

An open letter from LGIM and other global investors to the oil and gas industry

Oil and gas groups must do more to support climate accord.

For the Paris climate agreement to succeed, the oil and gas industry must be more transparent and take responsibility for all its emissions. Over the next few weeks some of the world's largest oil and gas companies will hold their annual shareholder meetings. How these companies are positioning themselves for a low-carbon future will be an important topic for discussion.

As long-term investors, representing more than \$10.4tn in assets, the case for action on climate change is clear. We are keenly aware of the importance of moving to a low-carbon future for the sustainability of the global economy and prosperity of our clients. Additionally, regulation to keep global warming below 2C and in line with the Paris agreement will create additional costs for carbon-intensive industries and risk stranding assets.

The Carbon Disclosure Project estimates that the oil and gas industry and its products account for 50 per cent of global carbon emissions.

For companies in the sector, emissions from the use of their products account for about 90 per cent of this. Therefore, reducing the carbon impact of their products is the most effective strategy for these companies to move to a low-carbon world. The capital allocation decisions they make today are important to determine how likely they are to survive that transition.

Through a proposal put forth by NGOs, investors attending Royal Dutch Shell's meeting next week will be asked to vote on whether the company should set firm carbon emissions targets aligned with the Paris accord. Shell has already shown industry-leading ambition in this area. Investors are being asked to decide if this has gone far enough.

Regardless of the result at the Shell AGM, we strongly encourage all companies in this sector to clarify how they see their future in a low-carbon world. This should involve making concrete commitments to substantially reduce carbon emissions, assessing the impact of emissions from the use of their products and explaining how the investments they make are compatible with a pathway towards the Paris goal.

Investors also urge policymakers to take clearer and more collective action on implementing regulation that will support the necessary investment in lower-carbon technologies. We will continue our oversight and dialogue with oil and gas companies to better understand how the investments we make on behalf of our clients are aligned with a sustainable future.

Investors are embracing their responsibility for supporting the Paris agreement. It is time for the entire oil and gas industry to do the same.

[GLOBAL SIGNATORIES >](#)

Total AUM/AUA - \$10.4trn**Total investors - 60****Institution Names**

Aberdeen Standard Investments	LGPS Central Limited
ACTIAM	Local Government Super
Aegon NV	M&G Investments
Amundi Asset Management	Merseyside Pension Fund
AP7	Miller/Howard Investments
APG Asset Management	Mirova
ASR Nederland NV	MN
Aviva Investors	MP Investment Management
Axa Investment Managers	NEST
BMO Global Asset Management	Newton Investment Management
BNP Paribas Asset Management	NN Investment Partners
Brunel Pension Partnership Ltd	OFI ASSET MANAGEMENT
CCLA	Old Mutual Global Investors
Central Finance Board of the Methodist Church	Old Mutual Investment Group
Church in Wales	Ostrum Asset Management
Church of Scotland Investors Trust	P+ (DIP/JOEP)
Ecofi Investissements (Credit Cooperatif Group)	Pædagogernes Pension
Elo Mutual Pension Insurance Company	PGGM
Epworth Investment Management Limited	PKA
ERAFP	Rabobank Pension Fund
Ethos Foundation	Robeco
Fidelity International	RobecoSAM
Handelsbanken Asset Management	Sarasin & Partners LLP
Hermes Equity Ownership Services	Schroders
HSBC Global Asset Management Ltd.	SKY Harbor Capital Management, LLC
Investec Asset Management	Southwark Council
Kames Capital	Storebrand Asset Management
Kempen Capital Management	Trillium Asset Management
Legal and General Investment Management	Unigestion
	United Reformed Church Ministers' Pension Trust
	USS

(Source: Financial Times, Letter, <https://www.ft.com/content/fda63c26-5906-11e8-b8b2-d6ceb45fa9d0>, 18 May 2018)