White Paper

(Car)Bon Voyage: The Road to Low Carbon Investment Portfolios

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We discuss how an investment portfolio could dramatically reduce its carbon-footprint, potentially even achieving 'net zero.' ('Net zero' implies a combination of reducing carbon output as well as offsetting remaining emissions). Our central message is that very large carbon reductions are feasible but not as straightforward as some commentators suggest. The usual approach of security selection (e.g., divesting from firms with highest emissions) can lead to a substantial carbon reduction but may not be enough for investors with the most ambitious reduction targets. Such investors may need other techniques to achieve their goals, for example shorting high carbon-footprint companies or trading instruments such as carbon offsets and carbon permits. The paper explores the pros and cons of such techniques and their importance to allocators traveling on the pathway toward net zero.

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