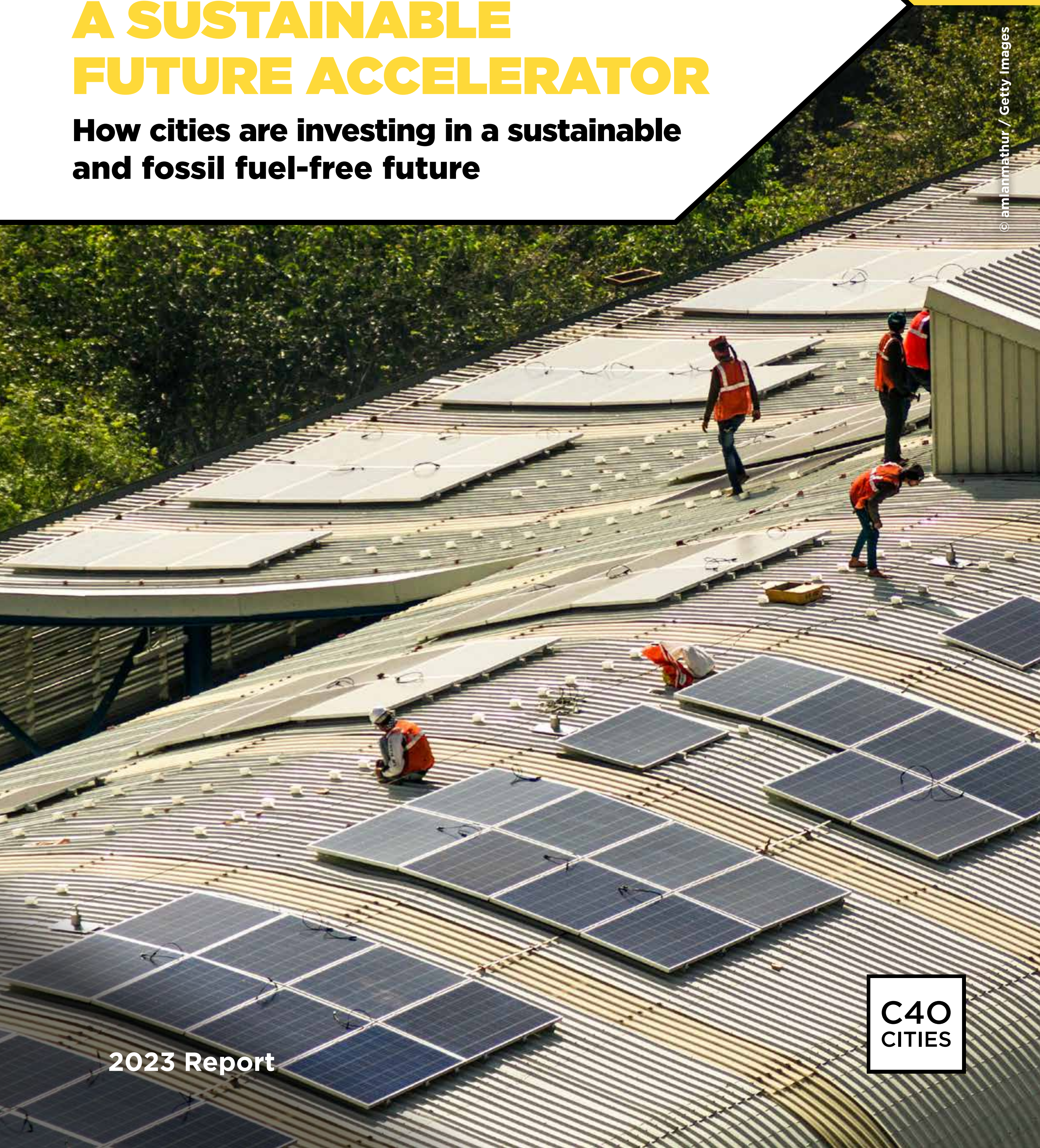
C40 DIVESTING FROM FOSSIL FUELS, INVESTING IN A SUSTAINABLE FUTURE ACCELERATOR

How cities are investing in a sustainable and fossil fuel-free future



C40 CITIES

2023 Report

ACKNOWLEDGEMENTS

This report was created in collaboration with officials in the C40 Divesting from Fossil Fuels, Investing in a Sustainable Future Accelerator signatory cities, C40 funders, and C40 staff. Thank you to everyone who has contributed to the report and the actions that are driving forward immediate and inclusive climate solutions to achieve the commitments of the C40 Divesting from Fossil Fuels, Investing in a Sustainable Future Accelerator. For further information on the C40 Divesting from Fossil Fuels, Investing in a Sustainable Future Accelerator, please check out the accelerator webpage.

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FOREWORD

Finance is still flowing to the wrong sectors, like fossil fuels, instead of into the industries that will support a fair, safe, green economy and provide the jobs of the future.

To avoid the worst consequences of climate breakdown, research shows US$4 needs to be spent on low-carbon infrastructure for every US$1 spent on fossil fuels by 2030. But at the end of 2023, this energy-supply banking ratio was US$ 0.73 to US$1, even worse than in 2021. Similarly, pension funds in the UK alone have the potential to invest up to £1.2 trillion (US$ 1.5 trillion) in climate solutions by 2035. Instead, £88 billion (US$ 110 billion) of UK pension fund money is still invested in fossil fuel companies, despite increasing calls from beneficiaries to align pensions with their climate values and research showing that increasing investment in renewables could generate six times as many jobs, save hundreds of thousands of lives as gas powered electricity, as well as helping to meet climate targets.

Driving finance towards sustainable solutions and away from an increasingly risky fossil fuel sector is integral to getting the world off fossil fuels, and cities offer enormous potential to help shift global investment in the right direction. Demonstrating progress is essential in the wake of a backlash against 'ESG' and climate investments that risks creating a chilling impact for cities and other climate leaders to make bold sustainable and fossil-free commitments that drive change. I would like to thank the cities participating in the Divesting from Fossil Fuels and Investing in a Sustainable Future (Divest/Invest) Accelerator for their ongoing efforts to champion fossil free, sustainable investment. This inaugural report shows great progress, with the amount invested by these cities and their pension funds in climate solutions now greater than their investment in fossil fuels. Over US$ 84 billion of municipal assets from cities in the network are now fossil free, and over US$ 43 billion of city pension fund capital is being invested in renewables and other green, job-creating climate solutions such as electric vehicle (EV) charging infrastructure or building energy retrofit (vs. US$ 670 million of city pension fund money reportedly still invested in fossil fuel companies).

73% of cities that reported this year are also evaluating employment potential across climate action sectors, identifying opportunities for green jobs creation and recognising the equity implications of these efforts in order to inform investment and allocation of resources to green jobs creation and local just transition actions.

It's exciting to witness the progress as cities collaborate to divest from fossil fuels and into a cleaner, more equitable future for all. I look forward to seeing what happens as this work continues to expand and develop globally.

Mark Watts
Executive Director of C40

INTRODUCTION

The move to shift investment beyond fossil fuels and into renewables and climate solutions goes beyond an environmental and moral imperative: staying invested in fossil fuels increasingly exposes beneficiaries to an increasingly risky and underperforming sector. A recent study found that the beneficiaries of six US public pension funds could collectively be US$ 21 billion richer had those funds divested from fossil fuels ten years ago, due to relative underperformance by those companies. They also missed out on a potential 35% reduction in financed greenhouse gas (GHG) emissions. Furthermore the UN has stated that continued investment in fossil fuels is “entirely incompatible” with net zero claims. Investing in climate solutions generates better financial returns and supports the jobs of the future for transitioning workers, people out of employment, women and minority groups, and recent research shows that companies leading the transition to clean energy outperform those further behind.

The C40 Divest/Invest Accelerator is a platform for the mayors of some of the world’s most influential cities to collectively champion fossil free, green finance by catalysing investment in climate solutions and calling on city employee pension funds and other investors to follow suit.

19 cities have now signed the Accelerator, representing over US$ 500 billion in municipal and public pension fund assets, and 52 million people.

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Commitments from the signatories of this accelerator:

Commitment 1	Commitment 2	Commitment 3
Take all possible steps to divest our city assets from fossil fuel companies and increase our financial investments in climate solutions to help promote decent jobs and a just and green economy.	**Call on our pension funds to divest from fossil fuel companies and increase financial investments in climate solutions to help promote decent jobs and a just and green economy.**	**Advocate for fossil-free and sustainable finance by other investors and all levels of government, including by promoting the importance of strong, long term climate policies and demanding greater transparency.**

Actions from the signatories of this accelerator:

Action 1	Action 2	Action 3
Make a commitment to increase our investments in climate solutions and the green economy, and to divest municipal investments from fossil fuel companies.	Encourage the city — or other relevant — pension fund to develop a policy to divest from fossil fuel companies, as part of a wider climate risk management strategy.	Encourage the city — or other relevant — pension fund to develop a policy to invest in climate solutions as part of a wider climate risk management strategy.

Action 4	Action 5
Monitor progress and communicate this progress to C40 on an annual basis, by requesting regular progress reports on how the relevant portfolios are managing climate-related financial risks and opportunities.	Use our influence to advocate for investments in climate solutions and divestment from fossil fuels by other actors, such as private financial institutions and our regional and national governments.

The Divest/Invest network is a cohort of cities led by C40 Co-Chair and Mayor of London Sadiq Khan, who committed in his 2021 manifesto to divest all extractive fossil fuels from the London Pension Fund Authority (LPFA) and rapidly scale up investments in renewables and other employment-creating green solutions, to cut financed emissions in a crucial step towards fulfilling London's 2030 net zero ambition. The fund successfully removed the last two fossil fuel investments from its listed equity portfolio in 2022.

This is the first annual progress report for the C40 Divest/Invest Accelerator, marking a landmark moment to demonstrate the progress of cities and highlight ongoing and emerging challenges.

The report features updates from 15 of the 19 cities that signed the accelerator before the beginning of this reporting period in September 2022. Updates from cities signing after this date will be shared in Next year's report.

