

CLIMATE STANDARDS FOR PRIVATE MARKETS INVESTORS (2026)

Leading asset owners across the globe are working to drive real world emissions reductions and transition energy assets to achieve warming well under 2 degrees Celsius.¹ As extreme weather and climate impacts accelerate, the economic and financial impacts are growing,² and every corner of the capital markets is affected.³ The UN is urging “immediate and sustained cuts to greenhouse gas emissions, including methane” to minimize the harms that are already set in motion through insufficient climate action to date.⁴

As asset owners strive to align their portfolios with science-based climate targets and decarbonize, they are engaging across public and private asset classes. The UN-convened Net Zero Asset Owner Alliance has called on private markets managers to elevate their climate ambitions, saying, “For asset managers in private markets to robustly represent their clients’ long-term interests, they should integrate climate change considerations across all their business activities, including investment decisions.”⁵

As institutional investors continue to evolve their policies and approaches, the following private markets climate standards are offered as a policy tool for consideration.⁶ They include timelines to ensure private markets portfolios pivot to preserve a well under 2 degree pathway and adapt for the energy transition in order to reduce financial risk for asset owners. We will continue to review and adapt these recommendations as we monitor progress and the field evolves.

These standards aim to provide a framework that institutional investors can incorporate into investment policies, manager selection and due diligence, side letters, limited partnership agreements, co-investments, monitoring, re-up decisions, and engagement practices.

1. ALIGN WITH SCIENCE-BASED CLIMATE TARGETS TO LIMIT GLOBAL WARMING⁷

- Commit to no new investments in fossil fuel expansion⁸
- Cease gas flaring and venting⁹
- Commit to achieve fossil-free energy portfolio¹⁰
 - Phase out existing coal power by 2030¹¹
 - Begin decommissioning other fossil fuel assets no later than 2030¹²
 - Commit to scale up investments in low carbon energy supply to be 4:1 relative to fossil fuel investments by 2030¹³
 - Align energy infrastructure investments to be consistent with a rapid, equitable transition to a low-carbon energy system¹⁴

2. DISCLOSE FOSSIL FUEL EXPOSURE, EMISSIONS, AND IMPACTS¹⁵

- Disclose all fossil fuel assets and financial estimates and assumptions regarding asset impairment¹⁶
- Disclose all direct and indirect emissions¹⁷ and climate-related community impacts
- Disclose material environmental, public-health, worker, Indigenous rights, and community impacts associated with portfolio assets¹⁸

3. REQUIRE A CREDIBLE PORTFOLIO-WIDE ENERGY TRANSITION PLAN

- Disclose a portfolio-wide climate transition plan¹⁹
- Disclose role of voluntary offsets immediately and cease their utilization²⁰
- Disclose use of carbon removal, carbon utilization and storage, and related technologies²¹
- Disclose comprehensive analyses under various climate warming scenarios and decarbonization timelines²²

4. INTEGRATE CLIMATE, ENVIRONMENTAL JUSTICE, WORKER, AND COMMUNITY PROTECTIONS

- Establish robust due diligence, verification, and grievance redress mechanisms to ensure that all human rights and land rights are respected²³
- Require all portfolio companies to adopt no-deforestation, no peat, and no exploitation (NDPE) policies²⁴
- Develop a just transition program with impacted communities and workers²⁵

5. PROVIDE TRANSPARENCY ON POLITICAL SPENDING AND CLIMATE LOBBYING²⁶

- Disclose political spending and climate lobbying at asset manager, portfolio company, and trade association level
- Provide transparency on alignment with global standards on responsible corporate climate lobbying

The Climate Standards and Due Diligence Questionnaire were developed by referencing the PECR Climate Standards for Private Equity and data developed jointly by researchers from Americans for Financial Reform Education Fund, Global Energy Monitor, and Private Equity Stakeholder Project.

