

# For the Rio + 20 Summit

## LONG-TERM INVESTORS COMMIT TO CONTRIBUTE TO GREEN ECONOMY TRANSITION

### 1. TWENTY YEARS AFTER THE RIO SUMMIT, THE TRANSITION TO A GREEN ECONOMY IS MORE THAN EVER A MAJOR CHALLENGE AND OPPORTUNITY

Major environmental challenges have further gained importance despite the many efforts coming out of the Rio Earth Summit in 1992. These include, inter alia the destruction of rain forests and loss of biodiversity, desertification, depletion of marine resources, ground and surface water depletion, local air pollution and climate change.

This green economy transformation requires massive financial resources in terms of redirected investment flows but also additional costs. Estimates from different sources (Stern, UNEP and OECD) suggest a range from 0.5 to 2.5 per cent of global gross domestic product as additional costs per annum (i.e. USD 400-1700 billion). A considerable share of the underlying investments will be needed in energy efficiency, renewable energy supply, production decarbonization and adaptation to climate change. In addition, demographic change expected until 2050 will also drastically raise the amounts of investments needed in the fields of sustainable transport, housing, environmental services (water supply, waste management, ...) to meet the challenges of sustainable urbanization and ensure social cohesion.

These very important investments require long term financial commitments of all investors, public or private. They occur in the context of the current global financial and economic crisis where many national budgets have been absorbed by ongoing rescue efforts and where the capacity of investors for long-term investing has considerably diminished.

						
						

**2. WE, CEOs AND PRESIDENTS OF FINANCIAL INSTITUTIONS, DEVELOPMENT BANKS, INSTITUTIONAL INVESTORS, PENSION FUNDS FROM ALL REGIONS OF THE WORLD GATHERED IN THE LONG TERM INVESTORS' CLUB, ACKNOWLEDGE THAT WE HAVE A RESPONSIBILITY TOWARDS FUTURE GENERATIONS AND A DECISIVE ROLE TO PLAY IN A GREEN TRANSFORMATION OF OUR SOCIETIES.**

Moreover, we share the view that Environmental, Social and Governance (ESG) issues affect the performance of investors' portfolios in a long-term perspective and that taking these issues into account as part of investment decision making may have the benefit aligning investors with broader objectives of society.

**Therefore, in order to contribute to the efforts that are set forward at this 2012 Rio Summit, we encourage:**

- Investments to finance climate and environment projects with care and attention to carbon intensity and climate resilience;
- Efforts to co-develop innovative instruments with public and private financing institutions in favor of green economy objectives;
- Engagement with public policy makers and other stakeholders in a continuous dialogue on ways to support effective policy measures to mitigate climate change risks;
- Promotion of ESG criteria as part of decision making to take into account environmental and social impacts when investing in relation to business models, strategic decisions and performance measures.

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**3. THE IMPACT OF THIS SUPPORT COULD BE SIGNIFICANTLY AMPLIFIED BY A MORE CONDUCTIVE FRAMEWORK FOR LONG TERM INVESTMENT.**

In this respect, a number of specific steps could be taken at the national, regional and multilateral level to :

- promote a counter-cyclical regulatory framework adapted to the business model of long term investors. Prudential and accounting regulation under adoption at the G 20 level, although essential to ensure financial stability, have introduced strong biases in favour of short term investment; Therefore if Governments are to meet financing challenges facing the transition to a sustainable economy worldwide, they should revisit prudential and accounting rules in order to better reflect the «business model» of investors who have the capacity to finance these objectives;
- continue developing a set of indicators to value externalities of investments. Specific steps could be taken in terms of climate change, resources management, biodiversity, employment and social cohesion in order to channel public and private financial resources on investments in which financial profitability is not immediately apparent;
- enable efficient carbon and other environmental markets and help ensure strong and stable carbon price signals.

**We encourage Governments and International Organizations to take concrete steps in this respect, improving the framework for long term investment into a green economy.**

**This statement of the Long Term Investors' Club is supported by 14 major long-term investors that represent a combined balance sheet of US \$3.2 trillion ([www.ltic.org](http://www.ltic.org)).**

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