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Norway fund to kick off huge green investment with 500m euro in listed equities and bonds

Allocation programme scheduled to run during 2010 and precede private equity and infrastructure placements.

by Daniel Brooksbank | October 16th, 2009

Norway's NOK2,385bn (€280bn) Government Pension Fund will kick off one of the world's biggest cash injections into green investments by buying almost €500m of listed equities and bonds in environmental companies during 2010. The investments are the first steps in a programme announced in April to put NOK20bn into environmental companies over a five-year period. The fund will also begin working on climate issues alongside Sir Nicholas Stern, the author of an influential UK government report on the cost of global warming. Stern's Grantham Research Institute at the London School of Economics has been chosen by consulting firm Mercer to work on a joint project with the Norwegian fund looking at how global warming impacts capital markets and pension fund investors. The Norwegian Finance Ministry announced the details of the 2010 investment plans in its national budget this week. It said: "The Ministry is planning that approximately NOK4bn (€481m) be invested on the basis of environmental criteria in 2010. It is natural that these kinds of investments initially be made in already permitted instruments and markets, such as listed equities and bonds." Also being discussed are the establishment of external environmental mandates for unlisted investments and the possibility of investing in green infrastructure projects such as wind farms and eco-friendly start-ups – which are outside the fund's current investment universe. In August, the Ministry asked Norges Bank, which runs the pension fund's assets, to examine investing in environmental bonds

issued by the World Bank and various environmental stock market indices. In addition NBIM was asked to assess the possibility of establishing active management mandates with environmental criteria. The bank was also asked to look at unlisted investment opportunities and to consider whether an organisation can be established to carry out such investments and how it envisages a possible investment programme. Norges Bank replied to the ministry last month saying such investments could be made using its current systems for running the fund: "If the Ministry establishes a mandate for environmental related investments within the current management framework for the Government Pension Fund – Global, Norges Bank will be able to undertake this kind of management assignment." The budget report says the market for environment-friendly investments is most developed in equities, so that investments within the programme can be made in listed equities by overweighting companies with a good environmental profiles. "This can be achieved by investing according to an index where the weight ascribed to the companies is affected by environmental criteria." It adds: "Mandates can also be established for active management, where the Ministry asks Norges Bank as a manager to give priority to environmental criteria in the attempt to achieve excess returns compared with the rate of return of the benchmark index." It said wind farm-type investments "may be made directly, but will often be organised through funds" because of the riskier exposure and greater financial and operational risk.

[Link to Norwegian budget summary](#)



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