



From here to Net Zero

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Net Zero – the state of play

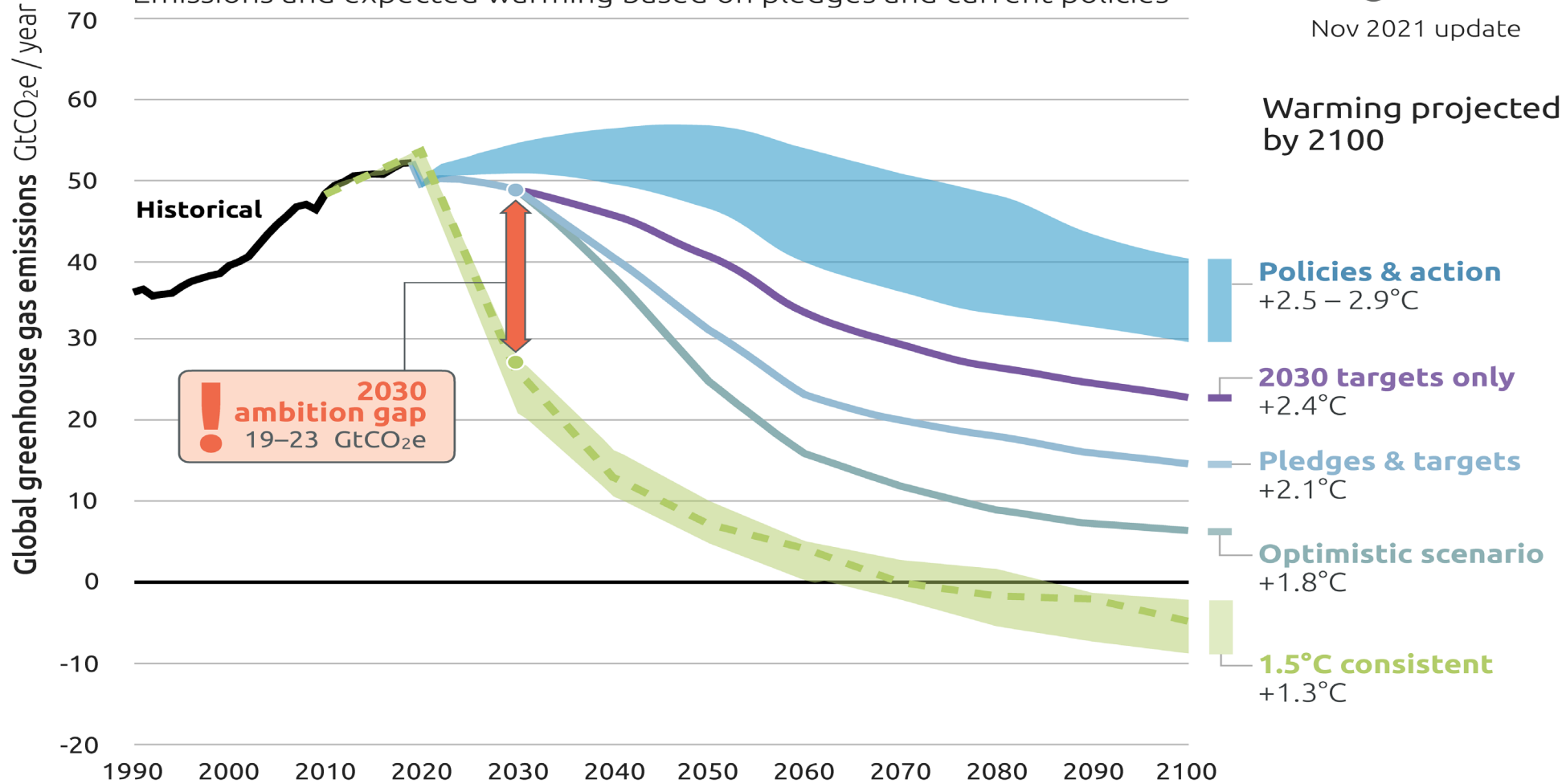
Net Zero – we are not on track

2100 WARMING PROJECTIONS

Emissions and expected warming based on pledges and current policies



Nov 2021 update



Climate Action Tracker (2021). 2100 Warming Projections: Emissions and expected warming based on pledges and current policies. November 2021. Available at: <https://climateactiontracker.org/global/temperatures/>. Copyright ©2021 by Climate Analytics and NewClimate Institute. All rights reserved

Largest contributors historically

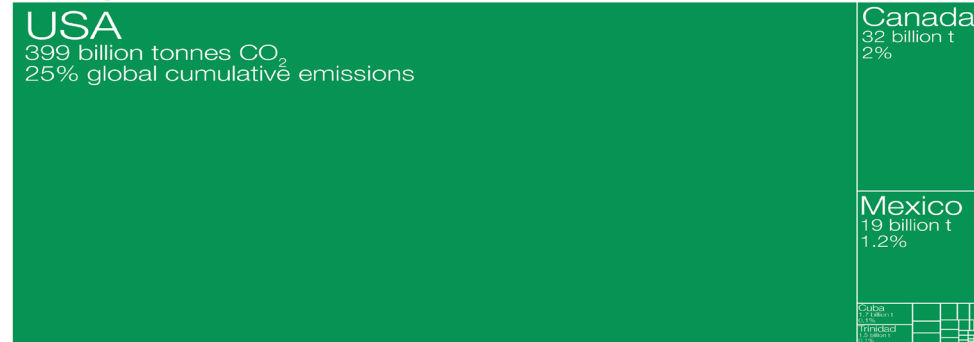
Who has contributed most to global CO₂ emissions?



Cumulative carbon dioxide (CO₂) emissions over the period from 1751 to 2017. Figures are based on production-based emissions which measure CO₂ produced domestically from fossil fuel combustion and cement, and do not correct for emissions embedded in trade (i.e. consumption-based). Emissions from international travel are not included.