PROGRESS OVERVIEW

All cities reporting are delivering or progressing with commitment 1. 73% of respondents confirmed that municipal assets are not being used to finance fossil fuels, equating to US$ 84 billion of fossil-free municipal assets. Other initiatives include New York City's new climate budgeting process, enabling better tracking of how climate investments change over time. 71% of respondents are evaluating employment potential across climate action sectors, identifying opportunities for green jobs creation and recognising the equity implications of these efforts to inform investment and allocation of resources to green jobs creation and local just transition actions. All cities reporting this year are taking steps and putting in place policies to scale up climate investment, such as aligning current investments with Climate Action Plans or classifying them as 'sustainable' according to the EU's Sustainable Financial Disclosure Regulation (SFDR).

80% of respondents are engaging pension funds and progressing with commitment 2. Subsequently, 13 public pension funds across 11 cities equating to over US$ 420 billion have policies to divest assets from fossil fuels, and/or increase investments in climate solutions. For example, the London Pension Fund Authority has a policy to no longer invest in extractive fossil fuels, and to assess the transition pathway for other high carbon investments such as aviation, energy or manufacturing. The Oslo Pension Fund is aiming to reduce the carbon intensity of its in-house managed equities portfolio by 90% by 2030, including excluding coal since 2015, and is targeting zero direct emission and the reduction of indirect emission for the fund's directly owned real estate assets. Eight funds across 6 cities are implementing commitments for financed portfolio emissions to be net zero by 2050 or sooner. Pension funds in the network are investing over US$ 43 billion in climate solutions, green and impact funds (noting that two cities reported national pension funds with larger AUM figures, but in both cases cities are actively engaging these funds to progress divest/invest action). US$ 670 million reported by C40 city pension funds remains invested in fossil fuel companies.

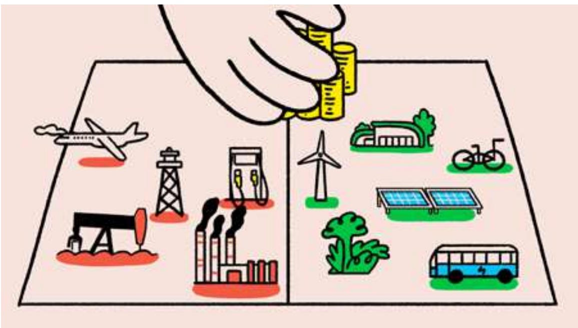
Pension funds are taking divest/invest action since doing so is essential to managing and mitigating climate related financial risks (27%) and helps deliver good, green jobs alongside emissions reductions (27%). 13% said doing so helps pension funds consider holistic – including environmental – drivers of risk and return and can be consistent with trustees' fiduciary duties. 7% said doing so supports the profitable transition to a low emission economy under different scenarios, for pension funds to manage and mitigate climate related financial risks and identify investment opportunities (7% of respondents). 27% did not provide a response.

93% of respondents are progressing with commitment 3. Auckland is engaging with local banks to facilitate meaningful sustainable finance products that drive action beyond greenhouse gas (GHG) emission reduction; the Mayor of London is advocating among heads of state for urgent emissions reductions and city leadership at the UN General Assembly; and Berlin is pioneering a sustainable stock index into which other German federal states also invest.

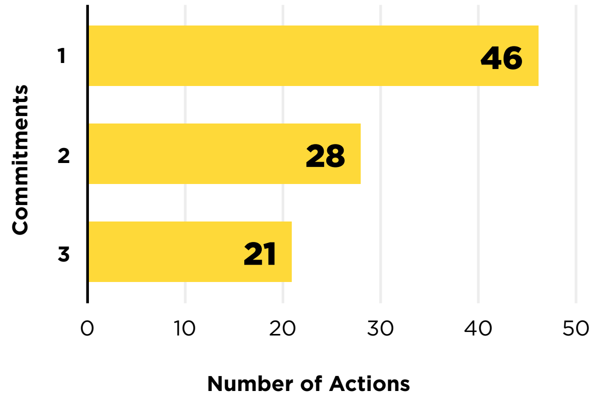
DATA ANALYSIS

Total number of signatory cities

19

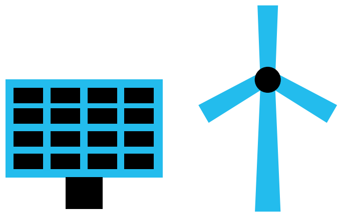


Number of actions by cities to deliver Divest/Invest commitments



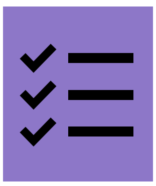
73%

of cities have divested from or have no municipal investments in fossil fuel companies.



93%

of cities are taking steps to increase investment from municipal balance sheets, into renewables and other climate solutions.



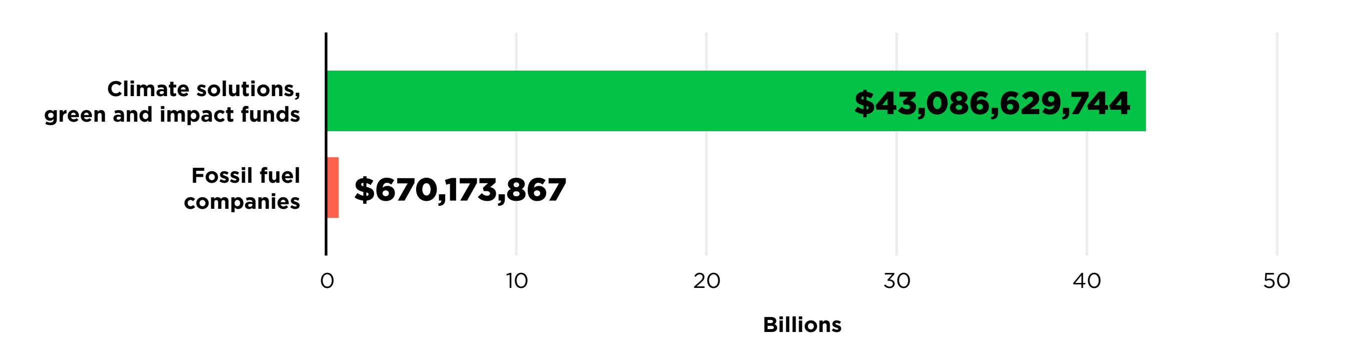
13

public pension funds have policies to divest from fossil fuels and/or increase AUM in climate solutions.

6

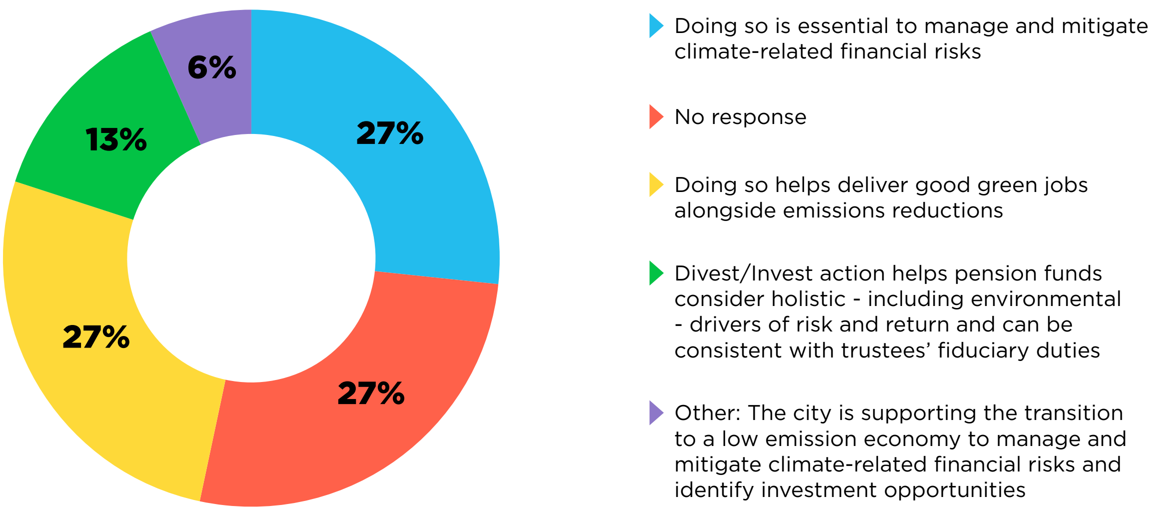
city pension funds committed to be net zero by 2050 or sooner.

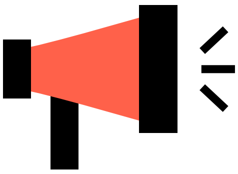
Amount of city pension fund capital invested in climate solutions, green and impact funds, and in fossil fuels companies



Investments in climate solutions are
64 times greater *than in fossil fuel companies*

