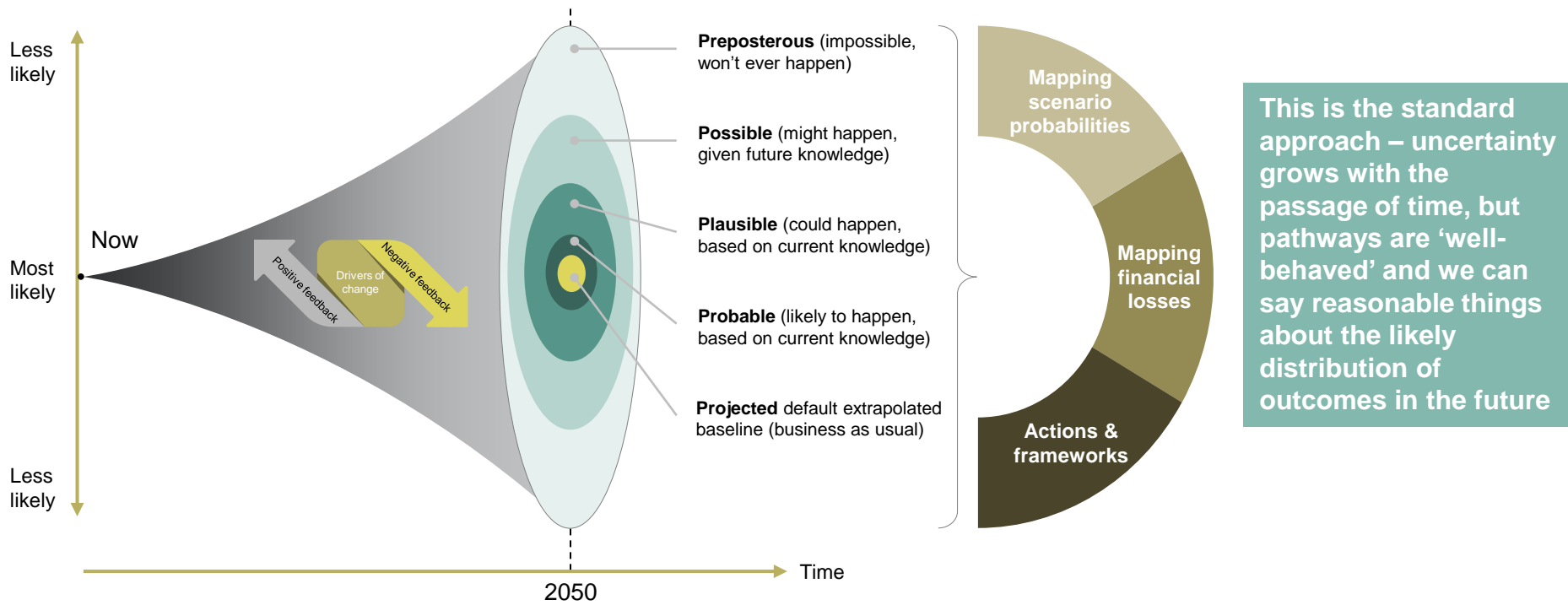


Framing our thinking about the future pathway

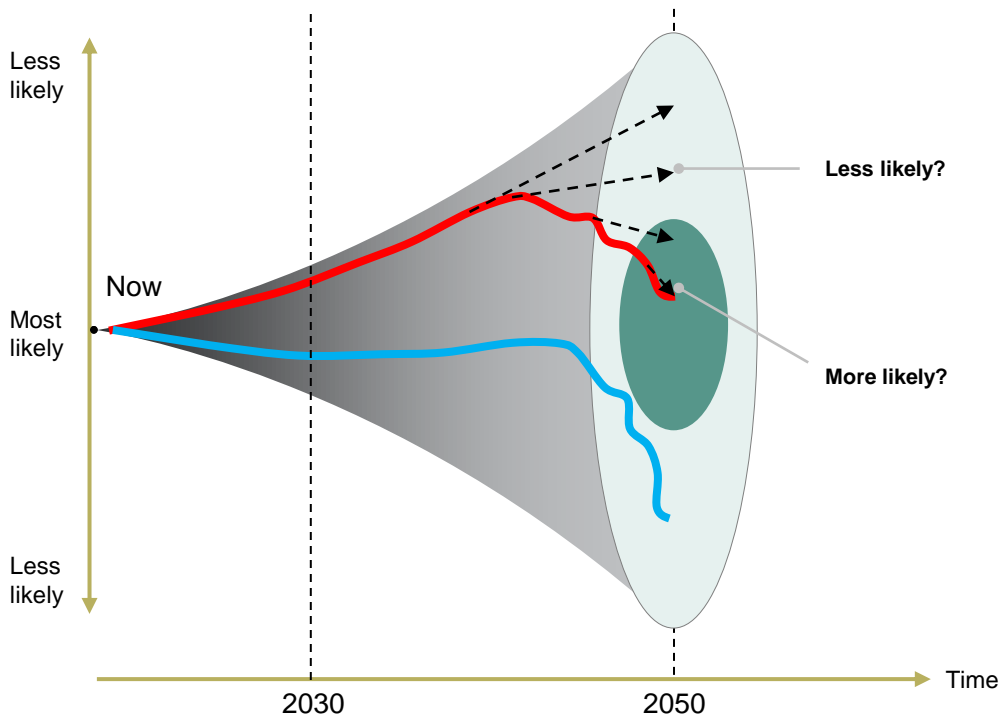
IFT Macro working group