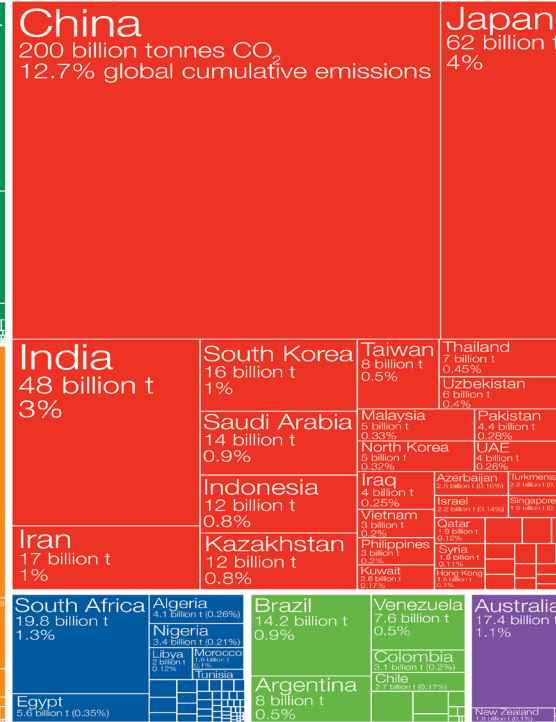
North America

457 billion tonnes CO₂
29% global cumulative emissions

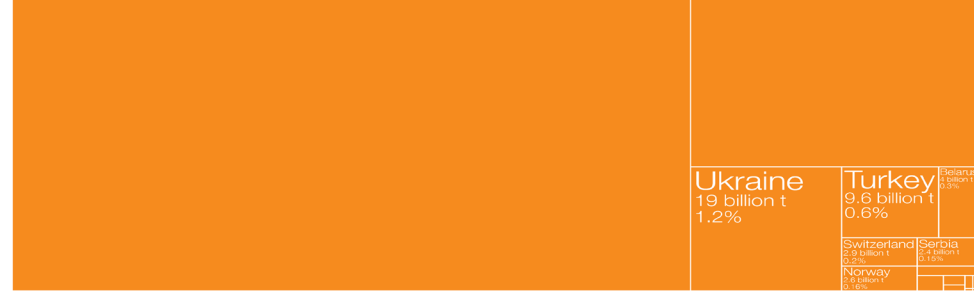


Asia

457 billion tonnes CO₂
29% global cumulative emissions



EU-28
353 billion tonnes CO₂
22% global cumulative emissions



Europe

514 billion tonnes CO₂
33% global cumulative emissions

Africa
43 billion tonnes CO₂
3% global emissions

South America
40 billion tonnes CO₂
3% global emissions

Oceania
20 billion tonnes CO₂
1.2% global emissions

Figures for the 28 countries in the European Union have been grouped as the 'EU-28' since international targets and negotiations are typically set as a collaborative target between EU countries. Values may not sum to 100% due to rounding.

Data source: Calculated by Our World in Data based on data from the Global Carbon Project (GCP) and Carbon Dioxide Analysis Center (CDIAC). This is a visualization from OurWorldInData.org, where you find data and research on how the world is changing.

Licensed under CC-BY by the author Hannah Ritchie.

Largest emitters

Who emits the most CO₂?

Global carbon dioxide (CO₂) emissions were 36.2 billion tonnes in 2017.



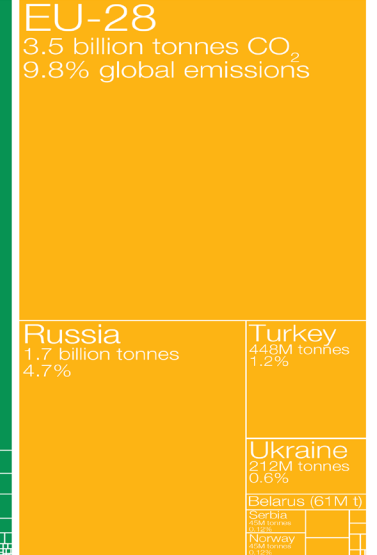
Asia
19 billion tonnes CO₂
53% global emissions



North America
6.5 billion tonnes CO₂
18% global emissions



Europe
6.1 billion tonnes CO₂
17% global emissions



Africa
1.3 billion tonnes CO₂
3.7% global emissions

South America
1.1 billion tonnes CO₂
3.2% global emissions

Oceania
0.5 billion tonnes CO₂
1.3% global emissions

Shown are national production-based emissions in 2017. Production-based emissions measure CO₂ produced domestically from fossil fuel combustion and cement, and do not adjust for emissions embedded in trade (i.e. consumption-based).

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**Net zero: key challenges and
what can investors do?**

Key Challenges

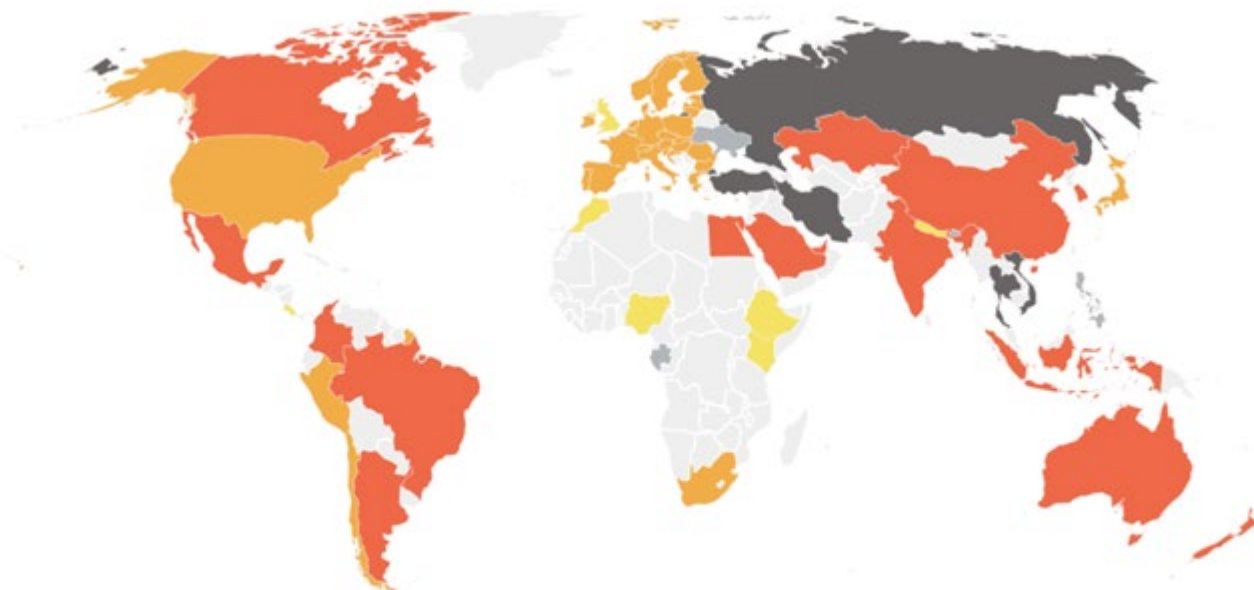
Financing net zero 2050 with real world impact faces a number of challenges

- 1. Global trajectory** - The world is not on a net zero 2050 (1.5C) trajectory, emissions increased by 6% in 2021 and according to the latest IPCC report we are heading for 3C in the current climate policy environment
- 2. Data gaps** - We are still seeing considerable data gaps, particularly for smaller or private companies, emerging markets and Scope 3
- 3. Portfolio alignment** – Measuring alignment of portfolios to net zero goals is still challenging with methodologies that do not capture the full picture. This may lead to unintended consequences by focusing too much on carbon targets and not solutions
- 4. Broadening horizons** – It cannot just be about net zero 2050, we need to consider the social impacts and ensure a ‘just transition’ as well as the interlinkages with biodiversity

Challenge 1: We are not on track

Current formal 2030 targets would heat the planet by 2.4C

Climate Action Tracker, accessed 5th of June 2022 here: [Home | Climate Action Tracker](#)



