

## THE ROLE OF PRIVATE EQUITY IN MEETING THE CLIMATE TARGET

For the 26<sup>th</sup> time, public and private delegates gathered at the UN Climate Change Conference in Glasgow. Despite divided opinions about the conference's success, one outcome is clear – limiting global temperature increase to 1.5°C will not only require action from all member states, but private capital will need to be mobilised to reach the target.

The OECD estimates that USD 6.9tn a year will be required over the next 15 years to decarbonise existing business models. Private finance is in the spotlight to fund innovation and sustainable technology that can enable the switch to environmentally friendly production models and to help companies realign their business models towards net zero. At Unigestion, we welcome the vital role of private equity in supporting mitigation efforts against climate change.

## THE CLIMATE CHANGE TAILWIND

As an experienced private equity manager, Unigestion recognises not only its responsibility to address climate change as a risk, but to seek interesting financing opportunities in the climate impact sector. Climate Impact Finance refers to transactions that address climate change, shifting society and business activities to a low-carbon and climate-resilient economy – in line with the 1.5°C target. To achieve this goal, business-as-usual models that are largely dependent on the unsustainable consumption of resources, pollution of our environment and use of fossil fuels such as coal and oil must change. Critically, the private sector will play a crucial role in achieving this goal. While governments provide the political frameworks to implement changes, innovative business models will originate from the private sector. In line with this philosophy, and based on 10 years of Unigestion's dedicated experience in the low carbon sectors, we are launching a dedicated **Climate Impact Fund** with a target size of EUR 300m.

The fund will invest in companies with three different approaches of making a climate impact, classified as low carbon, enabling and transitional activities. We will source companies across several industries that offer solid growth opportunities driven by the Climate Change tailwind. To give some examples:

The **Energy Transition** sector plays a crucial role in order to pivot away from our dependency on fossil fuels. Unsubsidised solar and wind energy sources have already become cheaper than coal but the capacity of renewables needs to expand further, for which an estimated USD 3.4tn of investment is required in order to reach a 55% share by 2030. Thus, the Climate Impact Fund will target players that reduce the energy industry's carbon footprint.

The transport sector has experienced a major transformation over recent years. Many of the world's largest automobile makers have begun to shift their business models towards electric vehicles with global sales of electric cars rising by 43% in 2020. Unigestion's private equity team has been aware of the changing landscape for several years and has already built a track record in the EV-charging sector, serving as a base to drive the **Green Mobility** market.

Climate targets cannot be achieved without addressing environmental degradation. Transitioning to a **Circular Economy** will unlock additional global GDP growth of USD 4.5tn over the next 10 years and Unigestion's strategy will finance companies that factor in circularity into their business models. This will include waste recycling companies as well as those that transform the way we currently use natural resources.



## TIME TO INVEST IS NOW

There is no doubt that the time to invest is now. As with many innovations in the past – such as the Internet, cellular network or GPS – state support has been instrumental in driving early growth. However, the current investment landscape has matured along with changing consumer behaviour as demand for solutions in the climate sector is only expected to grow. Today, we see a market with more innovation and sustainable business models being launched than ever before and it is our mission to unlock access to these golden opportunities for our investors.

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