

The environment in the center of attention

Europe as front-runner in the fight
against climate change



> **HOW TO TACKLE ENVIRONMENTAL CHALLENGES?**

> EUROPE'S GREEN DEAL

> CONCLUSION

Three major environmental challenges



Global warming & climate change

Overexploitation of natural resources



Pollution & inefficient waste management

Global warming & climate change

Decarbonizing the global economy by increasing efforts on various domains



Avoid carbon emissions by improving energy efficiency



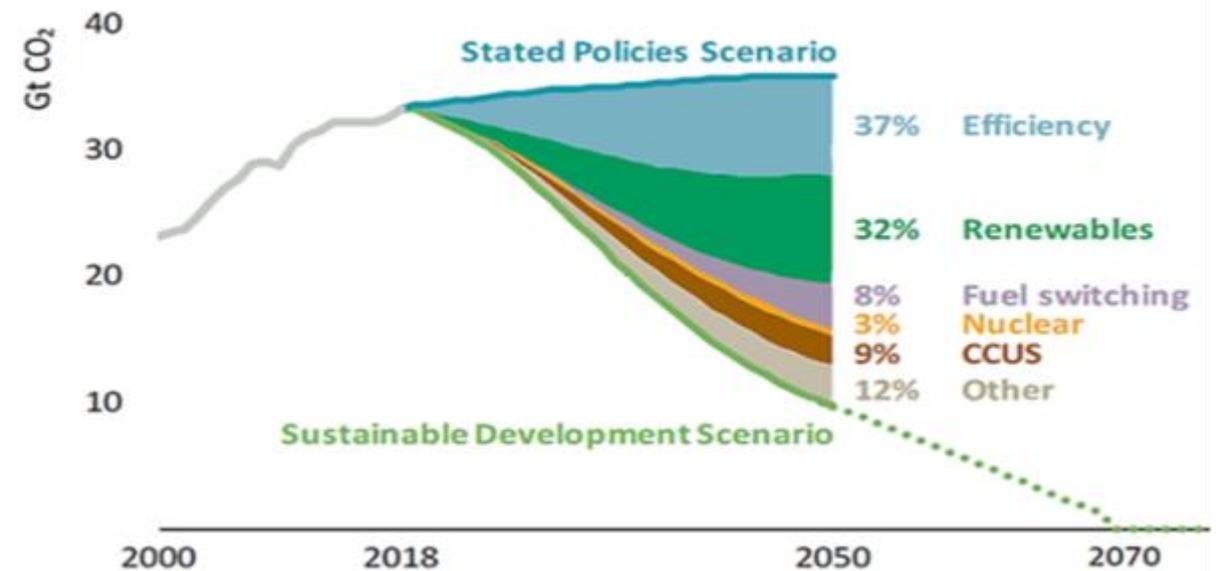
Transition towards renewable energy



Low-carbon transport solutions

Sources: Flaticon for Icons, source: Energy-related CO₂ emissions and reductions by source in the Sustainable Development Scenario compared with the Stated Policies Scenario (IEA, 2019).
<https://www.iea.org/reports/the-role-of-co2-storage>