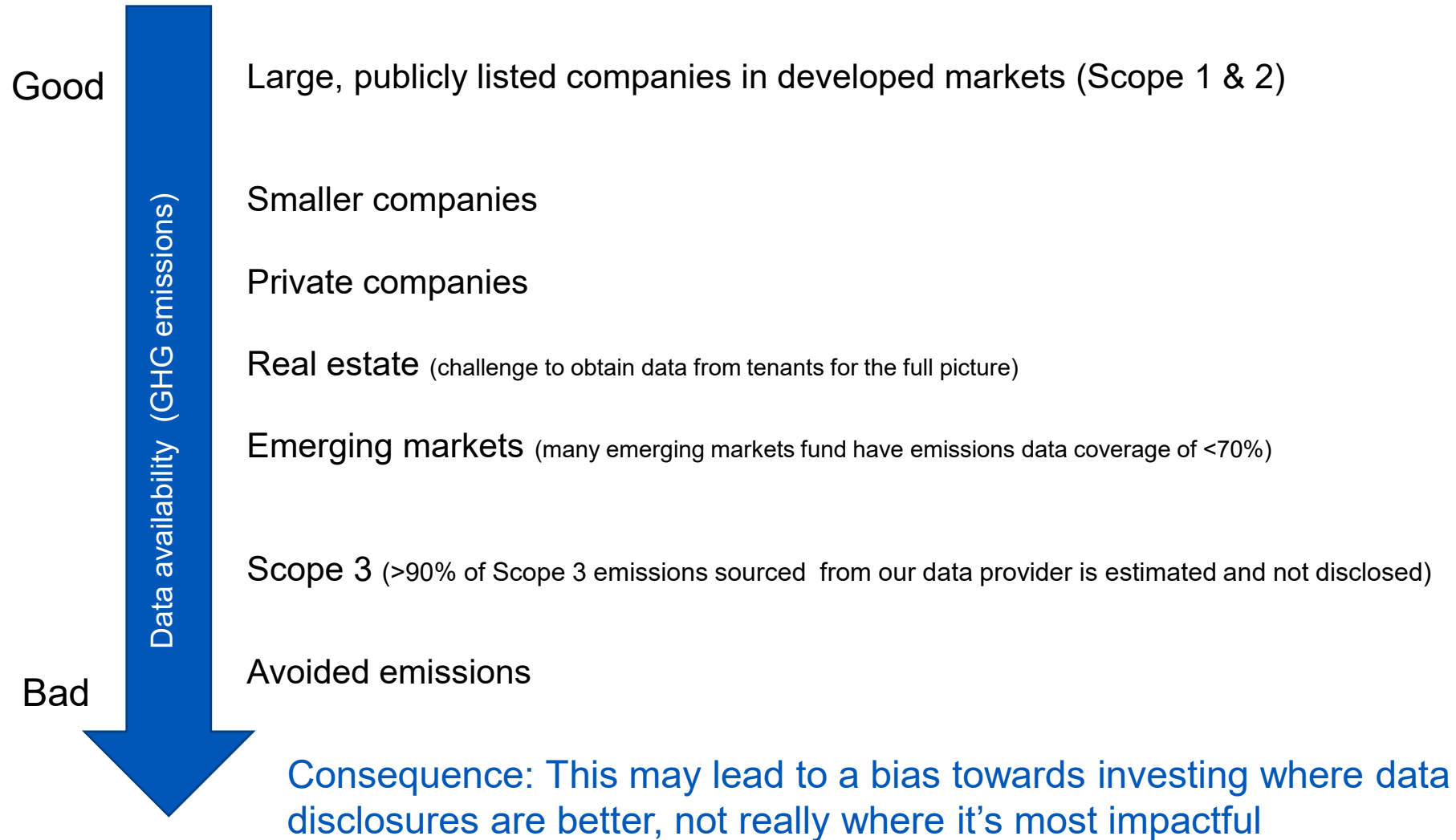
The maps displayed are for reference only.

LAST UPDATE: June 2022



What does this mean for a portfolio aligned to net zero 2050?

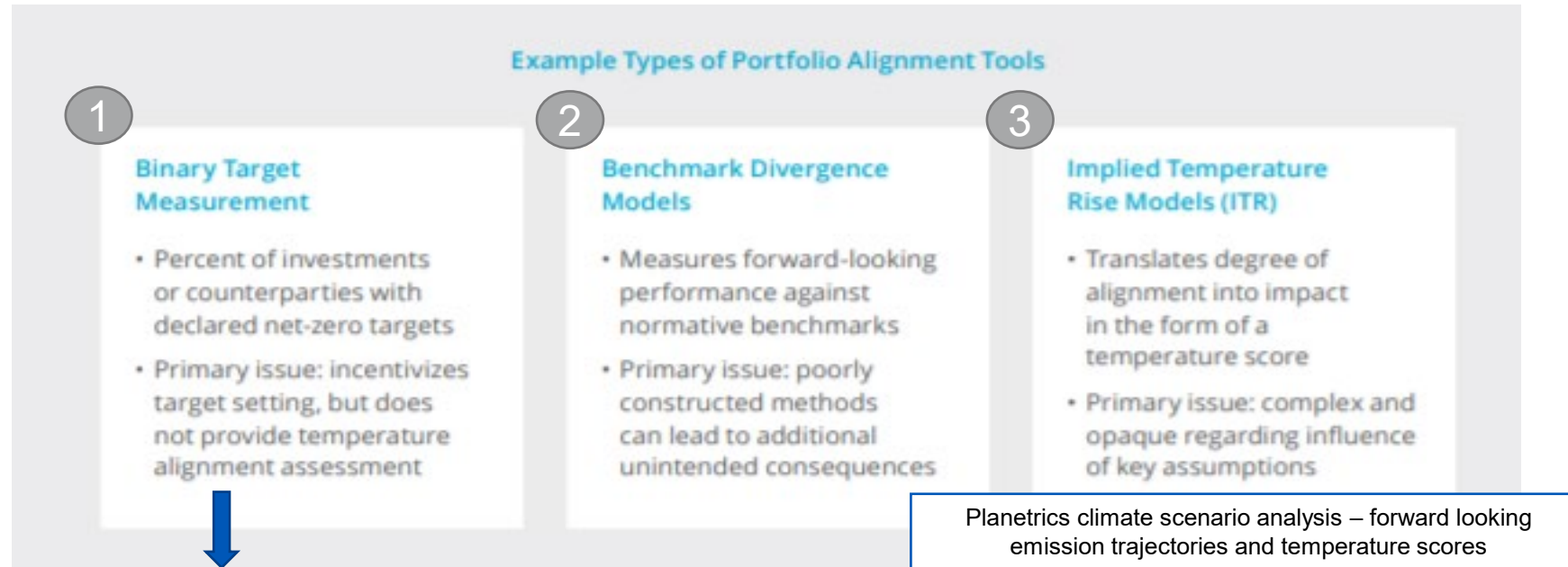
Challenge 2: Data availability



Challenge 3: Measuring net zero alignment

How do we define this at corporate and portfolio level and what data is available?

Portfolio level: Possible approaches for defining net zero alignment according to TCFD:



Corporate level: Possible approaches for defining net zero alignment:

- 1. Climate Action 100+ benchmark** – Assessment of highest emitters across 10 criteria, the **IIGCC Net Zero Investment Framework** suggests using the first 6 criteria to define ‘net zero alignment’ – scope is 166 companies
- 2. TPI** – Sector based assessment of 1.5C alignment (carbon performance)
- 3. SBTi** – approved 1.5C target in place
- 4. Commercial data providers** - that provide data on companies with net zero targets

So what can investors do?

Climate change is shifting the landscape for investors who have a critical role to play in making the transition to net zero happen.

