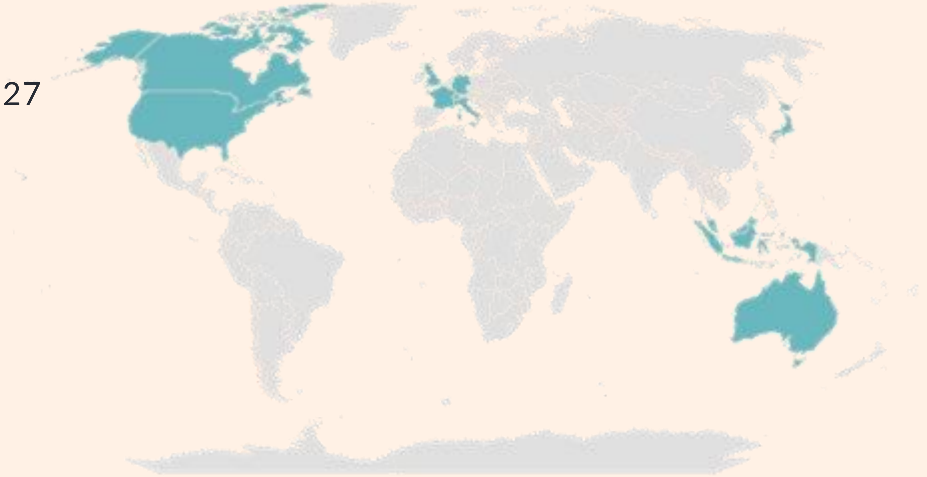
Global investors and climate change

Wave 7: July 2024

FT LONGITUDE

ABOUT THIS RESEARCH

- FT Longitude surveyed 1,330 institutional investors globally to get their views on the impact of climate change on their investment strategy.
- Research for the current wave, Wave 7, was conducted from 27 June to 31 July 2024.
- Representatives span insurance, asset management, banks, endowments, hedge funds and pension funds.
- All respondents hold senior roles and have responsibility for investment decisions in their organisations.
- Survey was conducted using a computer-assisted telephone interviewing (CATI) method



FT LONGITUDE

SAMPLE DETAIL

	Asia only			Global			
	Wave 1	Wave 2	Wave 3	Wave 4	Wave 5	Wave 6	Wave 7
Dates	21 June to 17 July 2021	4 to 27 January 2022	29 June to 5 July 2022	23 January to 1 March 2023	29 June to 3 August 2023	8 January to 16 February 2024	27 June to 31 July 2024
Sample size (n=)	500	500	500	1000	1000	1000	1330
Hong Kong	17%	17%	17%	7%	7%	7%	7%
Singapore	17%	17%	17%	7%	7%	7%	7%
Japan	17%	17%	17%	7%	7%	7%	7%
Indonesia	17%	17%	17%	7%	7%	7%	7%
Korea	17%	17%	17%	7%	7%	7%	7%
Malaysia	17%	17%	17%	7%	7%	7%	7%
Australia				7%	7%	7%	7%
United Kingdom				7%	7%	7%	7%
France				7%	7%	7%	7%
Germany				7%	7%	7%	7%
Italy				7%	7%	7%	7%
Switzerland				7%	7%	7%	7%
United States				7%	7%	7%	7%
Canada				7%	7%	7%	7%

- Overall sample size increased in wave 4 to accommodate survey expansion into other global markets, and then again in wave 7 to ensure higher representivity in the US.
- Data weighting was considered, but differences between weighted and unweighted results were negligible, hence not used.
- Level of seniority was consistently 10% C-suite, 90% C-1 respondents.
- For a total sample of n=1000, the margin of error on results is estimated to be 3.1% at a 95% confidence level, and 4.3% for a sample of n=500.
- A z-test is used check for significant differences between responses in mutually exclusive groups (e.g., year on year, Asia vs. Europe), provided that the sample in each group is n=30 or more.

KEY FINDINGS

Global Findings

1

Decline in coal Investment, with oil providing stable returns in the medium-term

The global trend is towards a significant reduction in coal investments, with an almost complete cessation expected by 2040. While oil remains a key short-term asset, its viability as a long-term investment can be questioned as the energy transition gains momentum.

2

Renewables is the most prudent sector to invest in in the long-term

The growing confidence in renewables as a prudent investment, particularly in Europe and North America, indicates that the transition toward renewable energy is gaining momentum. Increased regulation in Europe and the US promoting this sector may be driving this to a large degree.

3

Risk concerns

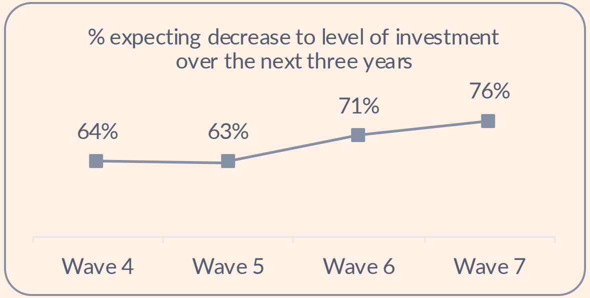
There is increasing concern about the legal and reputational risk associated with fossil fuel investments, particularly in Asia and Europe. However, many investors continue to invest in fossil fuels to capitalize on short-term profits. This behavior is reinforced by stakeholder pressure and peer behavior creating a competitive push to maintain or increase investments rather than risk losing financial opportunities.

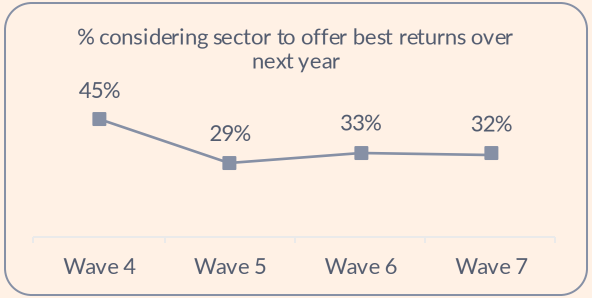
4

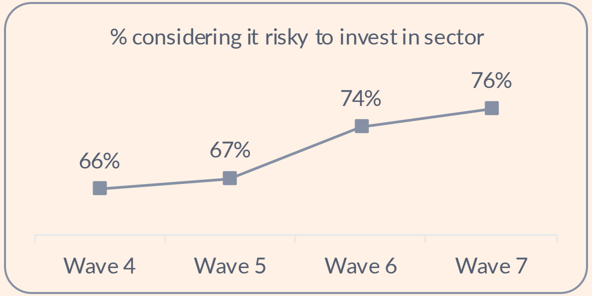
Impact of climate change on investment strategies

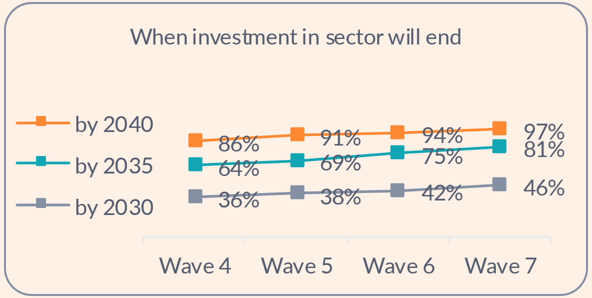
Incorporating climate-related risks into investments is considered crucial. Investors who are making changes to their investment strategies due to climate change are more likely to reduce their investments in fossil fuels and increase investments in renewables. Across all regions, uncertainty about the future of fossil fuels is making the sector an unattractive investment beyond the next five years.

