

Climate Scenarios

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Caroline Cook, Head of Climate Change, introduces how our investment teams factor the climate and energy transitions into their pursuit of long-term growth

Caroline Cook: The future isn't pre-determined. Simple extrapolations are an illusion. We don't know whether we are facing a climate transition of smooth order, total climate failure, or some kind of messy middle.

Given the uncertainties, how do we as asset managers – and you as an asset owner – invest for the future when the path from here to there is just not known?

Same challenge applies whether you approach climate as a purely dispassionate observer, or as a passionate advocate for a rapid shift to low carbon.

The good news is, we all know there's a powerful tool we can use for navigating uncertainty: it's called working with scenarios.

And I mean actually working with scenarios – not having them done to you, or out-sourcing them to an opaque statistical model.

Scenario work should start with our natural human affinity for stories. These are how we imagine radically different futures. How we confront new ideas. Consider the spin-offs and the knock-ons of change as it rolls out over time. It's how we check for plausibility and don't shy from complexity.

Investing over the last twenty-five years has been transformed by the internet, the mobile phone, the rise of China. Will the next twenty-five bring new clean energies that revolutionise our ways of living and working. Or a future where climate disasters change landscapes and reshape the global economy?

These are potential realities that with clear financial consequences that we must get prepared to face.

In this site, we're sharing some of the materials our investors are using for their scenario work. You'll find our raw materials (the future narratives – or stories - we've developed), examples of how we use them in practice, and introductions to the experts who help us.

So, as you consider your investments against the backdrop of the changing climate and the wave of new technologies, don't just hope for the best. Take action.

Thriving, getting future fit, climate fit, means letting go, and, in the famous words of Lewis Carroll, probably does require you – as an investor - to consider at least six impossible things before breakfast.