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Goldman Sachs Announces \$1.6 Billion Raised for Private Markets Climate Fund

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On January 10, 2023, Goldman Sachs Asset Management **announced** that it had closed over \$1.6 billion in funding for Horizon Environment & Climate Solutions I (Horizon Climate), the first in an expected series of funds through which Goldman intends to target investments toward “key sustainability trends.” Managed by Goldman’s Sustainable Investing Group, Horizon Climate exceeded its initial fundraising goals and serves as Goldman’s “inaugural direct private markets strategy dedicated to investing in climate and environmental solutions.” The fund is classified under Article 9 of the Sustainable Financial Disclosure Regulation. The fund has already committed almost \$1 billion to twelve different “portfolio companies at the forefront of climate and environmental innovation” across North America and Europe. The initial investments include companies manufacturing lithium-ion batteries, sustainable packaging materials, recycled cotton fibers, and businesses seeking to promote agricultural water efficiency and energy efficiency in commercial and industrial buildings.

Overall, Horizon Climate will direct its investment strategy in accordance with the five themes “underpin[ning] Goldman Sach’s approach to climate transition”: (1) clean energy, (2) sustainable transportation, (3) waste and materials, (4) sustainable food and agriculture, and (5) ecosystem services.

Goldman’s Chief Investment Officer for Asset & Wealth Management, **Julian Salisbury**, said that Horizon Climate “represents the transformative power of private capital to help scale cutting-edge technologies that will make a meaningful impact in the race to net zero.” Ken Pontarelli, head of Sustainable Investing for Private Markets at Goldman Sachs Asset Management, added that “Goldman Sachs has been investing in transformative environmental

and climate solutions since 2005,” and “as the imperative to transition to a more sustainable economic growth model gathers pace, we are excited to continue backing leading businesses in this space as they develop and scale the environmental and climate solutions of tomorrow.”

The fund will further Goldman’s **10-year goal** of directing \$750 billion to sustainable finance activities.

Taking The Temperature: We have kept abreast of periodic **announcements** by global financial institutions regarding their net-zero plans and approaches to curtailing emissions financing. But in addition to presenting challenges associated with emissions reduction, climate change also presents business opportunities for investors and companies, as evidenced by the proliferation of ESG-focused investment funds such as the Goldman fund. Companies that can capture those investment dollars, or that adapt quickly and strategically to the impact of climate transition, stand to profit. That is not lost on regulators, which also are requiring assessment of and disclosure regarding companies’ management of climate-related risks and opportunities. Also noteworthy is that the fund has been classified as Article 9 under the SFDR. As we have **discussed**, many large asset managers have announced their intention to downgrade ESG funds totaling tens of billions of dollars from Article 9—the highest sustainability classification under the Sustainable Finance Disclosure Regulation (SFDR)—to the broader, and less restrictive, Article 8 following regulatory guidance. Goldman’s decision to adopt the Article 9 classification runs counter to this trend and presumably reflects a view that its investments can satisfy the requirement to have specific sustainable goals as the objective. Article 8 funds, in contrast, promote Environmental or Social characteristics but do not have them as the overarching objective. Article 9 funds are those that have specific sustainable goals as their objective.