Endnotes

- 1 UN Principles for Responsible Investment (UN PRI) and UN Environmental Program Finance Initiative (UNEPFI) [Net Zero Asset Owner Alliance \(NZAOA\) is comprised of 85 asset owners](#) managing \$9.2 trillion in assets under management which are “committed to individually transitioning their own investment portfolios to net-zero greenhouse gas emissions by 2050 – consistent with a maximum temperature rise of 1.5°C.”
- 2 CERES, Forging Ahead: [A 2026 Assessment of Investor Climate Action Across North America, Sept 2026](#)
- 3 Carbon Disclosure Project, [Extreme Weather Risk is Reshaping the Global Economy to the Tune of Over US\\$700 Billion in Projected Losses](#), May 12, 2026
- 4 Worland, Justin, Time, [Climate’s Compounding Financial Toll Is Becoming Harder to Ignore](#), July 18, 2026
- 5 UN Environmental Program, [Limiting Overshoot Spotlight Report](#), Sept 2026.
- 6 UNEPFI, UN NZAOA, [Call to Action to Private Markets Managers](#), Nov 2022
- 7 These standards are adapted from the Private Equity Climate Risks Scorecard 2026 developed by the [PECR research consortium](#), the UN convened NZAOA “[Call to Action to Private Markets Managers](#)” as well as consideration of evolving trends in energy investments, essential infrastructure ownership, energy demand and climate solutions.
- 8 See guidance for setting targets: SBTi [Corporate Net Zero Standard](#); the [UN NZAOA Target Setting Protocol 5th Addition](#), March 2026; and UN NZAOA [Call to Action to Private Markets Managers](#), Nov 2022.
- 9 Asset managers should at a minimum align with the IEA [World Energy Outlook 2022 updated roadmap to NZ50](#) markers such as no new oil and gas field development, Net Zero electricity by 2035 for advanced economies. To advance a timely energy transition, asset managers should not expand beyond their current fossil fuel portfolios through new acquisitions, new construction, or add-ons by existing or newly acquired portfolio companies.
- 10 Despite pledges to reduce flaring, globally the practice has continued to rise. However, the United States has made progress, and asset managers should continue to make commitments to eliminating flaring, see World Bank, [2026 Global Gas Flaring Tracker Report](#), June 23, 2026; Bloomberg, [Investment Giants Urge Texas To End Most Natural Gas Flaring](#), Sept 4, 2020; Watson, D., La-Mair, E., [Investor Guidance on EPA Proposed Standards for Oil and Natural Gas Methane Emissions](#), Environmental Defense Fund, Dec 2, 2021.
- 11 Recent market challenges have led to longer holding periods for private equity portfolio companies, with [S&P reporting 7 years on average](#) for energy and utilities. Even with slower exits, private equity firms could achieve fossil free portfolios within a decade, particularly if they halt new acquisitions.
- 12 Given private equity firms typically own portfolio companies for around seven years, the recommended retirement date for coal power generation could be achievable by 2030. For examples of global guidance see: United Nations Intergovernmental Panel on Climate Change’s (IPCC) scenarios that limit warming to 1.5 or 2C require [steep decreases in the use of coal](#) globally by 2035, with wealthy countries needing to phase it out more quickly. Asset managers and owners are also advised to end all new fossil fuel exploration and production and shift towards renewable energy.
- 13 According to the [International Energy Agency’s “Net Zero by 2050”](#) report, the least efficient coal plants need to be phased out by 2030 and the remaining coal plants still in use by 2040 need to be retrofitted to stay under the 1.5°C warming scenario.
- 14 Includes decommissioning oil and gas power plants and pipelines, capping exploration and production infrastructure, and other related fossil fuel assets.
- 15 [Bloomberg NEF](#) published a transition guideline for banks, advising that the ratio of low carbon energy supply to fossil fuel investments reach 4:1 by 2030, and 10:1 by 2050. This ratio could be adapted for asset managers with equity or debt stakes. Private equity and infrastructure managers with significant or controlling equity stakes are positioned to construct fund portfolios and shape the energy practices of portfolio companies to achieve these on a faster timeline. Emphasis on renewable power generation is recommended, while adhering to best practices for emerging GHG capture technologies that may not have scalable commercial viability or correlating environmental and social harms that outweigh the carbon reductions, see [PESP analysis on false solutions](#).
- 16 Private equity is invested in essential infrastructure for fuel extraction, delivery, storage and power generation, including a [growing foothold in utilities](#). Artificial Intelligence is driving up energy demand – see Bloomberg, [Data center gas plants to boost US power emissions by 20%](#), Aug 18, 2026 – and private equity firms are investing across the physical infrastructure and technology. PE must approach stewardship of these assets through prioritizing renewable power sources, just transition, environmental jus-

