

Navigating investment decision in the net-zero era: Combining past performance with future resilience

Oliver Hampshire | 31st October 2023

Restricted



Agenda



B2B: Carbon



Why should we care?



Economic impact



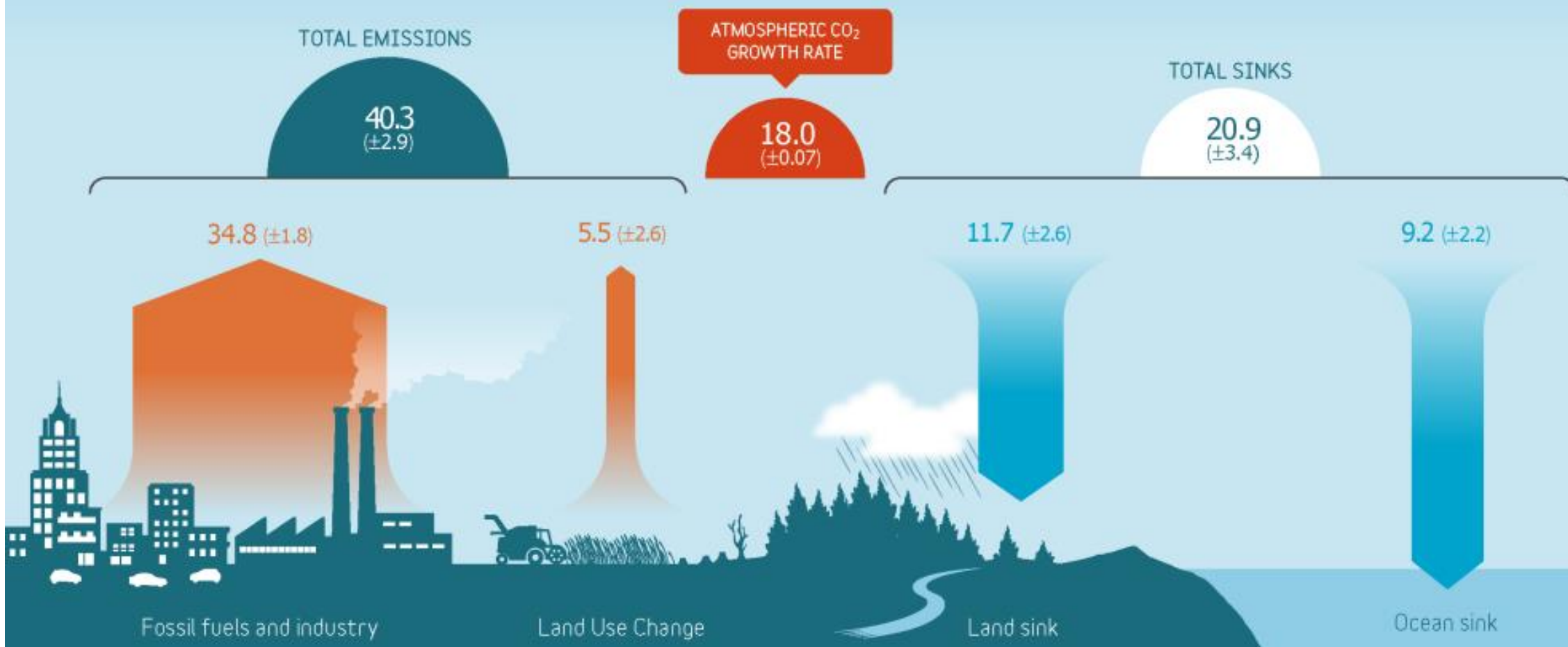
Portfolio impact



Connecting the dots

