

Input to NBIM's Climate Action Plan: Mitigating climate risk

The purpose of the Fund managed by NBIM, whose mandate is set by the Norwegian Parliament, is to ***“safeguard and build financial wealth for future generations”***.

The next months, as NBIM writes its new Climate Action Plan, are critical for the Fund to commit to **raising the alarm with decision-makers around the world**, and to make the case for proactive reallocation and risk management to prevent catastrophic climate change. Deepening its analysis, the fund may likely find even greater systemic polycrisis and tipping point risks. At a time when we see both financial actors and certain jurisdictions walking away from their commitment to the transition, and as we see rising focus on geopolitical security concerns, Norwegian policymakers and NBIM alike would do well to take on a leadership role to mitigate one of the single greatest systemic threats to both the fund's future returns and the wealth and wellbeing of Norwegian future generations. We encourage NBIM to communicate these risks to policymakers in Norway and abroad and to 'lead by example' for other asset owners seeking a roadmap to stay the course on transition amidst unprecedented volatility.

Climate Risk Management

We encourage NBIM to further develop and increase the transparency of its climate risk reporting. Specifically, we believe it is **important for NBIM to present the fund's value and climate risk across a range of climate scenarios**, not only under the current policy scenario. This would offer a more robust understanding of potential financial outcomes and better support both NBIM and civil society in identifying and evaluating relevant risks.

In addition, we recommend that NBIM clearly **distinguish between physical climate risks and transition risks in its analyses**. Since these risk types may influence the portfolio in different — and potentially opposing — directions, disaggregating them is essential to assessing their combined impact on market value.

Another idea builds on an interesting figure presented by NBIM in its recent “Climate and nature disclosures 2024” report — the estimate that physical climate risks may reduce the present value of US equity investments by 19% under a current policy scenario. We wonder whether, based on this estimate and potential *sensitivity analyses* under more and less ambitious climate scenarios, NBIM could derive an approximate **“marginal Climate Valuation at Risk per tCO₂e”**, i.e. the marginal climate value at risk from every ton of CO₂ reduced/increased on top of the current policy scenario.

Even if such a value would necessarily be theoretical and involve significant uncertainty, it could still provide meaningful insights. For instance, it could serve as a reference point when comparing to carbon pricing mechanisms or estimates of the social cost of carbon — while acknowledging they are not directly comparable. Most importantly, such a figure could help NBIM and others benchmark the cost of actions that can reduce exposure to climate risk.

Furthermore, NBIM has stated that since 2012, it has achieved an additional return of 0.64 basis points through climate- and nature-related divestments. We assume this figure reflects the financial outperformance of the current portfolio compared to a counterfactual scenario without these divestments. If it would be possible to also estimate how much CO₂e has been avoided through these actions — and how that translates into reduced climate risk — then the value of this avoided risk might be added to the 0.64 bps. This would **illustrate the additional, non-financial benefits of climate-aligned investment decisions**, and help to better capture the full value created by such strategies.

Public Policy Engagement on Climate

NBIM is in a strong position to help shape regulatory and policy environments that reduce climate-related financial risk. As such, we encourage NBIM to **take a more active and strategic role in public policy engagement** — both to mitigate systemic risk and to protect the long-term value of the fund.

NBIM has already contributed to an increasing number of [policy processes](#) globally, from 19 in 2021 to 33 in 2024. These include consultations on corporate sustainability reporting, financial regulation, and proxy adviser voting policies, across key markets like the EU, US, India, and Hong Kong. This is a good start — but there is room to do more.

We believe NBIM should:

- Be more consistent and transparent in its voting and engagement on climate lobbying by investee companies and their industry associations.
- Clearly communicate its expectations that companies not support policies that undermine the goals of the Paris Agreement or NBIM's long-term financial interests — especially in high-risk sectors.
- Make net zero alignment and transition 'not only in word but in deed' a non-negotiable KPI for NBIM's engagement and voting policy: Use shareholder power to vote against strategic management-proposed resolutions including: reelection of directors, remuneration, financial statements, dividend payouts, as well as voting in accordance with flagged climate votes
- Stop investments in new bonds issued by companies developing new fossil fuel projects
- Include public policy engagement as a core part of the next Climate Action Plan. Without stronger market-level influence, progress made at the company level may be reversed. Among others, NBIM could:
 - feed into more policy processes in key countries it invests in
 - escalate to neutralise negative lobbying by significant investee companies and their industry associations
 - Help activate and convene other asset

Recent [analysis by InfluenceMap](#) shows that major asset owners still underutilize their potential for policy influence. While NBIM performs relatively well on stewardship, it has voted against climate lobbying disclosure resolutions filed by other Nordic investors in both 2023 and 2024. Its current voting guidelines contain minimal language on climate.

NBIM can also learn from peers. For example, Dutch pension fund ABP divested from companies whose leaders were seen as undermining climate policy. Similar expectations could be developed and applied by NBIM — framed not as “political,” but as essential to managing systemic financial risk, as recommended by Martin Skancke at NBIM’s own 2024 Oslo event.

In short, we see value in NBIM becoming more proactive, consistent, and transparent in its policy engagement — in line with its own risk analysis and its global influence as one of the world’s largest investors.

Best regards,

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