Clear downward trend in investments in coal, with a significant increase in perception of the riskiness of the sector. Rate of disinvestment is increasing.









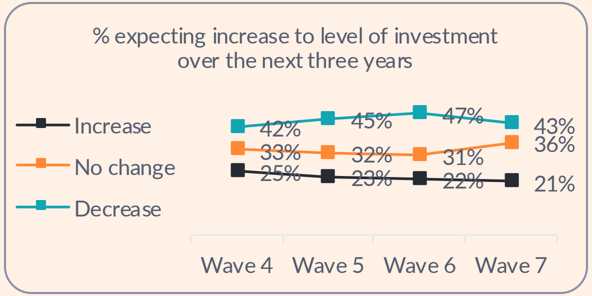
The trend is more pronounced in Europe and North America, where 71% and 87% respectively, expect to decrease coal investments. Asia and Australia lag a bit behind 69% and 65% respectively expecting to decrease investments over the next three years.

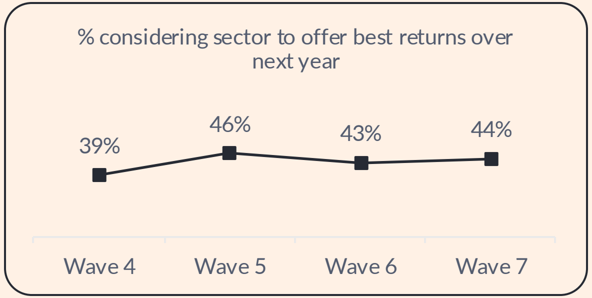
Proportion expecting to stop investing in coal by 2035 has increased significantly from 69% to 81% over the past year.

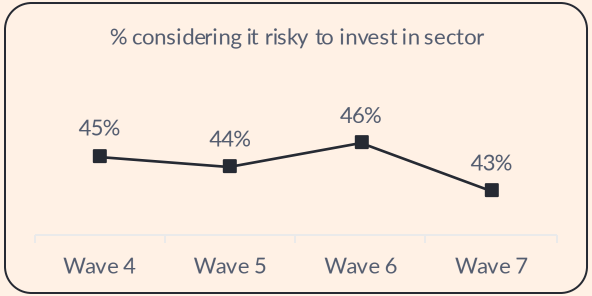
Short term gains on coal can still be made with 32% saying it offers the best returns over the next year.

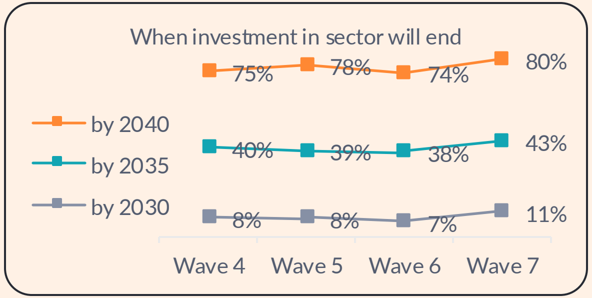
Q1: Over the next three years, what change do you expect to the level of investment in the following industries at the institution where you work?
Q8: How risky do you think it is to invest in the following sectors?
Q3a,b,c: How would you rank the potential returns of these sectors over the next year/next 5 years/next 10 years? - Ranked Top 1
Q5: When, if at all, will your institution have stopped investing in the following industries?
Total: Wave 4=1000, Wave 5=1000, Wave 6=1000, Wave 7=1330

Investments in oil remain relatively stable, seen as offering the best returns in the short term, but not extending past five years.









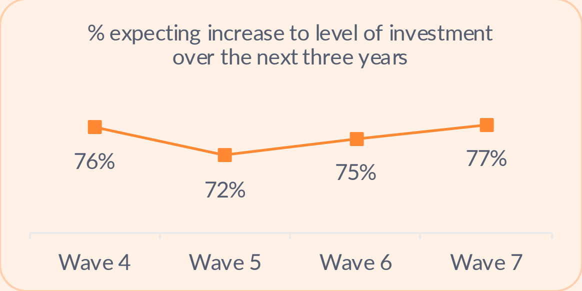
While a medium risk investment in the short-term, returns on oil investments do not seem to extend past five years. A third of respondents (30%) consider oil to still offer the best returns over five years, but only 3% select oil as giving the best returns over 10 years.

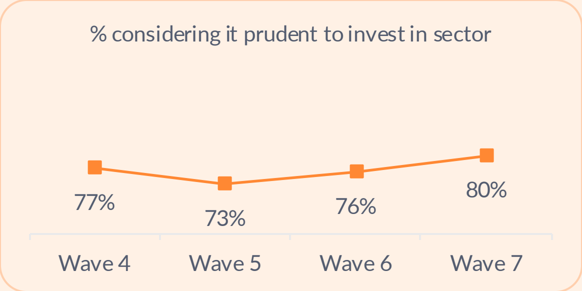
80% of investors will discontinue investing in oil by 2040, although this lags somewhat in Asia (76%) and Australia (71%). However, the pace of disinvestment, like coal, has also accelerated over the past year.

Q1: Over the next three years, what change do you expect to the level of investment in the following industries at the institution where you work?
Q8: How risky do you think it is to invest in the following sectors?
Q3a,b,c: How would you rank the potential returns of these sectors over the next year/next 5 years/next 10 years? - Ranked Top 1
Q5: When, if at all, will your institution have stopped investing in the following industries?
Total: Wave 4=1000, Wave 5=1000, Wave 6=1000, Wave 7=1330

FT LONGITUDE

Natural gas is increasingly seen as a prudent investment, especially over the next decade.





77% of respondents plan to increase their investments in natural gas with an increasing number of investors agreeing on its safety.

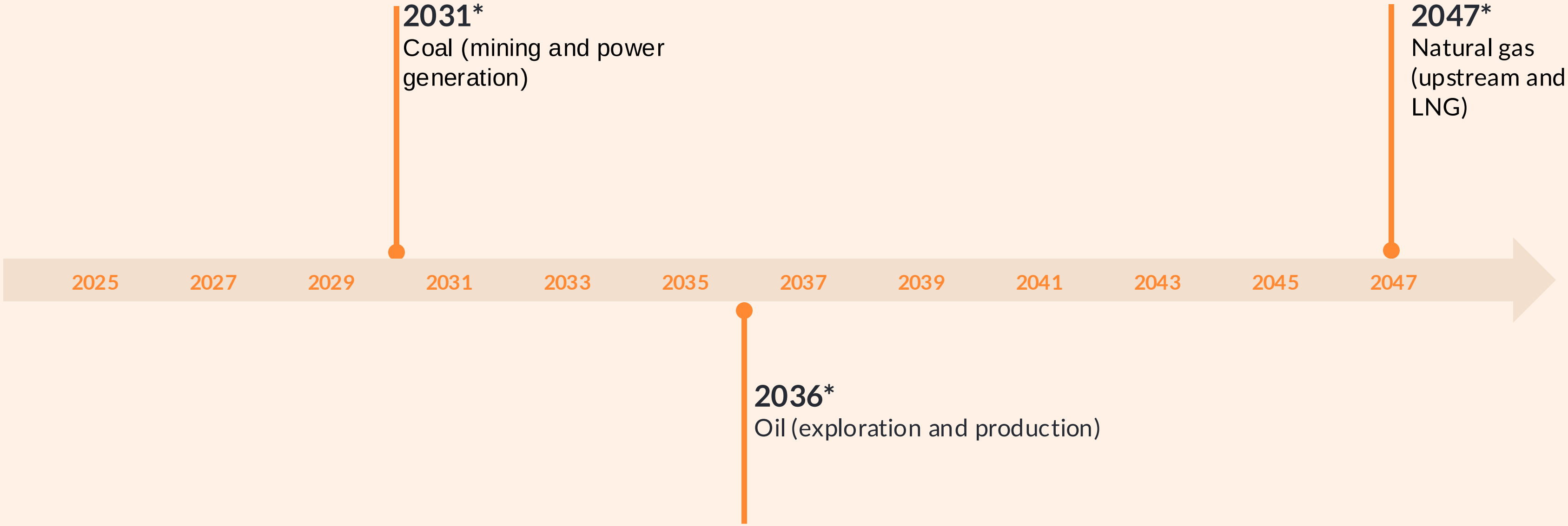
Over five years, it is relatively on par with Oil, with about a third of respondents considering it to offer the best returns.

