Erik-Jan Stork, Senior Sustainability Specialist, APG Asset Management

The Netherlands

Where do you see opportunities for powerful, effective investing today?

Mr. Stork: We see the best opportunities to invest in renewables in our Infrastructure portfolio where we seek—and have invested in—direct exposure to large renewable projects and related power transmission lines. In this asset class, we seek long-term stable returns that renewable projects can provide when they are situated in constituencies where stable policy frameworks are in place or where we can get long-term Power Purchase Agreements. Our infrastructure portfolio already contains large renewable energy investments, including, for example, onshore wind parks, hydro, solar, and waste-to-energy.

In total, APG has invested over EUR 1 billion in renewables and we intend to double this amount in three years' time. This shows that the acceleration in renewable energy capacity that is needed to stay on track to meet climate goals is possible. We made a good step this year by committing EUR 250 million to investments in hydropower assets.

In real estate, we also see good opportunities to invest in energy efficient buildings. Buildings are responsible for a large part of the global energy consumption and, therefore, they can play an important role in reducing energy demand. Six years ago, there were no tools available to measure the environmental performance of our real estate investments. To tackle this problem, APG co-founded the Global Real Estate Sustainability Benchmark (GRESB) and today we have such data on 55,000 buildings worldwide. The instrument has been a driver of performance improvement, and today we invest EUR 11 billion in so called GreenStars—real estate of the most sustainable category—a double compared to only a few years ago.

Another area of rapid growth is Green Bonds. In the first nine months of 2014, APG has invested EUR 279 million in green bonds. APG thus increased the value of green bonds in its portfolio sixfold compared to early this year.

These developments leave us optimistic about the future. We expressed this at the Climate Summit that took place in late September in New York, where the CEO of APG Asset Management announced the company's intention to double its investments in renewable energy in the next three years.

What sector has had the most significant impact on the renewable energy landscape thus far? Why?

Mr. Stork: There are two areas of silent and ongoing change in power markets that start to significantly challenge the traditional business model of large-scale, centralized power generation. These are energy efficiency and solar energy, and both result in reduced demand for power from large utility companies. Those companies will have to change their business models and look for growth in other areas. A recent report calculated that an additional 6%-9% of demand could be met by solar energy in 2020 in major markets.

In the meantime, every time that light bulbs and electronic equipment are changed, ones that are more efficient will replace them, leading to additional savings. Over the long term, the combination of the two trends could halve the size of the market for conventional electricity generation.

Going forward, we expect that further reductions in power storage will be a disruptive change in energy markets for both power and transport fuels. The cost of batteries for mobile phones has declined 10% annually and will further decline as carmakers start to exploit economies of scale. Carmaker Tesla, for example, expects to reduce its battery cost by 30% in 2017, which would enable it to launch a mid-sized electric vehicle at competitive prices.

Debates about environmental issues and solutions are common among the public and governments. What role do you think investors could play in establishing active working relationships with all stakeholders to effectively address environmental challenges?

Mr. Stork: There is indeed a lot of talk about financing more renewables, and there are many initiatives aiming to develop new funding instruments. We feel that the scope of these initiatives is often too narrow and not building enough upon existing instruments. People tend to overlook the fact that new types of investment instruments take a long time to get widespread approval of markets. For example, last year we saw a significant growth in green bonds and an enthusiastic response by markets (most green bonds were overwritten), but it took 4–5 years for this instrument to reach this maturity and recognition, and green bonds are actually based on well-known instruments.

We believe that the solutions should not be sought in new investment instruments but in stable energy and climate policies and continued technological progress. The cost reductions in renewable energy have been fantastic. In eight years' time the costs to install solar in Germany have declined by 70%. Further cost reductions in renewable energy in combination with cheaper power storage will drive disruptive changes in power markets going forward.

In the shorter term, despite declining costs, renewables—and investments therein—still require some kind of policy support, whether in the form of tax relief, feed-in tariffs, or CO2 penalties on fossil fuels. It is therefore crucial that stable policy frameworks are in place to support the energy transition. This requires in-depth dialogue with policy makers, something we cannot do alone. We therefore are an active member in the IIGCC, which, on behalf of 90 European institutional investors, represents the investor voice on climate solutions in Brussels and at the International Climate negotiations. We are urging European policy makers to rapidly reform the European Trading Scheme and to adopt ambitious targets for 2030, with a strong focus on strengthening a single European energy market to take maximum advantage of supply imbalances across Europe.

BIOGRAPHY

As the senior sustainability analyst at APG, Erik-Jan is also APG's principal climate expert. In this capacity, he leads the measurement and interpretation of the carbon footprint of APG's listed equity investments, which APG communicated in its Responsible Investment Report for the first time in 2013.

He is also responsible for monitoring APG's High Sustainability Investments, which include investments in solutions to climate change, such as investments in renewable energy, and in clean technologies. In order to ensure consistency across all asset classes, Erik-Jan developed definitions and reporting protocols that have increased the reliability and comparability of the data. In 2013, APG invested EUR 15 billion in these High Sustainability Investments; a breakdown per asset class is included in APG's Responsible Investment report, which also includes some recent examples of investments. In 2014, Erik-Jan led an asset-class-wide project to assess the potential impact of energy and climate policy and technological breakthroughs on energy markets and APG's energy investments.

Erik-Jan represents APG on the board of the Institutional Investor Group on Climate Change (IIGCC), is an active participant in their Policy and Corporate Working Group, and has met with representatives of the European Commission and Parliament in Brussels on various occasions. In September 2014, he acted as the aide to Angelien Kemna (member of the Executive Board of APG) when she addressed the UN Climate Summit in the General Assembly Hall of the UN headquarters in New York. Erik-Jan was previously a sustainability adviser at KPMG Sustainability, and before that was responsible at Shell for the first company-wide inventory of greenhouse gases.