Framing our thinking about the future pathway



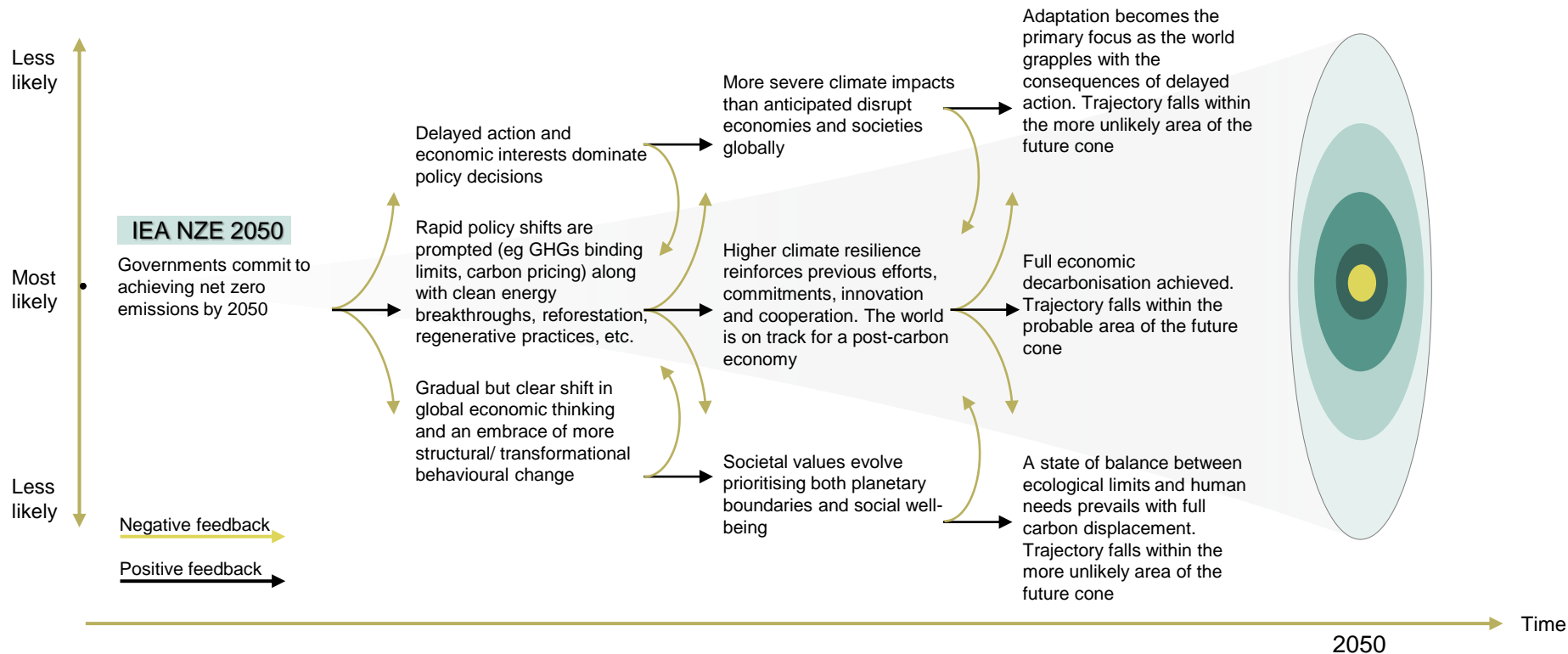
Framing our thinking about the future pathway