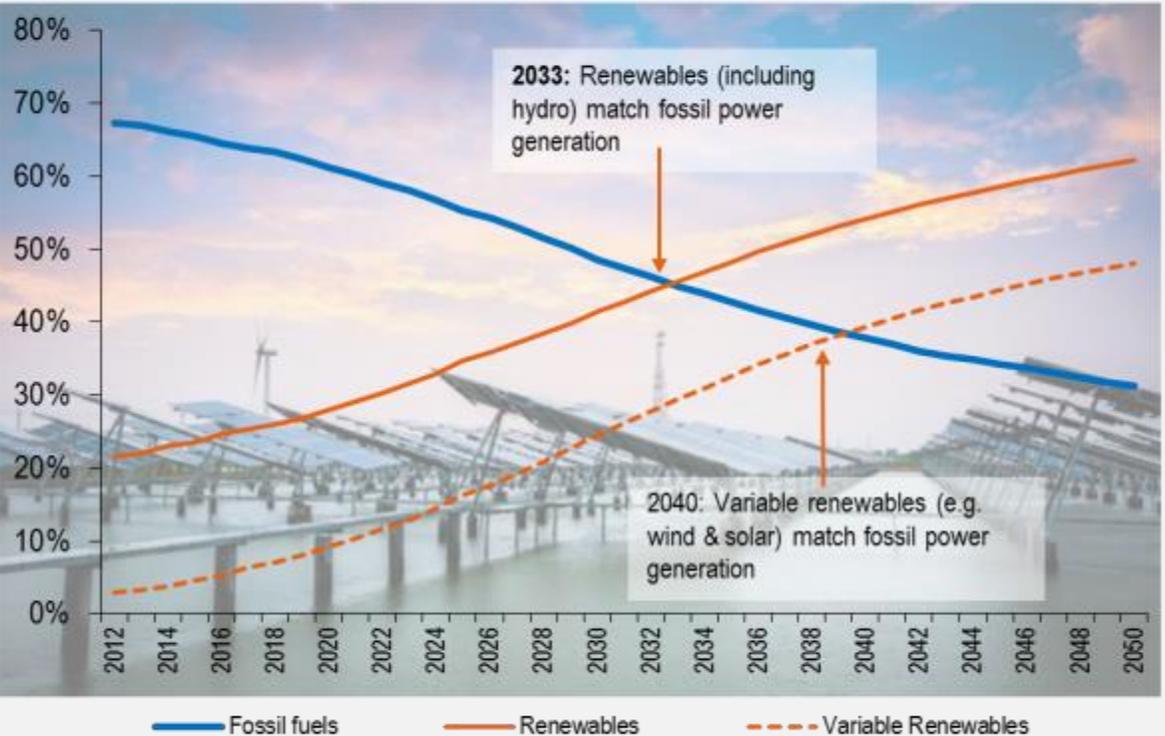
How each technology contribute in reducing CO₂ emissions



