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## The truth about 'climate' funds – most are misaligned with the Paris Agreement

*New analysis reveals how climate-themed funds compare with rest of the market*

A majority of climate-themed investment funds are actually misaligned with the goals of the Paris Agreement, a *new analysis* by InfluenceMap shows.

Furthermore, it shows that among the five biggest asset managers offering these funds, **State Street Corporation** is the most misaligned, followed by **UBS Group** and then **BlackRock**.

The research analyzed 723 funds with total assets under management of more than \$330 billion. Of those, 593 were considered broad 'ESG' funds while the remaining 130 were classified as climate-themed.

The classification process was based on how these funds were presented to the market in terms of key words in their title, such as 'low carbon', 'fossil fuel free', 'green energy', and others. A full list of key words and categories is included in the report's methodology.

The research shows:

- Of the 130 climate-themed funds, more than half (72) had a negative Paris Agreement alignment score. However, there is very substantial variation among these funds. The lowest score was -42% while the best scoring fund sits at +90%.
- The 130 climate-themed funds collectively hold \$153 billion in fossil fuel value chain companies, including **TotalEnergies**, **Kinder Morgan**, **Enbridge**, **Neste**, **Halliburton**, **Chevron**, and **ExxonMobil**.
- Within the climate-themed funds, those that are marketed as '**clean energy**' funds outperformed the rest when scored against Paris Agreement benchmarks. Notably, the four funds which promoted themselves as '**Paris aligned**' were among the most misaligned on average.
- Some of the funds classified as '**fossil fuel restricted**' hold shares in oil refiners and distributors, such as **Marathon Petroleum Corporation** and **Phillips 66**. These two companies actively counteract climate policy through lobbying efforts, respectively scoring an F and E- on InfluenceMap's Paris-aligned lobbying metrics.
- **BlackRock** is by far the largest asset manager with climate-themed funds in this research. Its eight funds within this category have \$26.3 billion in equity assets under management. However, the average Paris Agreement alignment score for these funds is -6%. (A score of 0% represents Paris alignment in the scoring system).

- When compared against broad ESG funds, the climate-themed funds scored better against the Paris Agreement benchmarks. Broad ESG funds (which accounted for 593 funds in this research) have an average Paris Agreement alignment score of -6%, where climate-themed funds have an average score of 0%.

The Paris Agreement alignment score is based on the *PACTA* tool in wide use by the financial sector. A negative score indicates a fund's portfolio is overweight in companies whose production plans negatively diverge from climate scenarios in the coal mining, oil and gas, power, and automotive sectors.

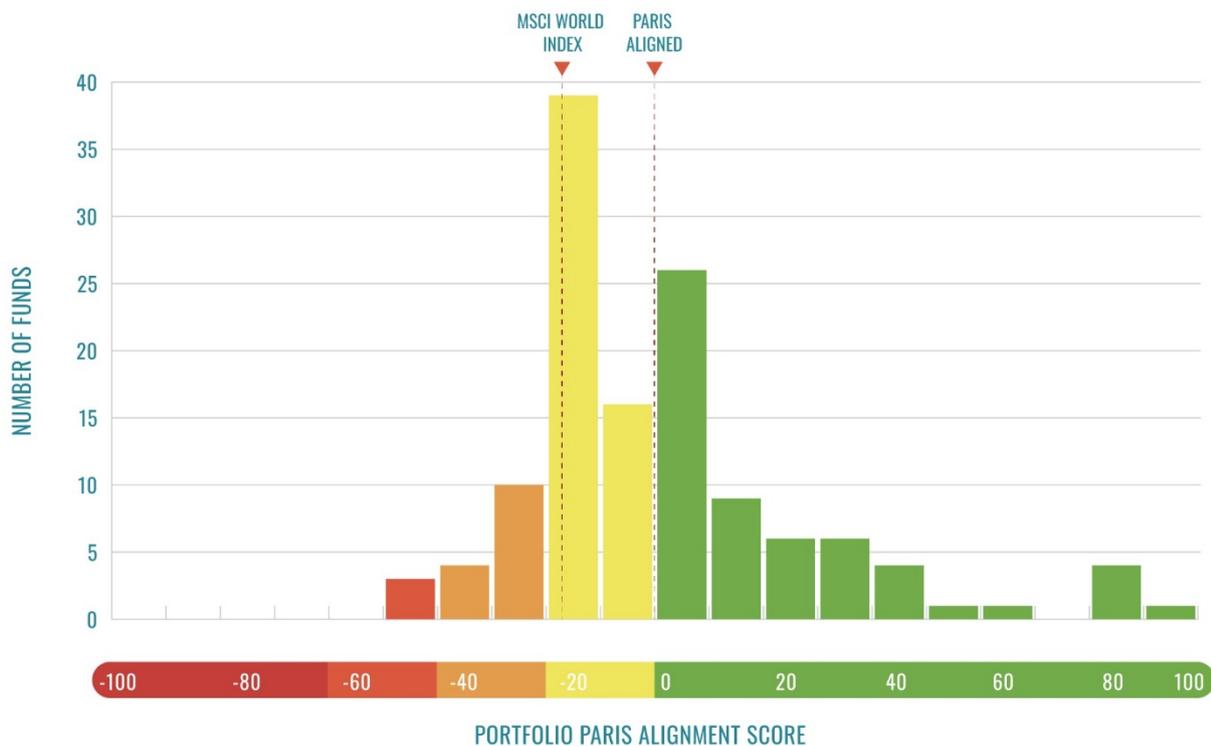
**InfluenceMap analyst Daan Van Acker said:** "As the number of ESG and climate-themed funds has exploded in recent years, so too have concerns among investors and regulators about greenwashing and transparency.

"This report reveals the extent to which some climate-themed funds are misaligned with the goals of the Paris Agreement. It also exposes the considerable variation in climate performance between these different funds, which is not necessarily explained by their individual branding.

"The lack of consistency and clarity makes it difficult for investors to determine what these funds' descriptors means in practice.

"This analysis is a further piece of evidence in favor of stronger regulation surrounding the marketing and transparency requirements of ESG and climate-themed funds."

## How 'climate-themed' funds measure up against the Paris Agreement



*Full report and graphics available at this landing page.*

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### **About InfluenceMap**

InfluenceMap is a London-based think tank providing data driven analysis to investors, corporations and the media on issues related to energy and climate change. Our metrics for measuring corporate influence over climate policy are in use by investors, including the global Climate Action 100+ investor engagement process. Our content has been covered widely in global media and is used by campaign groups.