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Oslo – Capital of Sustainability

Alexander Weiss



Fund manager Alexander Weiss traveled to Norway last November to visit some of the companies invested in the ERSTE WWF STOCK ENVIRONMENT environmental fund.

Norway (about 5.5 million inhabitants) has fewer inhabitants than Austria, but is disproportionately represented in our funds: The reason is the strong focus generally of all Scandinavian countries on sustainable energies and technologies. We currently have numerous companies from Norway in our portfolio.

World market leader Tomra

My first appointment in Norway is with Tomra, one of the largest companies in Norway and a leader in the recycling sector.

In the 2-hour appointment, they show me the history and future of "reverse vending" using example machines – here Tomra is the clear market leader with >60% market share.

"Reverse Vending" is probably known to all of you, it is the machines that accept the bottles for the bottle deposit. Starting from this "simple" business model, the company has developed more and more in the direction of circular economy, recycling and sorting.

Tomra is today built on 3 business areas which have very good synergies and build on each other: Reverse Vending, Plastic Recycling and Sorting and Meal Sorting.

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Fund manager Alexander Weiss at Tomra in Norway

All models are basically built on the same principle that is used for reverse vending: the fast detection and sorting of objects.

In Tomra's latest machines, more than 120 bottles or cans are sorted automatically per minute – all you have to do is put the bag in, scan a QR code on your smartphone and, once sorted, you get the credit on your smartphone. This is a big leap from the simple technologies used 40 years ago.

After the tour of the test line, there is a meeting with Tomra's new CEO, Tove Andersen. Here, too, the message was very positive – due to new regulations, in the future, for example, 77% of all plastic containers in the EU must be recycled by 2025, and 90% of all plastic containers by 2029.

From studies we know that this works mainly through the introduction of deposit systems: of containers without deposit only 47% are recycled, of containers with deposit an impressive 94%! The countries of the EU have also noticed this and are now introducing deposit systems one after the other.

A strong growth market driven by regulation – but Asia could also turn out to be a growth market: there are currently no deposit systems anywhere. Currently, only 3% of all drinking containers are recycled at all – the potential growth is enormous.

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Source: Private

But the developments in the other departments are also very encouraging. In sorting, they are working on ever larger projects and are recording strong growth with solid profit margins.

They also see a lot of potential in food, which is still a very manual sector with little automation. Tomra's sorting solutions can help here – for example, you can sort oranges based on their sweetness. We've been invested in Tomra for 20 years and have no plans to change that!

City of electric cars

Oslo is not overly large, with a population of about 600,000, and you can explore it largely on foot. What is immediately noticeable is the extremely high density of electric vehicles.

The Norwegian government passed regulations here years ago that make electric cars cheaper than combustion engines. You probably won't see such a density of Teslas anywhere else; in total, 9 out of 10 cars sold in Norway are electric or hybrid cars.

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Source: Private

Right next to my hotel is also a showroom of NIO, the Chinese car brand in which we are also invested in the fund.

However, it is more a showroom for concept cars, other big car brands also have showrooms for their electric vehicles (Mercedes Benz EQS, Polestar,...). Only Rivian, that company that recently went public and is listed at a valuation of USD 100 billion I can't find.

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Source: Private

Complex company: Aker ASA

In the afternoon I have a meeting with Aker Horizons. To understand this company you have to understand the Aker ASA corporate complex.

Aker ASA is basically the investment vehicle of Norway's second richest man, a self-made millionaire who took over the ailing shipping group in 1996.

In the meantime, shipping is only a sub-sector, the bulk of the profits having been made in the oil business in the past. But AKER ASA's secret recipe has always been the right timing and the right allocation of capital.

And so the timing of Aker Horizons was telling when they announced an IPO in late 2020. By the time this was executed, some of the euphoria in the market had gone, but we still participated as Erste Asset Management. Why?

Aker Horizons is basically an investment company that invests largely in the sustainability sector within the Aker Group.

And this is large: Aker Offshoer Wind, Aker Clean Hydrogen (hydrogen) and Aker Carbon Capture (CO2 sequestration) are just three of the promising companies. With the Aker Company Complex, the company has very good access to information and deals in the renewable sector, and works closely with the in-house Aker Insights, which serves as an incubator for new technologies and knowledge hub.

And the deals that have been done since the IPO, such as the acquisition of Mainstream Renewable Power, are also positive. In addition, most of the deals are at very good timing/conditions and the company has very good/cheap access to capital.

The fact that a company like Aker ASA, which originally comes from the shipping and oil business, is focusing on renewable energy is very positive.

Fearnleys Securities Annual Renewable & Clean-Tech Conference

The real reason for the trip was the conference, which took place on Wednesday. The event was held in a hybrid format – something that will likely stay with us after COVID.

This is only the 3rd time the Fearnleys Securities Annual Renewable & Clean-Tech Conference has been held in this form. Fearnleys has historically been more involved in the shipping space, primarily serving companies in that space.

2 years ago they held the first Renewable Energy Conference with 25 presenting companies and 150 attendees. This time there were a total of 80 presenting companies, with about 200 people attending in person, for a total of 1,500 attendees.

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Source: Private

Accordingly, the program was closely timed – in 4 programs in parallel, companies presented in 25-minute slots. From hydrogen companies (NEL, Hydrogenpro) to battery companies, (FREYR, InoBat) renewable energy (Siemens Gamesa, Scatec), recycling (Tomra, Agilyx) and water (Cambii) everything was represented.

