Climate change

Investors push power companies to end coal use by 2030

European utilities urged to set timelines for eliminating coal-fired power generation

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Jennifer Thompson and Anjli Raval in London 33 MINUTES AGO

Investors overseeing more than $11tn in assets, including Schroders, Legal & General Investment Management and two of the biggest US pension funds, have called on power companies to commit to ending coal use by 2030 and spell out preparations for a global shift towards low-carbon fuels.

In a letter to the Financial Times on Thursday, investors led by the Institutional Investors Group on Climate Change and members of the Climate Action 100+ organisation have urged European utilities to set timelines for eliminating coal-fired power generation in the EU and industrialised nations.

They have also demanded that companies including Centrica and National Grid of the UK, France's EDF, Spain's Iberdrola and Germany's RWE set targets for meeting the goals of the 2015 Paris climate change agreement to limit global temperature rises to below 2C from pre-industrial levels.

$11.5tn

The value of assets held by the 95 institutional investors signed up to the letter calling for action on climate change

The world has already warmed by about 1C, largely due to emissions from the burning of fossil fuels. Investor pressure is growing on the energy sector — from oil and gas groups to power companies — to take responsibility for their contributions to climate change.

As a carbon-intensive natural resource, coal is at the heart of global debate on energy and climate policy.

"Decarbonisation of the power sector, which accounts for around a quarter of global emissions, will define the success or failure of the low-carbon transition since it is fundamental to also decarbonising heat, transport and industry," the letter stated.

"We require power companies — including power generators, grid operators and distributors — to plan for their future in a net-zero carbon economy," it added.

Investors are not only concerned that the operations of these companies are bringing about climate change faster, but that assets owned and operated by major energy companies could become uneconomic should governments pursue the Paris goals.

This has prompted greater demands for climate-risk disclosures and that trade associations also fall in line with global environmental goals.

Investors are also worried about the knock-on impacts of global warming, including extreme weather such as flooding, for other parts of their portfolios and could have "potentially catastrophic" consequences for global markets.

Just days after a deal was struck in Poland on the rules for implementing the Paris climate accord, the letter said the success in addressing climate change is "vital to those with a fiduciary responsibility for other people's long-term investments".

Big investors have stepped up their efforts in recent months, underpinned by the belief that institutional shareholders possess the greatest clout in pushing companies to change.

Signatories of the letter include 95 investors representing $11.5tn in assets. The campaign against the power sector has been led by the IIGCC, the European forum for investor collaboration on climate change.

It is also backed by some members of the Climate Action 100+ coalition of investors, which is calling on the world's biggest emitters to cut greenhouse gas emissions and improve their disclosure and oversight of climate-related risks.

Signatories include Calpers (the California Public Employees' Retirement System), which oversees $344bn in assets, and Calstrs (the $220bn California State Teachers' Retirement System), as well as Standard Life Aberdeen and Fidelity International.

The letter was also sent to Eurelectric, which represents the European power industry, and to Germany's coal exit commission.

Even as the elimination of coal-fired generation is a key climate policy goal in some countries, in others it is affordable, abundant and remains an important source of electricity. Coal kept its share in the power mix at 38 per cent in 2017, driven by demand in China and Asia, and it is expected to grow this year, according to the International Energy Agency.

While western Europe is moving quickly out of coal, a handful of new coal power plants are under construction in Poland, Greece and in the Balkans.

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