



## Call to action

Norway's Government Pension Fund Global should join Net Zero Economists and experts' statement

FOR THE WORLD to successfully mitigate climate change, decisive action by governments and the private sector is essential. Large institutional investors, such as pension funds, insurance companies and sovereign funds, will need to reduce their total portfolio carbon emissions towards net zero by 2050 or sooner.

Through membership in the United Nations-convened Net Zero Asset Owner Alliance, 42 institutional investors, representing \$6.6tn assets under management, have committed to doing so, with the first intermediate targets set for 2025. Meanwhile, 128 asset managers, representing \$45tn assets under management, have joined the Net Zero Asset Managers Initiative, to support investing aligned with net zero emissions by 2050 or sooner.

The Norwegian Government Pension Fund Global's total asset holdings are about three times the size of Norway's gross domestic product. The GPFGE equity portfolio carbon footprint of 107.6m tonnes of CO<sub>2</sub> equivalents (MtCO<sub>2</sub>e, 2019) is more than twice the amount of Norway's annual total emissions, and triple when excluding Norway's emissions during oil and gas extraction. Despite this, GPFGE does not have specific emissions targets and has focused primarily on climate risk rather than climate impact. Country-level measurement of greenhouse gas emissions, which is standard under international agreements, significantly understates Norway's climate impact.

The Norwegian economy, due to its concentration in the oil and gas sector, is highly exposed to climate transition risk. A share of GPFGE's portfolio assets is emissions-intensive and therefore highly exposed, increasing the overall transition risk to Norway's productive and financial assets.

GPFGE, which represents \$1.3tn assets under management, owns on average 1.4% of the world's listed companies. This makes GPFGE one of the world's largest investors, and its adherence to the Net Zero Asset Owner Alliance would be a significant step towards achievement of the objectives in the Paris agreement. GPFGE is also a highly influential investor, and its adherence would set an important precedent for other sovereign funds.

As leading economists and experts from around the world, we have come together to urge the Norwegian government and parliament to sign up the GPFGE to Net Zero. Guided by sound economic principles, we are united in the following policy recommendations.

- For Norway to be consistent about its climate ambitions, GPFGE's investments should be in line with Norway's climate goals. This would require the establishment of concrete and ambitious emissions targets for GPFGE.
- GPFGE exists to safeguard Norway's extracted petroleum fortune for future generations. Its investments should

contribute to the conservation of the climate that these generations will live in.

- Norway can provide GPFGE with a climate-aligned mandate, while also maintaining its independence as a commercial investor.
- Norway can reduce its overall exposure to climate transition risk by bringing down the greenhouse gas emissions intensity of the GPFGE portfolio.
- In accordance with the Paris Aligned Investment Initiative, Norges Bank Investment Management, which manages the GPFGE, should prioritise engagement and stewardship as the primary mechanism to drive climate alignment, with portfolio construction and selective divestment as complementary tools.
- As one of the world's most influential investors, NBIM should align its global voting guidelines with the objective of reducing total portfolio carbon emissions to net zero by 2050 or sooner.

We urge the Norwegian government and the Storting (parliament) to take the opportunity of COP26 to announce the GPFGE's membership of the Net Zero Asset Owner Alliance. ■



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