In many of the companies we already have a position but there were also technologies & companies in which we are not yet invested.

Examples? Ocean Sun is active in the field of "Floating Solar", i.e. they install floating solar cells on dams or on the high seas. One application: fish farms, which can produce energy-autarkic by the combination of solar and battery even on the high sea.

"In the course of the conference, there will also be a 1on1 with the CFO of Scatec. Scatec is a producer of renewable energy in emerging markets. Strategically, they want to focus primarily on the markets of South Africa, Brazil, India, Vietnam, the Philippines, and Egypt. This also allows the company to earn extremely high project returns – the target return (IRR) on these projects is between 12-16%! Projects that do not meet this hurdle are rejected or cancelled, as we have seen recently.

We think Scatec is very strongly positioned, especially in developing countries, and the hydrogen project in Egypt will serve as a lighthouse project for the whole region. Behind the project is a consortium of Scatec, Fertigllobe and the Egyptian government, which will host the UN Climate Change Conference in 2022.

Or the German company Pyrum, which cooperates with the German chemical company BASF, among others, and has set itself the goal of recycling car tires.

Currently, about 56% of the world's used tires are either incinerated or end up in landfills. New regulations and general environmental thinking will give scrap tire recycling a huge growth market.

Positive side detail: Plug Power, in which we have also been invested for over 10 years, was selected as the supplier of the hydrogen electrolyzers.

Brave new World

Day 4 starts again with a 1on1, respectively a 2on2. I have taken reinforcements from WUTIS with me. To explain – for the ERSTE WWF STOCK ENVIRONMENT we work with the WWF Environmental Advisory Board, which reviews companies for their environmental benefits.

For the preliminary analysis on the technological side, we brought WUTIS on board as support for this. WUTIS is Austria's largest student-led finance company, with which we have had a cooperation for 3 semesters.

In return, we offer students to attend meetings with management – in times of teams, this is easier than it used to be. However, Philipp (photo below 2nd from right), as a WUTIS analyst for a company, asked if he could also physically attend in Oslo.

After a short check and OK with the company and broker, we were thus 2nd to face the CEO and Chairman of Bergen Carbon Solutions.

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Source: Private

Bergen Carbon Solutions is active in the field of Carbon Nanofibers (CNF). A product that is produced from graphene, one of those materials that has long been prophesied as a panacea for various problems.

But the highlight of Bergen Carbon Solutions: through a patented production process, they produce with one tenth of the energy of competitors and are also CO2-negative, i.e. they remove CO2 from the atmosphere during production. An ingenious technology that offers a wide variety of production use cases.

For example, a cement company that emits a lot of CO2 in production could capture it in CNF from Bergen Carbon Solutions and use the produced CNF in the production of cement to make it more stable.

Countless use cases towards circular economy are possible, one has created here an efficient process that removes CO2 from the atmosphere and produces a useful product to boot.

Until now, CO2 sequestration has mostly been stored underground – the use of this is the holy grail.

Onna Greens

The second meeting of the day takes us 60km outside Oslo to Onna Greens. Onna is in the business of Vertical Farming, the efficient and automated growing of plants in a factory hall.

For me with a family background in conventional farming, this is a strange concept at first: shelves instead of fields, perfectionism instead of manual labor.

But it quickly becomes clear – this concept will gain a foothold at least in some places in the world. In the Scandinavian countries, for example, where there is a great deal of cultivable land, but only very short growing seasons due to the weather.

Vertical farming also makes sense in places with limited land, such as Singapore, not to mention countries in the Middle East that are heavily dependent on food imports.

With perfect air, water, and light conditions, they want to produce the crunchiest lettuce leaves in Norway in the future. However, the plant was still under construction back then (see photos), and the first heads of lettuce are to be harvested in Q1 2022.

An exciting offsite in a huge production hall near a metropolitan area – this could perhaps soon be the future of agriculture after all.

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Onna Greens Vertical Farming; Source: Privatw

Hexagon Composites: in the supply chain for hydrogen filling stations

At the end, we visited Hexagon Purus, a spinoff of Hexagon Composites, which is active in the hydrogen sector. It is part of the supply chain for hydrogen filling stations and vehicles.

For the hydrogen filling stations, they supply the systems for transporting the hydrogen – in other words, they sell these systems to the truck producers. A good position quite early in the value chain – you don't care who transports hydrogen to where, you have already made the money.

With the recent acquisition of a major competitor, the company has further strengthened its position in this area.

The core business, however, is the production of cylinders in which the hydrogen is stored – in simple terms, one can say that a combination of several cylinders forms a system that can then be used to transport hydrogen.

However, these cylinders are not only used for transporting hydrogen, but also serve as propulsion systems for hydrogen-powered vehicles.

Here, too, there is agnosticism as to which brand will prevail with the end customer: the cylinders can be sold to any producer. The weight of the cylinders is the most important factor, and how to store as much energy as possible in a small space.

Hexagon Purus can look back on a very long experience of its parent company Hexagon Composites, which already supplied methane tanks to NASA for the Apollo 13 launch.

That's the end of my trip, a quick trip to the Christmas market for presents and then off to the plane. All in all, an exhausting but all the more exciting week in Oslo and the surrounding area!

All in all I met almost 20 companies and gained a lot of (mostly positive) impressions about new and old technologies in the renewable sector. With that, I'm heading back to snowy Vienna.

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