

Summary: Impact Investing for Climate Solutions

Context: The Energy Transition and the “Clean Trillion”

The impacts and urgency of climate change are before us. Global climate change is already exacerbating existing challenges for the most vulnerable on our planet, such as food and water security, migration and global health. We must significantly cut greenhouse gas emissions in order to limit warming to the 2°C agreed by the international community necessary to mitigate the most harmful impacts of climate change.

To make this serious progress, we need to finance a new generation of fuels so we can shift our sources of energy away from fossil fuels to low-carbon sources including renewable energy. The International Energy Agency (IEA) estimates that \$36 trillion is needed by 2030 to scale up renewable energy – representing an investment of \$1 trillion per year, or the “Clean Trillion.” Significant progress has been made: internationally \$310 billion was invested in clean energy in 2014, up from \$268.1 billion in 2013.

The Role of a Faith Based Investor in Climate Solutions

Faith-based investors, with strong leadership by Dominican Sisters, have a legacy of prophetic engagement that has initiated profound shifts in corporate behavior related to climate change over the past four decades. Corporate engagement by socially responsible investors has helped mobilize billions of dollars of corporate investment into renewables and energy efficiency.

Guided by that belief that the management of our investments can be a powerful catalyst for social change, faith based investors can directly contribute to the low-carbon transition through their portfolios to help fill the “Clean Energy Financing Gap.” Investors have the capacity to move the U.S. economy toward a low-carbon path by providing capital for innovative new technologies and infrastructure.

Defining Investments in Climate Solutions

“Climate Solutions” includes the different elements and infrastructure needed to transition away from fossil fuels, such as renewable energy generation, energy efficiency, waste water treatment, sustainable forestry, and recycling. Investment opportunities for climate solutions span across all asset classes, including fixed income, equities, real estate, and cash. See the Chart *Climate Solutions by Asset Class*, which has a detailed table with examples of investment opportunities by asset class.

Climate Solutions & Maximizing Long Term Financial Returns

Investment consultants and advisors are in the best position to assess the risk profile of these kinds of investments. However, there is strong evidence demonstrating that you do not have to sacrifice performance in order to invest in climate solutions. There is extensive research produced by MSCI and Asset Managers that demonstrates that a low-carbon or fossil free portfolio matches or outperforms the S&P500 Index, with some information available here: <http://gofossilfree.org/risk-performance>. Innovative investment vehicles like Green or Climate Bonds also provide risk-return profiles that many investors, including mainstream investors with no special concern for climate change, have found favorable.