



## ESG Investing

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### Looking Forward With Historical Carbon Data

March 14, 2022

Increasingly many allocators are interested in computing their portfolio's carbon footprint. The usual way to do so relies on data on historical greenhouse gas emissions, which are typically 1-2 years lagged relative to when investment portfolios are built. We show that historical emissions data are useful despite this substantial lag. First, we use point-in-time data to show that the relative greenness of portfolio companies is very stable over time: Not surprisingly perhaps, companies that were historically green (or brown) remain green (or brown) today and for a number of years into the future, overall and compared to same-sector peers. Second, and more surprisingly, we show that portfolio carbon footprint measured using historical data is remarkably informative about the current portfolio carbon footprint (using current, or same-fiscal-year emissions that the portfolio finances). We believe this observation should give allocators comfort that historical carbon data still provides important insights about their portfolio's current, or even future, climate exposure.

**This paper was published as a chapter in “[Climate Change: Managing the Financial Risk and Funding the Transition.](#)”**

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