Over 80% of investors say lack of climate action could lead to stranded assets in meat and dairy sector

A new survey by Changing Markets Foundation finds that the sector must cut methane emissions to tackle the issue

LONDON, 12 July 2022. A new report from the Changing Markets Foundation warns that profits are at risk if investors do not engage with the meat and dairy industry to cut methane emissions and other climate pollutants.

The research commissioned by the Changing Markets Foundation, made up of over 200 respondents from the investment community, highlighted that there is a recognition of climate change being a material risk to meat and dairy industry-related investments, with 84% stating that a lack of climate mitigation could lead to stranded assets in the sector.

Food production – especially the production of meat and dairy – is responsible for around 37% of greenhouse gas emissions (GHG) and is uniquely dependent on stable climate conditions. Livestock agriculture is also the single largest source of methane, responsible for around 32% of anthropogenic methane emissions. The production of red meat and dairy is projected to grow by over 50% over the next three decades.

But climate science is not reflected in the growth projections for the meat and dairy sector. Climate scientists expect a decline in livestock of 7-10% even under 2°C warming scenario by 2050, with economic losses between $9.7 and $12.6 billion. Currently, the world is on a path to 3˚C temperature increase and IPCC warned that efforts to cut greenhouse gases must be accelerated. In addition, scientists called for rapid cuts of a potent greenhouse gas methane, which continues to rise even faster than CO2.

Nusa Urbancic, Campaigns Director at Changing Markets Foundation commented: *"We are currently at a crucial crossroads that will determine the future of food production for decades to come. Despite the majority of investors believing that climate change presents a material risk to meat and dairy industry-related investment, it is concerning that more than half also said that investors are not sufficiently addressing those risks. The alarming effects on the sector multiply the hotter the planet gets. Farmers across the globe are already feeling the pain and we need rapid action to break this vicious cycle."*

Investors also overwhelmingly (94%) think that reducing methane emissions alongside carbon emissions is important, with 39% considering it to be critically important. And almost three-quarters (72%) of investors think that companies should be reporting their methane emissions, while 83% believe that investors should encourage companies to reduce their methane emissions.

This survey follows Changing Markets Foundation's report *Blindspot* which revealed that the biggest meat and dairy companies do not report methane and do not have any plans in place to reduce their methane emissions. Last year over 110 countries have signed up the Global Methane Pledge, launched at COP26 in which they committed to cut their methane emissions by 30% by 2030, compared to 2020 baseline.

Earlier this year, Upfield became the first food company to start reporting their methane emissions. The company, which is mostly producing plant-based foods, found that 7.5% of its entire greenhouse gas footprint was created by methane emissions, and dairy ingredients were the main contributor.

Peter Elwin, Director of Fixed Income & Head of Food & Land Use Programme at Planet Tracker commented: *"It's clear there needs to be far greater focus on methane emissions. The Global Methane Pledge is a step in the right direction, but more still needs to be done, and faster. Investors must pressure companies to reduce methane emissions to help meet global climate goals*."

The report calls on investors to take action through their engagement with companies, demanding transparency and disclosure of companies' emissions and investments and rapid action to address climate emergency by cutting methane and other climate pollutants in the sector in line with the science.

The full report be found here.

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Stranded assets

The findings of the report suggest that a vast majority of respondents think that the lack of mitigation of climate change could lead to stranded assets in the meat and dairy industry. 61% said it is a distinct possibility while almost a quarter (23%) say that the risk of stranded assets is very likely. The more temperatures rise, the less suitable many places become for livestock or to grow their feed. Worsening water stress is also a significant factor that will affect viability and profitability of meat and dairy sector.

Investors concerned about climate impacts on meat and dairy

Three-quarters of participants in the survey stated that they are concerned about climate change affecting the availability and performance of investment products and opportunities, with two-fifths noting that they are very concerned. Nearly 80% of respondents said they expect that climate change will have either a moderate or significant impact on the meat and dairy industry and associated investment products and opportunities, while over a third anticipated the impact as significant.

Concerns over greenwashing and lack of action

Investors are concerned about greenwashing in the finance industry and believe this could cause harm by delaying real change. Almost 80% of respondents believe that regulation is needed to address greenwashing in the financial sector.

Recommendations for investors

- Publish and report against science-based climate and methane policies that align with achieving net zero by 2050 (in line with the international goal of 1.5 degree temperature increase).
- Ensure that the investees have science-based climate targets and mitigation plans in place, which should include transparent annual reporting of carbon and methane emissions. Given the urgency to reduce methane, it is of crucial importance that investees also put in place specific methane action plans and disclose investments into methane and GHG mitigation measures.
- Ask food companies to disclose and report investments into meat and dairy alternatives, including the names of companies they invest in. Ensure that these alternatives also represent a replacement of conventional meat and dairy production in line with their climate mitigation plans.
- Support the growth of genuine agro-ecological and regenerative farming practices. Investors should ensure that these practices are clearly defined and comprehensive and that those implementing them can show concrete plans on how they contribute to climate mitigation.

Notes for editors

Previous report – Blindspot: How lack of action on livestock methane undermines climate targets. Link: http://changingmarkets.org/wp-content/uploads/2021/10/Blindspot_methane-English.pdf

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The Changing Markets Foundation was formed to accelerate and scale up solutions to sustainability challenges by leveraging the power of markets.

Working in partnership with NGOs, other foundations and research organisations, we create and support campaigns that shift the market share away from unsustainable products and companies and towards environmentally and socially beneficial solutions.

www.changingmarkets.org

Media contact

Terri Bloore
Finn Partners

Terri.Bloore@finnpartners.com
+44 20 7539 3578