

Media Release: Embargo 12:00 GMT 8th December

IPR Investor Value Drivers Launch - Market leading guidance for investor climate transition & risk strategies

Climate forecaster releases bedrock Energy and Land use data behind latest policy acceleration scenarios

Fills critical gap in supporting investor alignment towards 2030 & Net Zero targets

LONDON: 08/12/2021: 12:00GMT: The Inevitable Policy Response (IPR) has filled a critical gap in capital market climate alignment and investor strategies for net zero in today's unveiling of the Inevitable Policy Response Investor Value Drivers Database (IPR Database). The open source IPR Database is the largest of its type in the world incorporating over 500,000 data points and is the latest in output for financial institutions from the climate forecasting consortium commissioned by the Principles for Responsible Investment (PRI).

IPR forecasts an acceleration in policy responses to 2025 that will be increasingly forceful, abrupt, and disorderly, posing both risks and opportunities for institutional investors. The public release enables asset owners, managers and service providers to incorporate the short- and long-term data underlying the latest IPR forecast policy scenarios directly into their valuation models and utilise them as a basis for:

- assessing existing investment beliefs,
- determining strategic asset allocation,
- portfolio construction and product development
- security selection and
- corporate and policy engagement strategies.

The IPR Database launch follows on from the [October release](#) of two new climate scenarios by the consortium:

- The 2021 Forecast Policy Scenario (FPS), a high conviction forecast of likely developments from a significant acceleration in climate policy through to 2025 and the associated longer term real economy impacts,
- The new 2021 1.5C Required Policy Scenario (RPS) setting out the additional, intensified climate policy developments required to put the world on a 1.5-degree pathway

The release of the accompanying data underlying the 2021 scenarios provides a major new level of guidance for institutional investor risk analysis and integration of climate transition in market pricing and investment strategies.

It gives investors deeper frameworks to understand macroeconomic conditions and inform capital market assumptions, strategic asset allocation, scenario analysis and product development decisions as real economy activity changes in response to emissions reduction measures.

Additionally, the 1.5C RPS data also enables investors to undertake climate scenario analysis and portfolio alignment against a net zero compatible scenario.

1.5C Required Policy Scenario (RPS)

Also being released is a detailed report that builds on the October IPR 1.5C Required Policy Scenario (RPS) emissions and policy summary. With an increasing number of investors and companies looking to align their portfolios and business models with Net Zero by 2050, the RPS sets out the additional, intensified climate policy developments to put the world on a 1.5 degree pathway.

The 1.5C RPS is IPR's current assessment of *future policy developments needed* to increase emissions reduction, close the existing gap, and hold global temperature increase to a 1.5C outcome.

IPR Database Summary

The IPR Database covers all major jurisdictions and economic sectors, includes energy and additional focus on land use as the two key aspects of the climate change transition. The database provides significantly more granular data for a range of risk and alignment applications, encompassing all 2021 forecasting by region annually up to 2050, incorporating a total of 500,000 thousand data points.

IPR Database provides investors and service providers of market leading size and scope with unique data to guide their products and investments including strategies including annual vs 10-year resolution, detailed characterization of the stock of energy technologies for power, buildings, and transport, new capacity additions and capex in key sectors and technology mix for industrial production including steel and cement.

The unique combination from IPR of [policy forecasts](#) and associated data provides capital markets and investors with a 'built from the ground up' framework for understanding the evolution of real economy activity over time and its effect on industry fundamentals and thematic and navigation of a complex, evolving landscape to enhance portfolio resilience and inform strategic asset allocation.

This opens up new opportunities for asset managers in product development and a baseline for asset owners to ensure their asset managers are using the most credible and the most likely assumptions available.

The IPR Investor Database was built with input from the IPR consortium, modelled by Vivid Economics, with assistance from IPR strategic partners including BlackRock, BNP Paribas Asset Management, Fitch Ratings, Goldman Sachs Asset Management, New Forests, Nuveen and Robeco.

PACTA Incorporation

The core IPR scenarios are also being released today on the [Transition Monitor Platform](#), part of the free PACTA portfolio analysis tool. Developed by [2° Investing Initiative](#) with backing from the PRI, PACTA will allow users to measure their alignment with IPR scenarios set across key climate-relevant sectors and technologies. The portfolio analysis tool will also provide a new 'Transition Disruption Metric' that scores future potential portfolio disruption under the IPR FPS out to 2030.

Fiona Reynolds, CEO, Principles for Responsible Investment (PRI):

"The climate transition continues to pose critical challenges for institutional investors. Today's launch of the Inevitable Policy Response's database together with IPR forecasts provides a valuable foundation for investors to build on their climate alignment strategies, create value and hedge risks as the transition gathers pace. Increasingly, IPR is becoming the go-to roadmap when assessing the investment impact of structural changes in the real economy that reaching net zero requires."

