

ASCOR Progress Note

July 2023

The logo for ASCOR, featuring the word "ASCOR" in a white, serif font. The letter "O" is replaced by a stylized circular graphic composed of concentric rings in shades of blue, green, and red, with a white dot in the center.

ASCOR

ASCOR partners

The Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) project is led by asset owners, asset managers and investor networks. ASCOR is co-chaired by Victoria Barron at BT Pension Scheme Management and Adam Matthews at the Church of England Pensions Board. Esther Law at Amundi Asset Management and Claudia Gollmeier at Colchester Global Investors are serving temporarily as acting co-chairs. The project is supported by Chronos Sustainability. ASCOR's academic partner is the Transition Pathway Initiative Global Climate Transition Centre (TPI Centre), based at the Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science.

The ASCOR Steering Committee is composed of the Asia Investor Group on Climate Change (AIGCC), the UN-convened Net-Zero Asset Owner Alliance (AOA), Ceres, the Investor Group on Climate Change (IGCC), the Institutional Investors Group on Climate Change (IIGCC), Principles for Responsible Investment (PRI) and Sura Asset Management. The ASCOR Advisory Committee, which is among the funders of the project, is composed of the Steering Committee members and representatives from Aktia Bank, Allspring Global Investments, Amundi Asset Management, Colchester Global Investors, Franklin Templeton, MFS Investment Management and Ninety One.

Authors

This progress note was produced by ASCOR's academic partner, the TPI Centre. The authors are Antonina Scheer, Carmen Nuzzo and Johannes Honneth.

www.ascorproject.org

www.transitionpathwayinitiative.org



ASCOR project

Assessing Sovereign Climate-related Opportunities and Risks (ASCOR) is a project led by asset owners, asset managers and investor networks to develop a free, publicly available, independent tool that assesses countries on climate change.

The ASCOR tool has been designed as a framework of indicators to enable transparent country assessments that present the progress made by governments on managing the low-carbon transition and the impacts of climate change. ASCOR aims to inform, support and facilitate investors' decision-making on sovereign bonds and enable a more explicit consideration of climate change. By encouraging engagement from asset owners and managers, the ASCOR project hopes to facilitate a dialogue between issuers and investors and drive the financing of mitigation and adaptation measures. ASCOR will also enable countries to showcase their improvements on the transition to a low-carbon and resilient future by providing transparent and open-source assessments of their targets and policies.

About this progress note

In 2022, ASCOR's academic partner, the Transition Pathway Initiative Global Climate Transition Centre (TPI Centre), developed an initial framework of indicators drawing on working group sessions with asset owners, asset managers and investor networks, plus interviews with climate policy experts. In February 2023, ASCOR published a [Consultation Report](#) and launched a public consultation process (see [press release](#)) to collect feedback on the initial ASCOR framework (see Figure 1).

This progress note outlines developments since then, i.e. between February and July 2023. It provides an overview of the consultation process, highlights from the feedback, proposed expansion of country coverage and an update on the project's short-term timeline.

Figure 1. Overview of the initial ASCOR framework

Performance of countries on managing climate change		Financing countries' climate risks and opportunities
Pillar 1: Emission pathways (EP)	Pillar 2: Climate policies (CP)	Pillar 3: Opportunities to finance the transition (OFT)
EP 1: Emission trends	CP 1: Mitigation	OFT 1: Financing to mitigate
EP 2: 2030 targets	CP 2: Adaptation	OFT 2: Financing to adapt
EP 3: Net zero targets	CP 3: Just transition	OFT 3: Financing to harness opportunities

Consultation process

Following the publication of the initial ASCOR framework, a public consultation was held from February to April 2023. The consultation process was conducted through two main channels to collect feedback from a broad range of stakeholders, including sovereign bond issuers, finance institutions, investors, investor networks, banks, academia, civil society, NGOs and the wider public (see Figure 2). First, public outreach was launched by a set of global webinars and feedback was collected through an online survey. Second, an engagement programme proactively gathered feedback from key stakeholders.