However, its long-term investment potential is growing; it is seen as offering the best returns over a 10-year horizon by 37% of respondents, up from 34% last year.

Q1: Over the next three years, what change do you expect to the level of investment in the following industries at the institution where you work?
Q8: How risky do you think it is to invest in the following sectors?
Q3a,b,c: How would you rank the potential returns of these sectors over the next year/next 5 years/next 10 years? - Ranked Top 1
Q9: Please indicate whether you agree with the following statements. - Agree Summary
Total: Wave 4=1000, Wave 5=1000, Wave 6=1000, Wave 7=1330

FT LONGITUDE

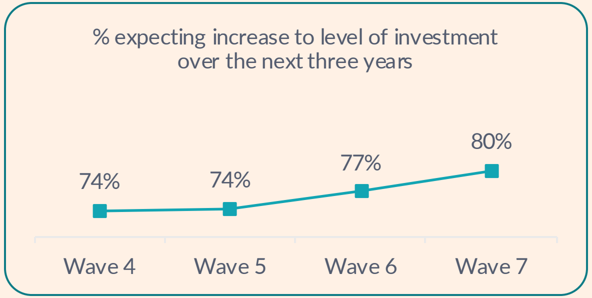
Timeline for ceasing to invest in various industries

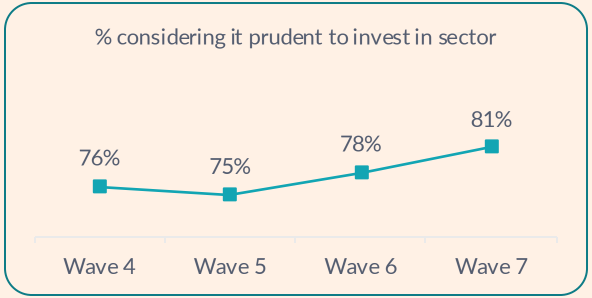


Q5: By when do you think your institution will have stopped investing in the following industries?
Base: Wave 7=1330
*Calculated average using midpoints of brackets, 2025 for "Before 2025", 2050 for "2050 and beyond" and 2075 for "Never".

FT LONGITUDE

Investment in renewables continues to grow and they are still seen as the best, and most prudent, long-term investment.



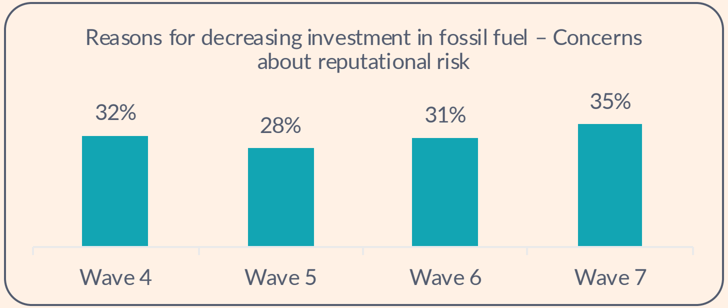


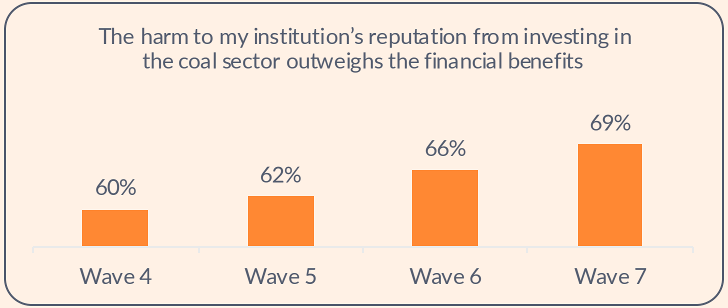
Investment in renewables is expected to grow, with 80% of respondents planning to increase their investments, up from 74% a year ago. This increase is particularly strong in Europe (75% to 81%) and North America (76% to 83%). These regions also consider the prudence of investing in this sector to have increased. For Europe, those considering renewables "very prudent" has increased from 20% to 35%, and in North America, from 19% to 34%.

Over the long term, renewables are seen as the best sector for returns, with 58% of respondents selecting it for a 10-year horizon, though this is a slight decline from 65% the previous year.

Q1: Over the next three years, what change do you expect to the level of investment in the following industries at the institution where you work?
Q8: How risky do you think it is to invest in the following sectors?
Q3a,b,c: How would you rank the potential returns of these sectors over the next year/next 5 years/next 10 years? - Ranked Top 1
Total: Wave 4=1000, Wave 5=1000, Wave 6=1000, Wave 7=1330

Concerns about reputational damage from investing in fossil fuels have increased.



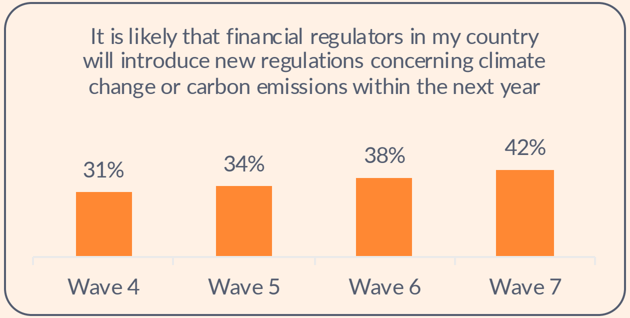


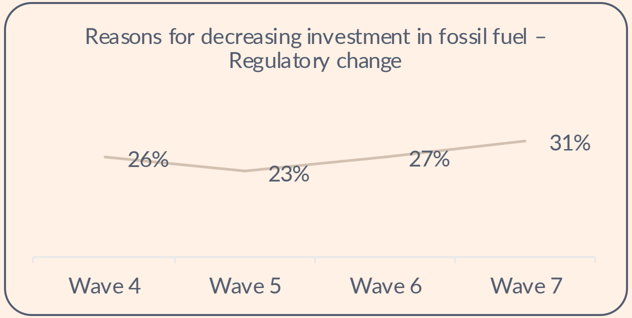
There is an increase in concern about reputational risk from investing in fossil fuels, especially in Asia. Concerns about reputational risk have increased from 30% to 43% in Asia and from 25% to 31% in Europe over the past year. This is now the second most important reason for decreasing investments in fossil fuels (behind the need to align with internal ESG policies).

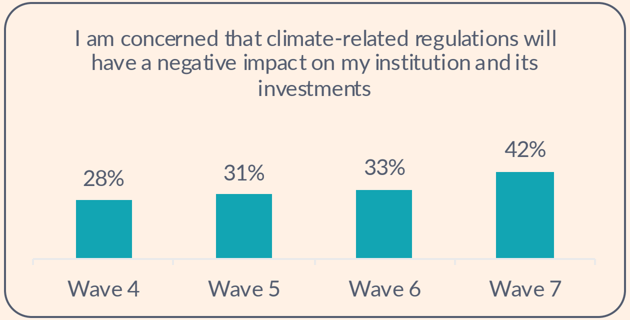
Concerns about reputational damage from investing in coal have increased, with 69% of respondents agreeing that the harm outweighs the benefits, especially in Europe where this sentiment has grown significantly from 59% to 72% over the past year.