Main rationale for city or equivalent pension funds to Divest/Invest





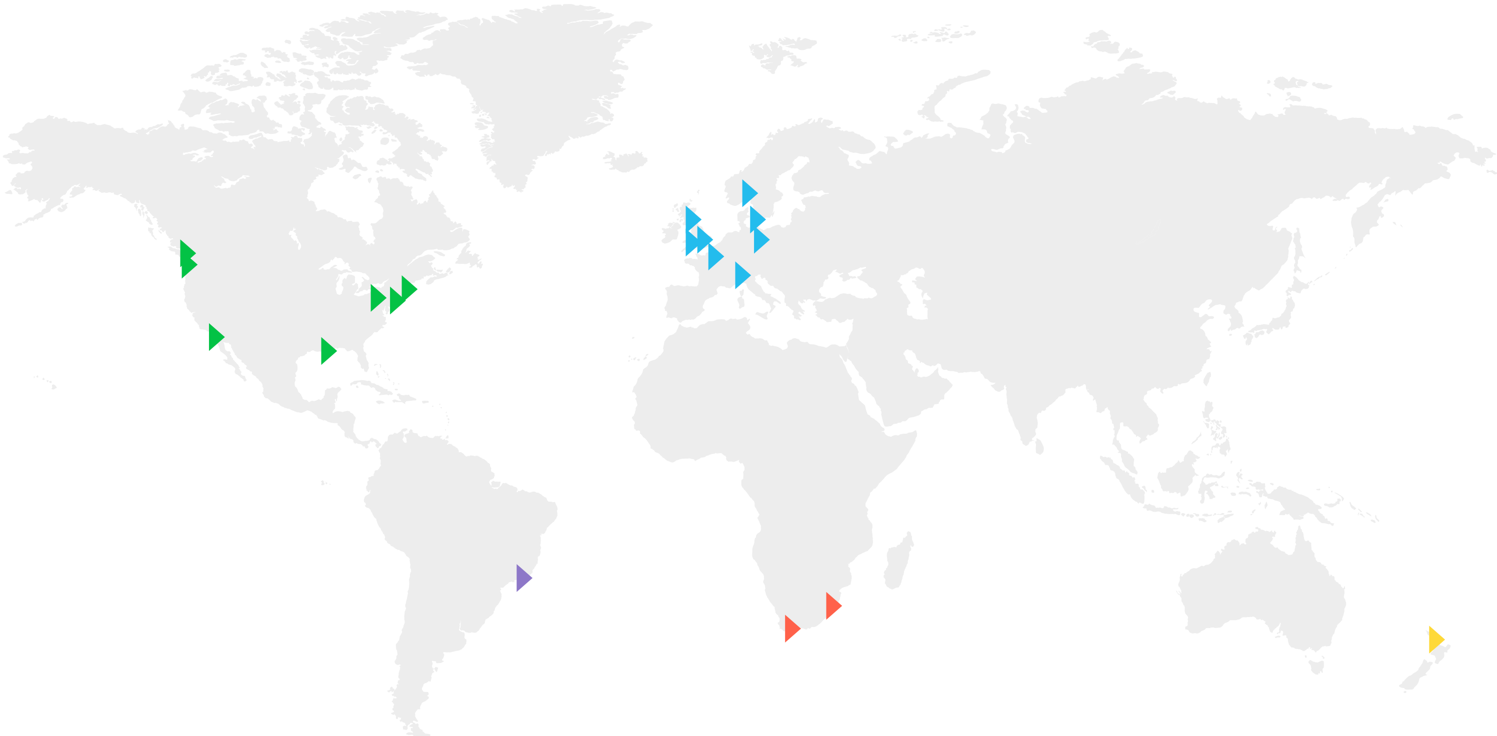
93%

of cities are advocating for fossil fuel-free and sustainable finance by other investors and all levels of government, including by promoting the importance of strong, long-term climate policies and demanding greater transparency.

11

Cities are evaluating employment potential in climate action sectors, identifying opportunities for green jobs creation and recognising the equity implications.

SIGNATORIES



- Auckland
- Berlin
- Boston
- Bristol
- Cape Town
- Copenhagen
- eThekwini
- Glasgow
- London
- Los Angeles
- Milan
- New Orleans
- New York City
- Oslo
- Paris
- Pittsburgh
- Rio de Janeiro
- Seattle
- Vancouver

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CITY PROGRESS SUMMARIES

The following section of this report contains progress and action summaries that were self-reported by each of the C40 Divesting from Fossil Fuels, Investing in a Sustainable Future Accelerator signatory cities. The city summaries showcase past, present, and future actions the city is undertaking to achieve the implementation milestones of the Accelerator.

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AUCKLAND

NEW ZEALAND

Since submitting its Accelerator Action Plan in 2021, Auckland Council has continued to champion green investment by expanding its sustainable finance programme. Auckland Council has issued a further five green bonds, taking the total to eight green bonds on issue with a total value of NZ$ 2.6 billion (US$ 1.6 billion).

In 2022, Auckland Council executed sustainability-linked facilities totalling NZ$ 800 million (US$ 496.6 million) and a sustainability-linked derivative with a notional value of NZ$ 120 million (US$ 74.5 million).

Since the adoption of the NZ$ 152 million (US$ 94.4 million) climate action investment package in Auckland's 10-year Budget 2021-2031, a Climate Action Targeted Rate has been adopted. The new climate package will directly generate NZ$ 574 million (US$ 356.3 million) over 10 years and seek to leverage a further NZ$ 482 million (US$ 299.2 million) in co-funding from central government and other sources. The Climate Action Targeted Rate will help fund electric buses and ferries, more cycle lanes and walkways, and tree planting.

A climate innovation hub, renamed as Climate Connect Aotearoa, has been established as a hub for collaborative climate innovation. The hub brings together diverse organisations to develop, demonstrate and scale solutions needed to reduce GHG emissions and build resilience in line with local challenges. Organisations can access funding opportunities, make connections with like-minded participants and get involved in innovation challenges to develop scalable climate solutions across Auckland's key climate sectors – energy, food, the built environment and transport.

Following an Auckland Council mandate in 2019 to include climate impact statements in all committee reports, a climate impact assessment tool for simple analysis and comparison of climate impacts, risks and opportunities has been developed for roll out over the next 12–18 months. The intention is for impact statements to supplement political reports to enable more informed decision-making. A drive for more informed decision-making has in part been driven by the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021. This mandated Auckland Council

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and other large entities to consider climate-related risks and opportunities within their governance, strategic and financial planning and risk management processes, and use metrics and targets to manage climate-related risks and opportunities. Subsequently a number of work programmes are underway to improve how climate-related risks and opportunities are managed across the Auckland Council group, including making sure decision-makers are sufficiently informed to understand the impact of decisions on climate-related risks and opportunities.

Auckland Council has engaged with local banks to facilitate meaningful sustainable finance products that drive action beyond GHG emissions reduction, and continually engage investors to understand their sustainability needs. Auckland has engaged with New Zealand's External Reporting Board on the development of the Aotearoa Climate Standards to advocate for more inclusive standards for public sector organisations. Over the last 18 months, the city has also collaborated with the Public Service Association, a trade union for central and local government organisations and enterprises. Together they have drafted a climate clause for collective employment contracts which reflects Auckland's Climate Plan, just transition and future ways of working.

As part of the development of the Long-Term Plan 2024-2034, climate mitigation and resilience have been considered as evaluation criteria to inform the performance and alignment of proposed investments and expenditures for the Region. The proposed 10-year budget, with capital expenditures options ranging from US$ 18.6 billion to US$ 35.5 billion, has the opportunity to deliver significant climate outcomes and financial benefits for the Region.

Auckland Council has advocated for sustainable finance on a number of conference panels and continues to advocate for more efficient processes to enable better access to sustainable finance products for issuers, especially smaller issuers who may not have the resources to issue sustainable financial products.

Auckland Council does not have a pension fund at the municipal level, however the Council plans to engage with the New Zealand Superannuation Fund (the sovereign wealth fund) before the end of 2023. The fund already has a strong approach to sustainable finance built around three core concepts developed by Toitū Tahua, the New Zealand Centre for Sustainable Finance:

- Changing mindsets – through our governance, leadership and communication
- Transforming finance – by improving ESG performance over the long term
- Financing transformation – investing for the impact that delivers positive sustainability outcomes


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BERLIN

GERMANY

Since 2017, Berlin's pension fund has continued to exclude fossil fuel companies from its investments. Furthermore, Berlin has only invested in companies with the best sustainability performance in the areas of environmental, social and corporate governance (ESG). The investment strategy of Berlin's pension fund is to invest directly in renewables and climate solutions, as well as taking sustainability aspects into account in investment decision-making.

Berlin is advised by ISS ESG, a leading independent global provider of ESG and corporate governance research. The companies with the best ESG rating are combined in a sustainable stock index called 'Solactive oekom ESG Fossil Free Eurozone 50 Index'. Berlin has taken a pioneering role among the other German Länder. Another federal state also uses the index developed for Berlin. Other states used the exclusion criteria of the index initiated by Berlin to develop their own indices.

Investments in the companies included in Berlin's stock portfolio reduced responsible carbon dioxide (CO_2) emissions by 56.4% in 2022, compared to investments in the companies included in the Euro Stoxx 50 index.


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BRISTOL

(Non-C40 city)

UNITED KINGDOM

In January 2022, Bristol updated its ethical investment policy to specifically exclude investment in high carbon industries and fossil fuel extraction, as well as to reference the city's climate strategy. Bristol has invested nearly £100 million (US$ 126.8 million) in low carbon projects over the past decade. It has also built up climate expertise and created a specific decarbonisation fund focused on investment into Bristol City Council's corporate assets as part of Bristol's Capital Programme. The fund targets £17 million (US$ 21.6 million) of investments over the financial years 2023–24 to 2026–27.

To accelerate and scale up investment in climate solutions, Bristol has also created the Bristol City Leap partnership, launched in January 2023. It has published its first five-year business plan, with £424 million (US$ 507 million) of investment planned to secure large scale private sector investment. Of this, £50 million (US$ 63.5 million) of this is committed to local businesses to create 1,000 jobs, 410 of which will be in Bristol. The city's partners have a robust set of KPIs to monitor environmental, social and job creation benefits. Bristol is engaging with local businesses to deliver training, staff development and apprenticeships to foster green supply chains with all employees and subcontractors being paid the living wage.

All new projects in Bristol's Capital Programme now use Bristol City Council's Sustainability Framework to embed environmental outcomes into projects and support project teams. This helps deliver the best possible outcomes by providing data to track performance, for example on the carbon footprint of the programme.

In March 2021, the Brunel Pension Partnership signed up to the Paris Aligned Asset Owner (PAAO) net-zero investment commitment, which sets a clear framework for action, a timetable and metrics to align the investment portfolio with the goals of the Paris Agreement. The fund has moved over £700 million (US$ 887.7 million) of equity investments into an innovative, Paris-aligned funding solution. In total, the fund now holds over £1 billion (US$ 1.3 billion) in dedicated Paris-aligned index equity strategies and has completely stopped using standard market-cap indices. The fund has set a target for net-zero greenhouse gas (GHG) emissions by 2050. With regards to the listed equity, absolute emissions reductions of 43% will be achieved by 2025 and 69% by 2030.

Bristol City Council represents the Core Cities group of UK leading cities on the UK Government's Local Net Zero Forum, which brings together a range of local authority representatives to help inform and shape government net zero delivery. Bristol is exploring ways in which the Bristol City Leap Partnership, which partners with organisations committed to fossil fuel free futures, can be replicated by other UK cities and in November 2023 the UK Government announced a project to replicate it with the York and North Yorkshire Combined Authority.

Bristol is supporting investment in a just transition through the creation of a new innovation project – Net Zero Investment Co-Innovation Lab – which works with private and non-profit organisations to develop innovative net zero investment funds. The Mayor of Bristol has also adopted a Just Transition Declaration, which focuses on equity and inclusion, and has been developed by community members in consultation with stakeholders such as the Trades Union Council.

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CAPE TOWN

SOUTH AFRICA

Since signing the C40 Divest/Invest Accelerator in 2021, Cape Town has continued to pursue activities as set out in its draft Action Plan. Cape Town has updated its Cash Management and Investment Policy to include language to support this work. In Section 9 (Prohibited Investments), the policy now states that Cape Town is not permitted to invest 'in instruments which consist of assets and activities whose value is realised through the release of unmitigated high levels of carbon dioxide.' Monitoring of this policy measure is ongoing.