Carbon

GLOBAL CARBON BUDGET 2009-2018



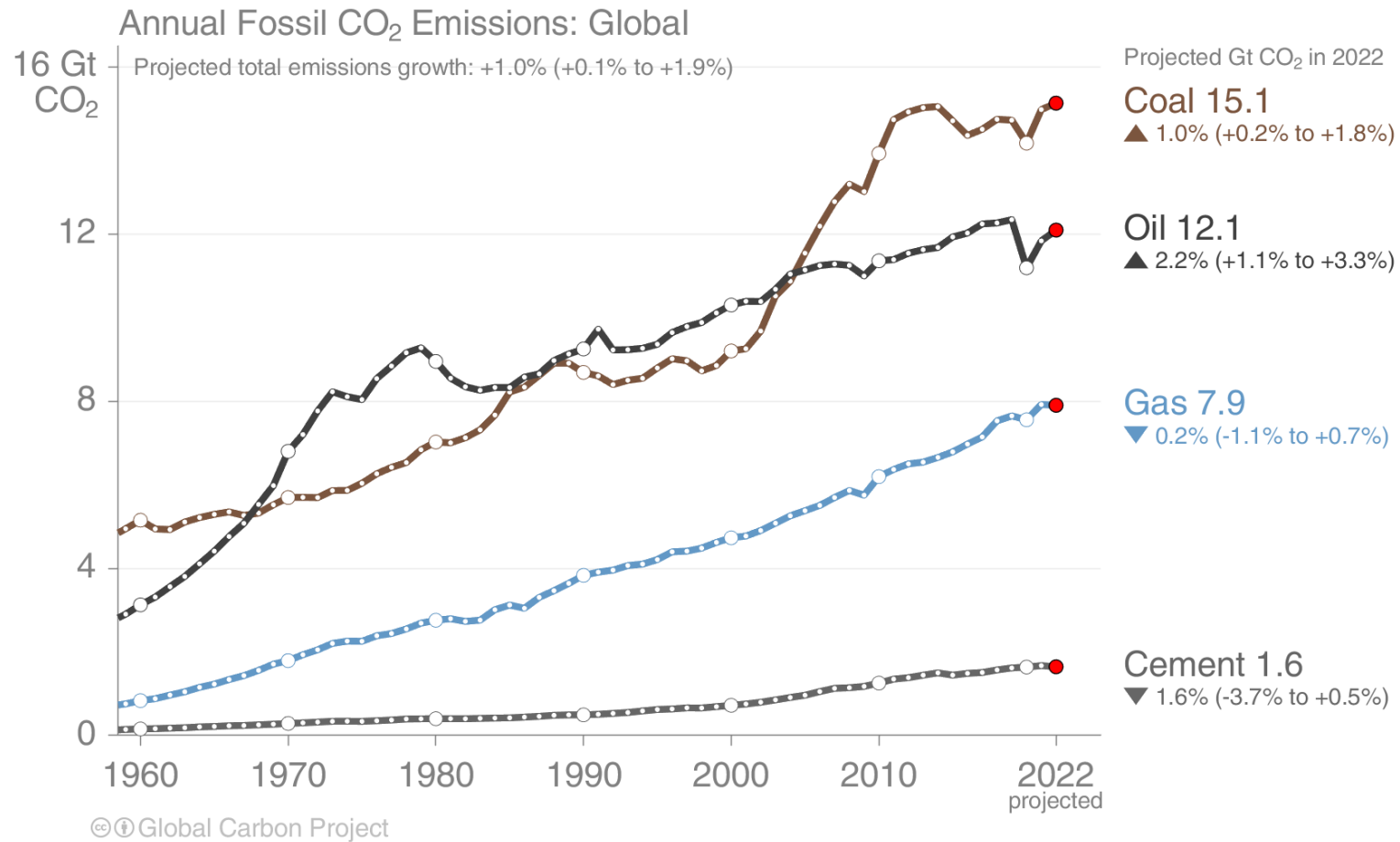
EMISSIONS AND SINKS

In billion-tons CO₂ per year (Pg CO₂ / yr), average 2009-2018

