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TRYING AGAIN · PART 1 OF 3

The Roadmap Can Change

In 2014 Mats Andersson stood in the UN General Assembly and promised $100 billion for decarbonising investment portfolios. Investors delivered six times that by Paris. As COP31 opens, the former head of Sweden's AP4 asks why the reasoning that moved pension money on carbon has not yet reached methane.

By **Juneia Mallas** · The Methane Brief · Issue No. 23 · November 2026 · 10 min read



Mats Andersson, CEO of AP4, Sweden's Fourth National Pension Fund, 2006–2016, and co-founder of the Portfolio Decarbonization Coalition.

WHY THIS SERIES

In 2006 I tried to build what would have been the first CDM project on indigenous land in the Brazilian Amazon: reforestation with native species on the land of the Tembé people, on the Guamá River in Pará. It failed. FUNAI, the federal indigenous agency, and the Federal Public Ministry in Pará blocked it, because the rules would not let the Tembé gain from restoring their own forest. I did not stop looking for a place where climate finance could work cleanly. I found it underground, in coal mines, where methane can be destroyed now, measured tonne by tonne, and would otherwise simply go into the air.

Trying Again *follows two men who have tried before. Today, Mats Andersson, who showed that pension funds can change their roadmap. On Thursday, Richard Mattus, who had the machines that destroy coal mine methane working until finance walked away after Copenhagen. Then their answers to the same five questions, side by side. Both are now developing, with Clean Exit Advisory, the concept for a bond to finance methane destruction; it would be issued by a bank or an arranger. I write for The Methane Brief, published by Methane Brief CIC, which holds the coal mine methane taxonomy Richard has written. This series is written in that knowledge.*

Planning for three degrees

In October Storebrand Asset Management, the Norwegian asset manager, changed the climate it plans for. Its new baseline is a 3°C "current policies" scenario, up from the national-pledges scenario it used last year, which the Network for Greening the Financial System puts at 2.3°C by 2100. Built with its own, in-house model, the analysis finds that the most stringent path, Net Zero 2050, would do its portfolio the most damage: limiting warming to 1.5°C would cost 11.4% of its value out to 2035, and 10.6% by 2050. The switch, says Daniel Stensrud Olderkjær, a senior ESG data analyst at Storebrand, lets it "assess transition risk against the level of climate action we see today, which remains insufficient". It is not alone: in July, Singapore's state investor Temasek moved from a 1.8°C scenario to one modelling 2.4°C, citing "the delay and divergence in global climate policies".

But the model is incomplete, and Storebrand says so. It does not yet count the opportunities of the transition, or the physical and nature-related costs of delaying it. Adding them, Stensrud Olderkjær says, "should reduce the estimated impact on portfolio value under the Net Zero 2050 scenario, while capturing costs that are not fully reflected in the less ambitious and more pessimistic scenarios today". The work, he stresses, is at an early stage. In other words, the cost of warming is the part of the bill not yet added up.

Storebrand is being candid, not careless. But Mats Andersson knows how a pension fund can talk itself out of acting on climate. Fifteen years ago, he did it himself.

> **"We know that we are on our way to 2.8 degrees, not 1.5," he says. "So we are running short, very short of time. Get your act together."**

His figure is the UN's: the UNEP Emissions Gap Report 2025 put warming under current policies at up to 2.8°C this century.

A question over lunch

Around 2011 Andersson was running AP4, Sweden's Fourth National Pension Fund. Three or four times a year he had lunch with his mentor, Laszlo Szombatfalvy, the Hungarian-born Swedish investor who went on to found the Global Challenges Foundation and who died in 2022. At one of those lunches the mentor asked how AP4 took carbon and climate risk into account.

> *"I said, well, we don't do that. And I'm not sure whether climate change is for real or not. And if it is for real, then I think it's time for the politicians to act."*

His mentor asked whether he was really saying that climate change was a risk a long-term investor did not need to care about. "That was a pretty tough question," Andersson says. After thinking and discussing it, he changed his mind.

> *"Climate change definitely is a risk. And as a long-term investor, you need to mitigate risk. When I saw the way the market had priced carbon risk, I realised this is a mispricing of a big risk."*

The 350

AP4 started with the S&P 500. It took the carbon emissions of each company and removed the 150 worst emitters, sector by sector, so that the fund kept its spread across the economy. The remaining 350 companies were, in Andersson's words, "good enough for getting diversification. We don't need more than that." The portfolio's emissions fell, he recalls, by about 25 to 30%.

Tested against history, the 350 earned much the same as the full index. That was expected. What came next was not: tracked forward, the low-carbon portfolio did better. A year after AP4 put $250 million into it, the fund reported that it had beaten the S&P 500 by 0.85 percentage points, with minimal tracking error.

> *"That was surprising. And then we gave it a thought, and we came to the conclusion that that's not so surprising either. If you take down carbon risk, you're probably running the rest of your business in a positive way."*

AP4 went on to decarbonise its wider equity portfolio, step by step. The lesson Andersson took from it has not changed:

> **"It's not about charity. It's not about giving away money. It's not about not asking for good returns. It's the other way around. You should make this part of your business, because you want a lower risk and a better return."**

Six times the target

In September 2014, at the UN Climate Summit in New York, AP4 launched the Portfolio Decarbonization Coalition with Amundi, CDP and the UN Environment Programme's Finance Initiative. The goal was $100 billion committed to decarbonising investment portfolios.

> *"I was standing in the General Assembly and promised Ban Ki-moon: if you trust us, give us the mandate to do this. And he did."*

By 7 December 2015, in the middle of the Paris conference, 25 investors had committed $600 billion. "It took some time of convincing," he says. "But people were willing to commit, willing to do things to change. I think the timing was perfect."