Through its most recent Climate Change Strategy (2021), the City of Cape Town has also committed to "use financial mechanisms, including business models, tariffs, investment and divestment to respond to climate change impacts and mitigation opportunities" (Goal 31). This is further elaborated in the City's Climate Change Action Plan (CCAP), which states that the city will "support the call for responsible divestment by taking steps where possible to divest financial assets from fossil fuels or reinvest in climate-friendly activities." In addition, the CCAP also states that the City of Cape Town will "communicate its divestment decisions to all investment partners and broader stakeholders" and "encourage fund managers to develop products that meet the requirements of the City's Cash Management and Investment Policy while ensuring liquidity of the City's Money Market investments." Cape Town has achieved this through engagements with its fund investors and the publication of its CCAP.

The City of Cape Town has developed a ten year, ZAR 140 billion (US$ 7.5 billion) infrastructure pipeline informed by sector plans. These sector plans are responsive to developmental needs as well as to impacts of the climate crisis, for example, the water sector plan includes measures to increase the availability and supply of water to allow for a 1 in 100 year drought scenario. Further analysis of the portfolio is being undertaken to identify and inform the implementation of climate change adaptation and mitigation activity through candidate projects. As a consequence of load shedding, the City has accelerated plans for the procurement of alternative energy supplies through renewable independent power producers (IPPs) and has already retrofitted a large number of its facilities with solar power. The City of Cape Town has also developed an energy strategy in 2023 which lays out the energy transformation pathway to procure more reliable, clean and affordable electricity for residents.

With the help of C40, Cape Town convened a session with the city pension funds of London and New York to engage with two of the larger affiliated pension funds of Cape Town City employees on the divest/invest approaches taken. The exchange demonstrated that affiliated pension funds are considerably far along the environmental, social and governance (ESG) journey, and that they are interested in continuous sharing of information around investments with poor ESG (specifically carbon) records to help reduce holdings in these investments.

The City of Cape Town addresses equity and inclusion in its development mandate as required by the South African Constitution, which states all activist groups and stakeholders should be included in all decisions the city takes through existing legislative structures.

Daniel Sullivan

Director, Risk and Resilience, Future Planning and Resilience Directorate, City of Cape Town

> What is your role within the municipal employee pension fund, and what actions have you been involved in with your team that make you proud?

I am the Director of Risk and Resilience at the City of Cape Town. Through the work on this accelerator, the City of Cape Town has been able to robustly engage with the topic of responsible investment and is in a process of navigating this within an already very conscious investment climate in South Africa.

> What inspires you in the work you do in partnership with London (as a signatory of the Divest/Invest Accelerator), in order to improve the environmental and social sustainability of investments and protect member retirement savings?

My inspiration comes from the cause itself and the moral position being taken to mobilise resources toward a more sustainable future. The collaboration across global cities and professionals from different disciplines provides energy to sustain the inspiration.

> What have you learned from other sustainable investment professionals, either in your own organisation, in another pension fund or from a city in the Divest/Invest network that has changed the way you approach your work?

I am learning lessons every day, but one of the most important lessons I have learnt was from a colleague in our Treasury team who continuously emphasises the importance of investing in credible business cases. Whilst it seems extremely obvious it is surprising how often 'flashy new models' distract from this fundamental principle. Reflecting on this and the way in which activities that generate unabated emissions undermine longer term sustainability it is increasingly possible to demonstrate the credibility of business cases that are reliant on such activities to generate returns.

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COPENHAGEN

DENMARK

The City of Copenhagen has implemented sustainable investment targets for all its investments, including that a minimum of 50% of its equity investments must be 'sustainable' according to EU's Sustainable Financial Disclosure Regulation (SFDR). A minimum of 19% of Copenhagen's investments in bonds in 2023 must be 'green bonds', increasing to 27% by 2025. The city has also implemented targets to increase municipal investments in sustainable projects. The finance committee has decided that the municipality's investment association must increase from 15% in 2022 to 30% by 2025. This also applies to companies that supply equipment and services, for example the offshore oil industry.

Copenhagen does not invest in companies that explore, extract or refine fossil fuels – coal, oil and gas. The municipal investment policy therefore states investments will be screened out for companies where more than 5% of the turnover comes from fossil fuels, or in the case of utility companies where more than 5% of production capacity comes from coal. However, coal for metal production such as steel production is exempt. Copenhagen's infrastructure investments are also made in accordance with its Climate Action Plan.

Copenhagen supports other investors and relevant governmental institutions in their objectives to reduce fossil fuel divestment and to develop climate policies. While Copenhagen has no direct influence over the Danish employee pension funds, it supports and calls for them to reduce their fossil fuel investment and increase sustainable investments as soon as possible.

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GLASGOW

(Non-C40 city)

UNITED KINGDOM

Glasgow continues to respond to the climate and ecological emergency as one of the most important issues it contends with today – one which touches all lives and communities. Glasgow regularly meets with Divest Strathclyde, the main campaigning body in the city, and city trade unions are represented on the Pension Fund board to receive regular updates about the pension fund work to divest from fossil fuels.

In 2023, Glasgow refreshed its Greenprint for Investment with added private sector input, published the first report of its Just Transition Working Group and worked towards an updated Action Plan, and is also developing a new Community Energy Policy for Glasgow. Glasgow has invested £2 million (US$ 2.5 million) to install solar arrays on some of the city's most iconic buildings, schools, day care centres and leisure centres, in addition to the 33 buildings that already had solar arrays. Glasgow anticipates that this recent investment will generate savings of £750,000 per year (US$ 947,000) – showing that smart investing in climate solutions is good for the environment and the balance sheet.

The city is working on a Community Energy Strategy which will facilitate much more community adaptation in years to come. Glasgow City Council's charge points are located within on-street sites and public car parks and are connected to the Charge Place Scotland (CPS) network. As of 1 September 2023, the council has installed 327 charge points across 170 units for public use. The council has a pipeline of 82 charge points across 41 units planned for the rest of the financial year.

In conjunction with partners within the Glasgow City Region, Glasgow City Council has commissioned a report exploring the anticipated increase in electric vehicle ownership and related demand for charging infrastructure from private partners. The report features analysis of potential numbers, locations, funding streams and the national agenda, which emphasises the required involvement of the private sector. It is currently being analysed and will inform Glasgow's future electric vehicle and charging infrastructure strategy.

Glasgow is supporting businesses to adapt to the cost of living and climate crises through energy efficiency, renewables, active travel and waste management measures via the Glasgow City Council Green Business Grant, providing grants of up to £10,000 (US$ 12,600) to reduce business energy bills and progress towards net zero carbon emissions. Glasgow's new Just Transition Working Group (JTWG) includes representatives from trade unions and community groups. It has co-developed a set of recommendations to facilitate a just transition. These include calls on employers to work with trade unions and educational institutions to create an integrated green jobs pathway for Glasgow; to investigate Skills Passports in the city; and to ensure fair work principles are incorporated into net zero planning.

Since the divest motion, the Strathclyde Pension Fund (SPF) has worked to rate and prioritise investments according to their climate impact to inform investment, engagement or divestment decisions. Our divestment strategy includes engagement with and, if required, becoming an activist board member to force companies to improve their climate performance.

The SPF has invested £20 million (US$ 25.2 million) into the £110 million (US$ 138.8 million) Clean Growth Fund, joining funders including other pension funds, the UK government, Aviva and Queens College, Cambridge. The SPF Chair is committed to respond to the climate emergency at all levels. This means ensuring the fund protects current and future pension funds members from stranded assets risk and ensures a habitable planet for members who will receive their pensions in decades to come. The Clean Growth Fund invests in young clean technology companies such as heat pumps, EV chargers, solar panels, AI and lasers, thereby using pension savings to fund scalable solutions. SPF's Direct Impact Portfolio (DIP) has made £570 million of direct investment into renewable energy infrastructure. SPF monitors and reports on the amount of green energy generated and CO_2 emissions avoided from these investments

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– 156,000 tons of CO_2e per annum, according to the SPF 2023 annual report. Environmental benefits from other DIP investments – such as green technology – are more difficult to quantify, but SPF does carry out extensive qualitative monitoring and narrative reporting on these.

Within its Climate Action Plan, the SPF has also committed to set a target for allocation of assets to climate solutions across all its investment portfolios.

The pension fund actively participates in a wide range of initiatives and coalitions to address climate breakdown including the Principles for Responsible Investment, International Investors Group on Climate Change, Paris Aligned Investment Initiative, Glasgow Financial Alliance for Net Zero, Climate Action 100+, CDP, Investor Decarbonisation Initiative, Investor Initiative for Sustainable Forests, Food Emissions 50, and Local Authority Pension Fund Forum.


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LONDON

UNITED KINGDOM

Co-Chair of C40 Cities and lead of the Divest/ Invest network Mayor of London Sadiq Khan committed in his 2021 manifesto to divest all extractive fossil fuels from the London Pension Fund Authority (LPFA) – a fund totalling close to £8bn. The fund successfully removed the last two extractive fossil fuel investments from its listed equity portfolio in 2022.

The pension fund's policy includes engagement as a precursor to divestment for high carbon industries, and divesting when companies fail to demonstrate a clear path to a low carbon future. For example, holdings in Exxon Mobil were sold from the portfolio in 2018 following a lack of response to engagement efforts. The fund assesses the transition pathway of other high carbon investments, such as aviation, energy or manufacturing, against the Transition Pathway Initiative.

In 2022, the LPFA published its plan to achieve a net zero portfolio by 2050 or sooner. The plan includes interim targets for 2030, to reduce Scope 1 and 2 portfolio level emissions intensity to 13 tCO_2e per million pounds invested, representing a 75% reduction relative to the portfolio emissions in 2019.

London has been working with the LPFA to set a green investment target with the LPFA's net zero plan including the setting of investment targets for the climate solutions needed to meet net zero by 2050 or sooner. This builds on the fund's exemplary progress including recent investment through GLIL Infrastructure in the Hornsea One offshore wind farm. The fund's green investments increased from around 1.8% in 2021 to nearly 4% in 2023. The LPFA's net zero plan includes targets for at least 32% of investments in material sectors to be net zero by 2025; and at least 70% of financed emissions to be net zero or subject to engagement, starting immediately. These targets represent real success for LPFA and fund members resulting from the fund's consistent climate policy.

