It's time pension funds accepted the reailty of climate...

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A new report for Carbon Tracker on pension funds, their investment decision making and climate change written by Steve Keen is introduced by Carbon Tracker on their website with them saying:

Pension funds are risking the retirement savings of millions of people by relying on economic research that ignores critical scientific evidence about the financial risks embedded within a warming climate.

This report reveals that many pension funds use investment models that predict global warming of 2 to 4.3°C will have only a minimal impact on member portfolios, relying on economists flawed estimates of damages from climate change, which predicts that even with 5 to 7°C of global warming, economic growth will continue. The report underscores that such economic studies cannot be reconciled with warnings from climate scientists that global warming on this scale would be "an existential threat to human civilisation."

Loading the DICE against pension funds is a call to action for investment professionals to look at the compelling evidence we see in the climate science literature, and to implement investment strategies, particularly a rapid wind down of the fossil fuel system, based on a 'no regrets' precautionary approach. Behaving cautiously now and acting to avoid a 1.5°C increase (let alone the 4°C outcome featured in this report) will enable future generations to secure the prosperity and quality of life that comes from a healthy planet.

As they also note, the key findings are:

* *Investment consultants to pension funds have relied upon peer-reviewed economic research to provide advice to pension funds on the damages to pensions that will be caused by global warming.*

* *Following the advice of investment consultants, pension funds have informed their members that global warming of 2-4.3°C will have only a minimal impact upon their portfolios.*

* *The economics papers informing the models used by investment consultants are at odds with the scientific literature on the impact of these levels of warming.*

* *The economics of climate change is an interdisciplinary subject, but papers on the economics of climate damages were refereed by economists alone. Properly refereeing these papers required knowledge of the science of global warming that economists typically did not have. Consequently, economic referees approved the publication of papers that made claims about global warming that are seriously at odds with the scientific literature.*

* *These claims have been fundamental to the predictions by economists of minimal impacts on the economy from global warming.*

* *Economists have claimed, in refereed economics papers, that 6°C of global warming will reduce future global GDP by less than 10%, compared to what GDP would have been in the complete absence of climate change.*

* *In contrast, scientists have claimed, in refereed science papers, that 5°C of global warming implies damages that are "beyond catastrophic, including existential threats," while even 1°C of warming—which we have already passed—could trigger dangerous climate tipping points.*

* *This results in a huge disconnect between what scientists expect from global warming, and what pensioners/investors/financial systems are prepared for.*

* *Consequently, a wealth-damaging correction or "Minsky Moment" cannot be ruled out, and is virtually inevitable.*

* *Pension funds have a fiduciary duty to correct the erroneous predictions they have given their members.*

* *Similarly, financial regulators, who have used the same erroneous and misleading economic damage predictions to stress test the exposure of financial institutions to climate change, must drastically revise their stress test studies.*

* *This report calls on all stakeholders, from governments, regulators, investment professionals, all the way to civil society groups and individuals, to ensure that climate change policy is based upon the work of scientists.*

* *Climate change must be treated as a potentially existential threat to the economy, rather than an issue which is suitably addressed by economic cost-benefit analysis.*

Steve has, as usual, hit a nail on the head. I will be taking time to read this in depth.