Q2a: Why do you expect the institution where you work to decrease its investment in fossil fuels?
Q9: Please indicate whether you agree with the following statements. - Agree Summary
Total: Wave 4=786, Wave 5=829, Wave 6=849, Wave 7=1154

There is an increasing concern about the impact of imminent climate change regulations on investment policies.







42% of respondents are increasingly concerned about the impact of new climate-related regulations on their investments, with a notable rise in concern across all regions, but particularly in Asia and Europe.

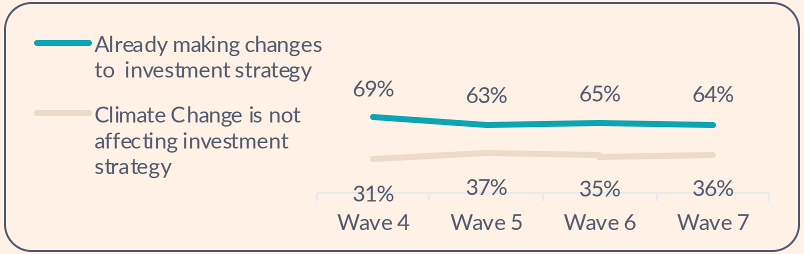
42% of respondents expect new climate regulations within the next year. This is particularly true in Asia (30% to 40% change year on year, Australia (39% to 50%) and Germany (33% to 46%).

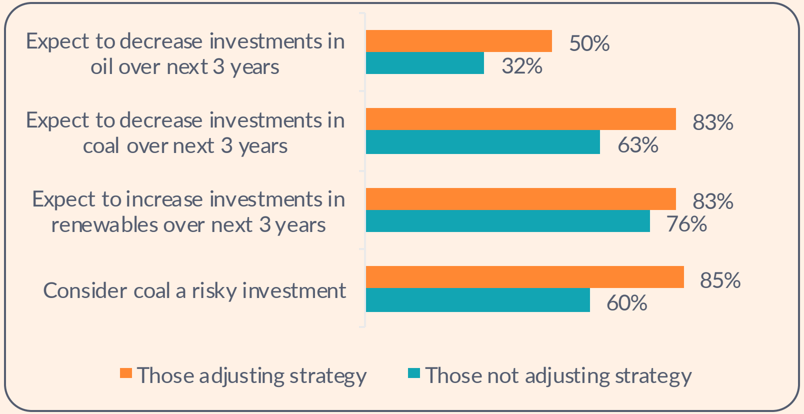
Regulatory change is increasingly becoming a reason to decrease fossil fuel investments.

Q2a: Why do you expect the institution where you work to decrease its investment in fossil fuels?
Q11: Please indicate whether you agree with the following statements. - Agree Summary
Total: Wave 4=786, Wave 5=829, Wave 6=849, Wave 7=1154

FT LONGITUDE

Those factoring climate change into the equation are more likely to show decreased investments in fossil fuel.





64% of respondents are making changes to their investment strategies as a result of climate change. This figure has remained relatively stable over the past year.

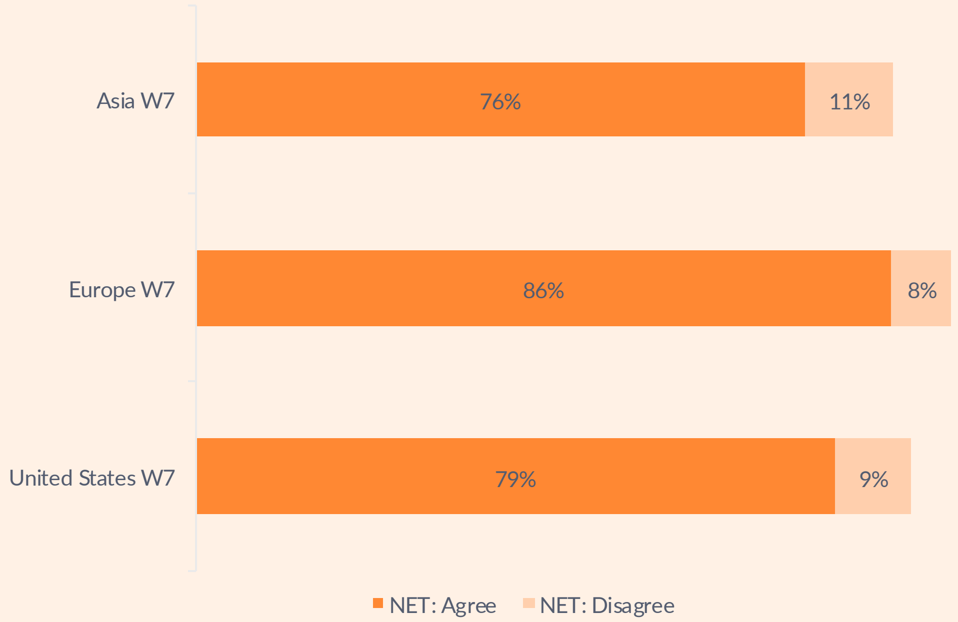
These respondents are significantly more likely to likely to reduce investments in fossil fuels and increase investments in renewables.

Q4: Which of the following statements best describes the impact of climate change on your institution's investment strategy? Wave 7=1330
Q1: Over the next three years, what change do you expect to the level of investment in the following industries at the institution where you work?
Q8: How risky do you think it is to invest in the following sectors?
Total: Wave 4=786, Wave 5=829, Wave 6=849, Wave 7=1154

FT LONGITUDE

Across all regions, uncertainty is making fossil fuels an unattractive investment

Stranded asset risks are most keenly felt in Europe

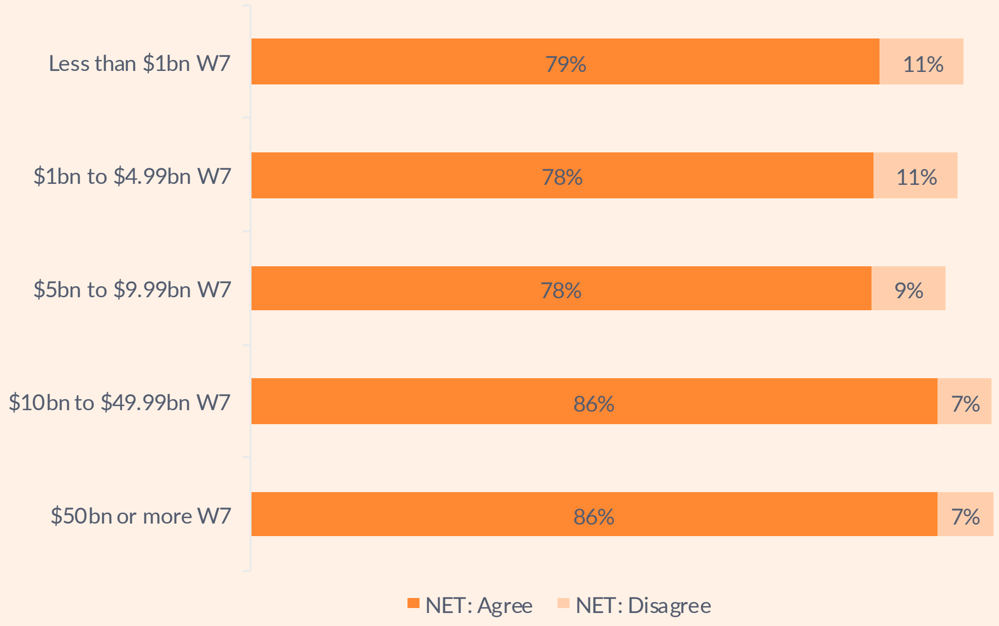


81%

Across regions say the **uncertain future of fossil fuels** makes investing in the sector unattractive beyond the next five years.