Local Pensions Partnership Investments (LPPI) – the investment manager for LPFA – uses a variety of environmental, social and governance (ESG) factors to assess the risks and opportunities presented by each investment. LPPI is a signatory of the Principles of Responsible Investment and the Stewardship Code.

The LPFA monitors and reports the outcomes of the Investor Climate Action Plan by measuring the carbon intensity and implied temperature rise of all listed equity and fixed income investments, and is working with the LPPI to establish similar metrics across private assets. Their climate voting and engagement activity is reported quarterly by the LPPI. Case studies are also published on the LPFA website on a quarterly basis highlighting the impact of these investments, such as their investment in wind in the Republic of Ireland and UK energy storage. Stakeholders can monitor progress through the LPFA's net zero hub and information is shared with the press, on social media, in newsletters and at events and conferences such as those hosted by C40 Cities, DG publishing and Pensions for Purpose. The LPFA regularly communicates with activist groups such as Share Action, Global Canopy and Make My Money Matter.

The Mayor of London also committed in his 2021 manifesto to support the TfL Pension Fund to undertake similar divestment activities as seen by the LPFA and has been working with TfL to achieve this. The TfL Pension Fund has policies in place to prevent investments in some extractive fossil fuels, and has divested from funds, such as Exxon Mobil in 2022, when engagement routes have been exhausted. Similar to the LPFA, the TfL Pension Fund has also set a Net Zero Plan that would see 55% reduction in emissions by 2030 and 100% reduction by 2045 at the latest – making this one of the most ambitious portfolio emissions reduction plans in the sector.


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London has developed the Mayor's Green Finance programme, including the Mayor's Energy Efficiency Fund, investing £530 million (US$ 672.7 million) by 2024; £90 million (US$ 114.2 million) for a Green Financing Facility that aims to unlock £500 million (US$ 634.6 million) of private investment, announced in 2023; and capacity to develop an investable project pipeline with strategic partners.

The Mayor of London has championed broader divest/invest action by calling on London boroughs to divest from extractive fossil fuels and an increasing number of boroughs are setting divestment commitments. The Mayor of London has also spoken on numerous platforms advocating for divestment, and highlighted the achievements from the LPFA, including collaborating with the Mayor of Boston on a joint op-ed ahead of the UN General Assembly highlighting transatlantic divestment action and calling on others to do the same.

The Mayor of London has repeatedly stated that climate action is an equalities issue. The poorest communities and Black and Asian Londoners are being hardest hit by toxic air, flooding, overheating and a lack of access to green space. The Greater London Authority (GLA) is targeting its programmes and funding to help those most likely to be affected by these issues, using data from sources like its climate risk map. Engagement with climate and wider community groups through the GLA's Community Engagement team and Youth Engagement network allows the GLA to hear and understand the concerns of Londoners – from the impacts of climate change to the creation of new green jobs as part of the mayor's skills academy. The GLA has set targets for new local green job creation to support the mayor's 2030 net zero target, supported by investment from the Mayor of London's Green Skills Academy.

Robert Branagh

CEO of London Pensions Fund Authority (LPFA)

> What is your role within the municipal employee pension fund, and what actions have you been involved in with your team that make you proud?

I am CEO of the London Pensions Fund Authority, a £7.7 billion [US$ 9.75 billion] pension fund with over 97,000 members and 122 contributing employers. I'm particularly proud of the net zero announcement that, with the support of the Mayor of London, our Board made in November 2021 and the 6 net zero targets in our Climate Action Plan that we subsequently published on our website in November 2022. In early 2024, we will be publishing our progress against these targets on our website. I am delighted to say that we have made great progress, and I am immensely proud of my LPFA colleagues and our investment manager, LPPI, for getting our fund to basecamp ahead of schedule. While we're pleased with where we are, there is no doubt that there is a hard climb still ahead of us. The scale of the transition to a low carbon economy can feel daunting but it's important that all organisations take the first step. As a member of C40 Cities we have a network with which we can share and discuss the ideas and challenges that we face with colleagues in pension funds across the world. The network has been helpful in supporting us in our first steps and now that our net zero plan is underway, we are proud to be able to support others by sharing what we have learnt.

> What inspires you in the work you do in partnership with London (as a signatory of the Divest/Invest Accelerator), in order to improve the environmental and social sustainability of investments and protect member retirement savings?

While we're on the same net zero road as the Mayor of London, the rationale for our net zero commitment is our own. We are managing the risks of climate change to protect our members' financial future. That's the source of our inspiration.

We are fortunate, though, to know that by carrying out our duty and investing in a low carbon future we also directly and indirectly benefit our society and communities – be those local, national or international. It is also encouraging when city public policy is committed to facilitating an environment which aligns with the interests of an investor with a net zero commitment like ours.

> What have you learned from other sustainable investment professionals, either in your own organisation, in another pension fund or from a city in the Divest/Invest network that has changed the way you approach your work?

Through the network, it has been particularly useful to hear of examples where the emissions transition in public service infrastructure and services has provided investment opportunities for institutional investors like ourselves.

To us, this has highlighted the importance of understanding, in detail, the locations of our investments, how they impact on communities, and gaining much more detail on where the risks and opportunities might be. This is particularly important when it comes to the impact that climate change might have on Real Estate and Infrastructure. These physical assets account for over 20% of our £7.7 billion [US$ 9.75 billion] portfolio. We are acting on that now and are mapping out the location of our investments as part of a project to provide a more granular insight into the identifying the risks and opportunities to our Fund.

Secondly, it has also been very beneficial to hear from those funds maintaining their policy commitment to net zero in the face of a less favourable public policy environment. Pension funds face enormous challenges so it's useful to hear about the experiences of others, particularly if underlying fund sponsors [and/or] employer bodies have differing views on the relevance of climate change to the fund.

This underlines the importance of stressing that, for pension funds, tackling climate change is primarily about good risk and opportunity management not public policy.

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MILAN

ITALY

Milan has recently introduced a project classification based on the UN's 17 Sustainable Development Goals (SDGs) in its yearly work plan, the Documento Unico di Programmazione (DUP). This has been designed to support the city's sustainable investment ambition and highlight and support the monitoring of climate action investments. A similar categorisation is under development for the Municipal Accounting System (SIB) to classify all sustainable projects funded by the city based on how they contribute to achieving the SDGs. The output will support an annual SDG report of all projects.

The City of Milan participates in the C40 Climate Budget programme, with an aim to develop a 'version zero' climate budget. This will help optimise budget allocation and implement its Air Quality and Climate Plan (AQCP), prioritise climate action and related resources, complement and reinforce the AQCP monitoring system, and raise awareness and engagement across municipal departments on climate action and budgeting.

Milan does not have a pension fund at the municipal level, and city staff pensions are transferred to the National Institute for Social Welfare (INPS). However, new sustainable instruments are constantly being monitored with the main credit institutions, which can be used for sustainable investments and can take into account when the administration reaches specific investment KPIs, for example through a reward on financial charges. Fondo Perseo Sirio, the supplementary pension fund for city officials, has not directly integrated sustainability risks into its investment decisions but has incorporated sustainability risk assessment in its control system. The fund has requested that portfolio managers consider ESG factors when selecting investments and, subsequently, carry out a post-evaluation of the portfolio composition.

The City of Milan has also called for a just and inclusive approach in its advocacy activity for investments in climate solutions and divestment from fossil fuels. As a member of Urban 20 (U20), the engagement group of local G20 governments, the City of Milan has endorsed the U20 Communiqués 2021, 2022 and 2023. These called for a just and inclusive approach to phase out fossil fuels, and each drew attention to socioeconomic issues and the need for policies that leave no one and no place behind.

The Mayor of Milan Giuseppe Sala, in his capacity as C40 Vice-Chair for Europe, also joined a global mayoral delegation at the UN Climate Ambition Summit in New York in September 2023 to call for the elimination of fossil fuels. By presenting compelling city case studies, mayors advocated for investments in climate solutions from national leaders attending the UN General Assembly.

Milan is committed to creating good, green jobs and a resilient green and just economy. The city takes both into account when planning and implementing its climate action, particularly following a 2021 study with C40 and Vivid Economics. The study demonstrated the employment potential and equity implications of the city's climate action plan. It showed over 50,000 jobs could be created over the next ten years through investment in Milan's climate mitigation and adaptation projects. Almost 26,000 jobs could be supported by retrofitting existing buildings and houses while reducing emissions and improving energy poverty.

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NEW ORLEANS

UNITED STATES

New Orleans has increased investments in climate solutions via the city's 2020–21 municipal bond sale, which included the city's largest ever dedication of general obligation bonds for climate projects. This included US$ 7 million for nature-based solutions projects, US$ 600,000 for solar installations on city facilities, US$ 1.2 million for energy efficiency upgrades in city-owned or run buildings, US$ 4 million in citywide greenspace restoration, with 1,165 trees planted in 2023. This represents approximately 5% of the overall bond sale during 2020 and 2021.

New Orleans has been aggressively pursuing federal grant programs via the Bipartisan Infrastructure Law and Inflation Reduction Act over the last 18 months to supplement the municipal balance sheet, with 10 competitive grants awarded to the city, totalling US$ 16.7 million.

The city's new Office of Resilience and Sustainability (ORS) website will list KPIs from the climate action plan in early 2024, including details from the municipal bond sale.

New Orleans received a US$ 5 million AdvancingCities grant from JP Morgan Chase in 2020 to develop a robust blue/green infrastructure workforce training pipeline that prepares high school youth, people of colour and people with low incomes for high wage jobs in the city's growing water management sector. The city, along with New Orleans Business Alliance (NOLABA) and YouthForce NOLA will also establish coordinated technical assistance, training, incubation, capital access and talent development programmes for small and disadvantaged businesses and entrepreneurs to position firms led by people of colour to benefit from procurement opportunities. This showcases how more sustainable investment can be used to support the upskilling for green jobs with an inclusive approach. The city is also relaunching the Solar for All programme with referral fees from solar installations going into energy workforce development grant funds run by the Greater New Orleans Foundation.

In April 2022 New Orleans Employee Retirement Scheme (NOMERS) commissioned consultants AndCo to conduct an assessment and report of the fund's exposure to fossil fuel assets. Across 2022 and 2023, staff from the city's Office of Resilience and Sustainability (ORS) conducted seven meetings about their Divest/Invest pledge with NOMERS Director and consultants, to discuss strategy and possible paths the NOMERS portfolio could take.