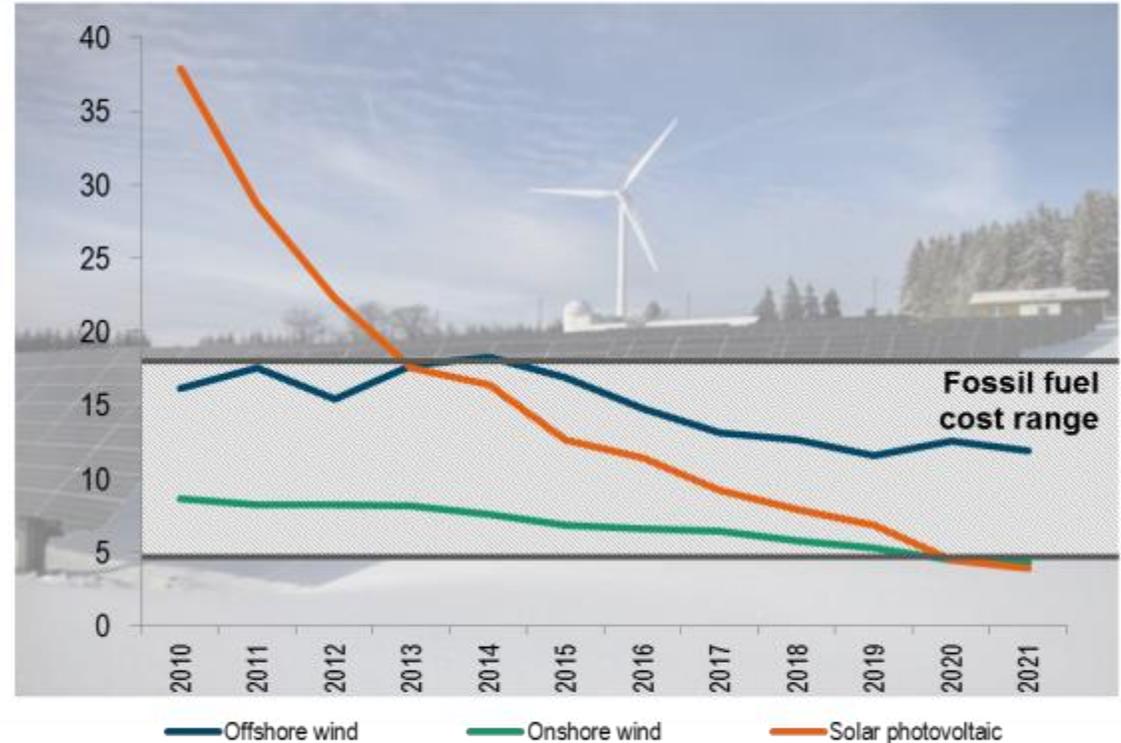
Global warming & climate change

Decarbonizing the global economy by switching to more renewable energy sources

Renewable share to match fossil by 2033, variable renewables like wind & solar by 2040



Levelized Cost of Energy by source
(price in USD/MWh)

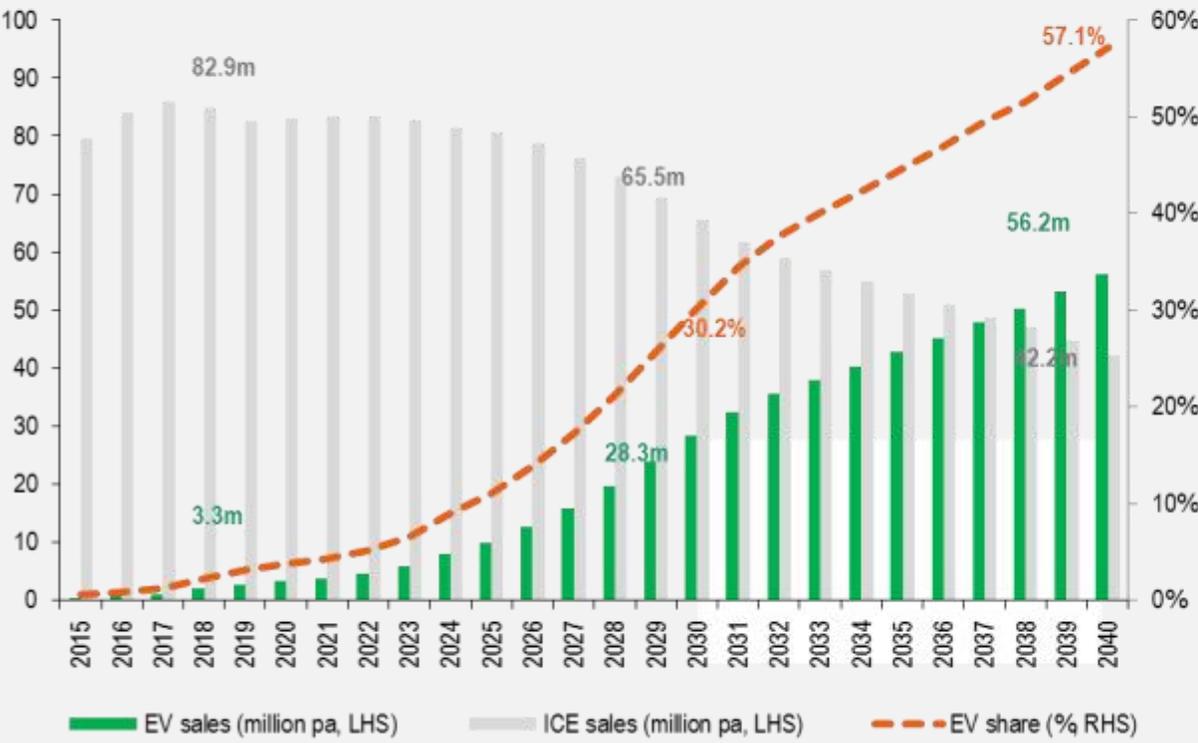


Sources: 1. Source: Bloomberg NEF data, BofA Global Research Graphic
2. Candriam, World in Data as at 31/12/2019, Irena and JP Morgan