Anthropogenic emissions

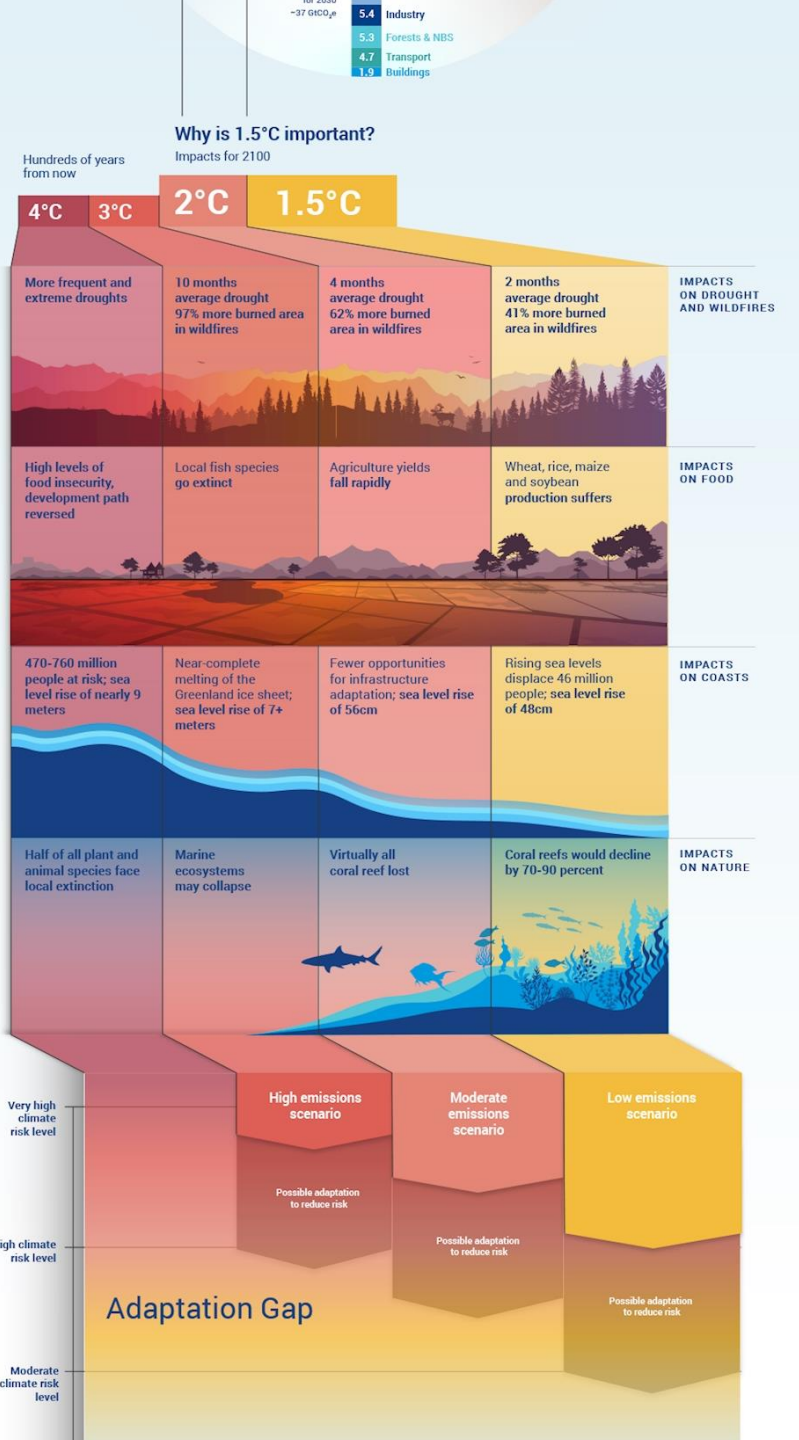
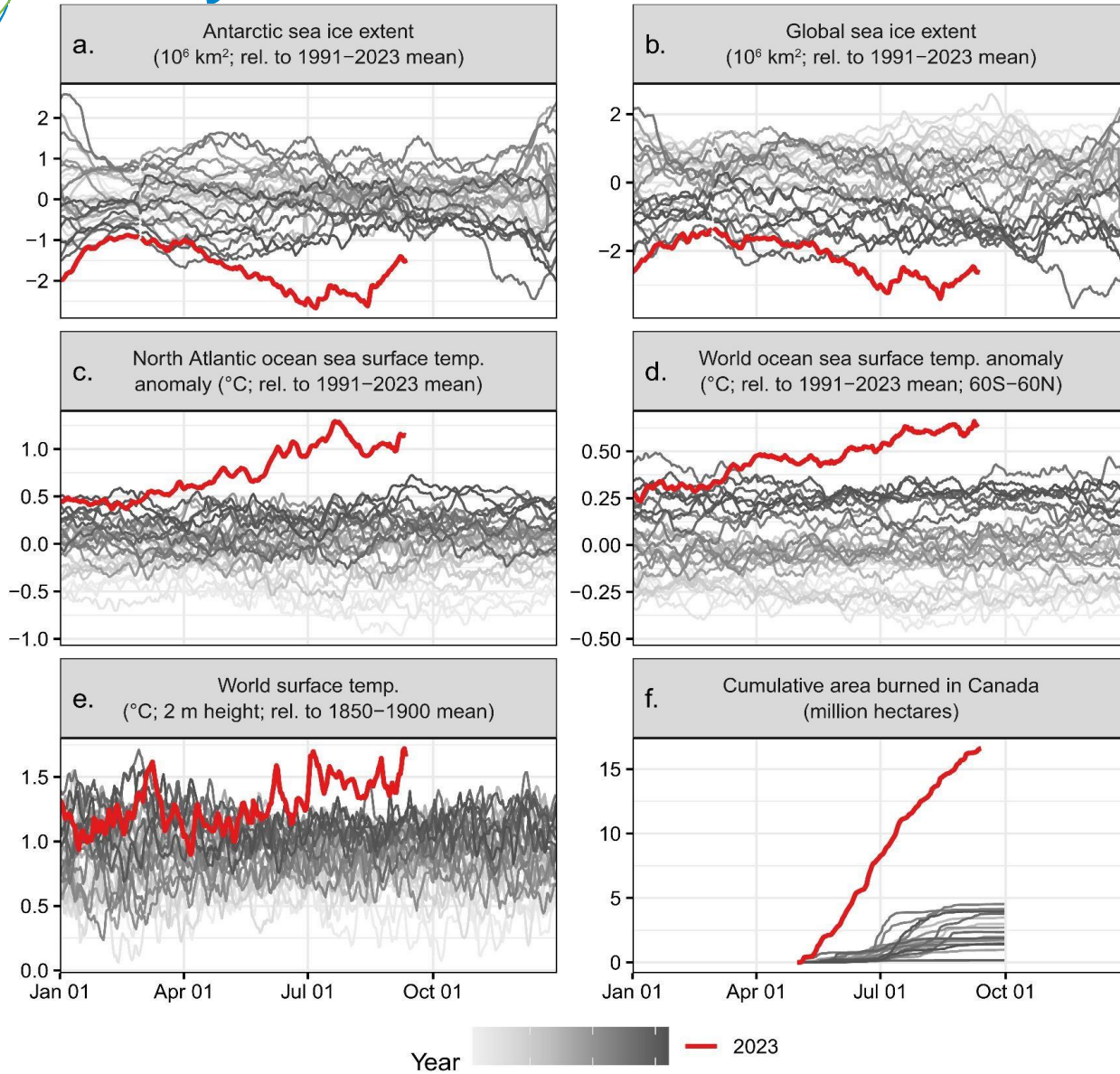
Sinks of anthropogenic emissions

