CASE STUDY

Investing for a greener future

***European Pensions* sits down with PME responsible investment strategist,** Daan Spaargaren**, to discuss the Dutch pension fund's latest climate plan, and the debate around nuclear power investments**

WRITTEN BY **SOPHIE SMITH**

Daan Spaargaren, PME responsible investment strategist

Dutch pension fund PME recently announced plans to broaden its current climate plan to include targets for asset classes other than equities, after it reached its previous goal of reducing the absolute CO2 emissions of its equity portfolio by half by 2030. This has not been the only recent investment update from the fund, however, as it also confirmed it is keen to invest in nuclear assets, although it stressed that this must be in partnership with the Dutch government, due to it being such a "risky investment".

The comments were made in the wake of the publication of the *Dutch National Energy System Plan*, which looks to scale up the use of nuclear energy in the Netherlands, prompting growing public debate over the use of the power source.

Amid the scrutiny over pension fund investments, with various debates over the best way to invest for both better member outcomes and a greener future, *European Pensions* sat down with Dutch pension fund, PME, responsible investment strategist, Daan Spaargaren, to discuss the fund's latest climate plan, and the debate around nuclear power investments.

PME published its first climate plan at the end of 2022, which included a goal of reducing the absolute CO2 emissions of its equity portfolio by half by 2030. Your latest updates confirmed that the fund has more than achieved this goal; please tell us more about how the fund worked to meet this target, and any other key achievements in the fund's climate efforts so far?

■ PME is constantly working on making its investment portfolio more sustainable in its pursuit for good investment returns. One of the key elements to achieve this goal was our focus on the energy transition. We excluded fossil fuel companies from our investment portfolio and reinvested this capital into renewable energy. This move led to a significant decarbonisation of our portfolio.

In addition, we are closely following the carbon intensity developments in certain sectors, like cement producers, aluminium producers and steel companies. Companies in our portfolio within these sectors also report lower carbon intensity results. On the other hand, the automobile sector is behind and should take extra steps in the years ahead.

PME has also announced plans to broaden its current climate plan to include targets for asset classes other than equities. What motivated this extension to your climate plan, and the practical changes you expect to make to help meet this target?

■ Around 50 banks, insurers and pension funds committed to the Dutch Climate Agreement. All signatories to the commitment are required to draft action plans for every individual asset class within its investment portfolio. PME has action plans in place now for all relevant asset categories, including equities, bonds, private equity, real estate, infrastructure, sovereigns, mortgages and forestry.

The action plans include targets and ambitions that will contribute to our overarching goal to be a net-zero asset owner in 2050. In the coming years, we will carefully implement all individual actions that are part of the plans and monitor progress to make sure we stay on track to meet our goal.

PME also recently suggested that it was keen to invest in nuclear investment, where this was in partnership with the Dutch government. Please tell us more about how investments in the nuclear space support the fund's climate efforts? And what action, if any, would you like to see the government take to mitigate the risk that can be associated with nuclear investments?

■ There is an intense societal debate going on in the Netherlands about the need to quickly reduce CO2-emissions. In that debate, the government also looks at the financial sector to contribute to the energy transition, as well as the upgrading of the grid in support of the energy transition.

Another topic is nuclear energy. The previous government planned two new nuclear power plants; the current government aims for four new plants. PME published a statement saying that the pension fund is not against nuclear energy in principle. However, a choice for nuclear energy must not slow down the pace of the energy transition. Considering the fact that it takes at least 10-15 years before a nuclear plant is up and running, PME is not convinced that nuclear energy is an economically viable solution.

And last but not least, potential investments in nuclear power plants should of course fit within our risk-return-sustainability framework.

> **"PME PUBLISHED A STATEMENT SAYING THAT THE PENSION FUND IS NOT AGAINST NUCLEAR ENERGY IN PRINCIPLE. HOWEVER, A CHOICE FOR NUCLEAR ENERGY MUST NOT SLOW DOWN THE PACE OF THE ENERGY TRANSITION"**

PME was also one of five Dutch pension funds to recently back calls for the creation of a national investment institution to facilitate public-private partnerships (PPPs). Why do you think this is needed, and what other actions/ steps do you think the government could take to help encourage greater pension fund investment in the energy transition?

■ The energy transition is a major challenge. Pension funds want to contribute to the energy transition, but supply and demand of the needed capital is fragmented. A national investment institution can play an important role in managing this by providing investment opportunities to both larger and smaller pension funds, and by doing so making sure the pension funds can earn a solid return and contribute to the common good at the same time.

When the government acknowledges the challenge we are facing and pushes for solutions like grid upgrading, renewable energy and energy storage solutions, pension funds can play their role in providing the capital needed.

What are the next steps for PME in terms of climate investments, and what can we expect to see in the fund's next climate plan?

■ We are now committed to implementing the actions that we laid down in our climate action plans. By doing so, we hope to realise the targets and ambitions of all action plans for the individual asset categories. In 2025, we will evaluate the current actions and monitor where we are regarding targets. We will then also consider the need to adjust the current short- and medium-term targets.