The key areas of focus to help enable net zero are:



Committed to action on climate change



Operations

Net Zero by 2040



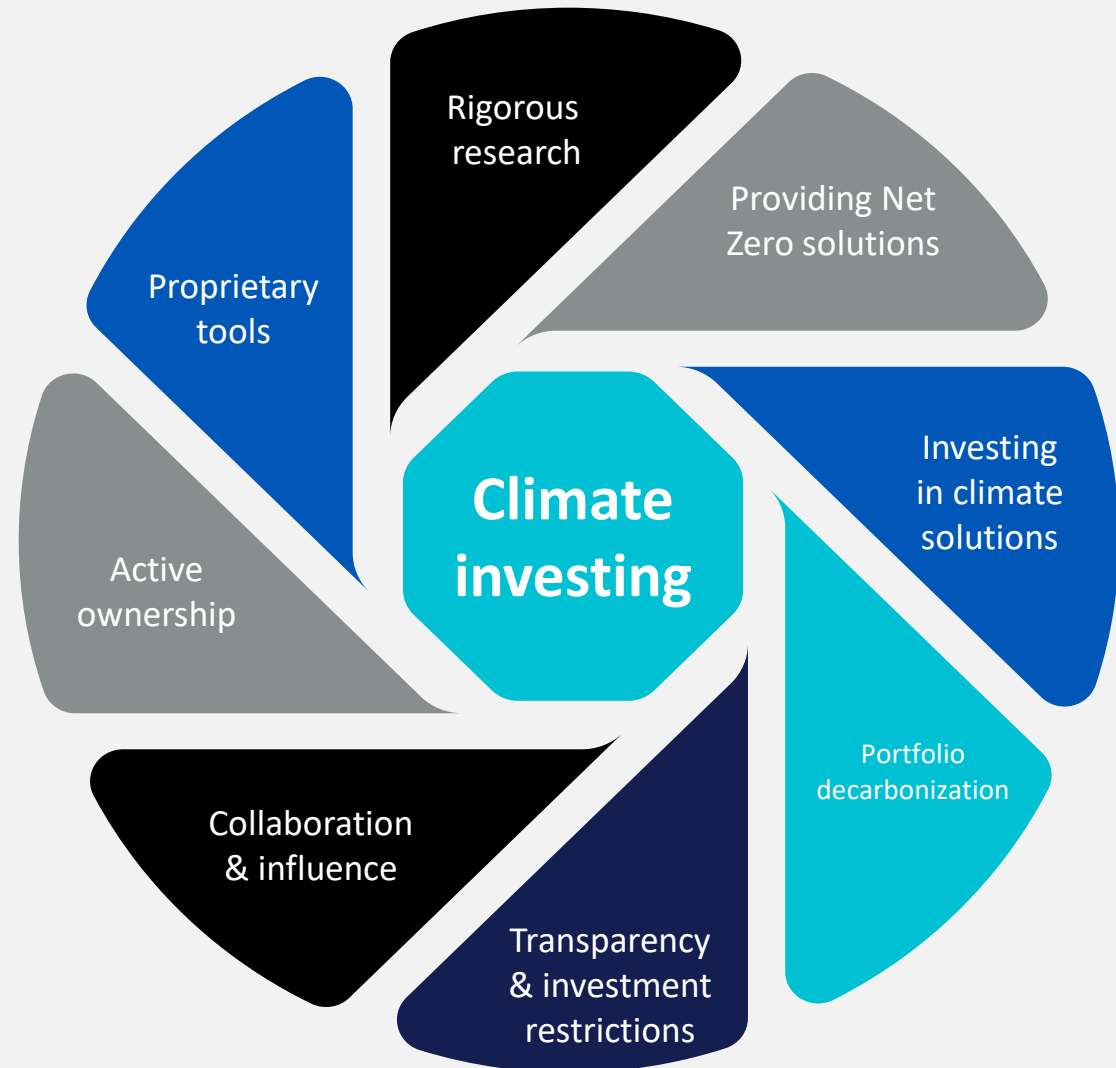
Investments

Reduce carbon intensity of our assets by 50% by 2030*

* vs a 2019 baseline, for our Equity, Credit, active Quants, Real Estate and certain Multi-Asset strategies

Source: abrdn, October 2022

Our Net Zero-Directed investment commitment: helping clients to meet their climate change objectives




abrdn is a signatory to the Net Zero Asset Managers Initiative

Net Zero Directed Investing – What it means for abrdn

We are committed to delivering on our commitments via Net Zero Directed Investing. That means, taking action to be a positive catalyst for net zero via actions across six areas of focus:



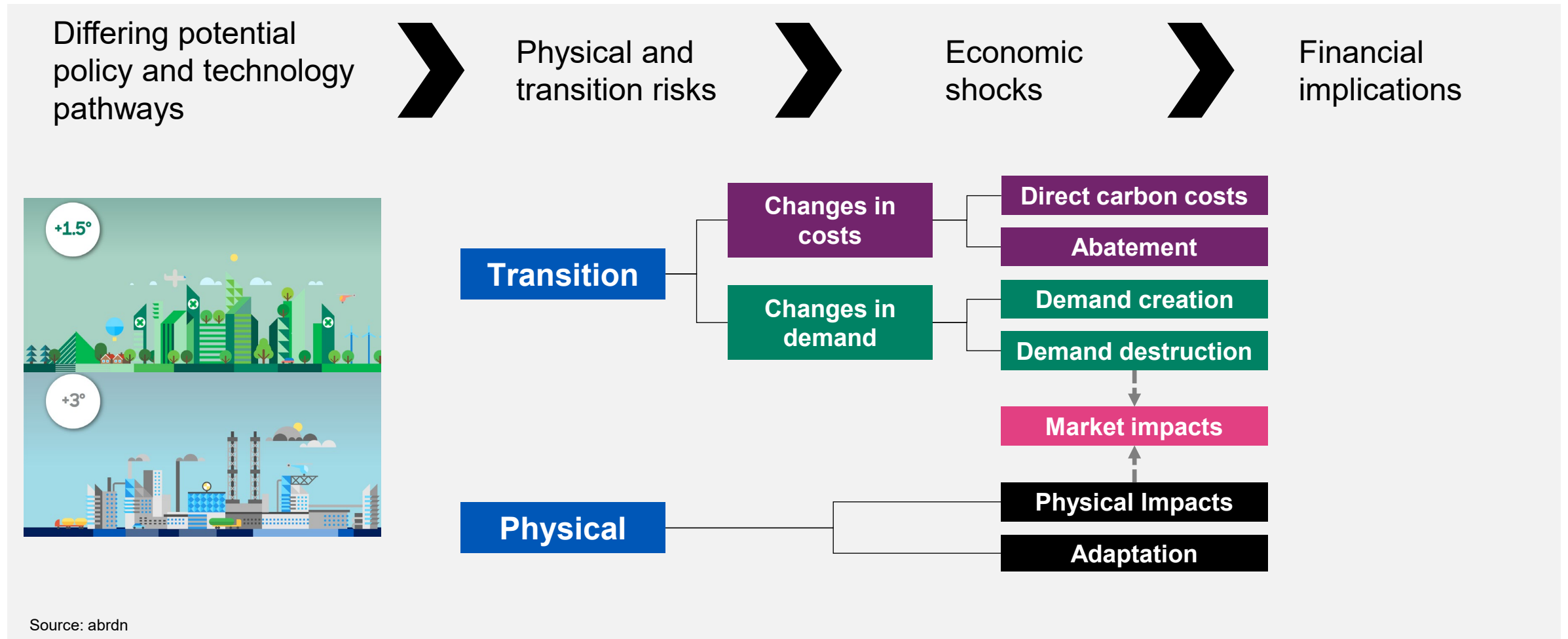
Source: abrdn, Net Zero Directed Investing, November 2021



