

THE MESSAGE



PULLING AHEAD

Sustainable finance

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If 3-year budget plans are difficult to make, it's almost impossible to guess what could happen in the decades to come. In 2021 the FED and ECB were still talking of “transitory” inflation, only to use an opposite language only one year later. Nobody can foresee how the energy transformation process will evolve by 2050, however there are times along the way when we are comforted that the direction is the right one. The year 2023 is one such time.

The IEA published its 2023 Energy Report, stating that **this year the investments in solar will exceed those in oil**. Out of the 2.8 USD trillion that are going to be invested in energy sources the renewables, starting with solar panels,

Sustainable finance
according to **AISM**
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will account for 1.7 while fossil fuels will take the remaining 1.1: renewable investments will thus grow by 24% in 2021-23 vs +15% for fossil fuels.

Even in **China**, a country that is going to pollute more and more by 2030, renewables managed to pull ahead in 2023: the **installed power from renewable sources reached 50.9%**, more than fossil sources.

Another example comes from Tesla, although in this case it's more of an equality: **the cost per mile of the Model 3 reached the same level of the hugely successful Toyota Corolla**. Of course, this is taking into account the government subsidies for electric vehicles.

Thus, the march towards a decarbonized world continues and, to help green fuels complete the overtaking of fossils, Europe issued in mid-June a **new package on sustainable finance and the European Taxonomy**.

Among the most innovative points of the package are the **recommendations on transitional finance**, that should help clarify which activities are to be considered as appropriate for a sustainable transition. This can be measured for example by the amount of taxonomy-aligned investments, so that big utilities whose investments are substantially targeting renewables can be easily distinguished by **oil companies, whose green investments in 2022 were globally less than 5% of the total**.

Another innovation is the introduction of **new rules for ESG rating agencies**. The sprouting of ESG data providers, whose wide-ranging methodologies end up in very different ratings for a given company, is one of the usual complaints of ESG-minded investors. A greater transparency by data providers and the prevention of potential conflicts of interest will lend more credibility to investment portfolios and allow end investors to have more confidence by **reducing the fear of greenwashing**.

That's not all: the package sets **new standards for the accounting of sustainability data by companies (CSRD)** and issued new criteria for the economic activities that **contribute to non-climate environmental objectives** such as marine waters, circular economy, pollution prevention and control, biodiversity protection and restoration, etc. However there's also a point as controversial as the introduction of gas and nuclear in the Taxonomy: the Defence sector. According to the new guidelines the **investments in weapons and defence technologies are not in contrast with PAIs; indeed they are considered essential** for the security of the EU, for peacekeeping and thus for the social sustainability! A rhetorical expedient arising from necessity, as what would be the purpose of weapons if no one had them?

The path that is shaping up in 2023 seems to go in the right direction. It's important, though, not to lose credibility along the way by coercing temporary needs into the final goal.

