



CAP

expanding and deepening
climate philanthropy

CAP Directory of Opportunities

Climate Investing



CAP strives to make climate philanthropy more tangible, accessible and actionable in an effort to both expand and deepen the sector's engagement in climate change. Philanthropists have a range of tools at their disposal to meet their goals and missions, including using investments.

For years, the Divest-Invest movement has encouraged philanthropy to divest from the fossil fuel industry and reinvest resources in other climate-neutral or climate-positive industries. There are, of course, arguments against divesting – primarily, that concerned shareholders are best placed to engage and advocate for fossil fuel companies to shift their business practices – but regardless of what one determines to be the most effective strategy in that regard, it has been more of a challenge to understand the *Invest* side of the climate landscape.

It is encouraging to see how quickly climate investing is developing with ever more mainstream commercial investment opportunities coming online and more and more companies committing to net-zero, or even beyond, goals by or before 2050. There is still considerable information to wade through as one considers her/his own investment aims, risk appetite, and so forth. In the following pages, we summarize a few select opportunities we have explored that provide a snapshot of the range of climate investment options that exist.

For investors that prioritize financial returns and are seeking non-concessional vehicles that seek to minimize climate-related risk and maximize opportunities in a low-carbon economy, there are multiple opportunities that include equity investments, equity funds, bond funds and bonds. Global investment banks, largely in response to growing client demand, are increasingly creating climate-centric investment vehicles.

For investors that prioritize climate-positive impact, and are willing to forego some or all opportunity of financial return, there are a wide range of concessional vehicles. The field is incredibly diverse and we are including just a few representative examples that are generally in the catalytic and/or blended capital categories.

The bottom line:

Climate change is an all of us, everywhere challenge that demands that we consider in what ways we can help address the challenge and be part of the transition to a low-carbon, net-zero, and, eventually, regenerative economy. Investing purposefully is part of the suite of solutions and, thankfully, it is becoming ever easier to find climate investment vehicles to suit every investor type. We encourage everyone to speak to their financial advisor, bank representative, pension fund manager, or whomever manages your investments about ways you might invest for and in the climate.

NB: While we understand that each of these companies and vehicles are committed to reaching their stated financial and impact goals, as is ever the case, no investment is guaranteed and CAP is not specifically recommending them. They are examples of the range of vehicles and companies across the climate investment landscape to encourage thinking about and engagement on your climate investment journey.

Non-Concessional Opportunities

We have grouped these into four broad categories: equities; equity/mutual funds; bond funds; and bonds. There are other options, but the examples below fall within these four general types of investment vehicles. It is important to underscore that this list is far from comprehensive – it is a thought and conversation-starter, one we hope will encourage all asset owners, of any size, to take a first or further step in their climate investing journey.

We are largely focusing here on public markets, primarily because of the high thresholds and exclusive (very often based on personal relationships) nature of investing in private market vehicles (private equity funds, venture capital funds, etc). There is no question that private markets are vital to the transition, especially in financing and scaling innovative technologies and supporting climate transition of privately held corporations. For HNW investors seeking additional leverage, we strongly encourage further conversations to explore VC, PE and other private market vehicles.

Equities

Because of the plethora of both privately and publicly traded companies that are committing to the transition to a low-carbon and/or net-zero economy, we are not listing any individual company here. Perhaps what is most important is to review ESG ratings, climate-risk disclosure information, climate transition commitments, and engage with companies that you are investing in to ensure they are moving in the right direction.

KPMG, the Institutional Investors Group on Climate Change (IIGCC), and PRI (the UN Principle for Responsible Investing) issued [A Guide on Climate Change for Private Equity Investors](#). Although it was published in 2016, the guidance provided, and the questions they suggest asking, remain relevant today and may be a useful starting point for those new to climate investing interested in equities.

Another useful resource is [CDP](#). CDP collects data from thousands of public and private companies each year and scores them on their environmental leadership – specifically gauging and incentivizing action on climate change, forests and water security.