Climate Scenario Analysis

abrdn Climate Scenario Analysis

Forward-looking, quantitative assessment to inform investment decision-making



Source: abrdn

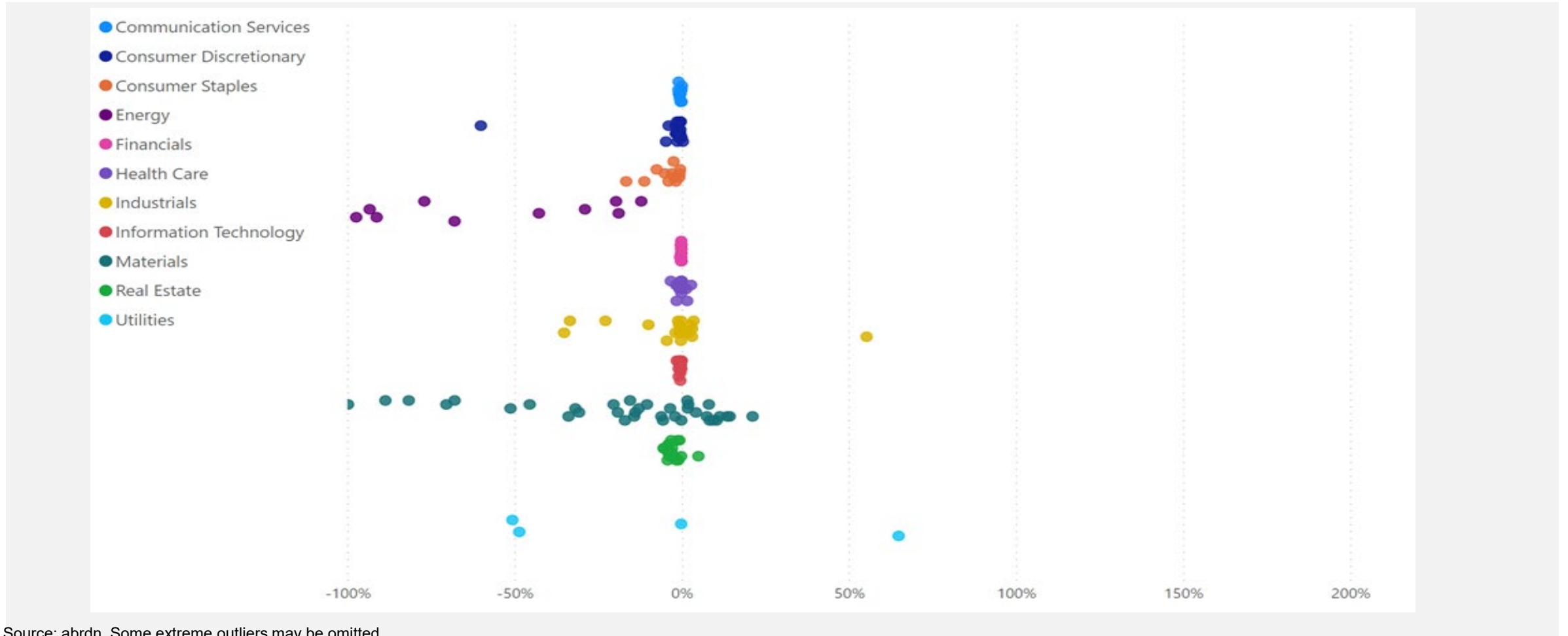
Our bespoke scenarios

We take a probability weighted view based on a range of off the shelf and bespoke scenarios



Climate change is stock risk and opportunity

ASX 200 – Total impact



Source: abrdn. Some extreme outliers may be omitted

Stock climate-related risks & opportunities

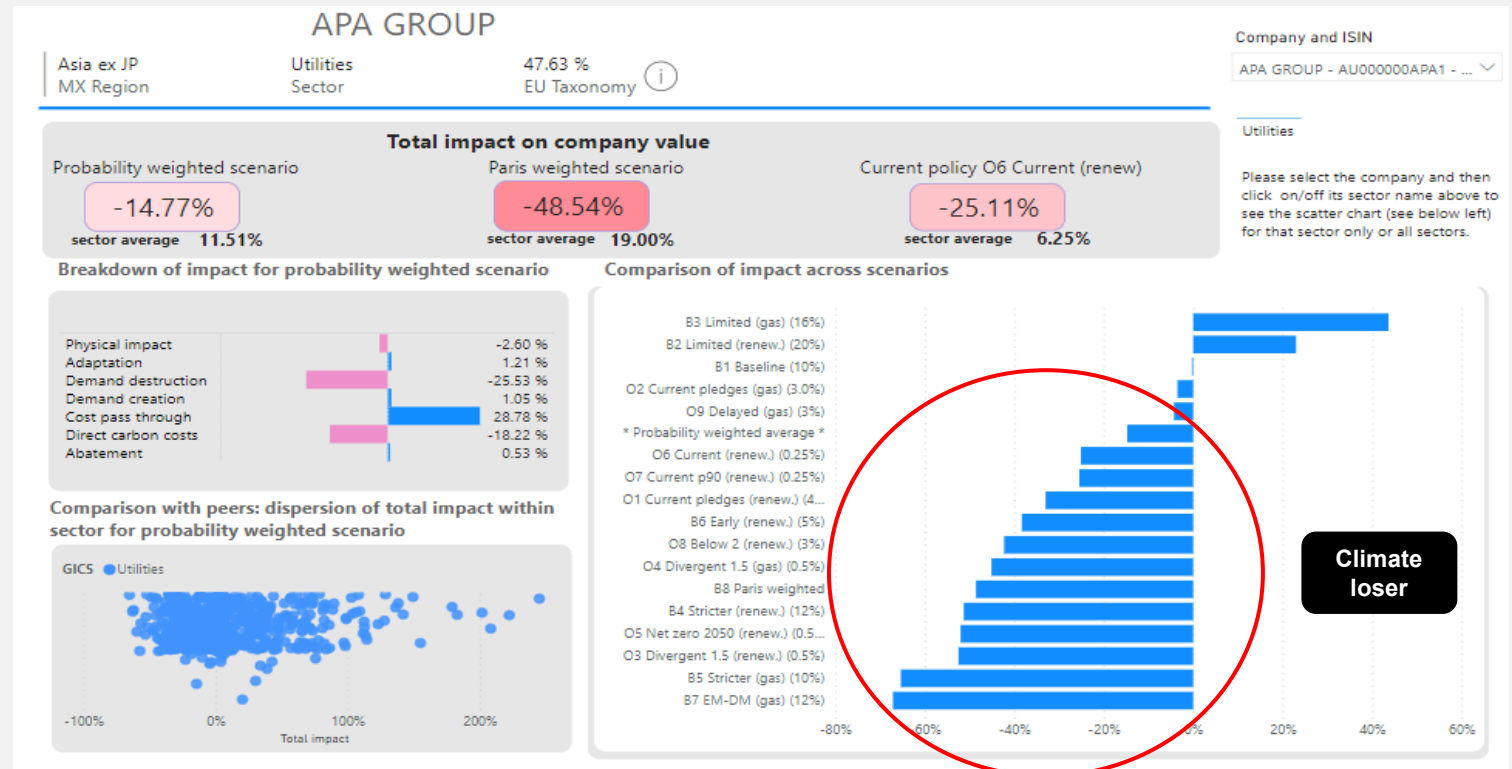
Identifies climate winner and losers

How is a company impacted in terms of value across the scenarios, and why?

