



Interview with Ole Beier Sørensen

Conducted by Lia Abady, *JEI* Interview Editor
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Danish pension fund giant ATP, which manages Dkr415bn (€55bn) in assets, has launched a climate change fund to invest in privately owned companies across emerging market economies. Ole Beier Sørensen, chief of strategy and research at ATP pension fund, speaks to Lia Abady from the *Journal of Environmental Investing*.

Interview:

Ms. ABADY: *ATP has taken a leading role in climate change investing. Last year the fund made a seed commitment of €1 billion to a new emerging markets climate change fund and a \$400 million investment in a global clean technology renewable energy fund run by Hudson Clean Energy Partners. Can you talk a little bit about that process?*

Mr. SØRENSEN: ATP has been focusing on climate-related investments for quite some time and announced the €1 billion Climate Change Action Fund for Emerging Economies in the run-up to the COP15 summit that took place in Copenhagen at the end of 2009. The intention was to focus on climate-relevant investments in emerging economies. We made the announcement with the expectation that COP15 would be successful in providing a global agreement, and that this would result in climate change policies being implemented in many countries around the world. We believe that clear policy frameworks are necessary in order to make sound investment decisions in terms of scalability and priority. We did not have a global agreement in Copenhagen. In hindsight, we might have foreseen that, had we studied the signals more carefully. The consequence of the current uncertainty, we believe, is that national policies will develop but at a much slower pace.

Ms. ABADY: *Will ATP maintain its commitment to the €1 billion Climate Change Action Fund for Emerging Economies despite the disappointing outcome of COP15?*

Mr. SØRENSEN: ATP will maintain its €1 billion commitment, and we may very well go beyond that level at some point in the future if policies and terms are right. Right now, we believe that the lack of clarity is seriously holding back investor appetite from investing in this area. This is highly unfortunate because most of the investments – 85 percent according to a World Bank study – needed for financing for renewable energy and energy efficiency projects will have to come from the private sector. As it currently stands, the lack of clarity slows down the investment flow, and it means that fewer investors will consider investment in this area.

Ms. ABADY: *Can you give us an example of where public policy has helped to create investment in clean-tech?*

Mr. SØRENSEN: I can think of two examples: Japan's regulation of building energy efficiency and the automotive industry. The Japanese would not have been as energy efficient had it not been for building energy efficiency standards. The country has the world's second-largest economy, but it produces virtually no oil or gas, importing 96 percent of its energy needs. This dependence on imports has prodded the nation into tremendous achievements in improved efficiency. Denmark and its development of a high proportion of renewable energy in its energy mix can serve as another example.

Ms. ABADY: *Can you explain how ATP came to be an investor in the clean-tech sector?*

Mr. SØRENSEN: We are not a clean-tech investor as such, but we do believe that many companies in climate-relevant sectors and productions offer good business opportunities. In our view, climate change and the regulations that may be put in place in order to counter climate change pose companies and investors with significant risks. We believe that the ability to address climate-change-related issues will be an important competitive factor as we move forward. It is an essential part of our fiduciary to focus on and address such risks in order to serve our membership and protect our investments. The same view leads us to consider the opportunities offered by climate change. ATP has sizable investments in climate-related activities ranging from equities to infrastructure projects and substantial investments in forestry. However, it should be noted that we invest in such activities because business cases add up and not because it is popular or politically correct to do so. In order to attract the private investments needed in these fields at the scale and pace required, clear signals and targets are needed along with policy frameworks providing attractive risk-adjusted returns. Many of these activities and investments are policy driven and will remain so for quite some time.

Ms. ABADY: *As chairman of the Institutional Investors Group on Climate Change (IIGCC), a group of 58 investors with combined assets of around €5trillion, can you discuss the benefits of membership?*

Mr. SØRENSEN: Investors have a critical role to play in addressing climate change. In order to play that role effectively, we need coordination and collaboration. That is what the IIGCC is all about. It creates a joint platform for institutional investors and the ability to address policy developments and debates consistently. Climate change creates financial risks for investors; however it also creates investment opportunities. The IIGCC aims to ensure that these risks and opportunities are addressed and reflected in investment practices and decisions. The IIGCC brings investors together to use their significant collective influence to engage in dialogues with policymakers, investors, and companies to support the shift to a low-carbon economy. Strong stable policies and frameworks are essential. Governments should lead this response by creating a framework that provides incentives and investment certainty to companies and individuals.

Ms. ABADY: *What advice would you have for entrepreneurs looking to raise financing for renewable energy and clean-tech projects and for institutional investors looking to make investments in this area?*

Mr. SØRENSEN: Leading investors think about climate change first and foremost in risk terms, and taking stock of risks—and of opportunities—is a key responsibility of any pension fund. My main advice to entrepreneurs and institutional investors is to assess your climate risks thoroughly and account and report on your findings and be sure that the business case always adds up.

Ms. ABADY: *Thank you for taking the time to share your thoughts with the Journal of Environmental Investing. It was much appreciated.*

Mr. SØRENSEN: It was a pleasure. You're welcome.

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Ole Beier Sørensen heads ATP's research activities on pension policy and other areas of public policy. He has a Ph.D. degree in Social Geography from the University of Copenhagen and his research covers a broad range of issues related to pension systems, pension reform and pension management.

In recent years he has focused particularly on pension reform issues and on non-financial investment risks – among them social responsibility and climate change – and on behalf of ATP he has been a key participant in discussions in the global investor community. Ole Beier Sørensen is chairing the European investor network Institutional Investors Group on Climate Change (IIGCC), he is a member of the Advisory Board of the Danish African Guarantee Fund, he is a Board member at the International Centre for Pension Management at the Rotman Business School in Toronto, Canada and he serves as a member of the Advisory Board of the Centre for Pension Law at the University of Copenhagen.