Open letter to EU leaders from investors on a sustainable recovery from COVID-19

The deadly outbreak of the COVID-19 pandemic has disrupted our lives and livelihoods, communities and economies. We recognise the EU and its Member States’ immediate priorities must be intervening to save human lives and providing economic and financial relief to support the most vulnerable, stem the health crisis and curb economic disruption. At the same time, these efforts should not lock in high carbon pathways.

The European Union is now beginning to consider economic recovery measures to address the acute shock and impacts of the COVID-19 pandemic. With trillions of euros in capital under their management, we as investors are willing to help accelerate the recovery as it will require the efficient and equitable deployment of both public and private capital in fiscally-challenging times. Institutional investors take a long-term view of value and returns, and are therefore committed to assist policymakers devise multi-year sustainable recovery efforts.

The COVID-19 pandemic is pushing Europe into an economic crisis, but it is also an opportunity for a green and sustainable recovery. Investors understand that accelerating the net zero emissions transition can create significant new employment and economic growth, along with other co-benefits such as energy security and clean air. With effective recovery policies in place, private investment could be channeled to accelerate the development of new sustainable climate change mitigation and climate adaptation assets. We encourage Member States to factor in the foreseeable, acute, systemic and compounding climate-related economic and financial risks. Investors increasingly face physical and transitional risks from a rapidly warming planet that challenge their ability to deliver long-term returns for their beneficiaries.

An accelerated transition to a net zero emissions economy in line with the Green Deal and the Paris Agreement is also critical to building greater resilience that will enhance the ability of our communities and economies to absorb both acute and systemic shocks. As part of this transition we encourage European leaders to ensure that at least 25% climate-mainstreaming ambition is maintained as part of the Multiannual Financial Framework for 2021-2027 (MFF), for the whole seven-year period.

Beyond the immediate need of relaunching the economy, ultimately recovery plans in Europe should also include sustainability and equity, and accelerate the transition to a net zero emissions economy to mitigate climate risk, create new jobs and catalyse the sustainable deployment of private capital. Recovery plans that overly exacerbate climate change would expose investors and national economies to escalating financial, health and social risks in the coming years. Net zero transition plans need to underpin the recovery of countries, regions and companies.

In line with the EU’s objective of becoming climate-neutral by 2050, economic recovery efforts are best directed to where job creation can be matched with net zero emissions energy, industrial, building and transport systems, along with climate resilience measures and other sustainable infrastructure that will strengthen our societies and maintain natural systems. Preparing for and responding to large-scale disruptions like pandemics and climate change also requires investments in scenario testing, assessments of corporate responses to risk, adaptation and a framework for a just transition. We need early preventative action to limit economic costs and human suffering.

The path we choose in the coming months will have significant ramifications for our global economy and generations to come. It is critical that Europe works with investors, companies and workers to
develop just and sustainable recovery plans. As leading investors, we stand ready to help policymakers to invest in a better, more resilient future.

Our recommendations for an investible and sustainable economic recovery from the COVID-19 pandemic:

1. Prioritise human relief and job creation without locking in high carbon pathways. The EU must protect communities and workers, especially the most vulnerable, from the impacts of the COVID-19 pandemic and the economic fallout. Recovery plans should create jobs across society that match with investments in net zero emissions energy, industrial, building and transportation systems, climate resilience measures and other sustainable infrastructure.

2. Support the Green Deal and uphold the Paris Agreement. Governments, investors and companies must support the Green Deal and its objective of making Europe climate-neutral by 2050, in line with the European Commission’s 2050 long-term strategy, in order to maintain and strengthen their commitments in line with the Paris Agreement. The Paris Agreement remains the best multilateral instrument to accelerate emissions reductions and reduce the human health and economic risks from climate change. In order to do this, European leaders should uphold the 25% climate-mainstreaming target of the MFF, rapidly legally enshrine Europe’s 2050 climate ambition with the European Climate Law, and maintain momentum on the Green Deal, ambitious 2030 climate targets and sustainable finance agenda.

3. Member States should ensure COVID-19 support addresses climate risk. In particular, carbon-intensive companies that receive government bailouts, grants, loans, tax concessions and temporary equity purchases should be required to establish and enact climate change transition plans consistent with the Green Deal and Paris Agreement goals, and achieving net zero emissions by 2050 in exchange for this public support. Investors should work closely with national policymakers on the implementation of these transition plans.

