

<http://blog.en.erste-am.com/2017/04/04/a-tightrope-walk-between-profit-and-responsibility/>

## A tightrope walk between profit and responsibility

Paul Severin



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Power comes from the socket. Hidden behind it, lies a reality that is a tightrope walk between supply and demand. An imbalance causes blackouts. Energy produced from renewable sources is particularly volatile. A solution for this problem are energy storage devices, especially [batteries](#). The latter offer the advantage of being able to efficiently store power that has been produced locally (e.g. by solar cells). They also make power mobile and can replace petrol and diesel in our cars. In our interview, **Dominik Benedikt, Senior ESG-Analyst Erste Asset Management**, explains the effects of the rising demand for batteries with regard to environmental, social, and governance aspects.

**Mr. Benedikt, the demand for energy storage devices is on the rise. What can you tell us about environmental and social criteria in the production process of batteries?**

**Benedikt:** Basically, the rise in storage capacity has caused environmental risks to fall. The lithium ion batteries dominating today are non-toxic. That being said, while lithium is still relatively inexpensive, the rising production has enormous effects, which is particularly due to the high water consumption. Also, the production process requires graphite and cobalt. This causes social issues. Graphite is mainly produced in China under often dubious conditions, and cobalt from Congo is also a potential conflict material. Better control mechanisms in this context would be desirable. – Like in the IT sector for example, where they have been around for a while.

**And how can environmental problems be reduced further?**

**Benedikt:** The most obvious approach is recycling. Unfortunately, battery and device manufacturers continue to shift responsibility to the other party. The existing alliances between the car industry and specialised recycling companies could work as a blueprint, for example those between PSA and SNAM or between Tesla and Umicor. However, no recycling approach across the entire sector has been implemented yet due to a lack of economic viability. So far, only Aquion, the producer of saltwater batteries, seems to have reached a completely closed commodity cycle – as illustrated by a cradle-to-cradle certification. The so-called “second-life” solution is an



*Dominik Benedikt, Senior ESG-Analyst Erste Asset Management*

alternative to recycling. Leclanché, a Swiss battery producer, designs its battery modules in such a way as to facilitate use in less demanding fields after their actual life. BMW is working on similar solutions: discarded car batteries are to be used for robots in factories. Also, the car manufacturer is developing stationary energy storage units from old vehicles in collaboration with Bosch. This approach could drastically cut the costs of electro mobility.

### **How can investors support this development, or indeed even benefit from it?**

**Benedikt:** By relying on companies with a business model that hinges on strong future technology. Electroveya for example is a small company that offers attractive growth potential on the back of innovative technology. The Canadian company produces lithium ion batteries, battery systems, and components for mobile and stationary energy storage and also has production facilities in Germany. What is special about the company is that it has managed to do away with the technically demanding and energy-intensive input of the popular yet toxic solvent NMP (N-methyl-pyrrolidone). This means that Electroveya would not be affected by potentially more stringent regulations concerning the handling of toxic substances. In addition, in contrast to its competitors, the company uses so-called flexible ceramic separators, which currently represents the highest safety standard for lithium ion batteries and cells. All of this provides the company with a strong position in the market.

For more information, have a look at our latest ESG-Magazine: [esgletter.de.erste-am.com](http://esgletter.de.erste-am.com)

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### **Paul Severin**

Paul Severin has worked at Erste Asset Management since April 2008. Until 2012 he was responsible for the company's product management; he has directed communications and PR activities since April 2012. From 1992 to 2008, he was director of equity fund management and deputy director for institutional funds at Pioneer Investments Austria in Vienna.

His career in the securities business began in 1992 at Constantia Privatbank as a portfolio manager and analyst. He worked as primary analyst at Creditanstalt Investmentbank in Vienna from 1994 to 1999.

He studied international business at Innsbruck University and Marquette University in Milwaukee, WI, USA. Before his university studies, he worked at Dornbirner Sparkasse in letters of credit and export financing.

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