Asset Management**

**BNP Paribas Asset Management**

**Border to Coast Pensions Partnership**

**Caisse de pensions de l'Etat de Vaud (CPEV), Switzerland**

**Caisse de pensions ECA-RP, Switzerland**

**Caisse de prév. des Fonctionnaires de Police & des Etablissements Pénitentiaires, Switzerland**

**Caisse de Prévoyance de l'Etat de Genève (CPEG), Switzerland**

**Caisse de Prévoyance des Interprètes de Conférence (CPIC), Switzerland**

**Caisse intercommunale de pensions (CIP), Switzerland**

**Caisse paritaire de prévoyance de l'industrie et de la construction (CPPIC), Switzerland**

**CalPERS**

**CalSTRS**

**Calvert Research & Management**

**CANDRIAM**

**CAP Prévoyance, Switzerland**

**CCAP Caisse Cantonale d'Assurance Populaire, Switzerland**

**CCLA**

**Central Finance Board of the Methodist Church**

**Church Commissioners for England**

**Church of England Pension Board**

**CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle, Switzerland**

**DWS Investment GmbH**

**Elo Mutual Pension Insurance Company**

**Environment Agency Pension Fund**

**Epworth Investment Management Limited**

**ERAFP**

**Etablissement Cantonal d'Assurance (ECA VAUD), Switzerland**

**Ethos Foundation, Switzerland**

**Fidelity International**

**Fondation de la métallurgie vaudoise du bâtiment (FMVB), Switzerland**

**Fondation de prévoyance du Groupe BNP PARIBAS en Suisse, Switzerland**

**Fondation Leenaards, Switzerland**

**Hermes EOS**

**Hermes Investment Management**

**Investec Asset Management**

**Ircantec**

**KBIGI**

**Kempen Capital Management**

**La Française Groupe**

**Länsförsäkringar AB**

**Legal and General Investment Management**

**LGPS Central Ltd**

**Local Authority Pension Fund Forum**

**Local Pensions Partnership**

**London Pensions Fund Authority**

**M&G Investments**

**Merian Global Investors**

**Merseyside Pension Fund**

**Mirova**

**MN**

**MP Pension**

**Nest Sammelstiftung, Switzerland**

**New York City Comptroller's Office**

**New York State Common Retirement Fund**

**Newton Investment Management**

**NN Investment Partners**

**Nordea Group**

**Öhman Fonder**

**Ostrum Asset Management**

**P+(DIP/JOEP)**

**Pensionskasse Caritas, Switzerland**

**Pensionskasse der Stadt Winterthur, Switzerland**

**Pensionskasse Stadt Luzern, Switzerland**

**Pensionskasse Unia, Switzerland**

**Pictet Asset Management**

**PKA**

**Prévoyance Santé Valais (PRESV), Switzerland**

**prévoyance.ne, Switzerland**

**Profelia Fondation de prévoyance, Switzerland**

**Prosperita Stiftung für die berufliche Vorsorge, Switzerland**

**Raiffeisen Capital Management**

**Rathbones Greenbank Investments**

**Retraites Populaires, Switzerland**

**Robeco**

**RobecoSAM**

**RPMI Railpen**

**Sarasin & Partners**

**Schroders**

**SEB Investment Management**

**Skandia**

**St. Galler Pensionskasse, Switzerland**

**Stiftung Abendrot, Switzerland**

**Storebrand Asset Management AS**

**Strathclyde Pension Fund**

**Terre des hommes, Switzerland**

**Transport for London Pension Fund**

**Trusteam Finance**

[Get alerts on Letter when a new story is published](#)

[Get alerts](#)

[Copyright](#) The Financial Times Limited 2018. All rights reserved.

**How easy or hard was it to use FT.com today?**

[Leave feedback](#)