

ERAFP AND THE CLIMATE

PAST AND FUTURE TEMPERATURE CHANGES



↗ between 2°C and 7°C between now and 2100, compared with the average from 1850 to 1900

↗ 0.85°C between 1880 and 2012

The Paris Agreement targets the limiting of global warming by the end of this century to significantly less than 2°C, or if possible to less than 1.5°C, i.e., **a 70 to 80% reduction of greenhouse gases by 2050** and zero emissions by 2100.



CARBONE

At the current rate of greenhouse gas emissions, the **carbon budget** set by the IPCC¹ for the period from 2012 to 2100 **will be used in less than 25 years**.



In order to limit global warming to 2°C, only one third of the world's fossil fuel resources and reserves can be burnt.²

To limit global warming, 71.9% of global resources will need to be left unextracted between now and 2050, i.e.³ :

1/3 
of oil reserves

50% 
of gas reserves

+ de 80%
of coal reserves 



CARBON RISK

According to a study assessing the cost of inaction, global warming-related losses would be colossal:

- in a +2°C scenario: \$4,200 billion of assets would be under threat,
- in a +6°C scenario: \$14,000 billion of assets would be under threat (i.e., 10% of existing assets worldwide).

There are three types of carbon risk.

1. Physical risks

the consequences of climatic events on infrastructures, corporate value chains, real estate assets, etc.

2. Liability risks

demands for compensation by parties that suffer climate change-related losses from those they deem

responsible. Such procedures are likely to affect carbon extractors and the main carbon emitters the most.

3. Transition risks

policy changes, new regulations, the withdrawal of fossil fuel subsidies and the implementation of a price for carbon will lead to the revaluation of a wide range of assets.

¹ Intergovernmental Panel on Climate Change

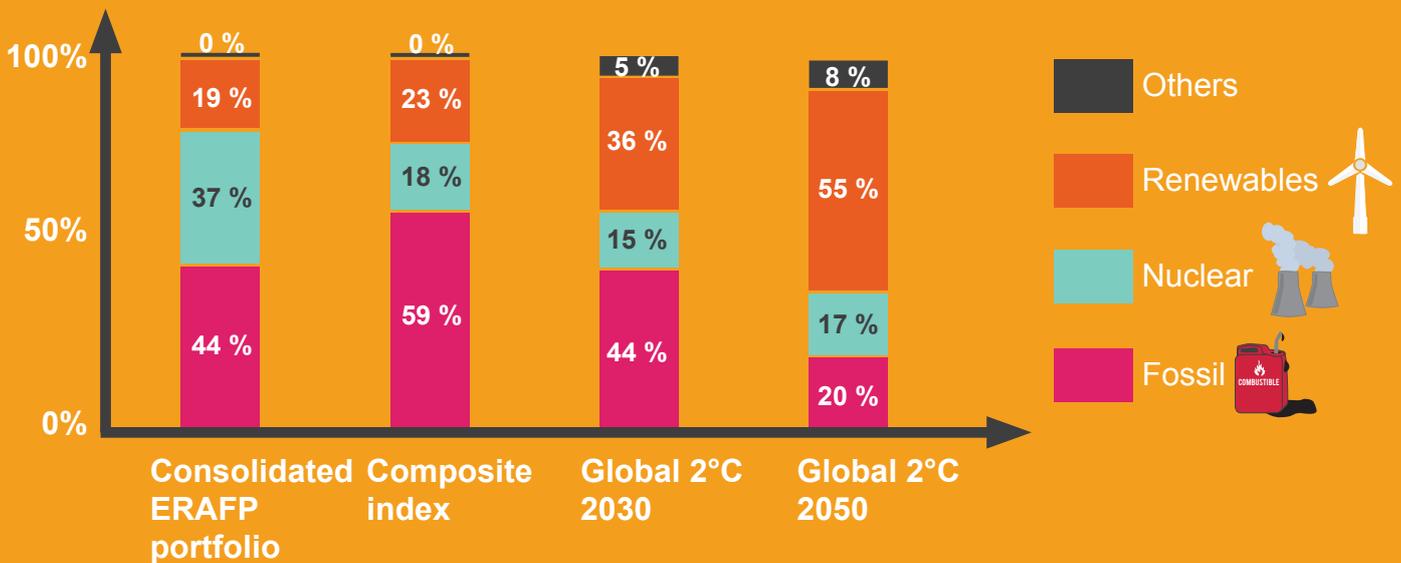
² International Energy Agency

³ «The geographical distribution of fossil fuels unused when limiting global warming to 2°C» by Christophe McGlade & Paul Ekins

HOW DOES ERAFP MANAGE CARBON RISK?

Because we cannot manage what we do not measure, for the last three years ERAFP has been calculating its equity portfolio's carbon footprint. In 2015, it extended this calculation to its government and corporate bond portfolios, **thereby covering around 87% of its total assets.**

It also measured the alignment of its equity portfolio's energy mix with the energy production breakdown defined in the International Energy Agency's «2°C» scenarios for 2030 and 2050. **ERAFP is already in line with the proportion of fossil fuels under the 2030 «2°C» target.**



SHAREHOLDER ENGAGEMENT

Notably within the framework of preparations for COP21 in Paris, ERAFP lobbied via the IIGCC for the following:

- the mandatory publication by institutional investors, particularly those in the public domain, of their **exposure to climate risks**;
- the introduction of **a price for carbon**.

In 2016 / ERAFP supported 11 climate-related shareholder motions and held carbon strategy talks with three issuers from the utilities sector and one energy-sector company.

ERAFP takes part in **various collaborative initiatives and an investor coalition** on the climate change theme:

