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Finanza Sostenibile



19<sup>th</sup> April 2021

## **Net-zero: how to achieve it?**

**Setting the scene: definitions, data and key challenges for the financial sector**

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## Net-zero

**The momentum is there, but how about target-setting?  
Definitions, targets & data**





What does “**net-zero emissions**” mean?



Overall **balance** between human-induced greenhouse gas emissions **produced** and **taken out** of the atmosphere

Why we need **net-zero**?



To **limit global warming below 1.5°** compared to the pre-industrial level (Paris Agreement)

How about the **EU**?



Target 2030: **-55% GHGs** (EU Climate Law)  
Target 2050: **net-zero** (EU Green Deal)



## Who committed?



### Countries

- 61% of global emissions
- 68% of global GDP
- 52% of the global population



### Companies

- \$14 trillion
- 33% of total sales across the top 2,000 public companies

**BUT only 20%** of existing net-zero targets (countries and companies) meet a set of basic robustness criteria

Source: ECIU, Oxford, March 2021



- 73 **asset managers** (\$32 trillion AUM) joined Net Zero Asset Managers Initiative
- 35 **institutional investors** (\$5,6 trillion AUM) joined Net Zero Asset Owner Alliance



Which **tools** are available for financial market participants?



# Which tools? Coordinated action



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# Which tools? Target setting & metrics



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## SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



**NET ZERO**  
INVESTMENT  
FRAMEWORK **1.5°C**

Investing  
for a net  
zero future

DELIVERED GLOBALLY BY:

**IIGCC**  
The Institutional Investors  
Group on Climate Change

**Ceres**

**ASIA**  
INSTITUTIONAL  
INVESTORS  
GROUP ON  
CLIMATE  
CHANGE

**Investor Group on  
Climate Change**



**EU climate benchmarks**

## International initiatives focus on:



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1. Public commitment



2. Setting targets



3. Reporting progress against targets



4. Engagement



Today we will focus on 2 and 3



What are **cross-cutting challenges** when it comes to aligning a portfolio to net-zero?





## Cross-cutting challenges

How to set solid, achievable and credible targets and consistent trajectories in order to:



decarbonise portfolios



increase investments in climate solutions

...ensuring that these two actions produce an impact on the real economy  
(by measuring and reporting)





## Cross-cutting challenges

▪ How to manage portfolio constraints in a decarbonisation strategy?

▪ Is it enough to adjust only portfolio construction?  
Or must the whole investment process be reviewed?

▪ Net-zero commitment: what does it mean to asset owner/  
client relations?

▪ How to properly scrutinize commitments of companies?  
Are there any issues concerning data?  
(E.g. Scope 1,2,3)

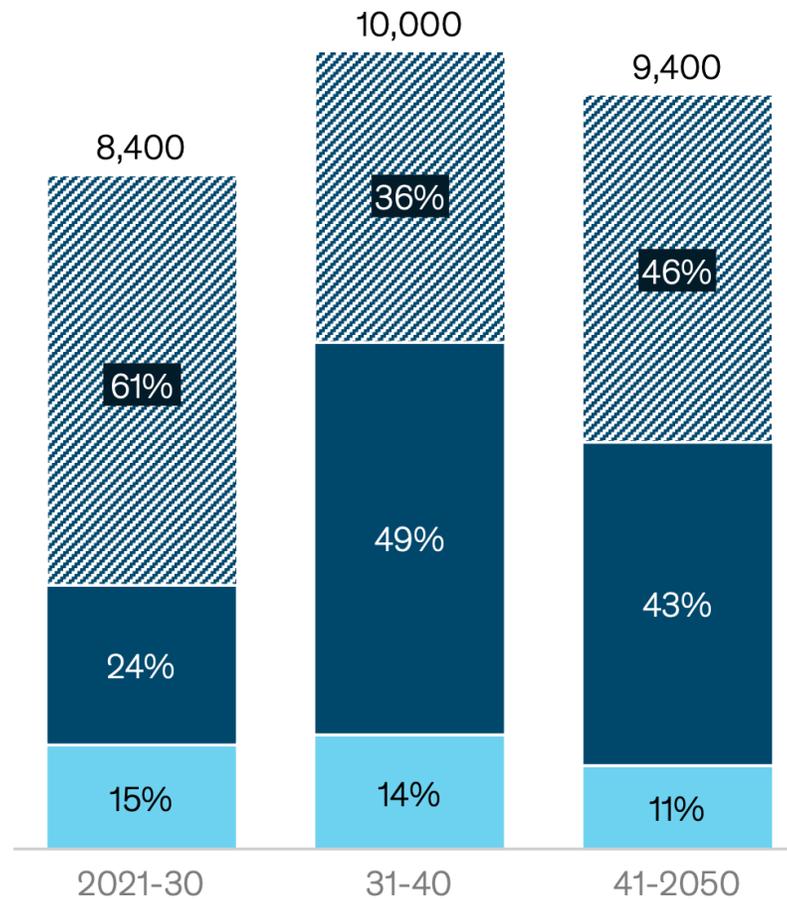
▪ Is it a good idea to invest in carbon capture technology?



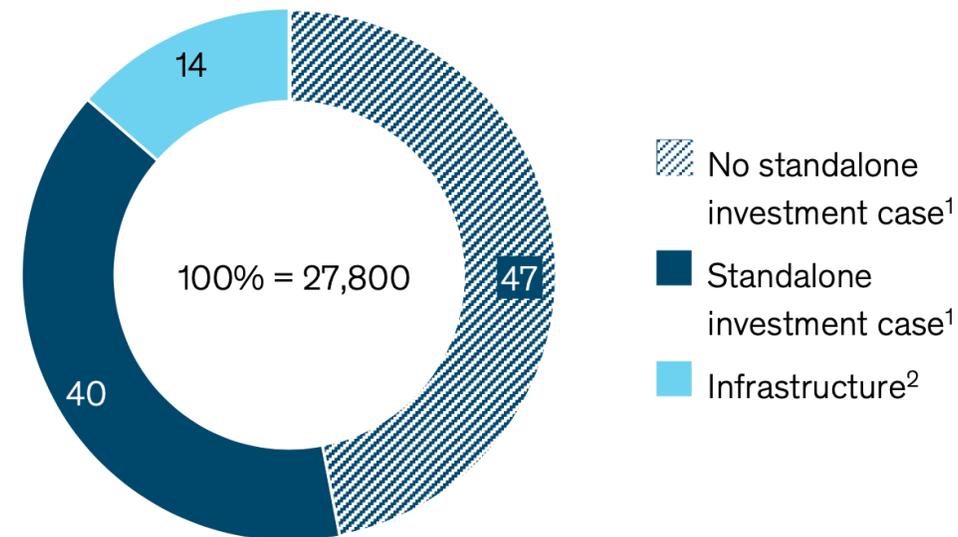


### Emissions-reduction investments by type of investment case for individual stakeholders

Total CAPEX in EU-27, Bn EUR (total within time bracket)



### Share of total investments by type of investment case, 2020-50, %



Source: McKinsey – Net-Zero Europe