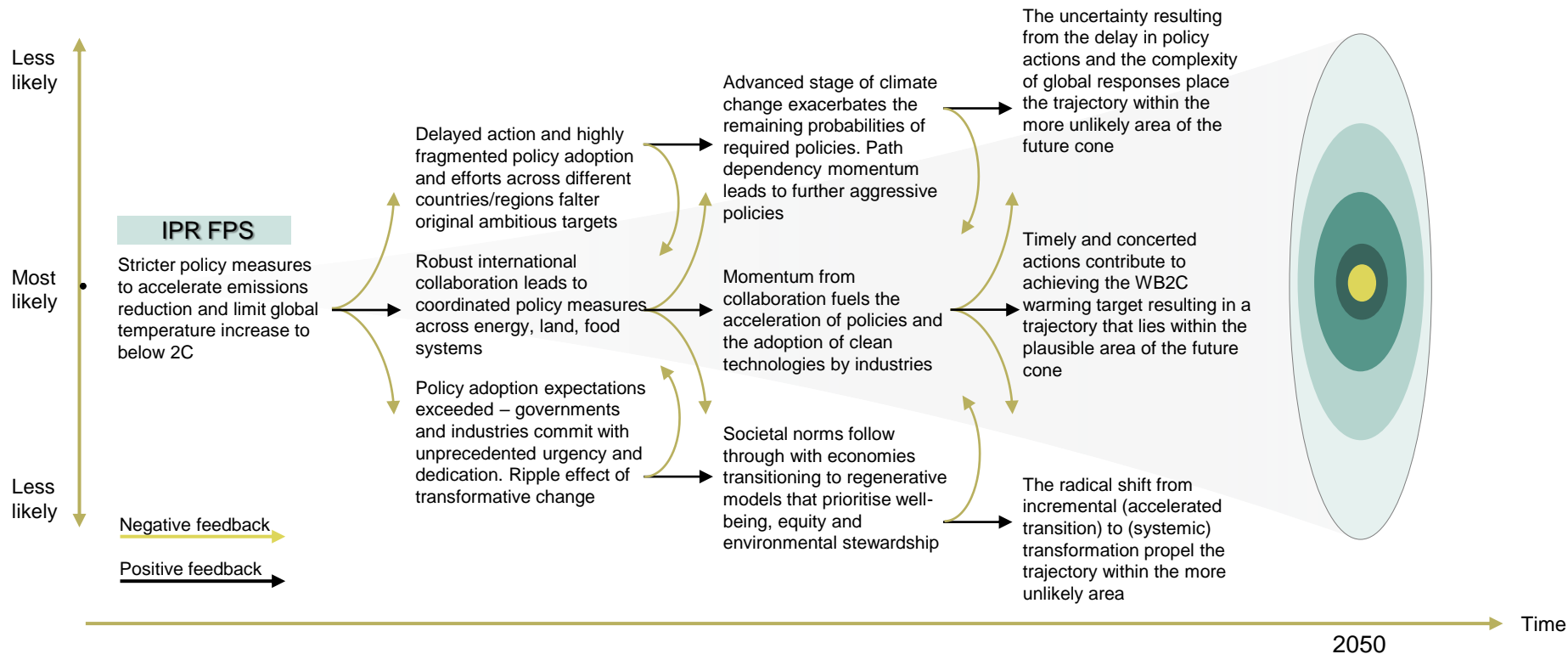
We believe this is the better framing for our thinking – either policy response or temperature rise is inevitable and, therefore, pathways are contingent on future developments. We can know very little about the likely distribution