Q9: Please indicate whether you agree with the following statements. - The uncertain future of fossil fuels makes investing in the sector unattractive beyond the next five years
Total : Asia W7=426, Europe W7=358, United States W7=402

Larger investors are most likely to be aware of medium-term stranded asset risks and volatility associated with fossil fuel investments



86%

Among the largest investors ($10bn+ AUM) say the **uncertain future of fossil fuels** makes investing in the sector unattractive beyond the next five years.

Q9: Please indicate whether you agree with the following statements. - The uncertain future of fossil fuels makes investing in the sector unattractive beyond the next five years
Total: Less than $1bn W7=95, $1bn to $4.99bn W7=310, $5bn to $9.99bn W7=440, $10bn to $49.99bn W7=328, $50bn or more W7=157

FT LONGITUDE

KEY FINDINGS

USA-specific findings

1

Shift towards renewable energy investments accelerates

Although US investors still see oil as most lucrative over the short-term, they are increasingly prioritizing renewable energy investments, reflecting a strong confidence in the latter's growing profitability as the US transitions towards a lower-carbon economy.

2

Rising reputational and legal risk concerns are driving divestment from fossil fuels

Investments in coal and oil are increasingly linked to reputational, legal and stranded asset risks, making fossil fuels unattractive investments beyond the next five years for nearly 4 in 5 US investors.

3

Regulatory pressure is expected to weigh on returns

Nearly half of US investors are expecting new climate regulations to be introduced, and that these will have a negative knock-on effect on their institution and its investments.

4

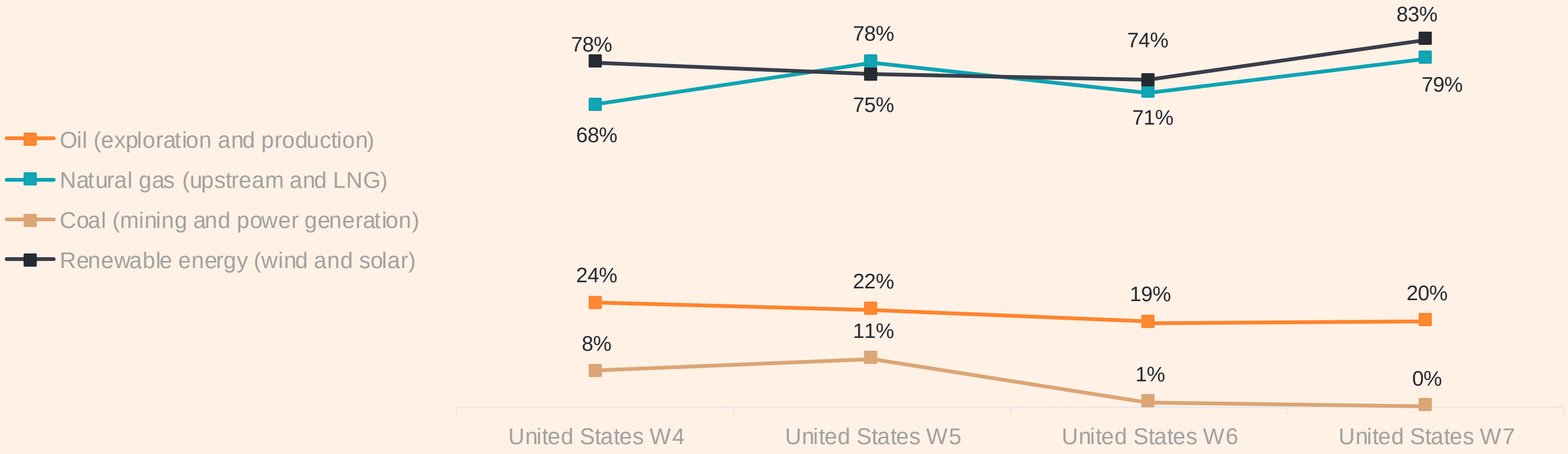
Despite reports of an ESG backlash, climate change is influencing US investment strategies

More than two thirds of US investors are integrating climate-related risks into their decision-making processes and have already made changes to their portfolios due to climate concerns, but nearly half are concerned about greenwashing scrutiny or political pressure if they were to discuss their climate action publicly.

01 - Shift towards renewable energy investments accelerates

US investors are increasingly prioritizing renewable energy

More than 4 in 5 respondents are planning to increase investment in renewables over the next three years, the highest figure across all energy sources, including gas.



Q1: Over the next three years, what change do you expect to the level of investment in the following industries at the institution where you work? - Increase Summary
Total: United States W4=72, United States W5=72, United States W6=72, United States W7=402

FT LONGITUDE

Investment in renewables is for the long term

While oil is expected to generate the highest returns in the short term, the spotlight shifts dramatically to renewables over the next decade. This reflects a strong confidence in the growing profitability of renewable energy sources as the US transitions towards a lower-carbon economy.

Over the next year

7%

expect renewables to generate the highest returns

43%

expect oil to generate the highest returns

Over the next 10 years

63%

expect renewables to generate the highest returns

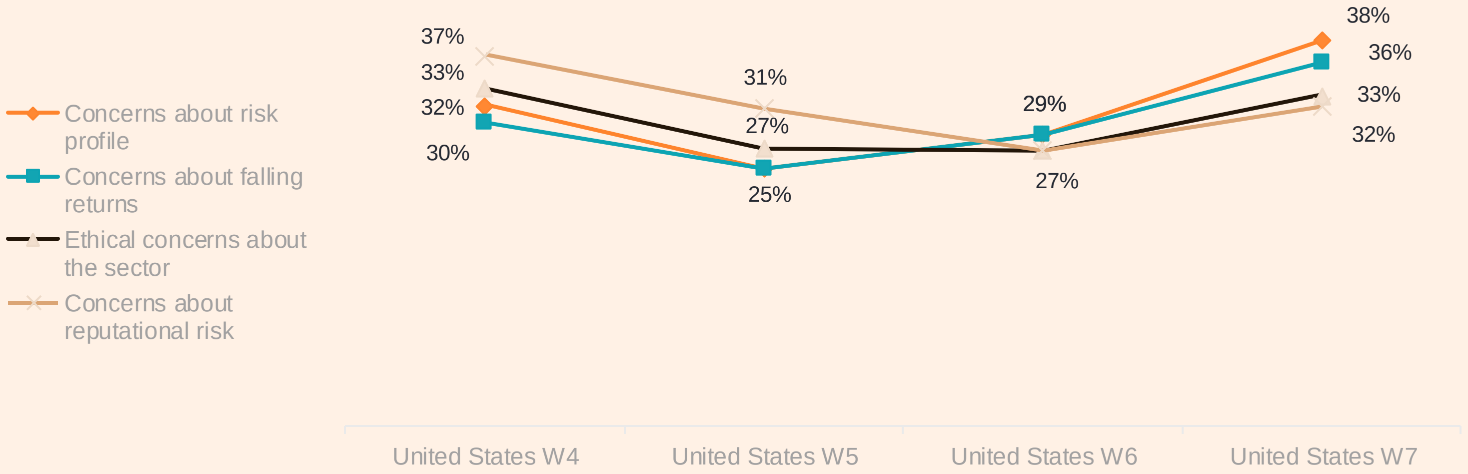
1%

expect oil to generate the highest returns

Q3a: How would you rank the potential returns of these sectors over the next year? - Ranked Top 1
Q3c: How would you rank the potential returns of these sectors over the next 10 years? - Ranked Top 1
Total: United States W7=402