What causes the imbalance?



Source: [Friedlingstein et al 2022](#); [Global Carbon Project 2022](#)

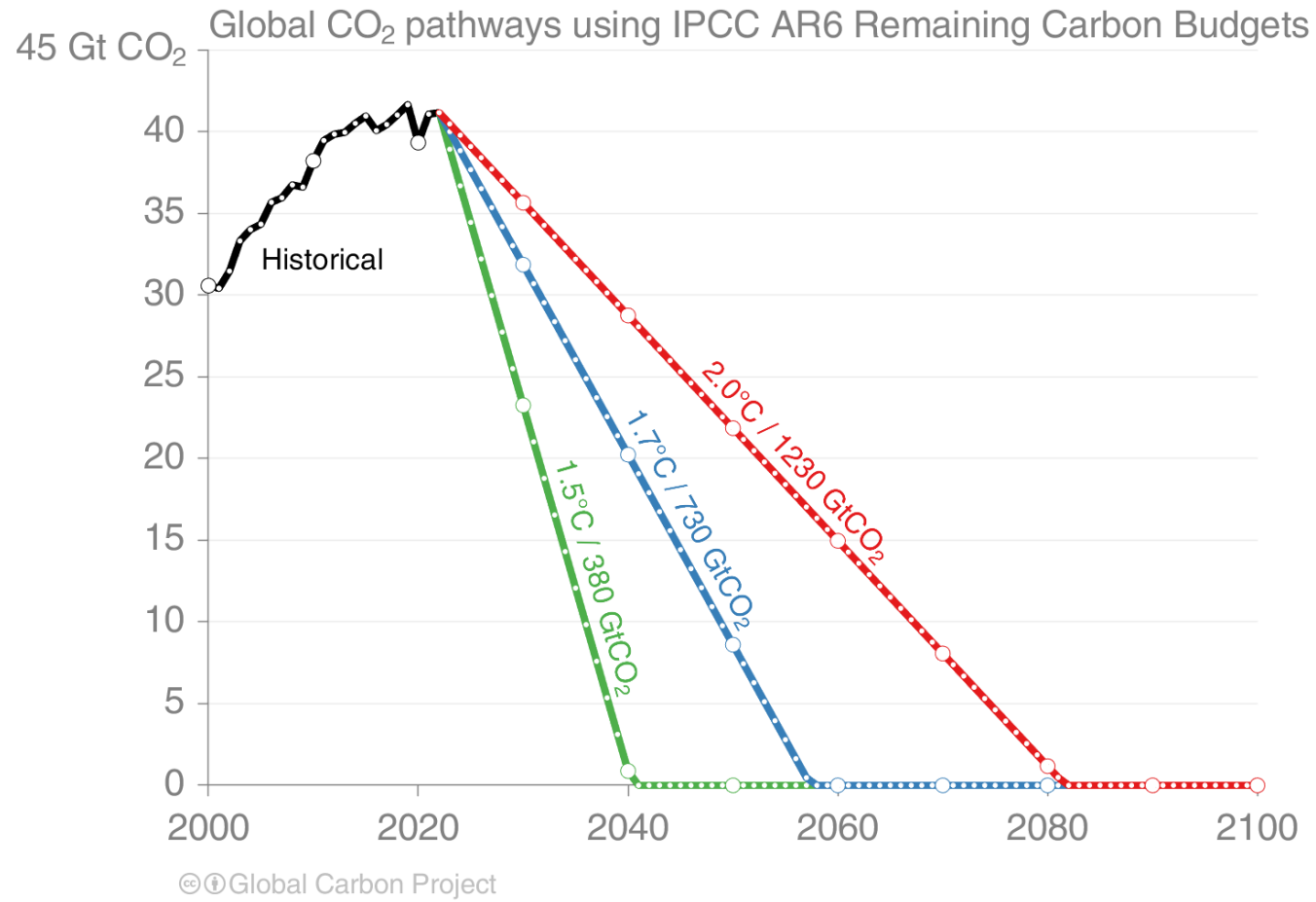
Why should we care?



5.4 Industry
5.3 Forests & NBS
4.7 Transport
1.9 Buildings



Global CO₂ emissions must reach zero to limit global warming



Source: [Friedlingstein et al 2022](#); [Global Carbon Project 2022](#)

Economy

What does this mean for the economy?

REUTERS | Reuters

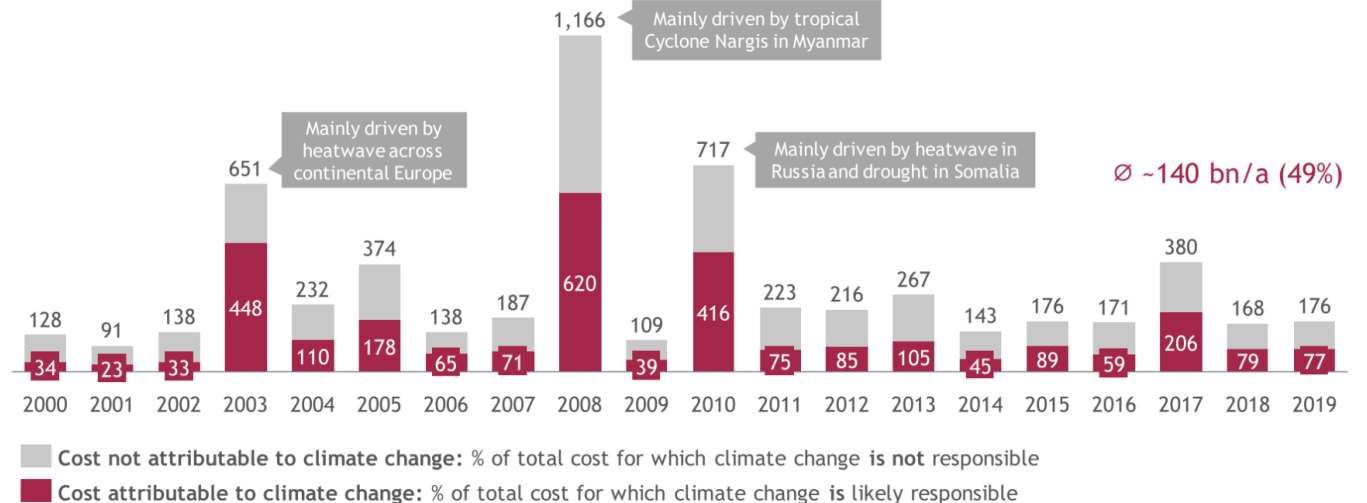
Panama Canal to slash booking slots due to drought over coming months