How does this align with internal stock recommendations?

What risks and opportunities should be incorporated into our active stock research and engagement program?

How should this be incorporated into our portfolio-construction process?



Source: abrdn. Company selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance

Sector climate-related risks & opportunities

Identifies climate winner and losers

How do stocks compare to peers in terms of value impact across scenarios?

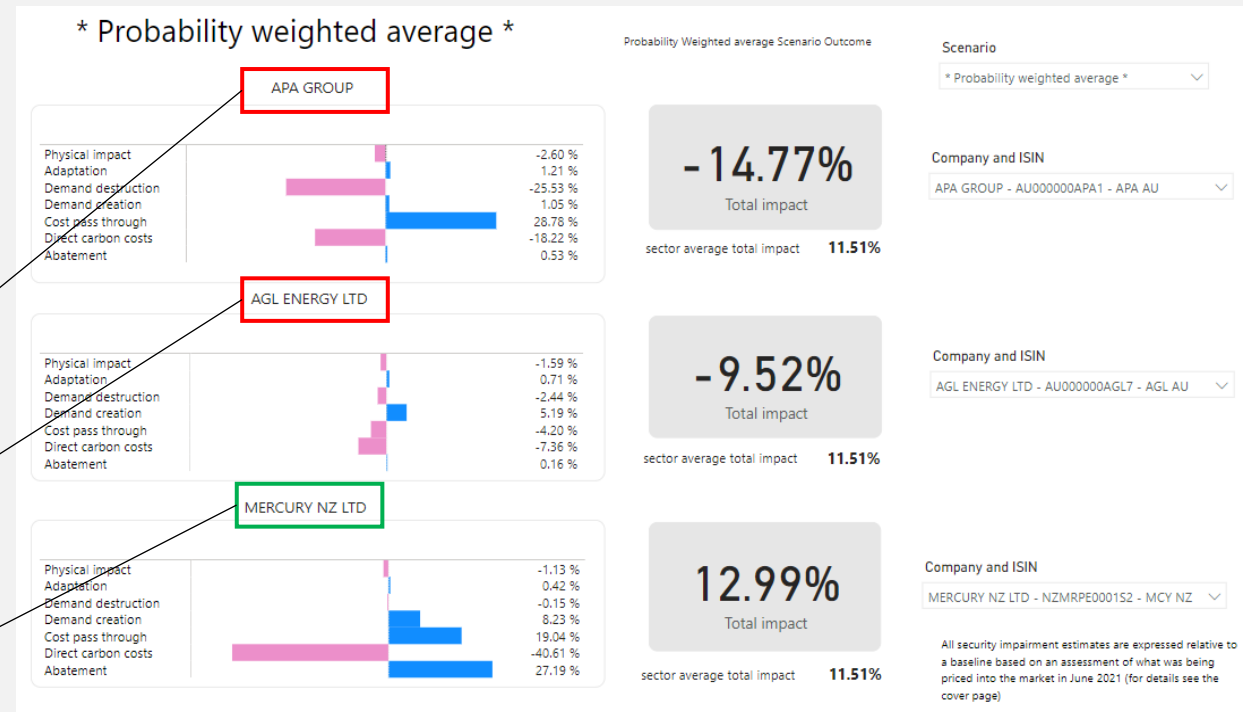
How does this align with internal stock and sectoral recommendations?

What risks and opportunities should be incorporated into our active stock research and engagement program?

How should this be incorporated into our portfolio-construction process?

Climate loser

Climate winner



Source: abrdn. Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance

Sector climate-related risks & opportunities

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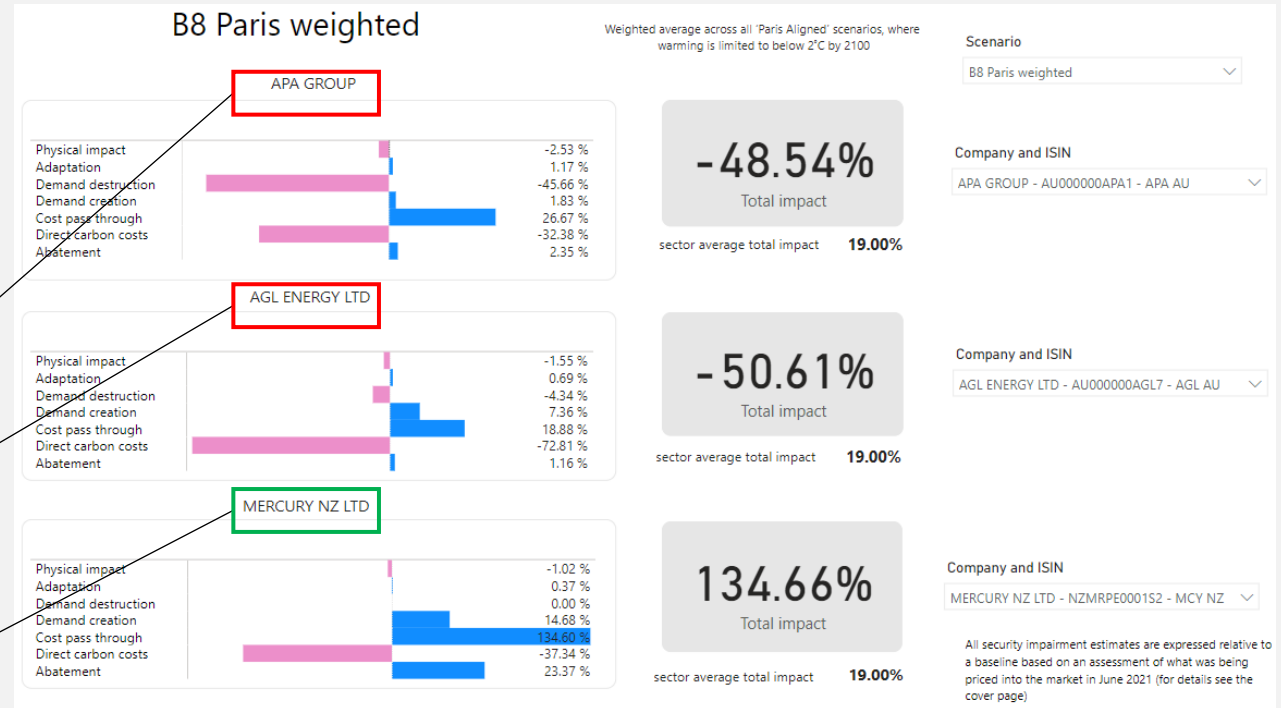
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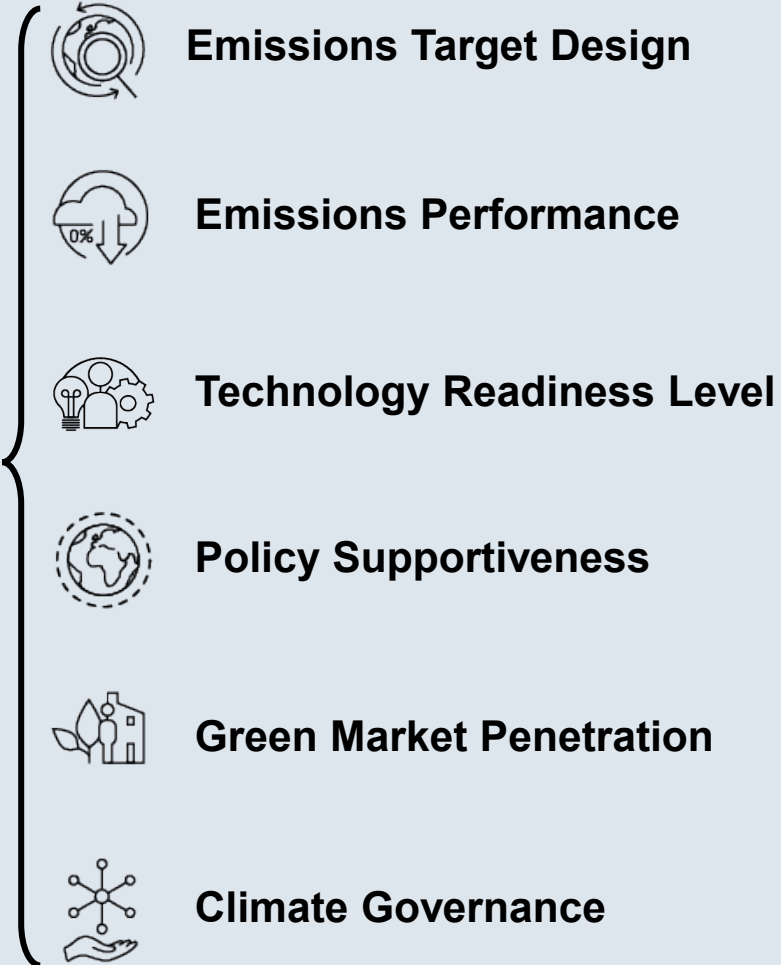
Climate loser