Investors are concerned about a range of risks associated with fossil fuel investments

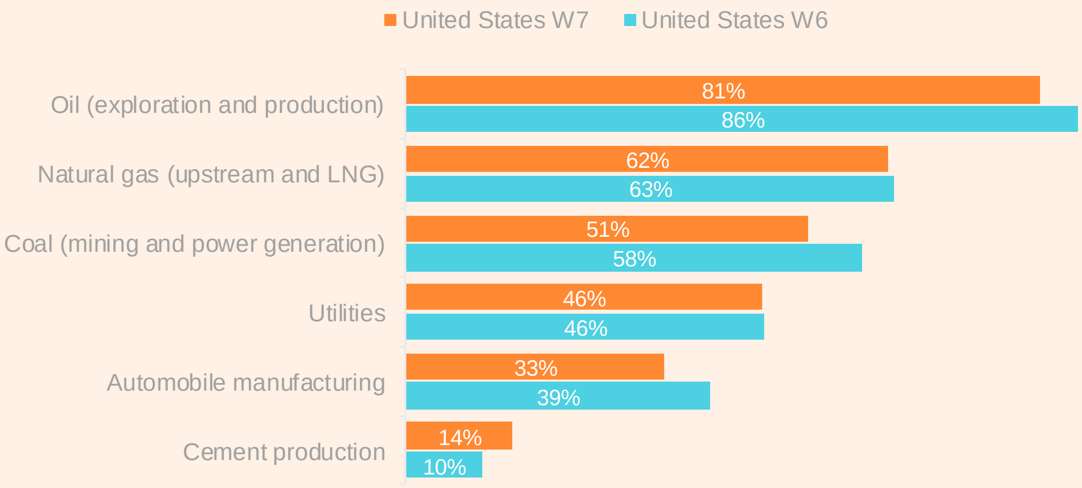
Ethical concerns and reputational risks, fuelled by public and regulatory scrutiny, as well as falling returns are top factors for divestment for around a third.



Q2a: Why do you expect the institution where you work to decrease its investment in fossil fuels? (Top 4 reasons)
Total: United States W4=60, United States W5=51, United States W6=66, United States W7=370

Legal risks and stranded assets are top of mind

Legal risks, particularly related to climate litigation, also loom large, especially for those invested in coal and oil. The growing risk of stranded assets is making the sector unattractive in the medium term.



79%

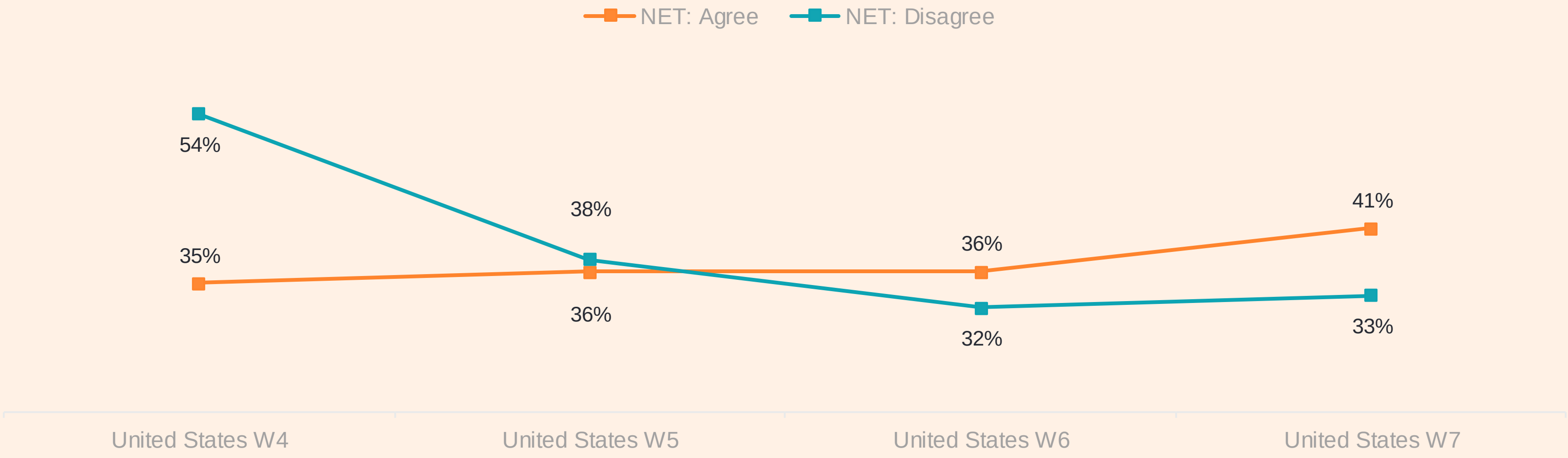
Say the **uncertain future of fossil fuels** makes investing in the sector unattractive beyond the next five years.

Q14: When you are considering investments in the following sectors, to what extent are you concerned about the companies you invest in being sued for reasons related to climate change or their carbon emissions? - Concerned Summary
Total: United States W6=72, United States W7=402
Q9: Please indicate whether you agree with the following statements. - The uncertain future of fossil fuels makes investing in the sector unattractive beyond the next five years
Total: United States W7=402

03 - Regulatory pressure is weighing on returns

US climate policies and regulatory pressures, such as the SEC's push for climate disclosures, are accelerating the move away from coal and oil investments.

An increasing number of respondents say it's likely that financial regulators will introduce new regulations concerning climate change or carbon emissions within the next year.