Julian Poulter, Head of Investor Relations, IPR:

"The value drivers are an invaluable resource for institutional investors looking to be active in managing risks and opportunities as climate policy accelerates further into real economy, trade and development spheres. with all the changes to markets that this structural shift will influence."

“This database release of the granular details underlying IPR scenarios in energy and land use to 2030 and 2050 will allow investors to reflect IPR forecasts directly in their portfolio construction, investment and engagement decisions. With asset management leaders responding to the challenge, onus is now on leading asset owners to reward innovation and award new mandates to emerging products & maximise opportunities around the climate transition.”

Chris Weber, Head of Climate and Sustainability Research, Blackrock:

“The IPR’s Value Drivers provide important inputs to help investors analyze different net zero transition scenarios. We look forward to integrating them into our investment analyses as we deliver on our fiduciary obligation to clients.”

Alex Bernhardt, Global Head of Sustainability Research, BNP Paribas Asset Management:

“Credible climate scenarios form the backbone of company and portfolio assessments for climate transition risk and strategic alignment with Net Zero. We look forward to using the Inevitable Policy Response Database alongside other science-based scenarios to inform related analysis of our current portfolios and to underpin the design and development of new products which avoid the risks and capture the opportunities associated with the ongoing low-carbon economic transition.”

Alex Griffiths, Head of Corporate Ratings, EMEA, Fitch Ratings:

“The sheer detail available in the IPR Value Drivers Database sets it apart from other forecasts. It is an important input in our Climate Vulnerability Scores, which help investors by translating the IPR’s scenario into a relative ranking of climate risk for sectors and entities in the long term. No other public forecast contains enough detail to allow us to extend our analysis beyond the energy sectors – the 2021 version of the IPR does.”

Margaret Anadu, Global Head of Sustainability and Impact, Goldman Sachs Asset Management:

“Climate scenario analysis has never been more important for our clients – for pricing assets, making strategic allocation decisions, and capturing the transition investment themes that are going to be critical in shaping the global economy across the coming decades. With the Inevitable Policy Response, we have a detailed, realistic way of mapping these dynamics that empowers asset managers and the broader global community to prepare for a Net Zero aligned future. As a firm who has committed to a Net Zero pathway, we know first-hand the importance of granular data to help us chart our best path forward.”

Radha Kuppalli, Managing Director, Impact and Advocacy, New Forests:

“The IPR data demonstrates the significant economic transition that will happen in land use as the global economy moves toward net zero emissions. These include an end to deforestation and land use shifting to reforestation and ecosystem restoration, driven by a rising carbon price and innovation in food technology and production. As an asset manager, IPR forecasts and data assist us to translate this opportunity into specific investment strategies and products in nature-based solutions, sustainable forestry, and landscape management that align with decarbonisation of institutional investors’ portfolios.”

Sarah Wilson, Head of ESG Integration, Nuveen:

“The IPR Value Drivers directly support implementation of our parent company TIAA’s net zero carbon commitment. They will help Nuveen to forecast sector-level shifts that may result from the low carbon transition, providing essential inputs to our scenario planning and investment beliefs.”

-
Carola van Lamoen, Head of Sustainable Investing, Robeco:

“Climate policy has become a macro-issue that influences growth, inflation and public finance. While in COP26 governments agreed to 1.5 degrees as a formal target, their policies still lead to 2.4 degrees. So, we know that beefing up policies in this decade is inevitable. IPR provides us a realistic forecast as to how that might unfold and how it may affect the macro-economy. As investors we need to take this information into account as we seek opportunities for long-term value creation.”

Ends

<Notes to Editors>

For more information:

Andrew Whiley
Communications Manager
Inevitable Policy Response (London)
+44 (0)7506 270 943
andrew.whiley@inevitablepolicyresponse.org

[Julian Poulter](#), Head of Investor Relations,
Inevitable Policy Response
Founder, Energy Transition Advisors (Australia)
julian.poulter@et-advisers.com
+61 402 488 877
+44 7518 410496
+1(347) 871-8907

About Inevitable Policy Response (IPR): The IPR is a climate forecasting consortium that aims prepare institutional investors for the portfolio risks and opportunities associated with a forecast acceleration of policy responses to climate change.

IPR contends that governments will be forced to act more decisively than they have thus far, leaving financial portfolios exposed to significant transition risk. To help prepare markets and investors IPR then models in detail the impact of the forecasted policies on the energy system, food land use system and real economy. More information is [available here](#).

The IPR was commissioned by the Principles for Responsible Investment ([PRI](#)) in [2018](#) and is amongst international investor based initiatives supported by the PRI.

2021 Forecast Policy Scenario (FPS):

The 2021 Forecast Policy Scenario ([FPS](#)) is IPR’s current assessment of *what is expected to happen*, in terms of future policy developments and the subsequent impact on emissions reduction and temperature outcomes.

The [2021 FPS](#) covers 21 major economies at a granular level, outlining an acceleration of climate policy that sees total CO2 emissions fall by 80% by 2050, giving a one in two chance of keeping warming to well below 2 degrees at (1.8 degrees).