Climate winner



Source: abrdn. Companies selected for illustrative purposes only to demonstrate the investment management style described herein and not as an investment recommendation or indication of future performance

Credibility Framework Drivers



What this captures

What is the type of carbon target? And how much of the companies emissions are covered by the target?

Are the company's emissions rising or falling?

How mature are the decarbonisation technologies that are required for the company to achieve its target?

Is the company supported by policy?

Has the company got a track record of producing climate solutions?

How does the company performance when considering climate governance factors?

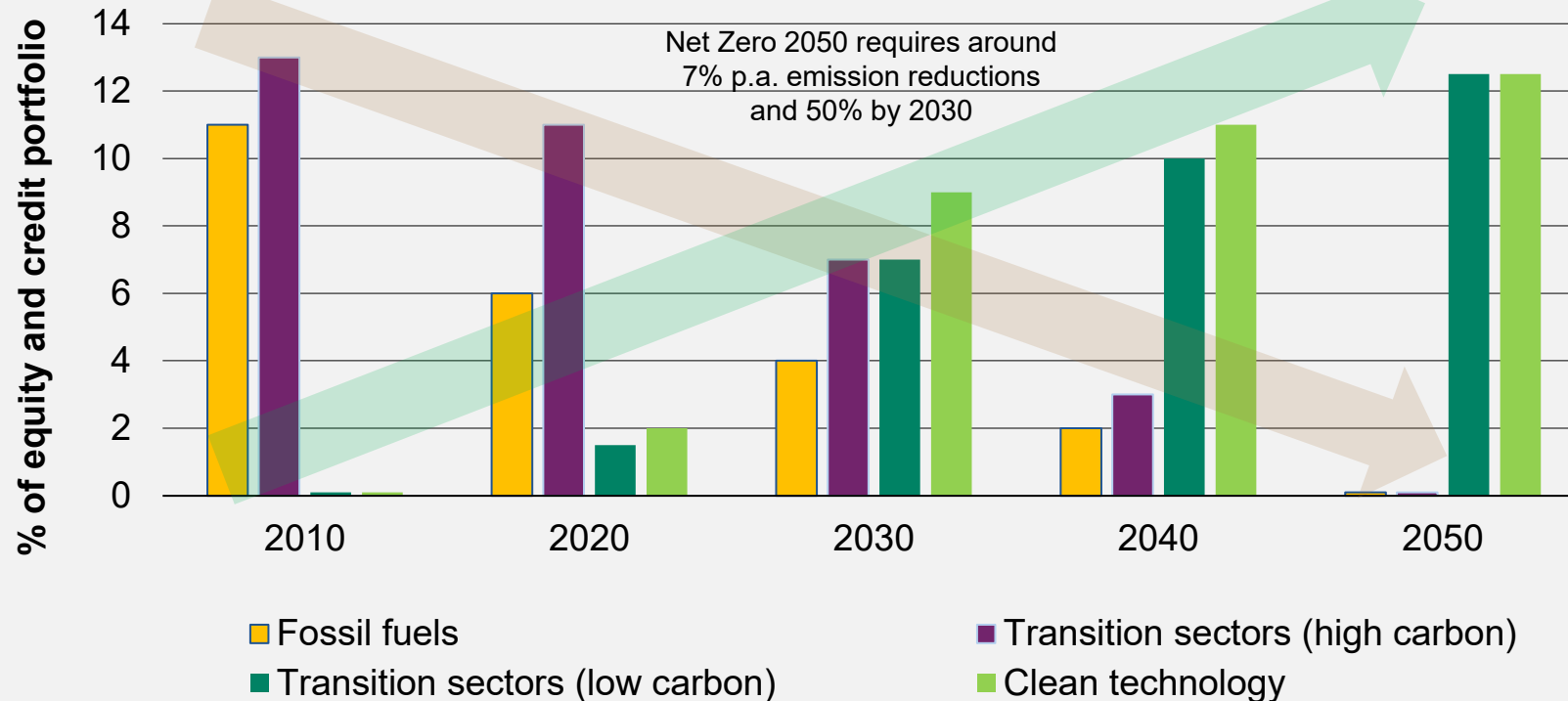
BHP

Transition plan adjusted valuation impact



What is a net zero aligned portfolio?

A net zero 2050 aligned portfolio supports the achievement of net zero by 2050 in the real world through a range of actions. A forward looking view on the transition is key to support this.