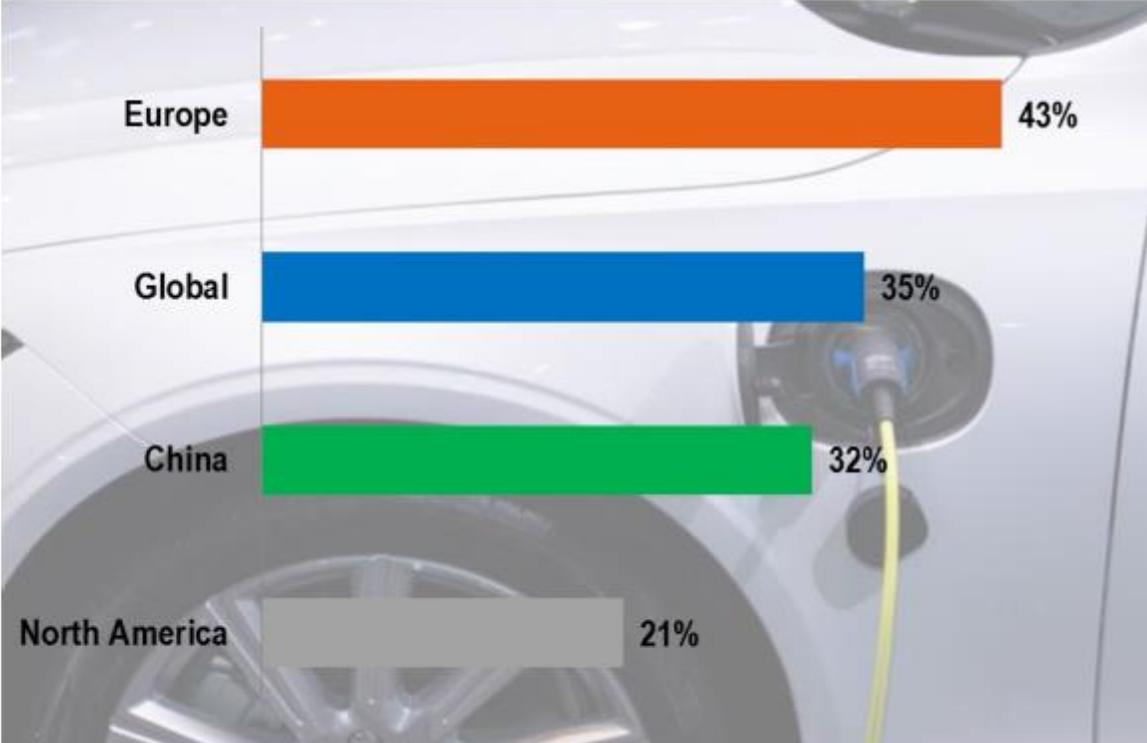
Global warming & climate change

Decarbonizing the global economy by using cleaner transport

Electric vehicle's market share will increase significantly



Estimated EV volume growth by region 2019-2025 (% CAGR)



