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Willingness of energy companies to enter into a dialogue is sobering

Paul Severin



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The Paris climate conference has yet again confronted the public with the importance of a sustainable and environmentally friendly economy for the future of our planet. The goal of imposing a cap on global warming of below two degrees centigrade requires a Herculean effort. Paul Severin interviews Clemens Klein, senior fund manager about the results of the conference.

Clemens, the climate conference in Paris has just come to an end. How do you rate the results of the negotiations?

Clemens Klein: The positive development of the conference was not necessarily to be expected. The unanimously set goal, to cap global warming at a maximum of two degrees centigrade, has to be seen as success. Even if I do not want to downplay the relevance of the Paris accord, experience has taught us that such results have to be taken with a grain of salt.

But it is still crucial that we now have a schedule that we can refer to. The goal set by the conference shows that all parties involved are already aware of how serious the situation is. But in order to really make a change, we cannot just pass on the responsibility to the politicians. Therefore we invited our research partners to an investment board in November in order to discuss possible corporate solutions in connection with climate change. The clear outcome of those discussions was that politics would have to be part of the solution, given that the biggest coal and oil reserves are held by states.

The energy sector is one of the biggest producers of greenhouse gas. What role can investors and Erste Asset Management play in order to effect change in this field?

Klein: There are of course the obvious options: we can decide not to invest in companies that are connected to the production of fossil fuels in any way and to focus instead on renewable energy in our portfolio. This is for example what we do with WWF Stock Environment. But we have to be aware of the fact that eventually any success of the efforts undertaken to cap global warming will depend on a process of rethinking among the big producers of greenhouse gas. Therefore we actively try to enter into a direct dialogue with these companies in order to be able to assess the potential for engagement processes. For example, we have developed a questionnaire that covers the field of climate change, and we sent it to relevant companies in the energy sector and environmental technology. However, so far we can only call the results sobering. While some oil groups, namely Statoil and OMV, are trying to develop alternatives to fossil energy carriers, overall we get the impression that these efforts are the exception rather than the rule. Also, many of these pilot projects have already been discontinued again. And among the coal producers that we tried to get in touch with, not a single one was ready to enter into a dialogue about environmental and climate protection. So there is no sign of a change of mind in the fossil energy sector so far.

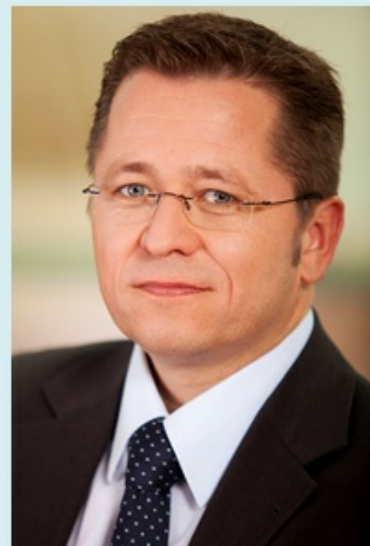
Can the climate goal actually be achieved without the willingness of the energy groups to contribute?

Klein: Not really. But there are reasons to be optimistic. With the help of adequate political measures, these companies will have no choice in the long run but to break with their culture of silence. They will just have to find out the hard way. This is also manifested by a precedent that happened in November in the USA: the New York District Attorney brought in an action against ExxonMobil. The accusation: the company has knowingly deceived its customers and investors for years with regard to the risks associated with climate change. The effects of bad news are best reflected in another example, i.e. the diesel scandal at Volkswagen. A change of mind when it comes to climate and environmental protection is definitely also in the interest of companies and thus of existing and potential investors. And through their vote, every investor has a voice that the company hears.

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Interviewed:
Clemens Klein



Clemens Klein, Fund manager
of Erste Asset Management.

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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.

Paul Severin is a member of the board at ÖVFA (Austrian Association for Financial Analysis and Asset Management) and a CEFA charter holder.