

## The P80 Group Foundation: An Introduction

### The Beginning

The origins of the P80 began with the inspiration of HRH Prince Charles, who believed that the world's largest pension and sovereign wealth funds could be encouraged to increase the level of their investments which could benefit the climate and/or sustainable development. The concept quickly received the support of other global leaders such as Nobel Prize winner Al Gore.

Thus, HRH convened and hosted meetings of large pension and sovereign wealth fund leaders beginning in late 2007. Even the early meetings represented over \$2 trillion in investment capacity.

Additional meetings were held in 2008 and 2009. The Group became known as the P8 (Pensions 8) and the University of Cambridge Programme for Sustainability Leadership (CPSL) provided the infrastructure and staffing for the P8 Group. Although known as the P8, the actual number of large funds participating grew with each meeting, until there were many more than the original 8 funds.

### Growth and creation of the P80 Group

In 2010, HRH and the P8 Group members posited there might be many more pension and sovereign wealth funds globally wishing to join in the effort. A decision was made to widen the reach to include other funds from all over the world and to create an expanded "P80 Group".

Examples of other funds which agreed to join the process included the National Pension Service of Korea, the world's third largest pension fund today and Khazanah Nasional, the investment holding arm of the Government of Malaysia. The first meeting of the P80 Group was hosted by the National Pension Service of Korea and took place in Seoul in June of 2010. It was at this meeting that Former President Clinton formally pledged his support to the work of the P80 Group stating:

*"You are empowered to make a major difference in the future of our planet. Your investments can encourage sustainable economic growth, strengthen global stability, and improve world health and food supply...technologies have already been developed which can create opportunities for growth and tackle climate change, however many companies and projects lack the access to capital needed to implement their strategies. Developing public-private partnerships that identify market-based approaches to accelerate the deployment of clean technologies is central to the work of my Foundation...and the Clinton Global Initiative."*

### Early work

The first P8 Summit, held in November 2007, discussed the issue of climate change and its impact on the pensions sector. Subsequent Summits held in July 2008, March 2009, October 2009 and February 2011 allowed the pension funds to explore the requirements of public-private partnerships in investment opportunities.

Shortly after the third Summit, the first green bond investment (\$300 million) with the World Bank was announced by California State Treasurer Bill Lockyer. Discussions also led to the development of pioneering funds by the Asian Development Bank (Climate Public Private Partnership Fund) and the International Finance Corporation (Climate Catalyst Fund).

### Mission Statement

“Our mission is to lead and guide the world toward a path of greater sustainability by developing financial instruments that deploy capital into technology that tackle global challenges.”

### The P80 Group Foundation

The P80 Group Foundation was formed to manage and support the activities associated with delivering this mission. The Foundation is composed of individuals and entities who have pledged to serve as “Friends” of the P80 Group.

### Goal

The goal of the P80 Group and the Foundation is to bring about a more rapid growth in investments that address climate change and sustainable development resource shortages. We are convinced, even left alone, these investments will trend up over time. Thus, the role we wish to fulfill is to serve as a catalyst to speed up and strategically support this trend.

### Impediments to low carbon investments in developing countries

The developing countries have emerged as one of the crucial grounds on which the climate war will be won or lost. The Asian Development Bank and the P80 Group, therefore, performed a study of the key impediments to low carbon investments in developing Asia as perceived by large pension fund investors. The main obstacles facing private sector financial institutions who seek large scale investments are:

#### Global market failures

- Environmental externalities not properly priced
- Carbon market pricing in early stage
- Subsidies for hydrocarbon energy

#### Perceived risks

- Political, regulatory, technology, execution, currency, governance risks
- Inadequate market incentives (e.g. fee-in-tariffs)
- Risk mitigation tools underdeveloped

#### Poor investment infrastructure

- Lack of specialist professionals
- Lack of high-quality deals
- Underdeveloped business environment

#### Information and knowledge gap

- Lack of investment research
- Absence of qualified intermediaries
- Absence of success / proof of concept

#### High transaction costs

- small portfolio weighting
- Diseconomies of small scale
- Fear of the unfamiliar

#### Solution concepts

At the P80 meeting in the summer of 2010, the Asian Development Bank and International Finance Corporation unveiled plans to create funds or "fund of funds" which would take investments from the ADB and other public sector entities and co-mingle this capital with large investments from P80 members. The public-private partnership idea was warmly received by the P80 Group as many participants thought this framework capable of delivering a solution concept to the barriers described above.

The Asian Development Bank is now in the process of establishing the Climate Public Private Partnership Fund (CP3) which focuses on developing Asia and the International Finance Corporation is developing the Climate Catalyst Fund (CCF) which has a global reach. In both instances, the anchor public sector partner is the Government of the United Kingdom.

The African Development Bank and Inter-American Development Bank are also actively engaged in this arena. The next step will be to convene an organizational meeting with large funds from Latin America (including Mexico, Central America and the Caribbean). MENA, Eastern Europe and Africa are regions which will be studied and targeted in the near future.

#### The P80 impact

Overcoming the global challenges of climate change and sustainable development will require the mobilization of large amounts of capital. The public sector, already strained by the global financial crisis, is incapable of handling these problems on its own; it needs to receive "help" from the private sector, especially pension funds and sovereign wealth funds.

As evidenced by the recent endorsement of the Club de Madrid, many global leaders believe the P80 Group embodies an important opportunity to create an immediate and meaningful impact to address not only global climate issues but also the challenges related to economic

development, health and global stability. These global leaders also believe that the positive impact can be achieved while at the same time providing highly attractive risk-adjusted returns to investors.

#### Activities of the P80 Group Foundation

The activities of the Foundation include:

1. Organizing and managing the P80 Group and its strategic supporters.
2. Identifying and structuring investment opportunities for pension funds, SWFs and MDBs belonging to the P80 Group. The Climate Public Private Partnership Fund and the Climate Catalyst Fund are good early examples of this activity.
3. Creating and managing strategic partnerships with key institutions, such as Club de Madrid, Clinton Global Initiative, World Economic Forum, Global Green Growth Institute and others.

#### Further information

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