Transition sectors are those like electricity, transport, basic materials, real estate, agriculture. A zero carbon world will still require products from these sectors, but will require versions which emit zero or near zero carbon. Levels are approximations and scenario dependent

Source: abrdn, August 2020



Appendix

Building the foundations: The Net Zero Investment Framework

abrdn contributed to the development of the IIGCC* [Net Zero Investment Framework](#) together with over 70 asset managers and asset owners. It is the first comprehensive framework to attempt to define an approach for investing in line with net zero objectives, published in March 2021

Key Message of the Net Zero Investment Framework

Maximise efforts to achieve decarbonisation in the real economy.
This requires a clear strategy and targets to have a positive impact on the transition rather than meet portfolio decarbonisation targets via divestment

1

Decarbonise investment portfolios by investing in credible transition leaders

2

Increase investment in climate solutions that help the world decarbonise

3

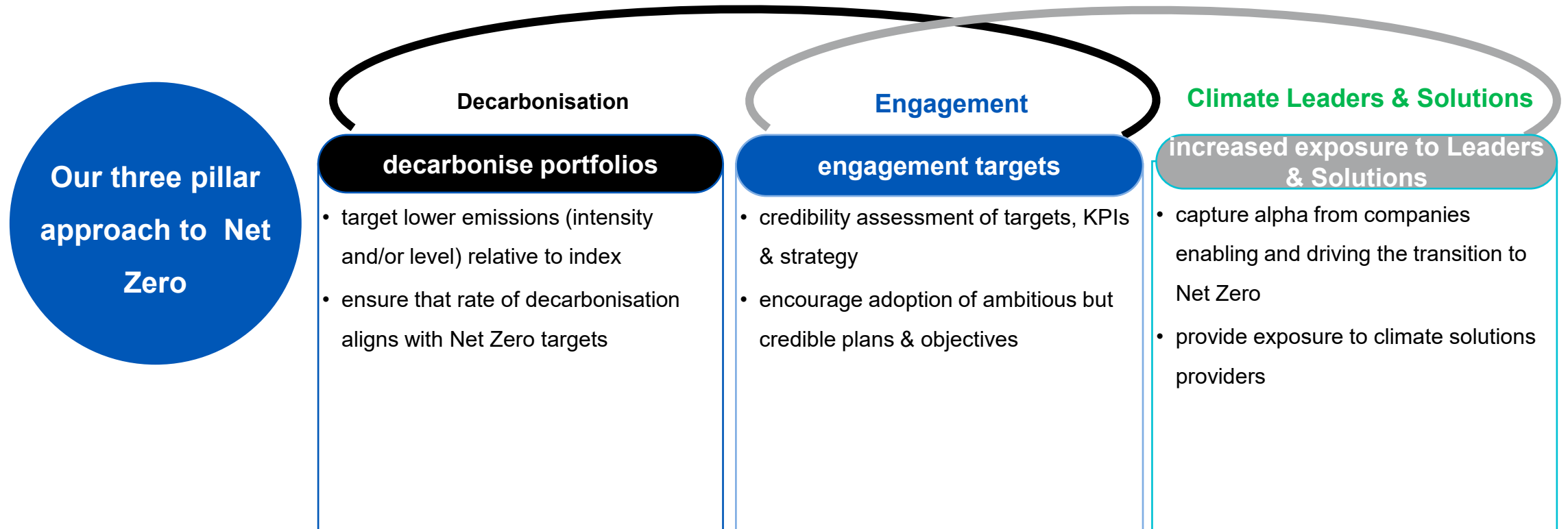
Net zero stewardship with clear targets

Institutional Investors Group on Climate Change

Source: abrdn, May 2021

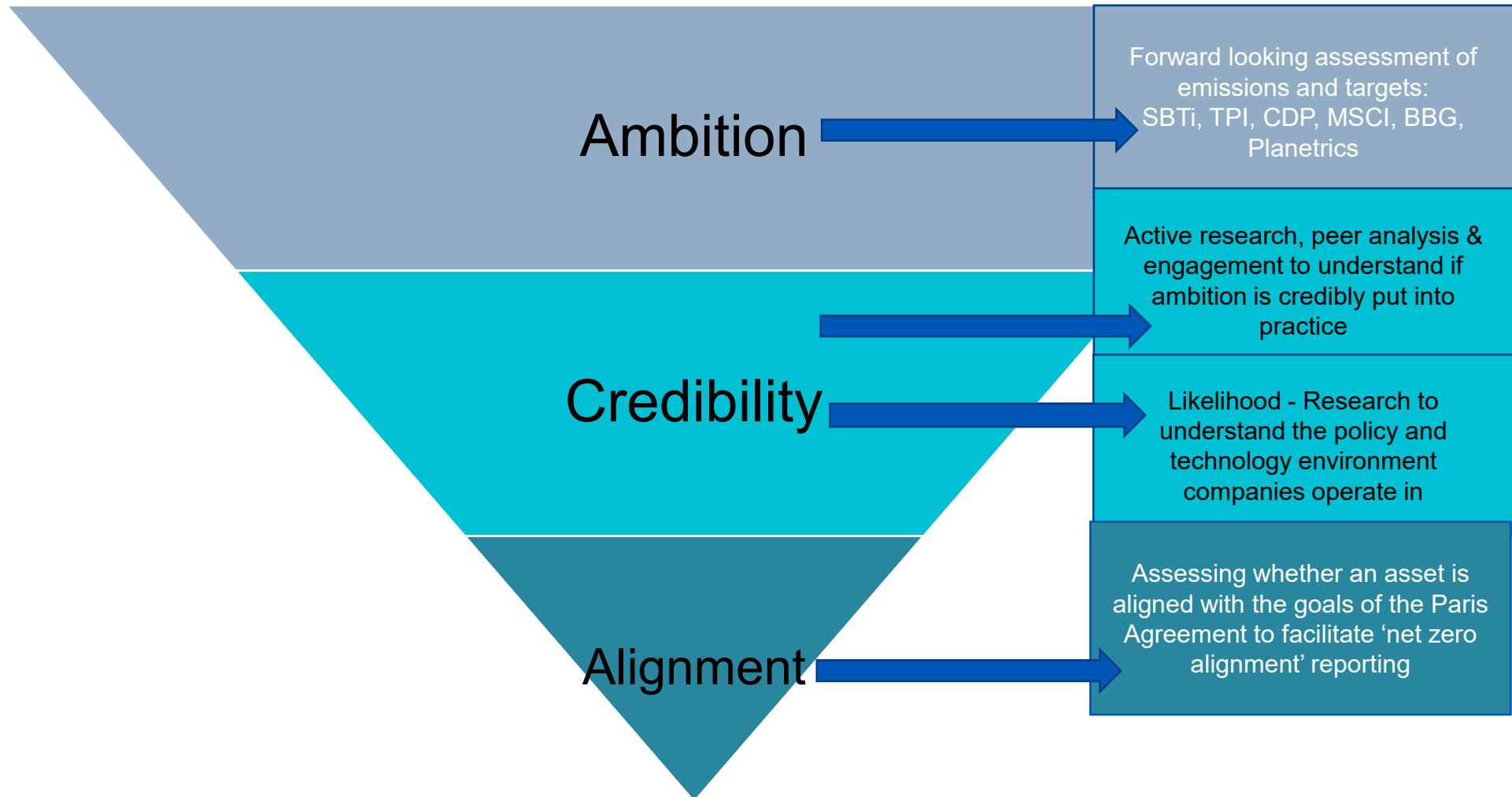
Active Climate Transition (ACT)

Powered by abrdn's climate scenario analysis platform



Developing a robust transition assessment framework

Developing a consistent transition, credibility and alignment framework



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