Equity/Mutual Funds

[Allianz Europe Equity Climate Transition Fund](#)

The fund invests in the European equity markets with a strong focus on companies that are substantially engaged in the area of climate transition or master the challenges of the climate change. The fund's investment objective is to attain capital growth over the long term. The Fund size is approximately 100M Euro (in 12/20). The Fund works primarily with institutional investors, although it is possible to purchase retail shares at a minimum investment amount of approximately 10K Euro.

[Aviva Investors Climate Transition Global Equity Fund 1](#)

Core investment: At least 90% of the Fund will be invested in shares of Global Companies responding to climate change. "Global Companies" means companies in any country across the globe, including emerging markets. The Fund may also invest in other funds, cash and deposits. The Fund may use derivatives for efficient portfolio management or reducing risk.

The Fund size is approximately 109M GBP (in 12/20). Minimum investment amount is 1K GBP.

Climate Investor Two

Climate Investor Two (CI2) will manage €75 million of the Dutch Fund for Climate and Development (€160 million total) for cornerstone investment, with a specific focus on water, oceans and sanitation subsectors. CI2 will provide financing for every stage of approved projects, replicating the proven fund structure used under Climate Investor One (focused on renewable energy infrastructure projects).

Climate Resilience and Adaptation Finance & Technology Transfer Facility (CRAFT)

CRAFT is a growth equity fund, which is the first commercial investment vehicle to focus on expanding the availability of technologies and solutions for climate adaptation and resilience. CRAFT will invest in 10-20 companies, located in both developed and developing countries, which have proven technologies and solutions for climate resilience and have demonstrated market demand and revenue. The Fund, together with an accompanying Technical Assistance Facility, will help companies – like weather analytics, catastrophe risk modeling services, and drought resilient seed companies, among others – expand into new sectors and geographic markets. It is led by the Lightsmith Group.

GMO Climate Fund

Invests in companies that are positioned to benefit from climate change mitigation or adaptation efforts. Benefits: Long-term secular growth tailwinds; Diversification and inflation protection; Climate change protection; ESG strength. Differentiation: Value orientation; Unique opportunity set; Collaboration w/Grantham Foundation. Founded 2017

The Fund size is approximately US\$210M (in 12/20). Investors must invest a minimum of US\$5M with GMO in order to access the Climate Fund.

NN Investment Partners Climate & Environment Fund

The fund uses active management to target companies that generate a positive social and environmental impact alongside a financial return. The fund has a thematic investment approach, focusing its investments on companies that offer solutions to support the sustainability of our natural resources, for example related to water scarcity, food sufficiency, energy transition and the circular economy.

This equity fund is open to institutional investors. It has approximately 116M Euro under management (in 12/20).

Templeton Global Climate Change Fund

The Fund seeks capital appreciation by investing in equity securities of companies throughout the world which recognise and adapt to the long-term financial risks and opportunities presented by climate change and resource depletion.

The Fund size is approximately 650M Euro (in 12/20).

There are at least [15 Climate Change ETFs](#) that track climate-friendly indices. While actively managed funds are generally preferable, it is an important trend to note that can help drive demand for more, and better, climate indices to be used and for publicly traded companies to respond more quickly and deeply to climate change.

Bond Funds

Allianz Green Bond

The fund invests primarily in “green bonds” of international public or private issuers, with a majority of the fund in private issue bonds. The fund’s investment objective is to generate capital growth over the long term. Allianz applies Green Bond Principles criteria and Climate Bonds Initiative certification.

The Green Bond Fund is available for retail purchase with no set minimum. There are no fixed terms. The Fund is actively managed.

NN Investment Partners Green Bonds

The Green Bond strategy invests primarily in high-quality global green bonds (with ratings of AAA to BBB-) denominated in euros and issued by both sovereigns and companies. NNIP also offers a Green Bond Short Duration strategy and a Corporate Green Bond strategy.

The NNIP Green Bonds are available for retail purchase with no set minimum. There are no fixed terms. The funds are actively managed.