f Reuters
 Tue, October 31, 2023 at 3:18 p.m. GMT · 2 min read



~\$140 bn/a in costs of extreme weather events attributed to climate change

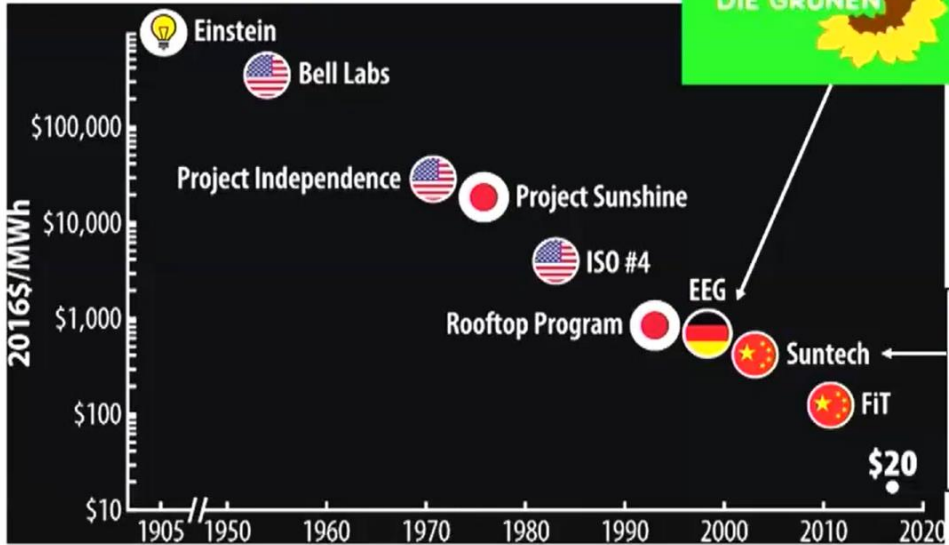
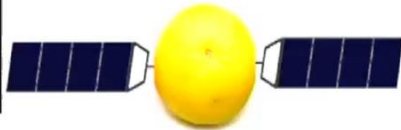
Cost of extreme weather events in billion USD (according to Newman and Noy, 2023)



What does this mean for the economy?

HOW SOLAR POWER GOT CHEAP

US Scientists put solar panels on satellite



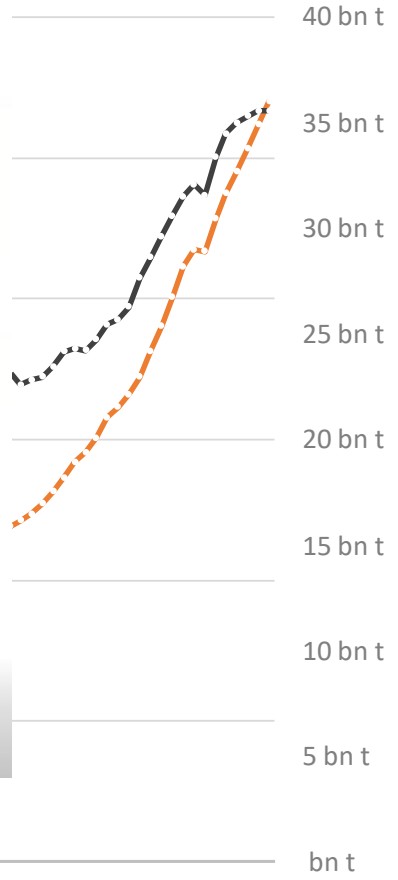
German campaigners push for policies that create first large markets

Australian professors teach...