In April 2023, ORS and NOMERS directors attended the C40 Divest/Invest workshop in London to discuss and learn best practices and collaborate with other cities in the accelerator.

In November ORS staff presented to the NOMERS Trustee Board to pursue a board vote for NOMERS investment consultants to develop recommendations on possible divestment paths for the pension fund. Discussions are ongoing with further meetings planned.

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NEW YORK CITY

UNITED STATES

New York City has made substantial investments in climate solutions which are detailed in its Ten-Year Capital Strategy, published in April 2023. These include:

- building energy retrofits across city buildings and facilities (US$ 4.2 billion)
- investments in developing the city's offshore wind industry (US$ 179 million)
- electric vehicle (EV) charging infrastructure for city operations and public use (US$ 165.3 million)
- expanding and maintaining greenways to support sustainable transportation and recreation (US$ 398.3 million)
- coastal protection projects, including those managed by the U.S. Army Corps of Engineers, to protect areas including Lower Manhattan, Staten Island's South Shore, the Rockaways, Red Hook, Hunts Point, and more (US$ 2.6 billion)
- green infrastructure and onsite stormwater management on streets, parks, playgrounds, and New York City Housing Authority (NYCHA) campuses (US$ 1.3 billion)
- cloudburst neighbourhood stormwater management strategies combining green and grey infrastructure (US$ 390.4 million)
- using natural systems to manage water, including developing natural drainage corridors or 'bluebelts', and restoring wetlands (US$ 907.5 million)
- increasing shade and cooling throughout the city by planting trees and reforesting and restoring natural areas (US$ 402 million).

New York City is implementing a new climate budgeting process and annual publication that will help track and demonstrate how climate solutions change over time.

Through the new climate budgeting process, New York City is developing new tools to assess the environmental benefits of investments. This includes a methodology to evaluate whether existing or proposed capital projects align with greenhouse gas (GHG) emissions reduction goals, flood and heat resiliency needs, and co-benefits related to air quality, ecology, and more. New York City is also developing analytical tools to help understand the cost effectiveness of investments. The NYC Climate Resiliency Design Guidelines pilot programme will develop a scoring metric to ensure future capital investments are sufficiently resilient to climate risks. Additionally, New York City is developing future projections based on current policies and investments in order to assess if sufficient action is being taken to meet GHG reduction goals. More information will be available in the climate budget publication to be released in April 2024.

In January 2021, the Teachers' Retirement System of the City of New York (TRS), NYC Employees' Retirement System (NYCERS) and NYC Board of Education Retirement System (BERS) voted to approve divestments from fossil fuel reserve owners in public equity (active and passive) and listed corporate bonds (investment grade and high yield). Securities were identified based on demonstrated risk from fossil fuel reserves and business activity, and the trustees will continue to evaluate risk in their portfolios to determine additional actions as warranted. In 2022, the three pension funds divested nearly US$ 4 billion of securities. The pension funds also committed to exclude investments in the extraction, production and exploration of fossil fuels in private markets investments.

In October 2021, TRS, NYCERS and BERS also approved commitments to achieve net zero GHG emissions by 2040 across their investment portfolios. As part of these commitments, the three pension funds adopted goals to increase investments in climate change solutions consistent with achieving US$ 50 billion total climate solutions investments across all five systems by 2035. NYCERS' plan sets an interim target of US$ 4 billion of climate solutions investment by 2025, and US$ 17 billion by 2035. TRS set an interim target of US$ 4.2 billion by 2025 and US$ 19 billion by 2035. BERS seeks to increase investments in climate change solutions to US$ 400 million by 2025 and US$ 1.8 billion by 2035.

Prior to adopting their net zero commitment, in 2018 the pension funds set a target to double their climate change solutions investments in three years from approximately US$ 2 billion to US$ 4 billion and ultimately achieved over US$ 6 billion in three years. These goals seek increased climate solutions investments across the total portfolio and all asset classes, consistent with fiduciary duty. Other goals include setting interim emission targets and disclosing emissions; engaging asset managers and portfolio companies to be net zero aligned; and divestment from fossil fuels to reduce risk.


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The net zero implementation plans of the city pension funds include a commitment to integrate just transition assessments to investment decision-making. Targets include supporting 13,000 green jobs with significant business and workforce training for the offshore wind industry, with 40% of job and investment benefits directed to Minority and Women Owned Business Enterprises, and environmental justice communities.

The net zero implementation plans were presented and discussed by the New York City Comptroller's office at C40's Divest/Invest workshop in April 2023 as best practice examples.


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OSLO

NORWAY

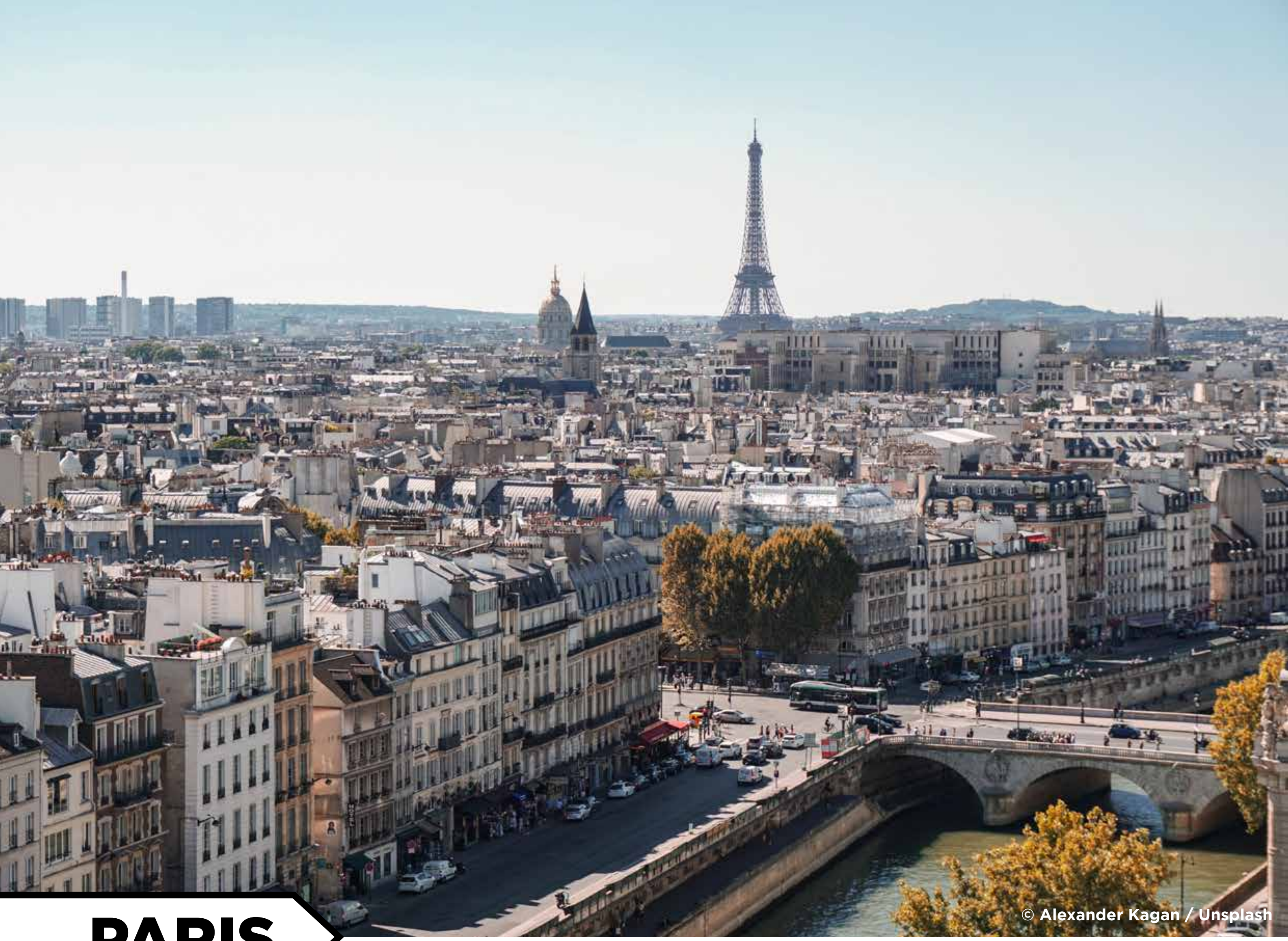
As of the beginning of 2023, Oslo has a 462 million Norwegian kroner (US$ 43.5 million) climate and energy fund to support climate and energy measures in households, private companies, and housing cooperatives. An average of 43 million Norwegian kroner (US$ 4 million) has been spent each year for the last three years. Oslo receives its emissions inventory from Statistics Norway, making it difficult to isolate the effect on emissions of the city's investments. However, the city is using a set of indicators to track progress.

The city has increased its ambition to decarbonise its assets as part of the city government platform from 2019. The city is engaging with its employee retirement scheme, the Oslo Pension Fund, to reduce the carbon intensity of its in-house managed equities portfolio by 90% by 2030. The Oslo Pension Fund has a strategy to manage climate risk and support the transition to a lower emission economy through its finance and investment activities. This has been integrated in the investment process since 2016 and has evolved over recent years in line with improved reporting standards.

The Oslo Pension Fund has actively supported organisations like the Centre for International Climate Research (CICERO) to develop a framework to analyse climate risk and mitigation in relevant sectors and companies. The fund communicates its expectations of reducing environmental impact and resource use in meetings with investee companies – including reducing greenhouse gas (GHG) emissions through credible corporate strategies in relevant sectors, or climate adaptation policies. The development of improved standardised reporting and frameworks in financial markets has been crucial to supporting the fund's risk-based investment approach.

To support the Oslo Pension Fund's goal to reduce the carbon intensity of its in-house managed equities portfolio by 90% by 2030, coal has been excluded from the investment portfolio since 2015. For directly owned real-estate assets, the fund is working toward a long term goal of zero direct emission and reduction of indirect emission. This is implemented through concrete three-year environmental action plans; the first from 2020–2022. The fund supports the transition to a low emission economy to manage and mitigate climate-related financial risks and identify investment opportunities, with an understanding of the need for a profitable transition under different scenarios.