4. Prioritise climate resiliency and net zero emissions economic solutions. Locking in carbon-intensive economic activities in pursuit of recovery plans will only exacerbate systemic climate risks and expose economies to escalating shocks. The EU and its Member States can accelerate the recovery by facilitating fresh investment and jobs in clean energy, which can often also be deployed cheaper and faster than incumbent carbon-intensive activities. Support for new sustainable infrastructure such as electrified transport systems, green industrial production and resilient community assets could also drive long-term clean jobs and growth.

5. Embed investor participation in recovery planning. Many Member States will be more fiscally challenged after deploying immediate pandemic relief, and unlocking private capital will therefore be critical to recovery. As investors, we would welcome assisting the EU and its Member States in designing efficient, equitable and sustainable recovery plans.

We stand ready to work with government leaders in implementing these actions.

This statement was coordinated by Institutional Investors Group on Climate Change (IIGCC), Principles for Responsible Investment (PRI) and CDP.

Signed,
1. Aargauische Pensionskasse (APK)
2. Aberdeen Standard Investments
3. Aegon Nederland N.V.
4. Allianz Global Investors
5. Allianz Investment Management SE
6. Amundi
7. Andra AP-fonden
8. AP Pension
9. AP3 Third Swedish National Pension Fund
10. AP4 – Fourth Swedish National Pension Fund
11. AP7, the Seventh Swedish National Pension Fund
12. ASR Vermogensbeheer N.V
13. ATISA Personalvorsorgestiftung der Tschümperlin-Unternehmungen
14. AustralianSuper
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18. BancoPosta Fondi SGR
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22. Bernische Pensionskasse BPK
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24. BNP Paribas Asset Management
25. Boston Common Asset Management
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29. Caisse de pension des sociétés Hewlett-Packard en Suisse
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32. Caisse de pensions du personnel communal de Lausanne (CPCL)
33. Caisse de pensions ECA-RP
34. Caisse de prév. des Fonctionnaires de Police & des Etablissements Pénitentiaires
35. Caisse de Prévoyance de l'Etat de Genève (CPEG)
36. Caisse de Prévoyance des Interprètes de Conférence (CPIC)
37. Caisse de prévoyance du personnel de l'Etat de Fribourg (CPPEF)
38. Caisse de prévoyance du personnel de l'Etat du Valais (CPVAL)
39. Caisse intercommunale de pensions (CIP)
40. Caisse paritaire de prévoyance de l'industrie et de la construction (CPPIC)
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42. Candriam Luxembourg s.c.a
43. CAP Prévoyance
44. Capital Dynamics Ltd
45. CCOO, FP
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47. Church Commissioners for England
48. Church of England Pensions Board
49. Church of Sweden
50. CIEPP - Caisse Inter-Entreprises de Prévoyance Professionnelle
51. CPEG
52. Danske Bank A/S
53. DPAM
54. EAB Group Plc
55. Earth Capital Limited
56. East Capital Group
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58. Elo Mutual Pension Insurance Company
59. Environment Agency Pension Fund
60. EOS at Federated Hermes, on behalf of its stewardship clients
61. Epworth Investment Management Ltd
62. EQ Investors
63. Etablissement Cantonal d’Assurance (ECA VAUD)
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65. Etica Sgr - Responsible Investments
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73. Fondation de prévoyance du Groupe BNP PARIBAS en Suisse
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106. Man Group plc
107. Merian Global Investors
108. MN on behalf of PMT and PME
109. MP Investment Management A/S
110. MPC Renewable Energies GmbH
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118. Ostrum Asset Management
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129. Pensionskasse Römisch-katholische Landeskirche des Kantons Luzern
130. Pensionskasse Schaffhausen
131. Pensionskasse SRG SSR
132. Pensionskasse Stadt Luzern
133. Pensionskasse Unia
134. Personalvorsorgekasse der Stadt Bern
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174. Vorsorge SERTO
175. West Midlands Pension Fund
176. West Yorkshire Pension Fund
177. WHEB Asset Management LLP
178. Winston Churchill Memorial Trust