AT A GLANCE · PORTFOLIO DECARBONIZATION COALITION

From pledge to Paris, in three numbers

$100bn	$600bn	25
the target AP4 promised at the UN Climate Summit, September 2014	committed to decarbonising portfolios by 7 December 2015, mid-COP21	investors behind those commitments

Launched by AP4, Amundi, CDP and UNEP FI. AP4's low-carbon S&P 500 portfolio beat the index by 0.85 percentage points in its first year.

Headwind

Ten years on, the mood has reversed.

> *"If you go back to 2015, it was downhill, and tailwind. Everything was set. If you look ten years later, today, I think it's headwind and it's uphill."*

What puzzles him most is the lost decade. "Some ten years after we launched the first low-carbon indices, why hasn't more been done over the past five years? That question I would like to put to everybody. Please give me an answer."

His own answer is the horizon on which funds are judged.

> *"Short term, ESG is a random factor. It could go up, it could go down. But over ten years, if you do your modelling correctly, you will be rewarded. Today there are very few pension funds that have a mandate to invest and be evaluated on a ten- or even fifteen-year horizon. So you get what you're looking for."*

It is not a lack of knowledge. "Portfolio managers and CEOs of pension funds know the risk of climate change," he says. "But if you are not evaluated on the right perspective and the right time schedule, nothing will happen anyway." Nor does it help that, in many organisations, climate sits in a corner of the office. "You have the CEO doing his or her thing, and somebody doing sustainability or ESG, and those two are never really connected. Things will not happen until you connect those two."

Whose money it is

For Andersson the starting point is ownership.

> *"The pension fund money is not the money owned by the pension fund. It's owned by the policyholders, their clients. And clients want a proper governance model running, to make sure their money is well spent."*

That is why he wants pension funds at COP31 to hear one message above all: "What they do now is something they will be accountable for a long time from now."

The unpaid bill

He reaches for everyday comparisons. The first is a restaurant.

> *"If you and I went to a restaurant and had a great meal, and when we were done we said: we pay you 40% now, and 25 years from now my son will come and pick up the rest. That would never happen. But that is exactly what's happening now."*

The second is a flight. He puts the chance of warming above 4°C at around 4–5%. Imagine that share of the day's flights crashing: with roughly 100,000 flights a day worldwide, that would be some 4,500 planes.

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Would you take the next flight? Never. You're willing to take risks on the globe that you would never take as a private individual.

MATS ANDERSSON, FORMER CEO, AP4

His remedy is a price on emissions — "a relevant price, not a funny price" — on methane as well as carbon, with part of what it raises paid to those who cut emissions, perhaps through a profit split with governments. And he expects the generation that inherits the bill to notice. "When my kids' generation realise that their parents have been to this party without paying, and are now sending the bill to them, you can expect some riots, I tell you."

A no-brainer

Coal mine methane is the clearest case of an unpaid bill with a ready remedy. The machines that destroy the methane in a mine's ventilation air are proven; Richard Mattus tells that story on Thursday. Asked why finance has not paid for them, Andersson does not hesitate: "It ought to be a no-brainer."

The reason is time. Over twenty years a tonne of methane traps 82 times as much heat as a tonne of CO_2, but it breaks down in the atmosphere in about twelve years, while CO_2 stays for centuries. Cutting CO_2 stops warming from getting worse; cutting methane is the strongest lever we have to bring near-term

warming down, within the lifetime of today's pensions. The UN's Global Methane Assessment found that cutting human methane emissions by 45% this decade would avoid nearly 0.3°C of warming by the 2040s.

Andersson wants both gases tackled. "We need to seriously address emissions, be that methane or be that CO_2, really doesn't matter." But he is wary of the promise that some future technology will clean up later: "They believe technology can solve all the problems. It's not true. I'm very sceptical about the examples I've seen so far regarding CO_2 capture. We can't hope for something to happen 40 years from now."

Andersson now works on the concept for a transition bond that would pay per verified tonne of methane destroyed. Asked what he would need to see before buying such an instrument, if he were still running AP4, he starts with transparency: a clear account of what the money does, and regular reporting back to the fund on the emissions destroyed.

> **"We all know that there is massive capital, trillions and trillions, looking for sustainable investments. The capital is needed and the capital is there, but nobody has been able to connect the dots."**

Still an optimist

> **"Which might be odd, but I'm still an optimist. I still believe that if we can come together, there are ways to do this without destroying capital, without destroying the globe. There is a lot that can be done, that will be done, that must be done. And don't forget, time is running out."**

NEXT · PART 2

On Thursday, Part 2: Richard Mattus, the engineer who had the machines working, and watched the finance for them disappear after Copenhagen.

PROFILE

Mats Andersson

- CEO of AP4, Sweden's Fourth National Pension Fund, 2006–2016.
- Co-founder of the Portfolio Decarbonization Coalition (2014) with Amundi, CDP and UNEP FI.
- Led the Swedish government inquiry into green bonds, *Att främja gröna obligationer* (SOU 2017:115), which recommended that Sweden issue sovereign green bonds.
- Independent expert member of France's Green OAT Evaluation Council.
- Awarded the Légion d'Honneur in 2021.
- Works with Clean Exit Advisory on a coal mine methane bond concept.

Disclosure: Richard Mattus and Mats Andersson are developing a coal mine methane bond concept with Clean Exit Advisory Ltd; the bond would be issued by a bank or an arranger. The taxonomy is held by Methane Brief CIC, publisher of The Methane Brief.

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