MARKET SELECTION OVERVIEW

COLLABORATIVE SOVEREIGN ENGAGEMENT ON CLIMATE CHANGE

November 2024

OVERVIEW

The PRI has worked with signatories to develop a quantitative model to identify markets of potential interest for engagement through the programme. Qualitative inputs are then used to determine where opportunities for engagement will provide the most value to signatories and sovereigns in accelerating the global transition to net zero and meeting commitments to the goals of the Paris Agreement.

This document provides an overview of how markets are assessed for engagement using these quantitative and qualitative inputs.

MARKET SELECTION QUANTITATIVE MODEL

The model uses a series of publicly available climate risk, policy response and investor exposure metrics as a first-pass assessment to identify those markets with the best prospects for collaborative sovereign engagement. Metrics used in this model are outlined in Table 1.

Table 1: List of model inputs used to identify market shortlist

Metric	Source
• Investor exposure	• Bloomberg *Global Aggregate Index*
• Market classification	• Vanguard index constituents • International Monetary Fund, *World Economic Outlook Data*, Group and Aggregate Information
• Total emissions • Emissions per capita • Emissions per unit of GDP • 5-year emissions trajectory	• Global Carbon Atlas • OECD, *Environmental Database – Greenhouse Gas Emissions*
• Emissions reduction target rating	• Climate Action Tracker
• Oil reserves • Oil consumption • Gas reserves • Gas consumption • Coal reserves • Coal consumption	• The Energy Institute, *Statistical Review of World Energy*
• Physical risk exposure	• University of Notre Dame, Notre Dame Global Adaptation Initiative
• ASCOR performance	• ASCOR

Based on these quantitative inputs, the model below provides an overview of the level of investor exposure to climate-related risks across markets (Figure 1).

MARKET SELECTION QUANTITATIVE MODEL

Figure 1: Quantitative model outputs for market selection (data has been intentionally blurred)

QUALITATIVE OVERLAY

This model provides the basis to apply a series of qualitative inputs to determine which markets would be the most viable for engagement to be successful and provide the greatest value to signatories.

These include:
- Prospect for impact
- Signatory interest
- Domestic signatory support
- Political issues
- Qualified in-market support.

Potential additional markets for engagement will be discussed with interested PRI signatories and any decisions will be subject to PRI signatory preference and sufficient resourcing. Following all analysis and practical assessments of viability for an ongoing engagement programme, the PRI Executive will make a final decision on inclusion of any focus market after consulting with appropriate signatory advisory groups.