

THE MESSAGE



LEADERSHIP IN RENEWABLE ENERGY

Europe vs. US

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Words are one thing, actions another. The former belong more to the older generation, which tends to think carefully before acting. On the other hand, the young act swiftly, perhaps even before thinking. When thinking about 'green', one often thinks of the Old Continent. Europe, with its programs and rules: Green Deal, Next Generation EU, Taxonomy (hailed as the world's first green taxonomy), SFDR, etc., directives that have also greatly influenced financial investments, with funds classified under articles 6, 8, and 9. In America, however, little has been done to classify sustainable investments, but financial policy measures (IRA) have been adopted to support companies

Sustainable finance
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in the sector, leaving investors to assess the profitability of companies affected by new rules. The result is that while Europe talks, America acts. Thus, even in renewable energy, America is poised to surpass Europe, despite the latter's claimed leadership in words.

Politically, things seem to confirm this trend: the United States is becoming more politically green, while Europe is backtracking. One can read Kamala Harris's candidacy for the White House in this light, which has revitalized the renewable sector, previously at risk due to a potential easy victory by Trump. Conversely, Europe has seen a series of political elections that have favored right-wing parties and a progressive decline of the left, particularly the Green parties, as seen in the European Parliament, Germany, and most recently Austria. It's striking to note that a global leader in construction has stated that Germany has not invested a single cent in green infrastructure, despite Germany's self-proclaimed leadership in green initiatives, shutting down nuclear plants ahead of others but witnessing the Green party halve its support, leading to the recent resignation of its leaders.

Notably, the global renewable index, like the S&P Clean Energy, led by US solar companies, has recovered much of its losses this year (though still negative for the fourth consecutive year), registering around a 5% loss by the end of September, whereas a distinctly European renewable energy index, the ERIXP Index, lost 25% in the same period. Considering that until the European elections

last June, these two indices had nearly identical trajectories over the past three years, one gets the sense that despite Europe's self-proclaimed global leadership in green investments, it fails to garner investor support. Conversely, in the United States, investors approach the green sector purely for profit, without ideological influence. From this, it can be deduced that US policies, while not sharply distinguishing between green and traditional investments, are more effective than European policies, which must adapt to ongoing changes such as those regarding nuclear and gas in the Taxonomy.

An example of the ineffectiveness of European rules can also be seen in their ability to channel investments towards truly green policies, i.e., combating greenwashing, something the United States handles well due to its more speculative rather than ideological approach. The proliferation of funds classified under Article 8 in Europe confirms this: a fund in this category can invest in almost the entire European market. It's difficult to find companies not considered green; it has been reiterated several times that the STOXX 600 ESG contains more than 560 stocks compared to the traditional index's 600. If fund investment policies introduce even a minimal percentage of non-green investments, the game is won. In contrast, Standard & Poor's has performed better with its flagship index, the S&P 500 Index, whose ESG version excludes 30% of companies.

At least on this front, Europe is trying to make amends. In the names of funds that do



not hold at least 80% sustainable assets, terms related to 'green' such as 'ESG', 'Sustainability', 'Transition', and the like will be prohibited. Such words will only be allowed for funds classified as Article 8 with at least 80% sustainable assets, and for those classified as Article 9. However, this change must be accompanied by maintaining the

goals set for 2030 and 2050, despite challenges posed by wars, inflation, and the consequent rise of right-wing parties in Europe. The potential reconfirmation of Von der Leyen, despite the debacle of the Green parties, could represent a stabilizing and guaranteeing element for the future of green policies.