The 2021 FPS 2021 suite comprises the following:

FPS 2021 Energy and Land Use System Results Summary
FPS 2021 Detailed Land System Results
FPS 2021 Detailed Energy System Results
FPS 2021 Investor Value Drivers Database (IPR Database)

The 2021 1.5C Required Policy Scenario Suite comprises the following:

1.5C RPS Emissions & 1.5° Policy Summary
1.5C RPS Detailed Report
1.5C RPS Investor Value Drivers Database (IPR Database)

Investor Value Drivers Database (IPR Database) Scope:

IPR Energy Database Summary:

Time horizon: 2020-2050 Resolution: 1 Year intervals
Jurisdiction: 21 world regions: G20 countries: Australia, Brazil, Canada, China, India, Indonesia, Japan, Russia, South Africa, South Korea, United Kingdom, United States.

Composite regions: Central and South America, Eastern Europe, Eurasia, Gulf Cooperation Council, Middle East and North Africa, South Asia, Southeast Asia and Oceania, Sub-Saharan Africa, Western Europe

Variables:

GHG Emissions by gas, CO2 removals, temperature outcome, new technology deployment, new technology investment, technology stock profile, fuel demand, commodity production, energy prices.

IPR Food and Land Use Database Summary

Time Horizon 2020-2050. with 5-year intervals
(Yearly for some variables for 2020-2030)

Jurisdiction: sixteen world regions: Australia/NZ, Brazil, Canada/, China/North Korea, Taiwan, HK/Macau, Eastern Europe, Japan/Korea, Latin America (Ex Brazil), Northern Europe, Oceania (Ex Australia/NZ), Russia, South Asia (ex India), Sub Saharan Africa, US, Western Europe.

Two scenarios: (2021 FPS, 1.5C RPS)

About PACTA: Developed by [2° Investing Initiative](#), the Paris Agreement Capital Transition Assessment (PACTA) is a free, open-source methodology and tool, which measures financial portfolios' alignment with various climate scenarios consistent with the Paris Agreement. The placement of the IPR Database on the PACTA Transition Monitor Platform allows IPR to be featured as part of the most widely adopted, open-source portfolio alignment methodology in the market, with over +1,000 institutional users registered on the platform.

More information [here](#).

Acknowledgments:

The IPR is led by Vivid Economics and Energy Transition Advisors (ETA). Existing research consortium partners also include 2° Investing Initiative, Carbon Tracker Initiative, Climate Bonds Initiative and Planet Tracker. Strategic Partners to IPR include BlackRock, BNP Asset Management, Fitch Ratings, Goldman Sachs Asset Management, New Forests, Nuveen and Robeco.

IPR has been funded by the Gordon and Betty Moore Foundation through The Finance Hub which was created to advance sustainable finance, ClimateWorks Foundation and the KR Foundation. IPR receives in-kind support from the PRI.

Disclaimer: The information contained in this communication is meant for the purposes of information only and is not intended to be investment, legal, tax or other advice, nor is it intended to be relied upon in making an investment or other decision. This communication is provided with the understanding that the authors and publishers are not providing advice on legal, economic, investment or other professional issues and services. Unless expressly stated otherwise, the opinions, recommendations, findings, interpretations and conclusions expressed in this communication are those of the various contributors to the report and do not necessarily represent the views of PRI Association or the signatories to the Principles for Responsible Investment. The inclusion of company examples does not in any way constitute an endorsement of these organisations by PRI Association or the signatories to the Principles for Responsible Investment. While we have endeavoured to ensure that the information contained in this communication has been obtained from reliable and up-to-date sources, the changing nature of statistics, laws, rules and regulations may result in delays, omissions or inaccuracies in information contained in this communication. PRI Association is not responsible for any errors or omissions, or for any decision made or action taken based on information contained in this communication or for any loss or damage arising from or caused by such decision or action. All information in this communication is provided “as-is,” with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information, and without warranty of any kind, expressed or implied. Vivid Economics and Energy Transition Advisors are not investment advisers and make no representation regarding the advisability of investing in any company, investment fund or other vehicle. The information contained in this communication does not constitute an offer to sell securities or the solicitation of an offer to buy, or recommendation for investment in, any securities within the United States or any other jurisdiction. This communication provides general information only. The information is not intended as financial advice, and decisions to invest should not be made in reliance on any of the statements set forth in this document. Vivid Economics and Energy Transition Advisors shall not be liable for any claims or losses of any nature in connection with information contained in this document, including but not limited to, lost profits or punitive or consequential damages. The information and opinions in this communication constitute a judgement as at the date indicated and are subject to change without notice. The information may therefore not be accurate or current. The information and opinions contained in this communication have been compiled or arrived at from sources believed to be reliable in good faith, but no representation or warranty, express or implied, is made by Vivid Economics or Energy Transition Advisors as to their accuracy, completeness or correctness and Vivid Economics and Energy Transition Advisors do also not warrant that the information is up to date.
