



ISS-Ethix

Climate Solutions

Transition to a Low-Carbon Economy: How it Impacts Investors and the Sectors They Invest In

Preview

Executive Summary

At COP 21 (COP stands for the “Conference of the Parties”) in 2015 in Paris, over 190 countries agreed to address the risks of global warming, limiting the global temperature rise to a maximum of 2 degrees Celsius (2°C) above pre-industrial levels. As the timelines associated with forecasts become current, different developments will shape the situation investors face:

1. Discrepancy between decarbonisation commitments and required actions to achieve the transition.
2. The various structures of a low carbon economy and reliance on different technologies.
3. Continued subsidies for fossil fuels in many markets.

Three underlying opportunities exist to address low-carbon objectives: *improving energy efficiency, reducing carbon intensity of electricity and end-use of energy*. Climate change and decarbonisation are having wide-ranging impacts on all industry sectors, but the impacts will vary in their severity, duration and imminence. Key sectors responsible for a high share of direct emissions are electricity and heat production (25%), agriculture, forestry and other land use (AFOLU)

(24%), industry (21%), transport (14%) and buildings (6.4%)¹. Progress in key technologies needed for the low-carbon transition as tracked by the International Energy Agency (IEA) has so far been insufficient, with many sectors currently failing to develop or deploy the necessary technologies.

Investors can take several steps to manage their exposure to the transition to a low carbon energy transition:

1. **Evaluate progress towards low carbon economy:** Observing the essential insights provided by sectors, countries or regions on their expectations for future developments.
2. **Monitor technology exposure:** Monitor not only the sector but also technology exposure of investments to manage alignment with key areas of potential future innovation.
3. **Assess companies’ preparedness to manage risks and capture opportunities:** An analysis of companies can reveal their preparedness to manage a low carbon transition.

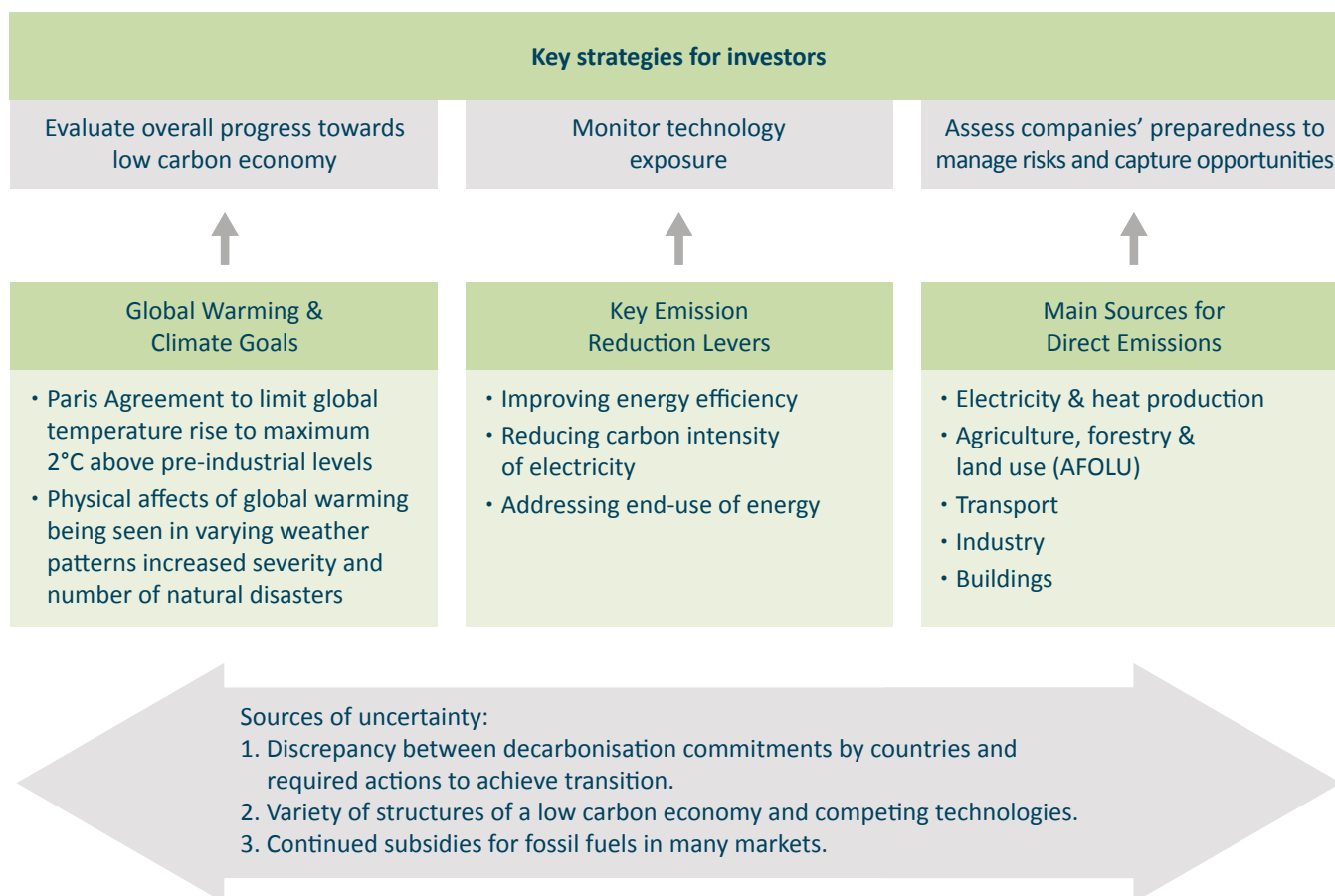
This will allow investors to manage risks and be positioned to take full advantage of the low carbon transition.

The complete document is available online:
<https://www.feri-institut.de/media-center/studien/>



COGNITIVE CONCLUSION

Transition to a low-carbon economy: Key strategies for investors



Source: ISS Ethix, FERI Cognitive Finance Institute, 2017

DISCLAIMER

This document and all of the information contained in it, including without limitation all text, data, graphs and charts (collectively, the "Information"), are the property of Institutional Shareholder Services Inc. (including its subsidiaries "ISS") and/or FERI AG ("FERI"). The Information may not be reproduced or disseminated in whole or in part without prior written permission of ISS or FERI. The Information has not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. None of the Information constitutes an offer to sell (or a solicitation of an offer to buy), or a promotion or recommendation of, any security, financial product, or other investment vehicle or any trading strategy, and neither ISS or FERI endorses, approves, or otherwise expresses any opinion regarding any issuer, securities, financial products, or instruments or trading strategies. The user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

NEITHER ISS NOR FERI MAKE ANY EXPRESS OR IMPLIED WARRANTIES OR REPRESENTATIONS WITH RESPECT TO THE INFORMATION AND EXPRESSLY DISCLAIM ALL IMPLIED WARRANTIES (INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OF ORIGINALITY, ACCURACY, TIMELINESS, NON-INFRINGEMENT, COMPLETENESS, MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE) WITH RESPECT TO ANY OF THE INFORMATION.

© 2017 Institutional Shareholder Services Inc./FERI AG. All rights reserved.