In addition to engaging closely with the pension fund, the City of Oslo works actively with the business community through its Business for Climate network to promote higher climate ambitions among the 150 members. The city has a close dialogue with the network members on their needs and the role of the city to motivate the transition. Oslo also advocates for a change in regulation so it can require all buses operating in Oslo to be zero emission. By the end of 2024, the city will also have significantly contributed to all taxis being zero emission and once more driven investment towards zero emission technology. The city has also engaged both politically and administratively with the national level so it can require all construction sites in Oslo to transition to zero emission.



PARIS

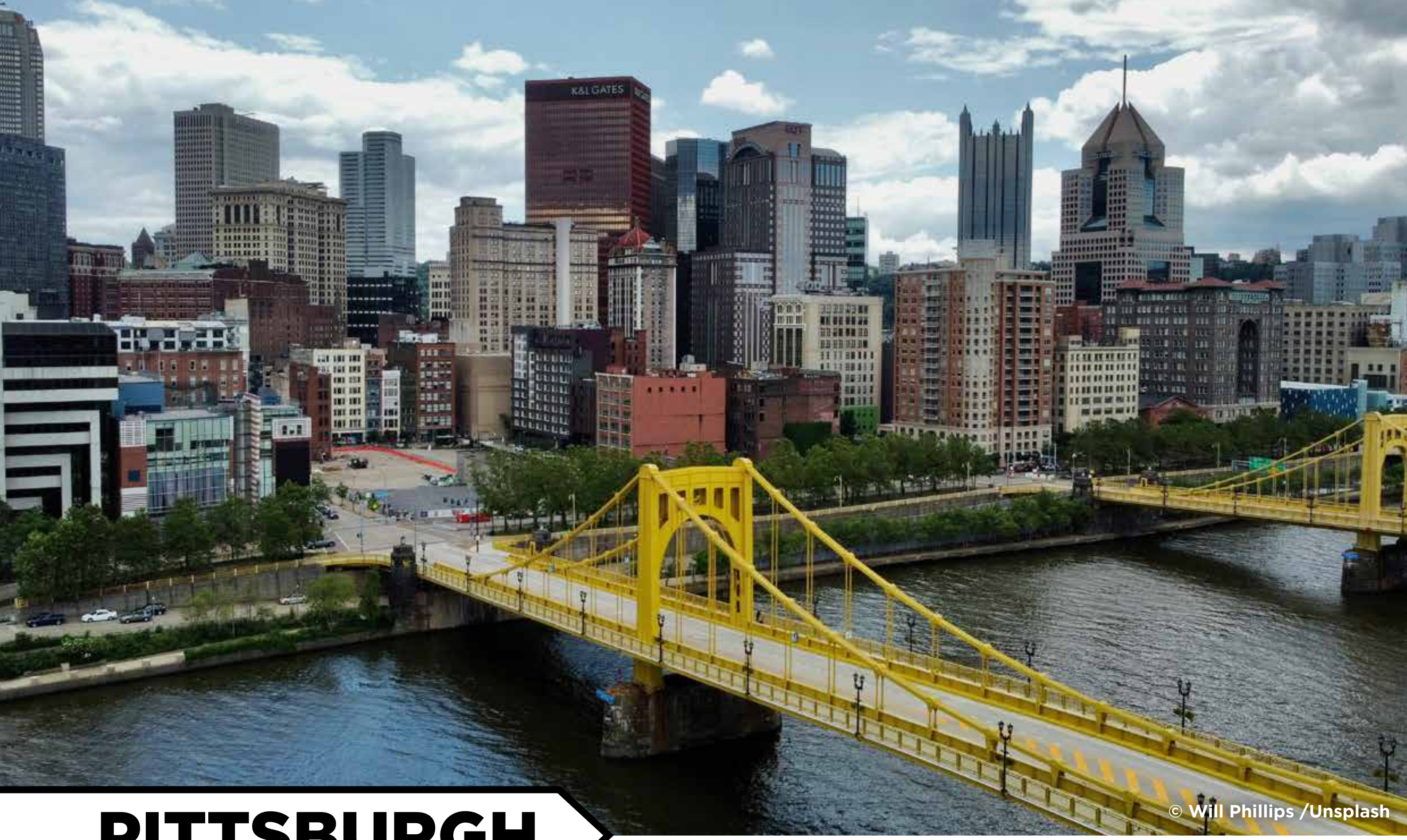
FRANCE

Since the adoption of its third Climate Action Plan in 2018, the City of Paris has been committed to achieving carbon neutrality by 2050. The municipal budget represents a fundamental lever for achieving these ambitious climate objectives, and the climate assessment of the latter aims to reinforce the coherence and transparency of the City of Paris' action in this area.

Activities financed by the city that help reduce greenhouse gas emissions include purchasing renewable energy, installing electric vehicle charging stations, and continued implementation of the energy performance contract for swimming pools, in which the city has invested €3.9 million (US$ 4.3 million). Paris has also improved the energy performance of private housing, spending €6.8 million (US$ 7.5 million).

The city has also invested in the collection and sorting of recycled waste, and public transport, including an operating contribution to Paris's public transport network Île-de-France Mobilités (IDFM), as well as line extensions such as the T3 and station accessibility.

Paris advocates for green investments through issuing green bonds and funds. Borrowing is one of the means of financing the city's investments. By spreading the cost of developing facilities that will benefit several generations of Parisians over time, borrowing is a true vector of intergenerational solidarity. Paris aims to promote green and responsible finance, including the issuance of Green Bonds and by supporting the creation of the Paris Green Fund, an innovative legal and financial tool, and the first territorial investment fund dedicated to ecological transition.



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PITTSBURGH

(Non-C40 city)

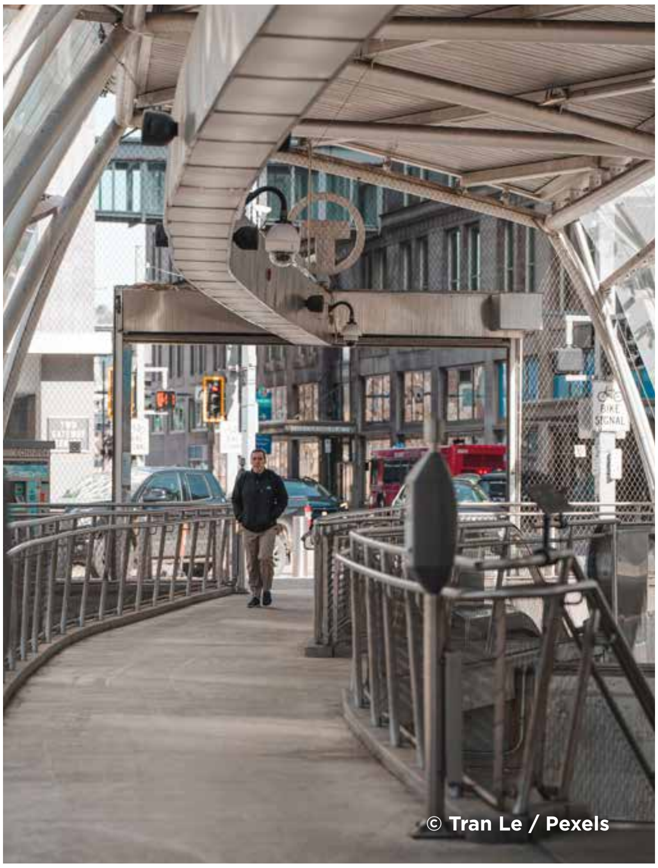
UNITED STATES

The City of Pittsburgh went through a mayoral transition in 2022 and faced challenges with turnover in the Department of City Planning's Sustainability and Resilience team in 2023. This has delayed progress for the city's delivery against its Divest/Invest commitments. However, the new Chief Financial Officer and Director of Planning joined and presented at the Divest/Invest April 2023 workshop in London, and a meeting is planned with the city's Director of Finance in early 2024 to discuss the feasibility of incorporating Divest/Invest action to municipal assets, including the Other Post Employment Benefits (OPEB) Trust Fund.

Since September 2020 the city's employee pension fund – The Comprehensive Municipal Pension Trust Fund – has screened out fossil fuels investments. The fund's Socially Responsible Investing Program proactively selects investments in companies that produce environmental and jobs-related benefits. To enhance environmental sustainability, this includes investing in climate solutions where companies develop and implement environmentally friendly products and services; preserve the planet's ecological heritage and create environmentally sensitive and innovative technologies; and conserve energy and/or develop alternative renewable and clean energy resources.

The pension fund supports good green jobs by favouring investment in companies that actively promote equal pay and promotion opportunities for women and minorities; engage in practices or policies to end human trafficking; strive to make a positive impact on housing, health care and other services to improve quality of life for underserved populations; or companies proven to hire and advance the careers of women and minorities. To promote good green jobs the fund also uses shareholder resolutions to encourage payment of sufficient wages, decent working conditions and other social benefits that enable good employee work life balance; encourages investee companies to promote human rights through operational supply chains; and ensures representation by women and minorities in management, decision-making, executive and corporate leadership roles.

Pittsburgh was named one of five Workforce Hubs by President Biden. The Workforce Hub has climate and labour at the heart of its approach and aims to further equity and inclusion goals by creating equitable career pathways in infrastructure, advanced manufacturing, high speed internet, and clean energy. Pittsburgh is also building a regional equity framework known as the 'Pittsburgh Good Jobs Principles' to emphasise: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- Priority recruitment, training, hiring, and retention of disadvantaged worker populations including through partnerships with community-based organisations with expertise serving disadvantaged workers.
- Equitable pathways for disadvantaged workers into good jobs and careers including direct entry pre-apprenticeship programmes; wrap-around supportive services to reduce barriers to entry; and training to develop an inclusive harassment- and discrimination-free workplace environment and culture.
- Tracking, measurement, and assessment of progress in recruiting, training, hiring, retaining, and promoting disadvantaged workers through shared compliance, tracking, and reporting strategies and tools.
- Embedding the Pittsburgh Good Jobs Principles in procurement and contracting processes to the greatest extent permissible by law.
- Creating an inclusive and diverse engagement and collaboration committee which includes representation of organisations that serve disadvantaged workers, to implement the Pittsburgh Good Jobs Principles and jointly address challenges.
- Using project labour agreements, community benefits agreements and other tools to codify and enforce these Pittsburgh Good Jobs Principles and Agreements.