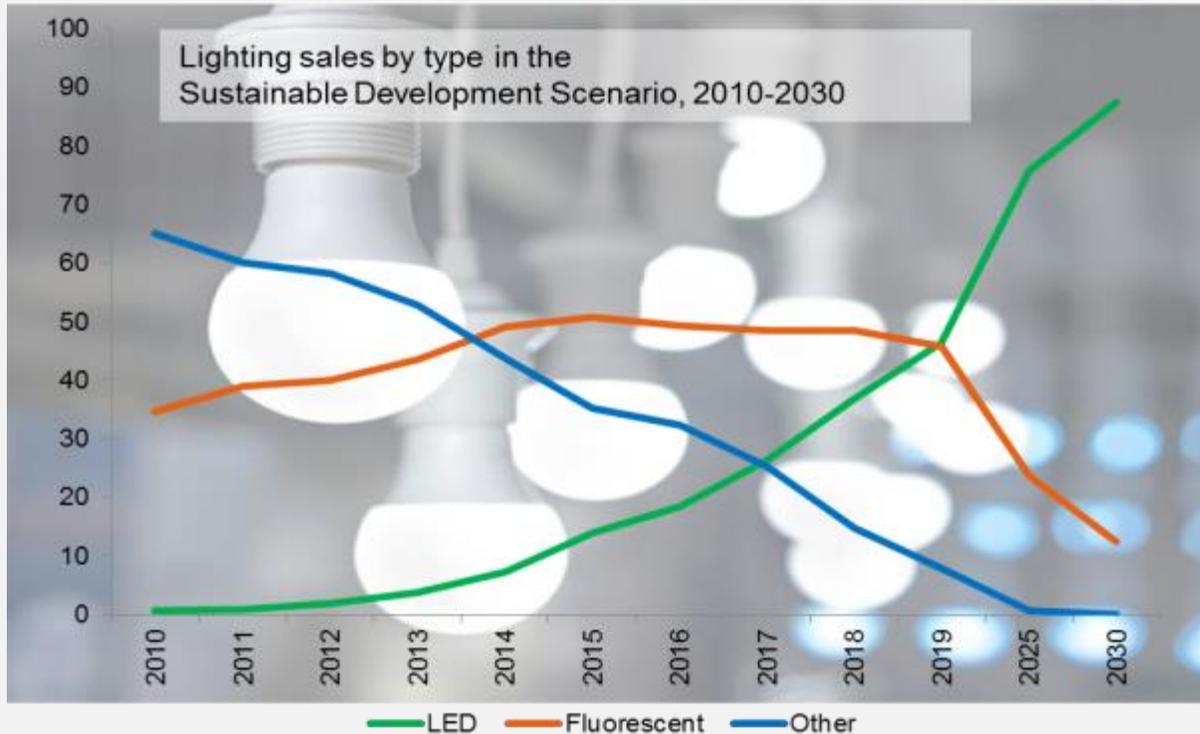
Sources: Candriam, BofA Global Research Estimates