Lyxor Green Bond ETF

The Lyxor Green Bond (DR) UCITS ETF - Acc aims to track the Solactive Green Bond EUR USD IG Index, a benchmark of EUR and USD denominated investment-grade green bonds issued by sovereigns, supranationals, development banks and corporates. Green bonds are fixed income securities whose proceeds are solely dedicated to the financing of eligible green projects focused on climate mitigation or adaptation efforts. The index constituents are labelled green bonds defined as eligible for index inclusion by the Climate Bonds Initiative.

AUM is approximately 477M Euro (in 12/20). There are no minimums for purchase and no fixed term.

The Fund is passively managed.



[PIMCO GIS Climate Bond Fund](#)

The PIMCO GIS Climate Bond Fund invests in both labeled and unlabeled green bonds, as well as bonds from issuers demonstrating innovative approaches to environmental sustainability, offering investors an expanded opportunity set beyond traditional green bond exposures. The fund seeks optimal risk-adjusted returns and provides investors with a globally diversified, multi-sector bond portfolio that supports climate change solutions, while seeking to minimize exposure to climate-related risk.

The Fund was created in October 2020. It is open to institutional investors.

Climate Bonds

There are hundreds of [climate bonds](#), as defined by the Climate Bonds Initiative, in existence, together totaling nearly US\$50B. And the value of the Green Bond market, aligned with climate bond definitions, is triple that amount. In short, the field of opportunity is vast, and growing.

The CBI is a recognized source for information about green bonds and maintains a database with over 5000 entries. It [certifies bonds](#) that meet CBI standards. The Scheme acts as a universal adapter across jurisdictions. It incorporates the Green Bond Principles and Green Loan Principles and is aligned with the proposed EU Green Bond Standard and the guidelines and rules in China, ASEAN, Japan, India and other countries and regions.





Climate change is an **all of us, everywhere challenge** that demands that we consider in what ways we can help address the challenge and be part of the transition to a low-carbon, net-zero, and, eventually, regenerative economy.

Concessional Opportunities

We use the term “concessional” to indicate opportunities in which investment is made first and foremost for the (primarily non-financial) impact it may have. There can be and are overlaps with grantmaking when investments are made without intention of return of the funds. The mindset and purpose of the funds, in the examples below, however, are somewhat different in that they seek to pave the way to attract larger scale investment that would otherwise not be feasible.

Especially for philanthropists, investing on a concessional basis is a growing area for strategic impact. Funds can help off-set risk to position a new technology, company, etc. to be able to attract commercial investments if/once proven to be successful. Loans can be made at low or no interest. The sector is well-placed to make patient capital available, to engage in angel investing, to invest in micro and small enterprise in ways that are inefficient, if not impossible, for commercial or bilateral investors and donors. There are many forms and even more terms used, but for CAP, the bottom line is – again – to consider ways that philanthropic funds can be applied for even greater positive climate impact.

Paris Agreement Acceleration Fund (PAAF)

PAAF is designed to accelerate progress towards the Paris Agreement by unlocking private investment through catalytic investments into high impact, scalable innovative finance solutions in developing countries. PAAF is even more important in the wake of COVID-19, given the flight of capital from developing countries and increasingly urgent need for patient capital as commercial investors pull back.

PAAF will address key market challenges hindering launch and scale-up of new, high impact investment solutions through deployment of catalytic capital (flexible, patient, risk tolerant, concessional) and technical assistance to unlock private investment at scale, among others, in sustainable energy access, nature-based solutions, sustainable cities. PAAF is seeking contributions of \$5 million (or more) for the Fund itself, and/or \$1 million contributions for the technical assistance facility.

South East Asia Clean Energy Facility (SEACEF)

SEACEF prioritizes the climate mitigation impact realized through its investments. Recognizing that successful clean energy projects and companies have value, SEACEF seeks a return on its investments where value is created through the deployment of development risk capital into early-stage projects and companies. However, the financial returns generated on investment are a product of the climate impact realized through successful investments, rather than the objective of the investment itself.

SEACEF seeks to raise US\$50M by the end of 2021, although project investments are being made on a rolling basis. The minimum investment is US\$100K.