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RIO DE JANEIRO

BRAZIL

The C40 Divesting from Fossil Fuels, Investing in a Sustainable Future (Divest/Invest) Accelerator symbolises the Municipality of Rio de Janeiro's commitment to the global climate agenda, while serving as a strategic instrument for planning and management. Rio de Janeiro aims to lead by example by moving towards net-zero emissions.

The Municipality of Rio de Janeiro does not hold investments or allocations in the petroleum industry, even in bonds. However, it receives royalties from the oil sector, and according to legislation, these funds cannot be used for personnel expenses or any other purposes. Consequently, these resources are directed towards environmental initiatives, including waste management, urban afforestation, slope containment works, and reforestation, both directly and indirectly.

In this context, opportunities arise for implementing actions aimed at allocating investments in the green economy:

1. The Rio de Janeiro City Hall has issued a call for the ISS Neutro. This programme establishes measures for tax compensation for companies located in the city that acquire carbon credits. The primary objective is to promote an annual financial stimulus of up to BRL 60 million (US$ 12.4 million), with an expected completion in 2030. Additionally, Rio de Janeiro City Hall has reduced the Tax on Services (ISS) rate from 5% to 2% for companies in the carbon credit production chain, such as consulting and auditing firms.

2. Another notable initiative is the Solário Carioca – a project transforming a former landfill site into a 5 MW solar power plant. The Rio Solar Consortium, composed of energy companies GNPW Group and V-Power Energia, won the Public-Private Partnership (PPP) for Solário Carioca. The generated energy will supply public buildings, resulting in an annual savings of R$ 2 million for the municipality. It is estimated that the energy produced will power approximately 45 municipal schools or 15 Emergency Care Units (UPA).

3. Rio de Janeiro City Hall launched the Local Climate Action Registration and Communication Platform for the city – PROCLIMA.RIO. It serves as one of the instruments for implementing and monitoring the Climate Action Plan, connecting Rio's society to the municipal climate agenda. The main objective of PROCLIMA.RIO is to ensure the recognition of actions aimed at reducing greenhouse gas emissions within the municipal territory, carried out by institutions in the public and private sectors, as well as civil society and non-governmental organisations. Institutions participate through the PROCLIMA Digital Action Climate Registration and Communication Platform.

4. Finally, Rio de Janeiro is the first city in Latin America to adopt the Climate Budget and Carbon Neutrality Strategy, instruments of the City of Rio's Climate Governance Program. The program integrates the city's budget planning with the goals of the Sustainable Development Plan (PDS). Municipal agencies will plan and adjust their investments to achieve the established targets. The Carbon Neutrality Strategy will be the planning instrument against residual greenhouse gas emissions within the municipal administration: the goal is to deliver the Residual Greenhouse Gas Emissions Management Plan in 2024, along with three programmes for emission neutrality. The action will be led by a strategic core, involving 22 municipal agencies, represented by trained personnel. The action is aimed at one of the PDS goals: achieving a 20% reduction in municipal greenhouse gas emissions by 2030 compared to the 2017 baseline, with a view to achieve carbon neutrality in 2050.

VANCOUVER

CANADA

The financial investments from Vancouver's cash and reserve funds are fossil fuel free and tailored to environmental, social and governance (ESG) conditions. Adopting this process is consistent with the city's commitment to environmental goals, social responsibility, and economic development across its communities. Vancouver expects its investment partners and its own investment decision-making process to not only comply with the legal and regulatory regimes applicable to them, but to also adopt ESG practices that contribute to long-term financial performance and responsible investing. Vancouver is committed to being a responsible investor and recognises its fiduciary duty to manage ESG issues that may be financially material throughout its fixed income asset class.

Vancouver's investment in electric vehicle charging infrastructure will support a faster transition to electric vehicles. Staff work closely with the Federation of Canadian Municipalities, Union of BC Municipalities, Vancouver Economic Commission, and community partners and stakeholders to advocate for dedicated and sustainable funding from senior governments to advance climate investment.

The city signed the C40 Divest/Invest Accelerator in 2020, in partnership with the Vancouver Economic Commission. After signing, the Municipal Finance Authority (MFA) of British Columbia (B.C.) introduced its first fossil fuel free investment pooled fund in 2020. The MFA had engaged with asset managers to create a new short-term bond fund with a fossil fund fuel exclusion screen that would exclude securities of companies directly involved in the extraction, processing and transportation of coal, oil, or natural gas, and would enable Vancouver and other municipalities in B.C. to invest in such a fund. Vancouver is proud to be an anchor investor to this fund.

On behalf of Council and the City of Vancouver, the Mayor of Vancouver wrote to the B.C. Municipal Pension Plan in 2020 requesting a risk assessment of the plan's investments based on carbon exposure, and information about what steps were being taken to measure and mitigate these risks. The mayor also urged the pension plan to consider the long-term impact of the global climate emergency and local climate crisis due to investments in fossil fuel assets, and to redeploy funds into green and renewable assets that are necessary for a sustainable future. The Mayor of Vancouver also sent a letter to the Province of B.C. to encourage them to follow the examples of Canadian municipalities in developing a model for crown corporations and provincial agencies to include financial statement disclosures aligned with the Task Force for Climate-Related Financial Disclosures (TCFD) framework.

Vancouver issued its inaugural Sustainability Bond in 2021. This marks the first ever Canadian dollar Sustainability Bond issued by any Canadian government entity, and was very well received by the investment community, with demand of approximately four times the issuance size. Under the city's Sustainability Bond Framework, net proceeds from the bond are used to finance council-approved capital projects that support the city's commitment to positive environmental goals, social responsibility, and economic development across its communities.

BARRIERS TO ACHIEVE THE COMMITMENTS

One of the main challenges that C40 Divest/Invest Accelerator signatories face is access to data, particularly around the city or equivalent (i.e. provincial, state or national-level) pension fund assets. This is especially the case in those cities where there is no city-level pension fund and there isn't an existing relationship with the pension fund at a national level. Quantifying and demonstrating city and pension fund divest/invest progress is increasingly key in the face of emerging, albeit marginal anti-Environmental Social and Governance (ESG) narratives, and in some cases regional legislation to delay, prevent, penalise or undo progress on sustainable and fossil free investment. A related challenge cities face is that large asset owners and pension funds need to ensure and be able to demonstrate that their actions to manage risk associated with fossil fuel investments and phase out high-emitting assets is consistent with their fiduciary duties. The benefits and progress made by cities and investors as a result of moving capital away from the fossil fuel industry into sustainable solutions, as highlighted in this report, demonstrates how doing so is about sound financial risk management and grasping the opportunities of transitioning to a fairer, green economy. This is especially important for cities in regions where much of the labour market has historically relied on fossil fuel extraction, to build confidence in and public support for inclusive climate action.

Cities face challenges on how to classify and categorise sustainable assets, climate solutions, and assets from which they should divest. More and clearer definitions and guidance is required on how other investor mandates make these decisions, and on reporting requirements and classifications that are already widely adopted by other pension funds for cities to better measure their impact.

Staff capacity is also a barrier to progress for cities, particularly internal city professionals working on climate finance. This does not only impact on the city's capacity to achieve their C40 Divest/Invest Accelerator commitments, but also the city's broader climate action goals which tangentially or directly relate to the accelerator, such as sustainable procurement policy, green bank establishment and green job creation. Language and technical expertise around sustainability and financial competences also differ across departments within city administrations, creating challenges and a need for cross-departmental collaboration to progress city divest/invest commitments.

Some cities have very little leverage over the investment decisions of city pensions and municipal financial assets, as this may be subject to national law regulations that determine the investment decisions at the city level. Hence, creating innovative ways to activate new financial leverages for investments in climate solutions can prove very difficult.

CONCLUSION

This report demonstrates huge progress, galvanised by cities and pension fund partners that are moving beyond fossil fuel investment and grasping the opportunities presented by investing in a sustainable future, through sound risk management and in alignment with their fiduciary responsibility.

To support cities with ongoing challenges C40 plans to build guidance on frameworks that define robust transition plans, engagement policies, and net zero investment commitments across different sectors, to support cities to engage with pension funds. Through the Divest/Invest Forum C40 will continue bringing together city climate policy experts, city finance professionals, pension funds and sustainable finance experts to build sustainable investment capacity, a common language and strengthen communication channels across different functions. Tailored technical support and assistance to cities will be rooted in the local context, needs and constraints of each city, for example the amenability of state-level policy makers to Environmental Social and Governance (ESG) or sustainable finance. To support cities to innovate new approaches and activate new opportunities to leverage financial investments in climate solutions, C40 will convene online knowledge sessions with cities and relevant pension fund partners to share information, approaches and challenges on green investment opportunities for cities.

This report validates the huge potential city leaders have to use their voice to advocate for more sustainable and just investment choices to help shift capital in the right direction. Together, cities in the C40 Divest/Invest Accelerator are engaging pension funds with over US$ 434 billion of capital to ensure savings are protected from financial and climate risk presented by continued investments in a dying fossil fuel industry and are grasping the opportunities presented by financing sustainable industries. Cities are supporting good, green jobs and engaging companies in investment supply chains to ensure these jobs are equitably distributed, such as Auckland's research to understand the impact of climate action compared to inaction on jobs for Māori and Pacific peoples, and New York City's goal to ensure that 40% of job benefits from the pension funds' offshore wind investments are directed to minority- and women-owned business enterprises, and environmental justice communities.

Investments in climate solutions by cities and city pension funds are 64 times greater than those in fossil fuels, indicating we are heading in the right direction. Over US$ 43 billion of municipal and city pension fund assets are invested in renewables and other green, job-creating climate solutions such as electric vehicle (EV) charging infrastructure or building energy retrofit. But the US$ 670 million of city pension fund money that remains invested in extractive fossil fuels shows there is more to do for cities to leverage pension fund capital to help plug the US$ 2.5 trillion (and up to US$ 4.8 trillion) green finance gap which needs to be invested in climate solutions every year to ensure global heating stays below 1.5ºC.

Cities participating in the C40 Divest/Invest Accelerator are championing fossil free, sustainable investment, with the amount invested by cities and city pension funds in climate solutions now outpacing fossil fuels.

Progress for the accelerator, and the fossil fuel-free divestment movement more broadly, means more mayors using their voice to advocate for greener, fairer investment choices, call out fossil fuel financing, and galvanise others to join them, to demonstrate the huge environmental, social and financial benefits of sustainable investment choices.

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CITIES