

<https://blog.en.erste-am.com/cognitive-dissonance-climate-policies/>

## Cognitive dissonance in climate policies

Gerold Permoser



© ©iStock

Cognitive dissonance is a state in which two "cognitions" (perceptions, thoughts, attitudes) are incompatible. Such a contradiction is perceived as unpleasant by people. It creates inner tensions that need to be overcome. Man has to do something to "get back into balance". Basically there are two ways to solve this contradiction. On the one hand, one can actually solve the problem, on the other hand, one can suppress it so far, one can banish it from his consciousness so radically, to the point that the contradiction dissolves itself.

The most important global decision-makers currently regard ESG (Environmental, Social and Governance) risks, above all environmental risks, as the greatest risks. At least measured by the probability of occurrence and the potential impact on humanity. At the same time, we, as humanity, are well on the way to once again failing to meet the 1.5% target set in Paris. Looking at global greenhouse gas emissions, there are only a handful of countries that are on track to meet their targets. This should actually lead to a classic case of cognitive dissonance. On the one hand, one recognizes a problem as serious, on the other hand, one does nothing to solve it, although, at the levers of power, one is responsible for it.

### 2 topics are particularly important

- On the one hand, global warming is the ultimate example of the fact that global problems can only be solved if we cooperate internationally and pull together. If an important actor dissolves his cognitive dissonance by not only repressing the problem, but simply denying it, then this also has global consequences.
- On the other hand, it is important to bear in mind that a great deal is happening at the moment in order to solve the problem of cognitive dissonances through a genuine approach to the problem itself. In the EU, the High Level Group 2018 set up by the European Commission has published its recommendations for a sustainable financial economy. Legislative material is now being drafted, discussed and soon put into effect that has the potential to change Europe's financial economy "sustainably", both literally and figuratively. According to the first drafts, asset managers will have to integrate sustainable risks into all their processes. Fund and portfolio managers have to integrate ESG risks into their investment processes, risk management has to monitor compliance with sustainable risk limits, reporting has to show these limits, etc. Sustainability has thus finally arrived in the mainstream.

To get back to cognitive dissonance, it is still too early to say whether this approach can finally and permanently resolve the contradiction between problem perception and action. But I am optimistic that the journey will be in this direction. And I am pretty sure that the other possibility, denying the problems, will not turn out to be a permanent solution.

#### Disclaimer:

Forecasts are not a reliable indicator for future developments.

### Legal disclaimer

This document is an advertisement. Unless indicated otherwise, source: Erste Asset Management GmbH. The language of communication of the sales offices is German and the languages of communication of the Management Company also include English.

The prospectus for UCITS funds (including any amendments) is prepared and published in accordance with the provisions of the InvFG 2011 as amended. Information for Investors pursuant to § 21 AIFMG is prepared for the alternative investment funds (AIF) administered by Erste Asset Management GmbH pursuant to the provisions of the AIFMG in conjunction with the InvFG 2011.

The currently valid versions of the prospectus, the Information for Investors pursuant to § 21 AIFMG, and the key information document can be found on the website [www.erste-am.com](http://www.erste-am.com) under "Mandatory publications" and can be obtained free of charge by interested investors at the offices of the Management Company and at the offices of the depositary bank. The exact date of the most recent publication of the prospectus, the languages in which the key information document is available, and any other locations where the documents can be obtained are indicated on the website [www.erste-am.com](http://www.erste-am.com). A summary of the investor rights is available in German and English on the website [www.erste-am.com/investor-rights](http://www.erste-am.com/investor-rights) and can also be obtained from the Management Company.

The Management Company can decide to suspend the provisions it has taken for the sale of unit certificates in other countries in accordance with the regulatory requirements.

**Note:** You are about to purchase a product that may be difficult to understand. We recommend that you read the indicated fund documents before making an investment decision. In addition to the locations listed above, you can obtain these documents free of charge at the offices of the referring Sparkassen bank and the offices of Erste Bank der österreichischen Sparkassen AG. You can also access these documents electronically at [www.erste-am.com](http://www.erste-am.com).

**N.B.:** The performance scenarios listed in the key information document are based on a calculation method that is specified in an EU regulation. The future market development cannot be accurately predicted. The depicted performance scenarios merely present potential earnings, but are based on the earnings in the recent past. The actual earnings may be lower than indicated. Our analyses and conclusions are general in nature and do not take into account the individual characteristics of our investors in terms of earnings, taxation, experience and knowledge, investment objective, financial position, capacity for loss, and risk tolerance.

**Please note:** Past performance is not a reliable indicator of the future performance of a fund. Investments in securities entail risks in addition to the opportunities presented here. The value of units and their earnings can rise and fall. Changes in exchange rates can also have a positive or negative effect on the value of an investment. For this reason, you may receive less than your originally invested amount when you redeem your units. Persons who are interested in purchasing units in investment funds are advised to read the current fund prospectus(es) and the Information for Investors pursuant to § 21 AIFMG, especially the risk notices they contain, before making an investment decision. If the fund currency is different than the investor's home currency, changes in the relevant exchange rate can positively or negatively influence the value of the investment and the amount of the costs associated with the fund in the home currency.

We are not permitted to directly or indirectly offer, sell, transfer, or deliver this financial product to natural or legal persons whose place of residence or domicile is located in a country where this is legally prohibited. In this case, we may not provide any product information, either.

Please consult the corresponding information in the fund prospectus and the Information for Investors pursuant to § 21 AIFMG for restrictions on the sale of the fund to American or Russian citizens.

It is expressly noted that this communication does not provide any investment recommendations, but only expresses our current market assessment. Thus, this communication is not a substitute for investment advice, does not take into account the legal regulations aimed at promoting the independence of financial analyses, and is not subject to a prohibition on trading following the distribution of financial analyses.

This document does not represent a sales activity of the Management Company and therefore may not be construed as an offer for the purchase or sale of financial or investment instruments.

Erste Asset Management GmbH is affiliated with the referring Sparkassen banks and Erste Bank.

Please also read the "Information about us and our securities services" published by your bank.

Subject to misprints and errors.



## Gerold Permoser

Gerold Permoser has been Chief Investment Officer at Erste Asset Management since early April 2013.

He is responsible for all asset management activities and investment strategies for all investment funds held by the Erste Asset Management Group in Austria, Germany, Croatia, Romania, Slovakia, the Czech Republic, and Hungary. Before joining the company, he served this function at Macquarie Investment Management Austria KAG. Permoser has gathered experience in investments since 1997.

He began his career as a fixed-income analyst at the Creditanstalt in Vienna. He moved to asset management at Innovest KAG in 2000. He made significant contributions in the investment field there and advanced to CIO (director of asset allocation and research). Gerold Permoser studied at the University of Innsbruck and is a CFA charter holder. He offers training at the University of Vienna and at various post-graduate institutions for analysts and portfolio managers (i.e., at VÖIG, the Association of Austrian Investment Fund Companies).