

17 December 2009

Dear Head of State, Dear Head of UNFCCC Delegation,

**OPEN LETTER TO HEADS OF STATE AND UNFCCC DELEGATIONS AT COP 15**

The United Nations backed Principles for Responsible Investment is an investor initiative supported by more than 650 institutions representing in excess of US\$ 18 trillion in assets.

We, the Board of the PRI, are writing to urge the Heads of State gathered at CoP15 to ensure a clear recognition in any agreement coming out of Copenhagen, or from subsequent United Nations meetings planned for Bonn and Mexico in 2010, of the important role that capital markets, institutional investors and private finance, will play if the global community is to deliver the needed transformation to a low-carbon and resource-efficient global economy.

Amongst other issues, provision of private investment and finance will be fundamental to the creation of a climate resilient infrastructure that addresses concerns at the heart of the challenges associated with adaptation to global warming and, notably, for those challenges already faced by the most vulnerable developing countries.

It appears that, at best, the role of capital markets, private finance and the importance of the vast concentrated pools of savings held in trust by institutional investors, has a most tentative foothold in the collective thinking of negotiators within the CoP15 discussions. At worst, private investment mechanisms and capital markets may not be referenced in a CoP15 agreement, or subsequent agreements, for reasons of political expediency.

While estimates suggest that at least 80% to 85% of the finance and capital required in our collective response to the mitigation and adaptation needs of climate change will come from private investment sources and capital markets, the CoP15 talks in Copenhagen are sharply focused on public, Overseas Development Assistance-type transfers from north to south. Even in the most optimistic of scenarios, the public funds pledged by industrialised countries and channelled into the rest of the world from 2013 onwards, will amount only to a fraction – one sixth to one fifth - of what is actually needed. COP15 has to deliver, therefore, an indication of how the remaining four fifths of the required capital and finance will be mobilised.

As a multi-lateral process between governments the focus on public financing mechanisms is totally understandable. However, it is the extent to which a prospective Copenhagen agreement frames future public financing mechanisms and encourages innovative public-private investment approaches, as well as providing pro-investment signals, that will determine its relevance as a policy framework that frees up flows of private capital, at scale, into climate change mitigation and adaptation in both developed but especially developing countries.

The concerns of some developing countries in Copenhagen that any reference to capital markets, as well as private investment and financial resources, in a Copenhagen agreement, would be connected to a possible reduction in public financing and aid-related commitments associated with climate change are, clearly, of great sensitivity.

Before closing, the PRI Board would like to highlight for Heads of State, and stress the importance of, the work undertaken to date by different parts of the global finance and investment community in preparation for CoP15. Important statements and inputs, such as those by UNEP Finance Initiative and the Institutional Investors Group on Climate Change, make a strong case which mirror the sentiments expressed in this letter to you.

In essence, those parts of the investor and finance community engaged in climate change policy discussions believe that the power for good of capital markets and private investors to allocate capital and release finance to the ideas, entrepreneurs, technologies, companies and communities which, at the end of the day, will deliver the much needed transformation to a low carbon economy, should be recognised in any agreement delivered by CoP15 or in subsequent meetings in 2010.

Capital markets and private investment will have to be an important part of any long-term solution.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Donald MacDonald", is written over a light blue circular stamp.

**DONALD MACDONALD**

Chair, on behalf of the Asset Owner members of the PRI Board

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