Figure 2. Summary of consultation process and sources of feedback



As part of the engagement programme, virtual regional roundtables with investor and country representatives were held in North America, Latin America, Europe, Africa, Asia, Australia and New Zealand. In addition, meetings were held with key organisations including the Network for Greening the Financial System (NGFS), World Bank, International Monetary Fund (IMF), International Finance Corporation (IFC) and Inter-American Development Bank (IDB). Engagement meetings were also held with selected national debt management offices and Ministries of Environment to understand country-specific perspectives.

Highlights from the consultation feedback

Feedback on the proposed ASCOR framework was broadly positive. The majority of respondents to the consultation survey agreed with the framework's design approach and the proposed themes and indicators. While there was near consensus on some topics, on others views were more divided, and comments pointed to the need for additional nuance.

Three particular points of feedback are worth highlighting:

- First, there was strong support for the principle of fairness and the recognition of common but differentiated responsibilities enshrined in the United Nations Framework Convention on Climate Change (UNFCCC), which underpinned the development of the framework.
- Second, interest was indicated in prioritising performance indicators that enable sovereigns to showcase progress.
- Third, there is a need to streamline the analysis on sovereign climate performance by limiting the number of indicators while still providing a comprehensive overview.

Survey respondents and roundtable participants made various suggestions on the proposed indicators. Many recommended: the inclusion of consumption-based emissions; sector-level emission analysis at a minimum for LULUCF emissions (from land use, land use change and forestry); and additional policy topics such as biodiversity, agriculture, circular economy, public transport, green subsidies and budget tagging. Respondents were also interested in analysis of countries' access to finance and the transition finance gap.

Incorporation of feedback

The TPI Centre is now working to incorporate the feedback from the consultation into an updated framework. Given the range of suggestions shared by respondents, careful consideration is needed to integrate the feedback, while retaining the initial intentions of the ASCOR project. As we incorporate the feedback, we will adopt an approach that prioritises three primary elements:

- First, the principle of ensuring fairness for middle and low-income countries will guide decision-making on which suggestions to incorporate and how.
- Second, we will ensure that the ASCOR tool is usable and clear, and thus the number of indicators will be revised down. This revision will be balanced against the need to provide comprehensive analysis, while ensuring realistic data delivery.
- Finally, we will ensure the ASCOR tool is clear to all potential stakeholders by better explaining its purpose and added value.

Expansion of country coverage

The ASCOR tool will initially cover 25 countries (see Figure 3), whose assessment data will be published at the end of 2023. These countries were selected to represent a range of geographical regions, income groups, climate risk levels and policymaking systems. Together, they cover nearly 70% of global greenhouse gas emissions.

Figure 3. Initial 25 ASCOR countries

Australia	Chile	India	Kazakhstan ¹	South Africa
Bangladesh	China	Indonesia	Mexico	Thailand
Barbados	Egypt	Italy	Morocco	United Kingdom
Brazil	France	Japan	Poland	United States
Canada	Germany	Kenya	Saudi Arabia	Uruguay

The expansion of country coverage is under discussion in the ASCOR Steering and Advisory Committees. Based on conversations to date and contingent on future funding, the intention is to expand to 70 countries over the coming years and subsequently to over 100 countries. These coverage levels have been guided by the aim of assessing all countries in the major sovereign bond indices.² Coverage may be expanded further to include countries that do not yet issue sovereign bonds but have significance to international bond investors. This will depend on funding and the scope of future research priorities.

¹ Kazakhstan has replaced Kyrgyzstan in the initial country list, as the latter does not appear within the standard sovereign investing indices.

² FTSE World Government Bond Index (WGBI), Bloomberg Global Treasury Index, J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified, Emerging Markets Bond Index (EMBI), and FTSE Frontier Emerging Markets Government Bond Index (FRNTEMGBI).

Timeline update

An updated ASCOR framework will be published in autumn 2023. The 25 pilot countries will be assessed in the coming months and a feedback period will be held with relevant government representatives from these countries to improve the accuracy of the assessment results. Assessment data will be published at the end of the year. Funding, country coverage and research outputs beyond 2023 are under discussion in the ASCOR Steering and Advisory Committees. More details will follow.



Stay updated on the ASCOR project:
www.ascorproject.org

Contact:
gri.ascor@lse.ac.uk