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Megatrend environment & clean energy: Leveraging the right kind of companies

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Leveraging the right kind of companies

Autumn has arrived, and we are looking back at a summer which gave us the hottest July since the beginning of weather records in 1880. The climate is changing noticeably. This is a hot topic not only in science circles.

In the area of climate protection, companies that have dedicated their business model to the fight against the negative impact of climate change are successful. This includes topics such as electromobility, the storage and transport of energy, alternative energy production, hydrogen and fuel cells, and recycling. The mega trend of environment & clean energy has become a core issue in the investment world.

The financial industry and its investments provide a way of driving decarbonisation in the economy and a turn towards renewable energy.

Population explosion in the cities

The climate is changing, and the pressure on politics resulting from urbanisation (i.e. people moving into cities) is on the rise. Nowadays, 55percent of people live in cities. This percentage will increase to 70percent by 2050.

The people living there need electricity, water, and transport; their consumer behaviour has converged with Western habits, producing growing piles of waste. We therefore need new technologies in order to be able to overcome these challenges.

Environmental topics are a task for innovative companies



Erste Asset Management recognised the dynamics of the environmental sector early on. We have had investment vehicles in our range of products since 2001 that let investors participate in the shares of companies with environmental and climate protection as their core business. "Our philosophy is to identify companies whose products and services are crucial for overcoming the effects of mega trends such as population growth, urbanisation, the growing middle class and the resulting issues like greenhouse gases, climate change, scarce resource and an increase in the volume of waste," explains Clemens Klein, the fund manager responsible.

Picture: Erste AM fund manager Clemens Klein: environmental technology sector : ["In 2040."](#)

60percent of all new cars will be electric”

The top five environmental technology sectors of the future



Renewable energy. Solar and wind power are already the cheapest technologies for power generation across many countries. As a result, the rapid growth of recent years is set to continue, regardless of subsidies. In addition, new markets such as India, South America, and Africa will become key markets for the solar and wind power industry. The share of solar power in total global power production will increase from currently 3percent towards 30percent by 2050. We envisage a similar development for wind power. In the long run, global electricity will become clean. Companies playing a major part in this context are for example the wind blades producer [TPI Composites](#), the wind turbine manufacturer [Vestas](#), or the US photovoltaic manufacturer [First Solar](#).



Mobility & e-cars. New drive technologies such as electric vehicles, hydrogen cars, and third-generation bio fuel will continue to gain relevance. Here, too, falling costs in addition to environmental aspects will lead to above-average growth rates. Nowhere else will the technological progress be monitored with as much suspense as in the next generation of vehicles. According to Bloomberg New Energy Finance, 60percent of all new cars bought in 2040 will be electric. The 2016 estimates were at 35percent. In Europe, Norway is the leader with more than half of new cars being electric: along with tax incentives, it is possible to use the bus lane, and you do not need a tax disc on the motorway when driving an electric car. But we cannot turn a blind eye to the problems: we need safe, affordable batteries with sufficient range. And we have to sort out where the raw materials for production will come from and what happens to the batteries at the end of their useful lives. “Companies have to certify that their suppliers do not use cobalt from the Congo. That would not agree with us as sustainable investors.,” as fund manager Klein points out. The important issue is the existence of some form of environmental benefit. At any rate, the greenhouse gas emissions of an e-car are clearly below those of a petrol or a diesel car. Among the listed companies well known for their efforts in electromobility and hydrogen technology are [Powercell](#), [Ballard Power Systems](#) or [NEL ASA](#).



Water supply and water supply technology

Global water demand will increase by more than 50percent by the year 2050 due to the aforementioned mega trends. Urbanisation and rising income have caused a shift in consumer behaviour. Therefore, new investments in infrastructure, in the reduction of consumption and costs, hygiene, water treatment, and sea water desalination are necessary. A leading company in the field of water infrastructure, water analysis, and water treatment is [Xylem](#).



Waste collection and separation

The volume of global waste will have doubled from 2014 to 2025 to 6mn tonnes per day and could rise further to 11mn tonnes per day by 2100. Even now, more than 8mn tonnes of plastic make it into the oceans every year. This is tantamount to 16 Burj Khalifas, i.e. the highest building in the world, or 32,000 Giant Wheels in the Vienna Prater. Without steps against this enormous explosion of waste, we are facing a situation where by 2050 there will be more plastic than fish in the sea, going by weight. The avoidance, the separation, the collection of waste, recycling, and new packaging technologies will be central issues in the environmental sector. [Tomra Systems](#), the world market leader in waste separation, waste sorting, and recycling has developed systems that are also used in our supermarkets.

Environmental stocks up significantly this year

Environmental stocks on the upswing

(2014-2019, rebased: 2014 = 100)



Source: Refinitiv Datastream

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Investing in environmental technology

These and other companies in the environmental technology sector are also in the newly launched ERSTE FUTURE INVEST fund, for which the subscription period is open as we speak (please subscribe at Erste Bank and Sparkasse). This fund covers five large mega trends that the experts of Erste Asset Management have defined. In addition to environment & clean energy, these are lifestyle, technology & innovation, healthcare, and emerging markets. For more information on these megatrends, please follow the link [here](#).

Warning notices according to the Austrian Investment Fund Act of 2011

ERSTE FUTURE INVEST may be subject to elevated levels of volatility due to its composition, i.e. the fund share price may fluctuate significantly both ways within short periods of time.



Warnhinweise gemäß InvFG 2011

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