

**CLIMATE CHANGE (IIGCC)**

**The IIGCC**

The IIGCC has a group of membership 27 institutions this quarter, representing well over £1 trillion in assets under management.

BBC Pension Trust	ISIS AM
Bedfordshire CC Pension Fund	Insight Investment
BNP Paribas	Local Authority PF Forum
CCLA	London Borough of Hounslow PFLondon
Central Finance Board of Methodist	PF Authority
Church	Merrill Lynch IM Morley
Co-operative Insurance Society	Merseyside Pension FundPrudential
Corporation of London PF	Property IM
Environment Agency PF	Schroder Investment Management
Ethos Foundation	Transport for London Pension Fund
Generation IM	USS Ltd
Greater Manchester PFHenderson Global	West Yorkshire Pension Fund
Investors	West Midlands Metropolitan Authority PF
I.DE.A.M – (Integral Development Asset Management)	

The IIGCC has provided a written response to the governments Stern Review on the Economics of Climate Change. This is a Treasury led review of the economic implications of climate change – and of not addressing the issue. Much of the previous economic research on the issue has focussed on the costs of policies to address the issues, (eg the Kyoto process and the EU emissions trading scheme) but much less work has been undertaken on what the costs of inaction may be. The IIGCC's main points were that the Group supports the following principles in the setting of climate policy:

1. Long-termism: IIGCC favours the setting of long-term climate change objectives and targets and specifically supports the target to reduce carbon dioxide emissions by 60% set in the Energy White Paper. Furthermore, we are of the view that there should be clear government commitment to these targets. Uncertainty about climate change policy means that institutional investors will tend to discount the risks and opportunities posed by climate change in their investment analysis. A credible long-term policy framework is essential for both investors and companies to plan how to respond to climate change risks and opportunities.
2. Comprehensive assessments: Comprehensive cost-benefit analysis of climate change should underpin any setting of targets. IIGCC believes that both the benefits of reducing greenhouse gas emissions and the costs of inaction in terms of climate change impacts should be fully assessed so that appropriate targets are set.
3. Efficiency: The policy approaches adopted should be effective (i.e. deliver on climate policy goals), efficient and minimise transaction costs. IIGCC supports emissions trading as the most economically efficient way of curbing greenhouse gas emissions in industry. The EU Emission Trading Scheme has already resulted in institutional investors taking account of the financial costs of greenhouse gas emissions in the analysis of those sectors included in the scheme. IIGCC favours the broadening of the

EU Emission Trading Scheme to ensure that other key sectors (such as aviation) are included as soon as possible.

4. Regional vs. Global Action: IIGCC supports a global solution to the problem of climate change in line with the common but differentiated responsibilities approach. As a global solution will take time, IIGCC supports action at a European level as a first step. We believe this may demonstrate the benefits of a proactive approach to climate change (e.g. encouraging energy efficiency and stimulating innovation) and therefore provide important international leadership.

A member of the RI team was invited to chair a session on the implications of climate change for pension professionals in Asia at a conference in Thailand. It was decided that it was important to attend this event (all travel was paid for by the organiser) to encourage pension funds and institutional investors from all over Asia to begin to address this global issue.

The IIGCC played a significant role and had direct input into a major DTI conference on corporate social responsibility. This conference as part of the UK EU presidency also included speakers from the IIGCC. In addition, the official report to accompany the event (Investing in the Future) highlighted the IIGCC as an area of good practice.