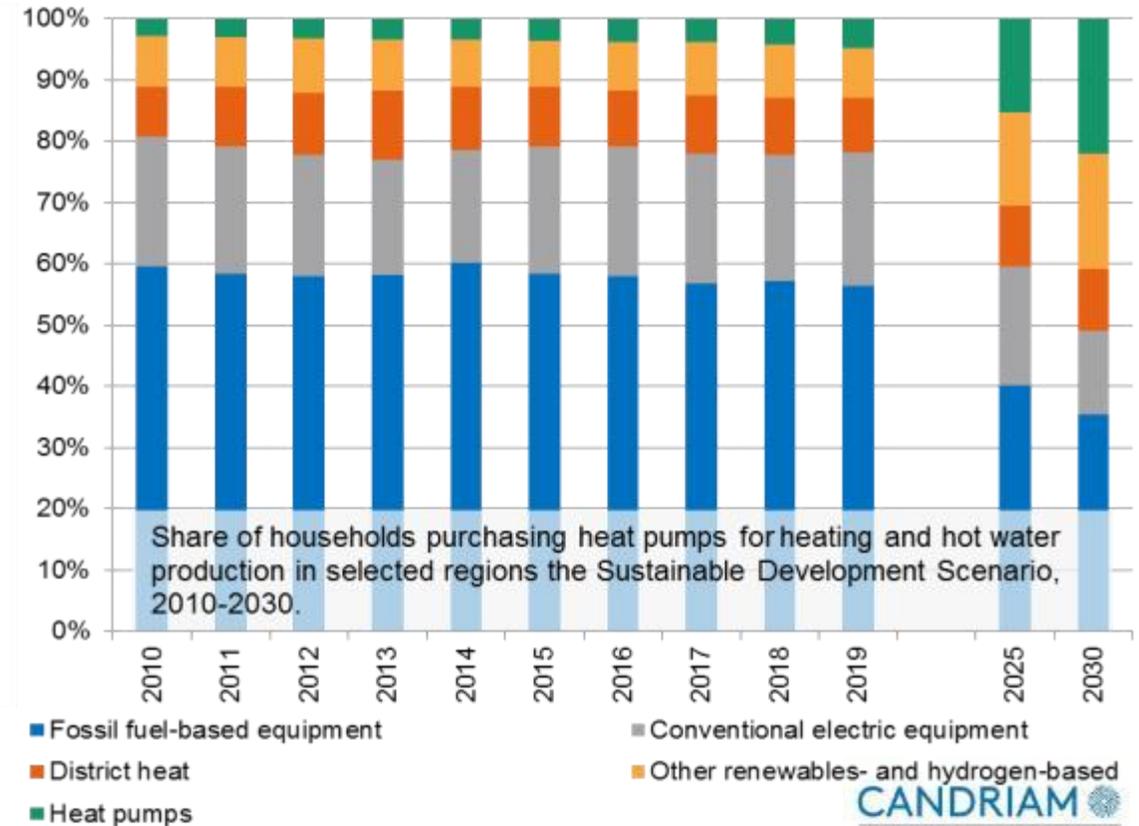
Global warming & climate change

Decarbonizing the global economy by increasing efforts on various domains

Residential and commercial LED deployment is advancing



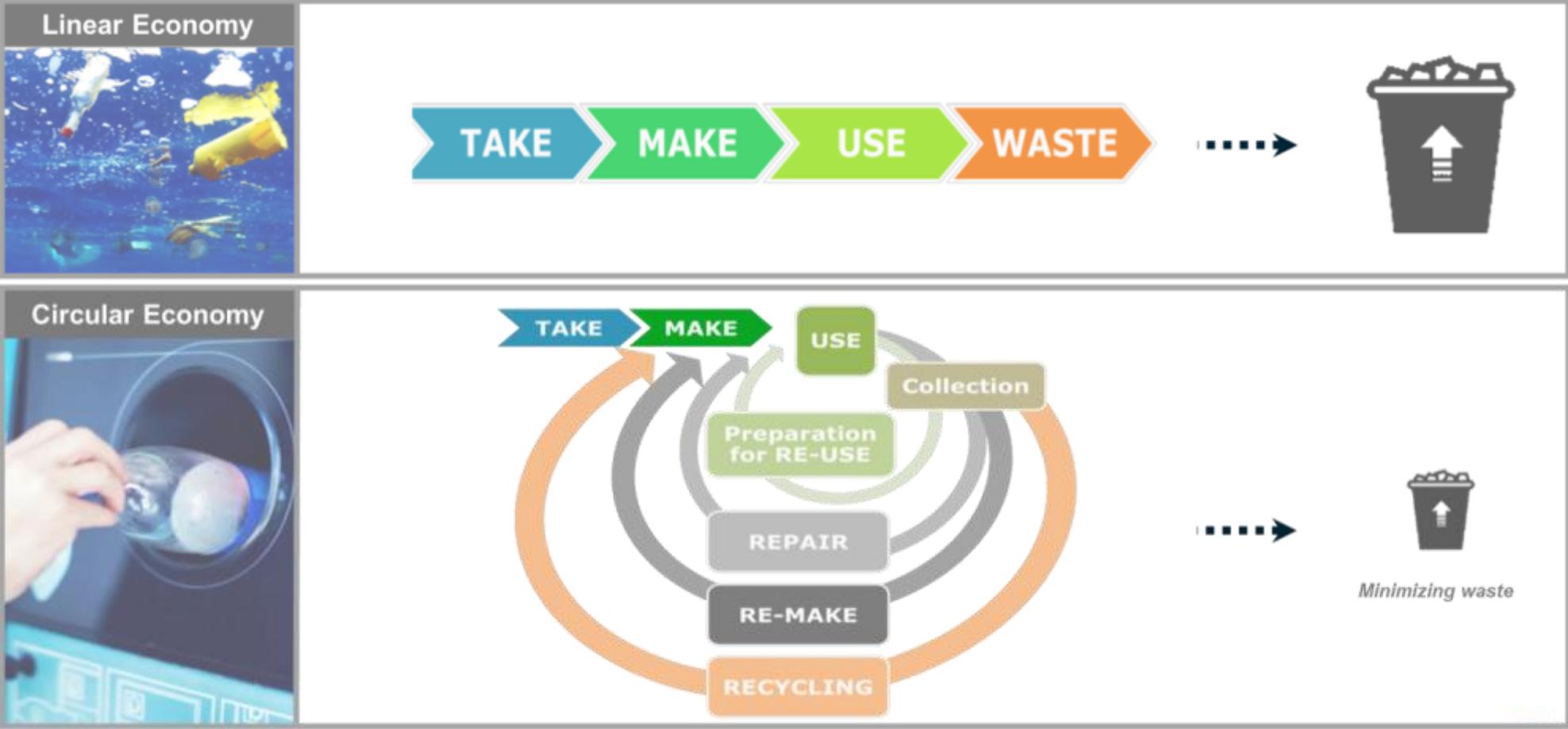
The share of heat pumps and renewables should reach more than 40% by 2030



