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Norway Fund Moves Toward Green Investments

Norway's sovereign wealth fund, one of the largest in the world with about \$400 billion in assets, plans to commit about \$3.5 billion dollars over a period of five years to companies it deems environmentally sound and engaged in sustainable growth in emerging markets, an official at the country's Finance Ministry said Tuesday.

Martin Skancke, director general of asset management at the ministry, said the Norwegian Government Pension Fund aimed to set aside the sum, which represents almost 1 percent of its present funds, for the initiative as it continues to develop a strategy to limit climate change through selective investment.

"It's still in early stages," Mr. Skancke said, adding that no companies had been selected for the investment programs, which will be debated in Parliament when the budget is approved late in the autumn. Pending approval, he said he expected the pension fund would start implementing the program next year.

Norway is Europe's largest exporter of oil and gas, and the role of fossil fuels in the economy has been a major subject of debate, especially in the run-up to the country's parliamentary elections, set for Sept. 14.

In a report to Norwegian Parliament in April, the fund outlined its proposed environmental strategy. It cited a "growing scientific consensus that the costs of taking effective steps against global warming will be lower than the damages to global wealth creation" in the absence of such measures.

The pension fund is huge, holding about 1 percent of the world's equity market capitalization, and its ethical criteria are far-reaching. The proposals now on the table seek to support companies that are reducing greenhouse emissions, notably through

the use of environmentally friendly, low-carbon technologies, but they do not stop there.

Norges Bank, the country's central bank and manager of the pension fund, also analyzes the political behavior — that is, lobbying tactics — of companies in which it invests. In 2008, the bank concentrated on “individual companies' performance against national climate regulations in the United States,” setting up a series of meetings to address the issue.

The companies that Norges Bank talked with are “major players in the U.S. energy sector, which is assumed to have strong impact on American law in the area of climate and environment,” the report said, without naming specific companies.

The focus on environmental issues continues the fund's tradition of activist ownership. In 2004 it set out ethical guidelines on choosing companies for investment.

Threatened with its blacklist, some firms have changed policies on issues like child labor, water management and corporate governance.

After talks initiated by Norges Bank, the companies that largely control the global seed trade — including **Bayer CropScience**, **DuPont**, **Monsanto** and **Syngenta** — signed a joint announcement in June saying they would reduce child labor in the cotton seed industry.

Norges Bank works with the Carbon Disclosure Project, an organization that collects and publishes information on companies' greenhouse gas emissions. The bank also backed a petition late last year representing a group of 130 investors with about \$6.4 trillion under management who urged climate negotiators to make progress on carbon quotas and carbon-trading markets.

“Private capital is essential to achieving the transformation to a low-carbon economy and for contributing to the delivery of mitigation and adaptation measures,” the petition read. “Through the allocation of capital, and by engaging with companies in our portfolios, investors can influence how companies respond to climate change.”

—*Chris V. Nicholson*

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