

THE MESSAGE



TWO PRODUCTS, TWO GEARS GREENWASHING

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Often, in an environment driven by excesses, only a sufficiently important event can disrupt the irrationality of the status quo. We are talking about revolutionary changes. What we're going through today is called the greatest transformation since the industrial revolution and, as such, it created unbalances that have the power to break the excesses that we're living in.

“Stop the Greenwashing”, “Overwhelmed by Greenwashing”, “Ecology versus Greenwashing”, “Fight the Greenwashing”: these are only a few of the headlines which populated the web in the last few weeks. As we anticipated in the previous issue (*The red gold – Mining*), it seems that hunting fake green is now very much in vogue, not only among investors.

Sustainable finance
according to



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Almost all articles mention the study by Influence Map, which highlights that out of 723 funds (593 generalist ESG and 130 thematic ESG), 71% of the former and 55% of the latter are not aligned with the Paris climate agreement ([details here](#)).

The problem of Greenwashing is assuming such importance that it's been a topic in the Arcantara symposium in Venice and in mass demonstrations by many young people, which have criticised the governments' greenwashed politics: even Greta Thunberg mimicked with "blah, blah, blah" the climate promises made by the world leaders.

The 30-years long European energy transformation might not be attuned with a youth world used to have everything immediately, but the European Union with its *Fit for 55* and the intention, recently reiterated by Ms Von der Leyen, to mobilise 1 trn EUR from now to 2030 doesn't seem poised to slow the pace. Quite the opposite.

Things, however, don't change from one day to the next. Patience and firmness is needed. It is in fact difficult to imagine that the zero emissions objective for 2050 could be achieved simply by shutting down all the oil wells, considering that fossil fuels still contribute to generate 80% of the energy necessary to our economies and development.

In the same way it's probably excessive to point the finger now towards those

financial products that, while integrating ESG principles in their investment process, still keep a broadly neutral allocation on all sectors. Can we really achieve sustainability by avoiding the products and services provided by industries traditionally less ESG-compliant such as steel, oil, gas, cement, banks? The same Ms Von der Leyen, when the Green Deal was presented, declared that "nobody shall be left behind".

Greenwashing is undeniably here, but it's not enough for a product to invest in an oil company to blame it for being greenwashed. We should rather distinguish those companies that, in a polluting industry, are making efforts to transform the business to achieve the objective in thirty years' time, from those that try to procrastinate the revolution until when it'll be too late.

Despite the launch of SFDR (Sustainable Finance Disclosure Regulation, the EU directive on sustainable products) and the Taxonomy Regulation (the list of sustainable activities), much confusion remains around the ESG world, and clients and investment companies alike will have to engage more and more to study the companies and the products proposed.

By looking at most generalist ESG ETFs, whose tracking error versus the market is very low, we could legitimately suspect that they have been only slightly adjusted to make them appear mildly greenish. It would be difficult otherwise to understand why companies in the solar, wind, hydrogen

businesses have lost 40% year-to-date while those ETFs have had double digit performances, in line with the broad market.

This doesn't mean that there's no room for more consistent products that prefer to invest only in the technologies of the near future.

Two products, two gears: art. 8 and art. 9, according to the SFDR classification. We should not neglect the former, only

because they are less clean than the latter.

The transformation will last thirty years and to achieve a dark green we can also accept lighter hues. EU knows that and it has foreseen both kinds of products. It will be up to the investors to choose the right solution for them.

Equilibrium: we're on a spaceship leaving for a thirty-years long journey. Let's enjoy the ride with no hurry.