- We need to be careful about any claim that the future might be 'more uncertain' now. The future has always been, and always will be 'radically uncertain' (ie unknowable). And yet, the ideas of thematic investing, dynamic asset allocation and market timing all imply an attempt at knowing the future
- We believe we can claim that the system **may be less stable** than it typically is. This would be compatible with the idea that we are near or at a 'regime change' (which, arguably, translates as 'a more-rapid-than-typical change in the behaviour of the system')
- Two things follow: (1) it is more important to hold the notion of **path dependency** in our thinking, and (2) **abrupt and non-linear** change becomes more likely
- Our ability to assign **probabilities** to 2050 outcomes is reduced. The graphic suggests we may be able to distinguish between 'more' and 'less' likely, but not more granular than that
- We have no way to predict that an initially 'rogue' red path will end up in the more likely set; or that a 'central' blue path suddenly deviates to an unlikely outcome
- Strategic **adaptation over time**, therefore, becomes key and inevitable for investors navigating through the future cone

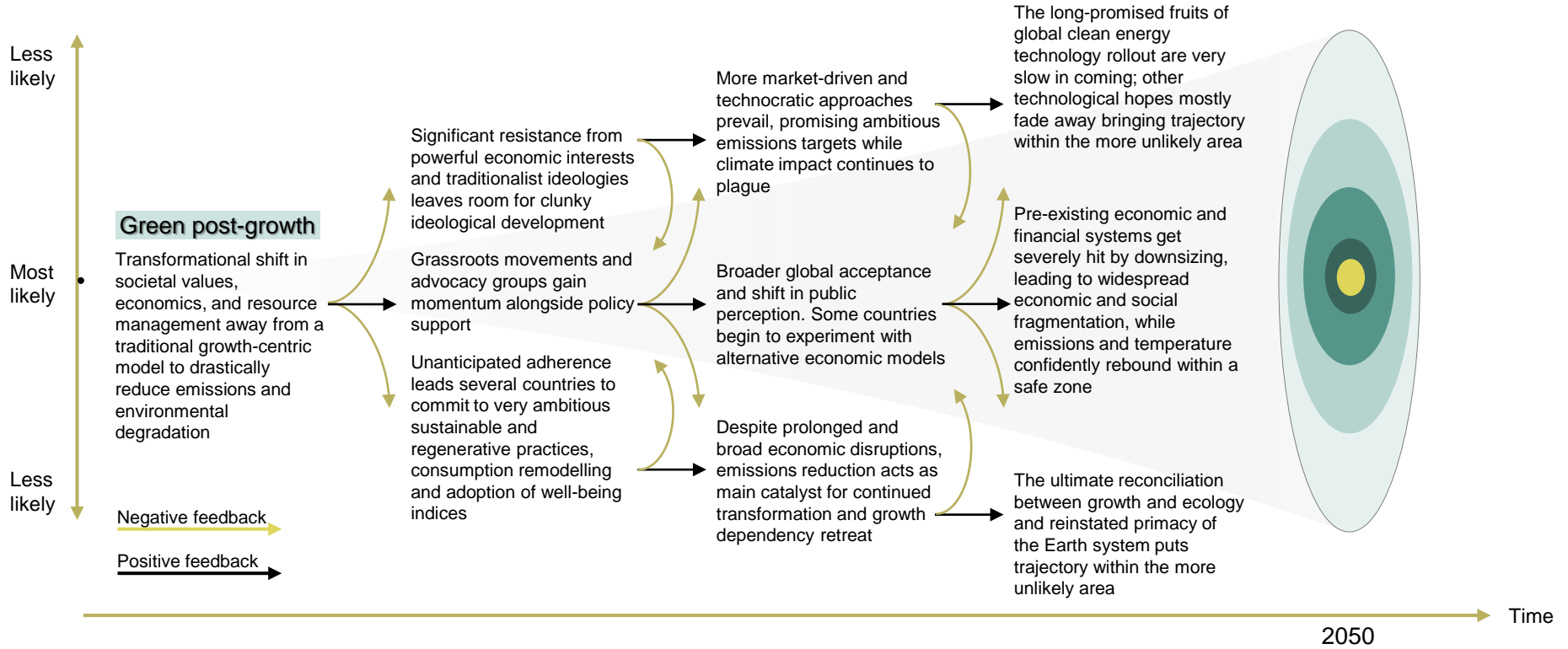
Framing our thinking about the future pathway | IEA NZE 2050 scenario



Framing our thinking about the future pathway | IPR Forecast Policy Scenario



Framing our thinking about the future pathway | Green post-growth



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