Chinese entrepreneurs cut costs and increase production

US & Japanese governments fund research and subsidise first deployment

Solar provides 'cheapest electricity in history'



World GDP CO2 Emissions from Industry

Source: Gregory Nemet 'How solar energy got so cheap' <https://www.bbc.com/news/technology-2016-05>

En-ROADS Simulator

Portfolio

Climate scenario analysis

Select Scenario: Net Zero

Summary

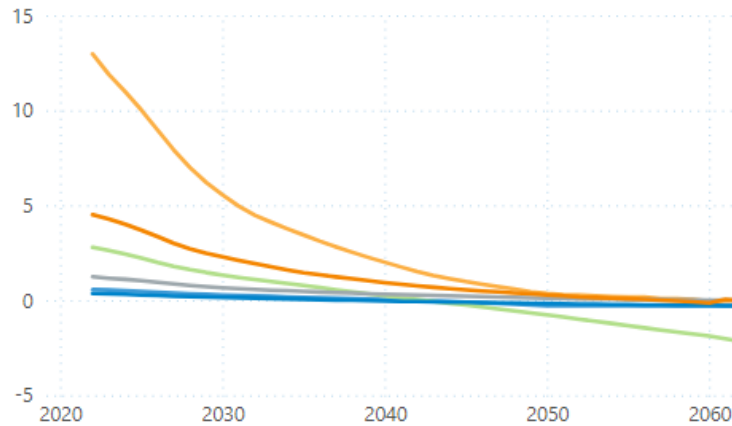
Total Shock

Contribution

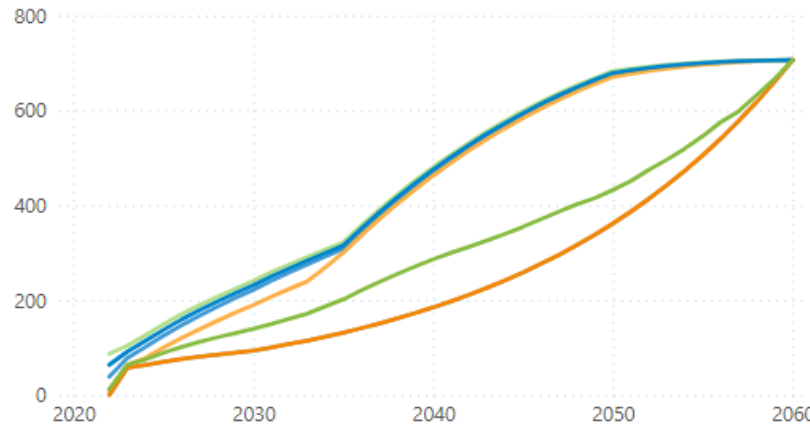
Climate Impact Summary

Development of key climate related indicators under the Net Zero Scenario

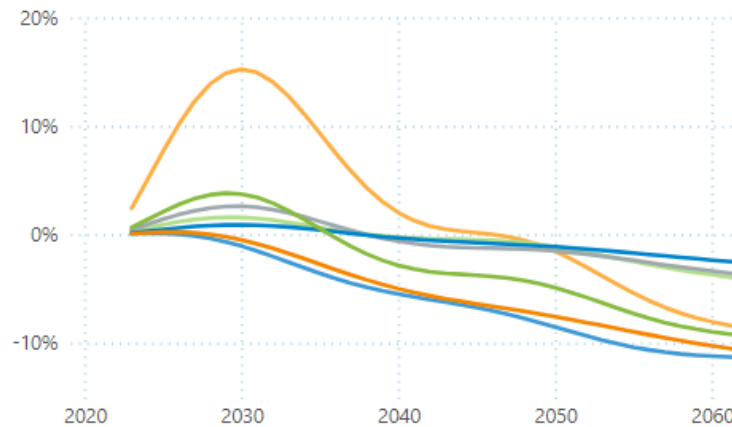
CO2 Emissions excluding Land Use (Gtonne CO2/year)



