

Embargoed until December 12:

Press release: Finance sector risks undermining the goals of the Paris Agreement

A new Swedwatch report shows that contributions made by investors to reach the goals of the Paris Agreement are far from sufficient and run the risk of contributing to temperature rises of 4-6 °C towards the end of this century. As world leaders gather for the One Planet Summit in Paris, Swedwatch encourages states and financial actors to act with determination for the climate.

"Climate change is one of the biggest challenges of our time, and constitutes a severe threat to all people's right to health, food and security. Considering the crucial role of investors in the Paris Agreement, it is concerning that Swedish investors have not come further", says Frida Arounsavath, author of the report and researcher at Swedwatch.

Internationally, financial actors are heavily invested in coal, fossil fuels and unsustainable agricultural practices that lead to deforestation. These investors contribute to emissions of greenhouse gases and undermine communities' resilience to the effects of climate change. Under the Paris Agreement, the world has committed to decrease emissions of greenhouse gases and contain global temperature increases well below 2 degrees by the end of the century. However, strong and swift action before 2020 is critical.

Although Swedish stakeholders are the focus of the Swedwatch study, the findings should be seen as an indication of a challenges that likely exists globally. The portfolio analysis shows that any global investor who continues to invest more or less in line with global stock market indexes, runs the risk of contributing to temperature rises of 4-6 °C towards the end of this century.

Finance sector leadership and action is of utmost importance as investors have the important role to reallocate large capital streams towards green investments. However, the report shows that Sweden's ten largest fund managers are not contributing to the fulfillment of the goals of the agreement. In comparison with a survey conducted in 2015, some important steps have been taken but the ambitions and results are not enough. Even though some of the fund managers have sold securities in some fossil fuel producing companies, it has not been matched with resolute increases in green investments, which are needed before 2020. Several fund managers are playing down their responsibilities and act as if their role in the climate transition is to provide niche funds for climate-oriented customers.

"Given the fact that we only have a few years to halt global warming, fund managers must urgently produce strategies and targets for how they plan to contribute to the Paris Agreement – and start to deliver on a large scale", says Gunnela Hahn, head of sustainable investments at the Church of Sweden.

The report recommends the finance sector to immediately disclose plans to increase investments that can lead to the fulfillment of the overarching goal of the Paris Agreement. They should also account for the negative climate impacts that their portfolios are contributing to and use their leverage as owners to influence portfolio companies to stop deforestation, fossil exploration and the development of projects that increase vulnerabilities of people who are already today living in poverty and marginalisation.

The report recommends both the Swedish government and other states to start imposing demands on investors to conduct climate analyses on all of their investments and to disclose how they intend to contribute to the fulfillment of the goals of the Paris Agreement.

"The Swedish government have taken important steps to support sustainable finance. Now there is a chance to clearly express expectations on the finance sector to take the initiative and to seriously start contributing to the goals of the Paris Agreement. 'Business as usual' will lead to catastrophic temperature rises and is not an option", says Karin Lexén, secretary-general of the Swedish Society for Nature Conservation.

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