- tice and mitigating community impacts, see PEStakeholder, [Private equity's AI gold rush comes at a cost](#), Aug. 14, 2026.
- 15 Disclosures should provide investors with standardized annual climate reporting sufficient to evaluate progress over time aligned with best practices such as the UN PRI iCI-ERM, [Greenhouse Gas Accounting and Reporting for the Private Equity Sector](#), 2022; UN convened NZAOA [Call to Action to Private Markets Managers](#); Partnership for [Carbon Accounting Financials](#).
- 16 Disclose all oil, natural gas, and coal assets in the asset manager's equity and credit portfolios, and financial estimates and assumptions around future commodity prices, cash flows, asset impairment, and asset retirement obligations, stranded asset risk, decommissioning liabilities, and other material transition risks.
- 17 Greenhouse Gas Protocol and [Partnership for Carbon Accounting Financials](#) and best practices, including scopes 1, 2 and 3, absolute emissions and emissions intensity metrics; UN Principles for Responsible Investment, ERM, and iCI Working Group, [Greenhouse Gas Accounting and Reporting For the Private Equity Sector](#), May 2022. Firms should report portfolio-wide gross emissions, avoided emission carbon credits, and carbon removal credits separately from one another, without netting. If carbon offsets are purchased, they should be reported separately from greenhouse gas emissions.
- 18 The Taskforce on Nature-related Financial Disclosures (TNFD) has developed guidance for [assessment and disclosure of risks and opportunities](#) related to governance, strategy, risk and impact management, and metrics and targets which includes stakeholder engagement.
- 19 The climate transition plan should include a detailed description of GHG emissions reduction targets, metrics on progress toward those targets, capital expenditures due to climate impacts and for transition activities, and a commitment to increase clean energy investments, year over year.
- Estimates on the total investment, or capex, needed for the energy transition vary widely and continue to shift over time. One useful tool is the 2023 [Goldman Sachs Green Capex Mosaic](#) (pg. 26), which cites the need for \$3 trillion in annual Green Capex to reach Net Zero, and lists the distribution among different infrastructure/technology focus areas. Investment in renewables should comprise \$1.15 trillion of the \$3 trillion annual capex needed, or around 38%, and energy efficiency and electric grid investments should be another 37% combined, or \$1.13 trillion.
- 20 Real world emissions reductions should be prioritized, however, the UN Environmental Program's [Sept 2026 report Limiting Overshoot](#) recommends inclusion of some carbon capture and storage strategies to compensate for insufficient action on emissions reductions. The UNEP findings state that strong governance of CCUS is required and that "even optimistic CDR scaling is unlikely to lower temperatures more than a few tenths of a degree this century." All assumptions and offsets should be disclosed in calculating GHG emissions. Carbon offsets to date have limited utility and substantial problems with quality and integrity. See Morgan Stanley, [How Companies are Approaching Voluntary Carbon Credits](#), Jan. 6., 2026; Joseph Romm, Stephen Lezak, Amna Alshamsi. 2025. [Are Carbon Offsets Fixable?](#), Annual Review of Environment and Resources 50:649-680.
- 21 Private equity asset managers should prioritize real world decarbonization efforts, reserving the use of carbon removal capacity investments for residual emissions and hard to abate sectors, see the [UNEP Limiting Overshoot report](#). Carbon capture has expanded slowly and may prove [less effective and more costly](#) than renewable alternatives. It is also problematic: Jacobsen, M., The health and climate impacts of carbon capture and direct air capture, Energy & Environmental Science, Oct. 2019; Climate Justice Alliance, Grassroots Global Justice Alliance, Institute for Policy Studies Climate Policy Program, New York Lawyers for the Public Interest, Indigenous Environmental Network, and Michigan Environmental Justice [Coalition letter to the White House's Council on Environmental Quality](#), Feb. 2022.
- 22 Guidance for central banks from the Network for Greening the Financial System (NGFS) can be adapted for asset managers: NGFS [A call for action: Climate change as a source of financial risk](#), April 2019; NGFS [Guide to climate scenario analysis for central banks and supervisors - 2025 version](#); NGFS [Scenarios Portal](#).
- 23 United Nations, [United Nations Declaration on the Rights of Indigenous Peoples](#), September 2007, and UN [Free Prior and Informed Consent](#).
- 24 Globally investors are working to mitigate the financial and climate risks of deforestation, such as the IIGCC's [Deforestation Investor Group](#); Rainforest Action Network, "Principles For Paris-Aligned Financial Institutions: Climate Impact, Fossil Fuels, And Deforestation," Sept 16, 2020.
- 25 Resources include the [UN Just Transition and Renewable Energy Business Brief](#), [International Labour Organization Guidelines for a Just Transition](#), [IEA Recommendations on People-Centred Clean Energy Transition](#).
- 26 Lobbying guidance drawn from Institutional Investors Group on Climate Change (IIGCC), [Investor Expectations on Corporate Climate Lobbying](#), May 12, 2018.