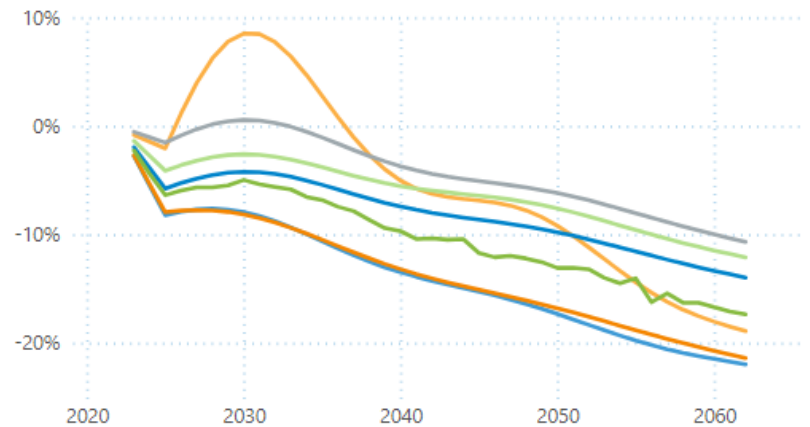
Carbon Price (2022\$/tonne CO2)



Total Cumulative Impact on GDP



Total Cumulative Impact on Listed Equity - Large Cap



Explanation

In the Ortec Finance - Net Zero Scenarios ambitious policies are introduced to achieve decarbonization of the economy by encouraging energy efficiency through the take up of low carbon technologies. The high climate ambition results in a high growth and low emission scenario, meeting the targets of the Paris Agreement, and limiting global warming to below 1.5°C by the end of the century.

In the near future, transition impacts are generally positive in Europe, UK and China. In contrast, the US and Canada are more negatively impacted. The effect on equity is seen in the first three years as markets reprice. After repricing, equity return stabilizes just under baseline levels.

— Canada — China — Europe — Japan — UK — US — World

Climate scenario analysis



Connecting past performance with future resilience

	Emissions	Financial
First Benchmark	5,223.52	1.248%

Exclusion impact on portfolio emissions

■ Increase ■ Decrease ■ Total

Emissions		2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Environmental	Total carbon emissions (millions tCO₂e)¹	1.38	1.42	1.84	2.16	2.42	2.35	2.60	2.45	2.80	3.28	3.50	3.01	3.52
	Change in portfolio's total carbon emissions compared with preceding year, %	-3%	-23%	-15%	-11%	3%	-10%	6%	-13%	-15%	-6%	16%	-14%	-
Social	- of which, due to changes in portfolio holdings, %-pts	-5%	-18%	-12%	-16%	-	-	-	-	-	-	-	-	-
	- of which, due to changes in companies' emissions, %-pts	3%	-5%	-3%	5%	-	-	-	-	-	-	-	-	-
Governance	Relative carbon emissions (tCO ₂ e/SEKm) ²	5.3	4.2	6.8	8.8	13.3	11.5	14.5	14.0	16.2	23.1	-	-	-
	Carbon intensity (tCO ₂ e/SEKm) ³	8.0	9.4	12.8	13.5	15.9	13.5	17.6	22.2	-	-	-	-	-
Biodiversity	Portfolio-weighted carbon intensity (TCFD) (tCO₂e/SEKm)⁴	6.3	6.8	8.7	10.3	14.3	15.3	-	-	-	-	-	-	-
	Change in portfolio's carbon intensity (TCFD) compared with preceding year, %	-7%	-23%	-15%	-28%	-7%	-	-	-	-	-	-	-	-
Total	- of which, due to changes in portfolio holdings, %-pts	5%	-22%	-9%	-21%	-	-	-	-	-	-	-	-	-
	- of which, due to changes in companies' emissions, %-pts	-13%	-1%	-6%	-6%	-	-	-	-	-	-	-	-	-
Final Benchmark	Identified market value as share of total fund capital, %	56%	64%	60%	59%	50%	56%	56%	56%	-	-	-	-	-
	Identified market value as share of total equities, %	100%	100%	100%	100%	95%	97%	96%	100%	-	-	-	-	-
	Share of market value for which reported emissions data is available, % ⁵	78%	72%	66%	60%	-	-	-	-	-	-	-	-	-

1. Sum of owned portion of portfolio companies' respective carbon emissions.

2. Sum of owned portion of portfolio companies' respective carbon emissions in relation to the portfolio's market value.

3. Sum of owned portion of portfolio companies' respective carbon emissions in relation to the sum of owned portion of the portfolio companies' sales (harmonic mean).

4. This measure sums the portfolio companies' respective carbon intensity, i.e., a company's carbon emissions in relation to its sales, weighted based on the respective companies' share of the portfolio (arithmetic mean).

5. For the remainder of the portfolio, emissions data is estimated.



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