AVPN Climate Deal Share Platform

The Asia Venture Philanthropy Network (AVPN) has created a Climate Action Platform to support members that are focused on climate change. The platform provides opportunities to learn about what other members are doing, to identify synergies and also to co-fund and/or co-invest in a range of climate mitigation and/or adaptation deals. The deal share platform is currently open to members only.

Convergence Finance

Convergence is the global network for blended finance. We generate blended finance data, intelligence, and deal flow to increase private sector investment in developing countries. Our global membership includes public, private, and philanthropic investors as well as sponsors of transactions and funds. We offer this community a curated, online platform to connect with each other on blended finance transactions in progress, as well as exclusive access to tailored trainings and original knowledge products such as case studies and reports. To accelerate advances in the field, Convergence also provides grants for the design of vehicles that could attract private capital to global development at scale. Convergence maintains a database of blended finance transaction, open to members. Deals are focused on emerging markets. Membership fees vary based on the size of the institution.

Global Innovation Lab for Climate Finance

Climate Policy Initiative (CPI) serves as the Secretariat for the Global Innovation Lab in Climate Finance and analytical provider. CPI's team of analysts and advisors works to improve the most important energy and land use policies in the world, with a particular focus on finance. By identifying, developing, and supporting transformative sustainable finance ideas, the Lab aims to drive billions of dollars of private investment to the low-carbon economy.

The Lab network accelerates well-designed financial instruments that can unlock billions for energy efficiency, renewable energy, sustainable transport, climate smart agriculture, and curbing deforestation, while also reducing private investors' risks and improving their financial returns. Nations, businesses, and investors are working to move toward a low-carbon, climate resilient economy. Many of the measures underpinning this transition, including energy efficiency, renewable energy, sustainable transport, climate smart agriculture, and curbing deforestation, face specific barriers to attracting investment. By identifying, developing, and supporting transformative sustainable finance ideas, the Lab aims to drive billions of dollars of private investment to the low-carbon economy.

There are a number of "[shovel-ready](#)" projects listed on their site.

Prime Coalition

Prime Coalition is a US-based public charity that partners with mission-aligned investors to support extraordinary companies that combat climate change, have a high likelihood of achieving commercial success, and would otherwise have a difficult time raising adequate financial support to scale.

We believe that catalytic capital* holds a critical key to unlocking commercial products and services that can help avoid catastrophic climate change. Since Prime's founding in 2014, we've facilitated charitable investments with over 150 philanthropic partners, most of whom had never used a recoverable grant or program-related investment before and some of whom had never designed an intervention for climate change mitigation. Our goal is to encourage as many mission-aligned individuals and organizations as possible to join our tribe – 1% of annual grant making from U.S. private foundations or from donor advised funds alone would eclipse traditional venture capital for climate-relevant companies globally.

Prime Coalition partners with mission-aligned investors to support extraordinary companies that combat climate change, have a high likelihood of achieving commercial success, and would otherwise have a difficult time raising adequate financial support to scale.

Other Resources

Financial Times: [Tackling Climate Change – An Investor’s Guide](#) (September 2019)

The Nature Conservancy/Encourage Capital Report: [Towards a Blue Revolution: Catalyzing Private Investment in Sustainable Aquaculture Production Systems](#)

The [CREO](#) Syndicate is an invitation-only membership organization for family offices and foundations with assets of \$100M+ who want to make climate-focused investments.

UN Principles for Responsible Investment (PRI) offers a range of tools and guides including one specific to [Climate Change for Asset Owners](#)

[Climate Action 100+](#) - an investor initiative to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change

[Asia Investor Group on Climate Change](#) - an initiative to create awareness and encourage action among Asia’s asset owners and financial institutions about the risks and opportunities associated with climate change and low carbon investing

[Institutional Investor Group on Climate Change](#) – the European membership body for investor collaboration on climate change

[Net-Zero Asset Owners Alliance](#) - institutional investors transitioning their portfolios to net zero GHG emissions by 2050

[S&P Dow Jones Climate Change Indices](#)