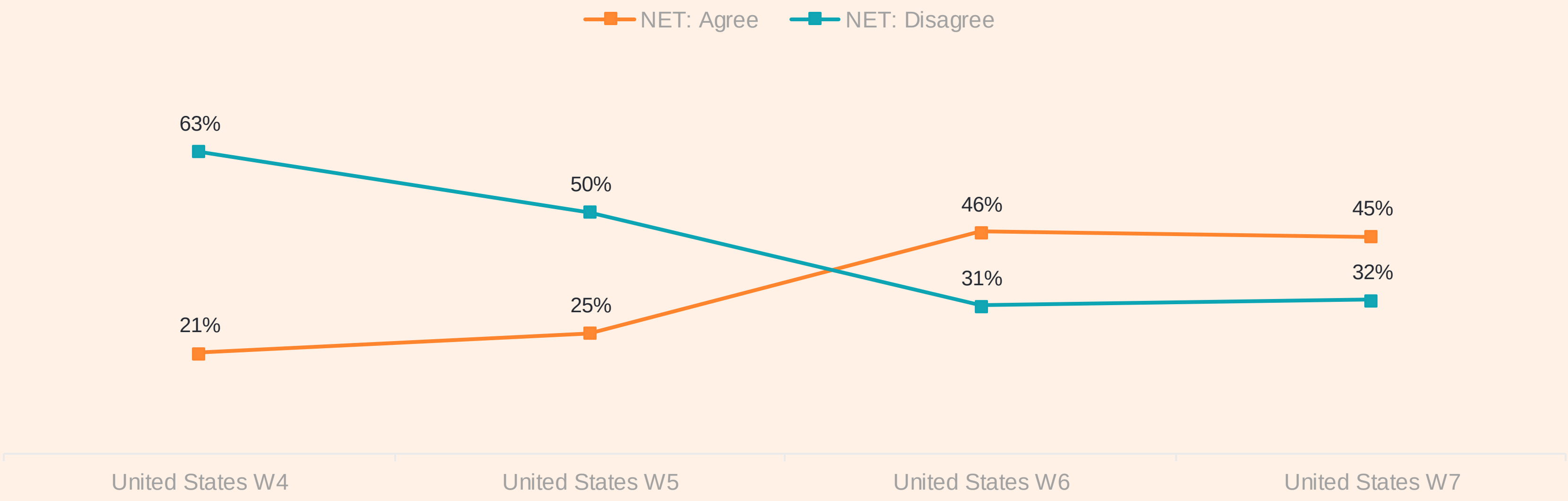


Q11: Please indicate whether you agree with the following statements - It is likely that financial regulators in my country will introduce new regulations concerning climate change or carbon emissions within the next year
Total: United States W4=72, United States W5=72, United States W6=72, United States W7=402

FT LONGITUDE

Regulatory burdens are increasingly expected to take their toll on returns

Nearly half are concerned that climate-related regulations will have a negative impact on their institution and its investments.

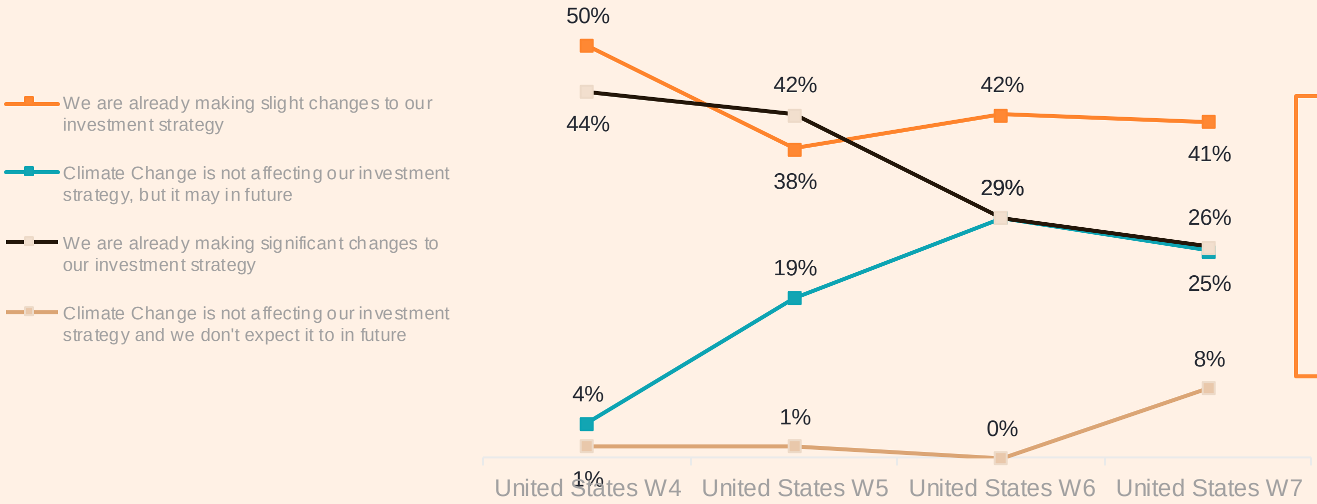


Q11: Please indicate whether you agree with the following statements - I am concerned that climate-related regulations will have a negative impact on my institution and its investments
Total: United States W4=72, United States W5=72, United States W6=72, United States W7=402

FT LONGITUDE

Climate integration is an increasingly polarising issue

Two thirds of investors have already made changes to their portfolios due to climate concerns, with a quarter making significant adjustments. However, the number saying climate has no current or future impact has risen.



72%

Say they **integrate climate-related risks** into their investment decisions

Q4: Which of the following statements best describes the impact of climate change on your institution's investment strategy?
Total: United States W4=72, United States W5=72, United States W6=72, United States W7=402
Q5: By when do you think your institution will have stopped investing in the following industries? - Oil (exploration and production) and Coal (mining and power generation)
Total: United States W7=402

FT LONGITUDE

Too much or not enough: Publicizing climate action can be a double-edged sword

In a polarized context, nearly half of US investors are conscious of the risks they face when speaking publicly about their climate targets and achievements

45%

Say they are concerned about being **criticized for greenwashing or not meeting climate targets**

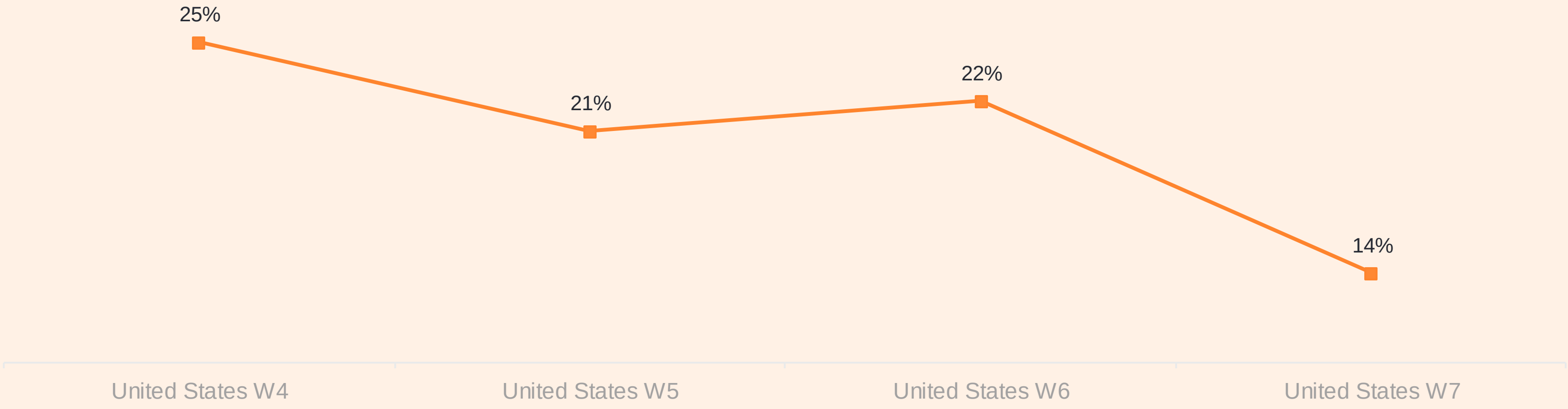
44%

Say they are concerned about **becoming targets of political criticism or pressure**

Q15: If your institution were to speak publicly about the actions it is taking to address climate change, how concerned would you be about the following? - Concerned Summary
Total: United States W7=402

The number of investors opposed to making investment decisions on an ESG basis continues to fall

Just 14% of investors are now opposed to making decisions based on ESG, compared to 22% in the last wave.



Q11: Please indicate whether you agree with the following statements - I am opposed to making investment decisions on an environmental, social and governance (ESG) basis - Agree Summary
Total: United States W4=72, United States W5=72, United States W6=72, United States W7=402

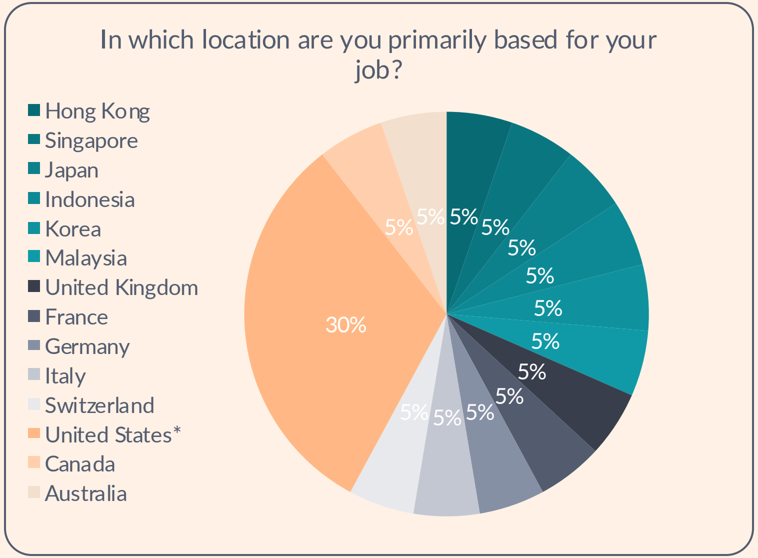
Appendix

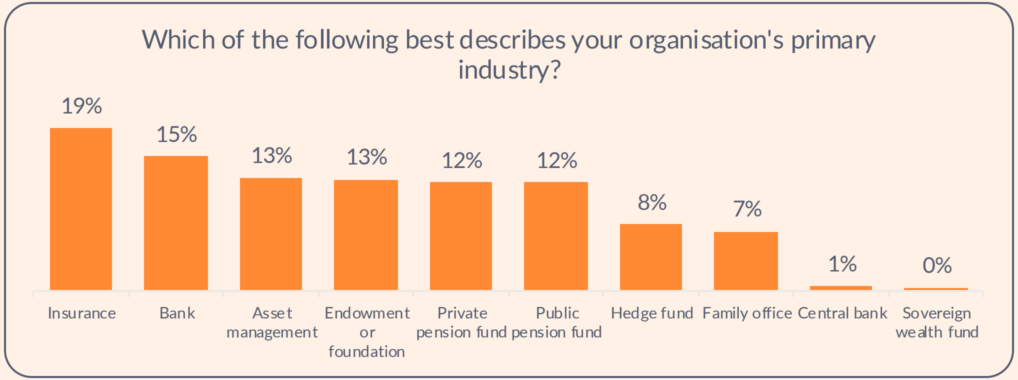
FT LONGITUDE

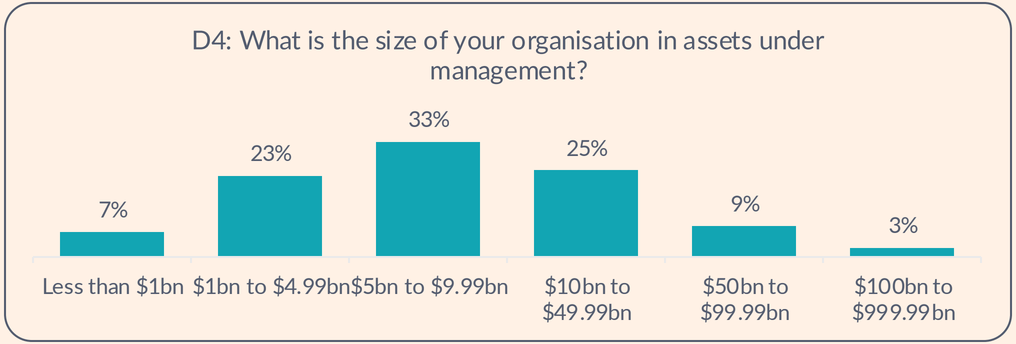
- The research was conducted by **FT Longitude**, a specialist thought-leadership agency that helps leading brands drive conversations and shape perceptions. Visit us at longitude.ft.com.
- The **Climate Opinion Research Exchange (CORE)** is an initiative of the Meliore Foundation to share high-quality opinion research related to climate change and the energy transition.
- The full data from this survey is available on the CORE website.

Appendix

Demographics







Countries were grouped into regions as follows for analysis purposes:

Asia (n=426): Hong Kong, Singapore, Japan, Indonesia, Korea, Malaysia

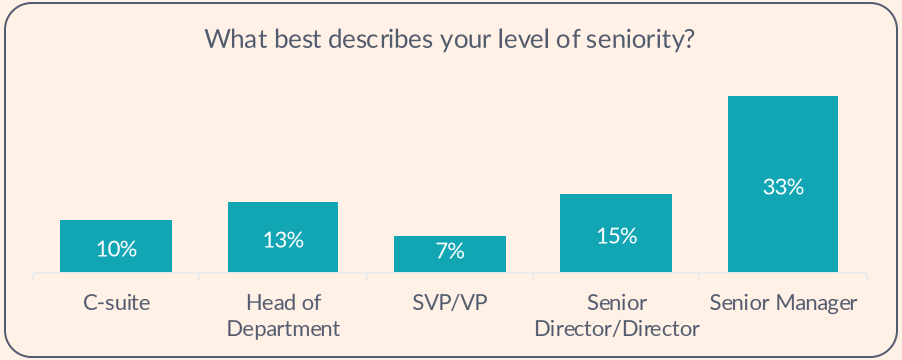
Europe (n=358): United Kingdom, France, Germany, Italy, Switzerland

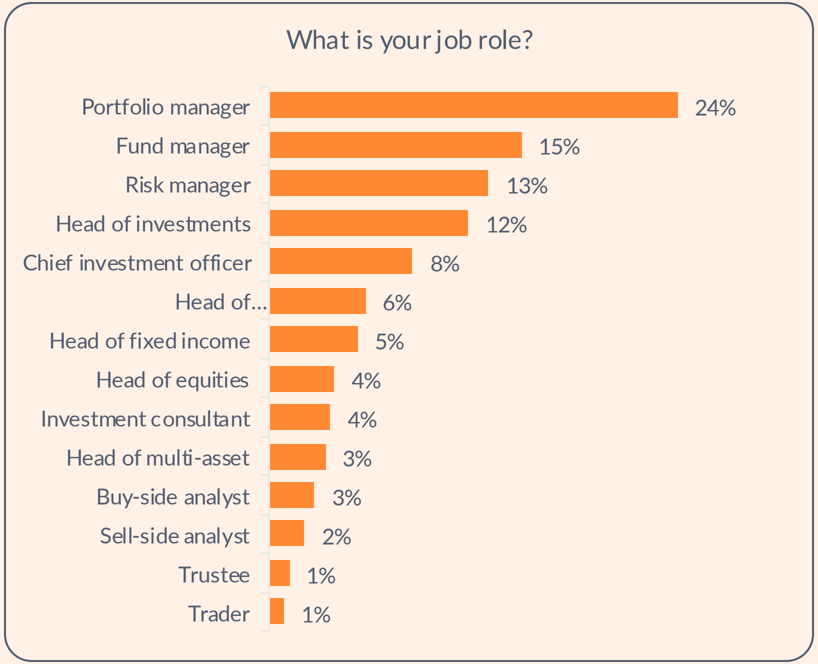
North America & Australia (n=216): United States, Canada, Australia

Total:, Wave 7=1330
*This wave included a higher number of respondents based in the US – n=402 vs. n=72 in previous waves. Data weighting was considered, but differences between weighted and unweighted results were negligible, hence not used.

FT LONGITUDE

Demographics





Total:, Wave 7=1330


FT LONGITUDE