Sources: Candriam, IEA (<https://www.iea.org/reports/lighting>, <https://www.iea.org/reports/heat-pumps> All Rights Reserved)

Overexploitation of natural resources & pollution

A circular economy is the solution to address this environmental challenge





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General objectives

Align with the Paris Agreement on climate change



Reduce GHG emissions

55%

by 2030

Decouple growth from resource consumption



Green transition
Just Transition Mechanism



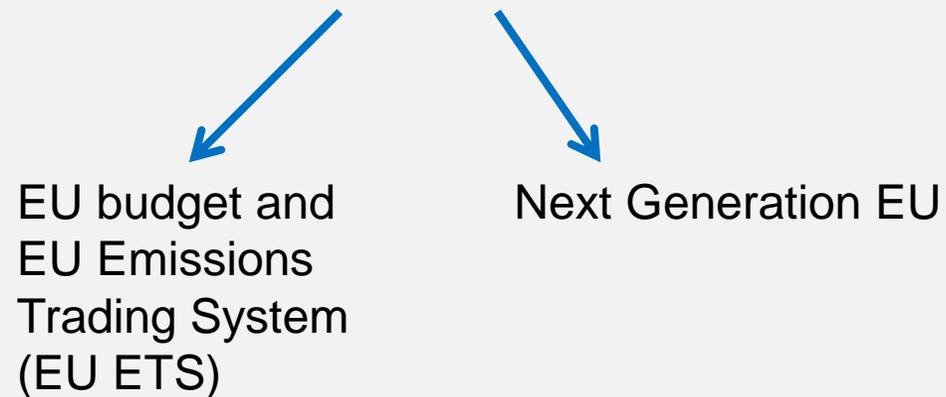
➔ An investment plan to channel public money to projects and innovations

Size and financing

A huge investment effort with two sources

Up to 1 trillion

2021-2027 (in EUR)*



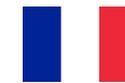
- Help the countries that were strongly hit by the pandemic...
- ... and the countries struggling before...



15%/GDP



10%/GDP



~1%/GDP



~1%/GDP

Sources: EU Commission, Candriam Economic & ESG Research * including member states emissions trading revenues

Targeted investments

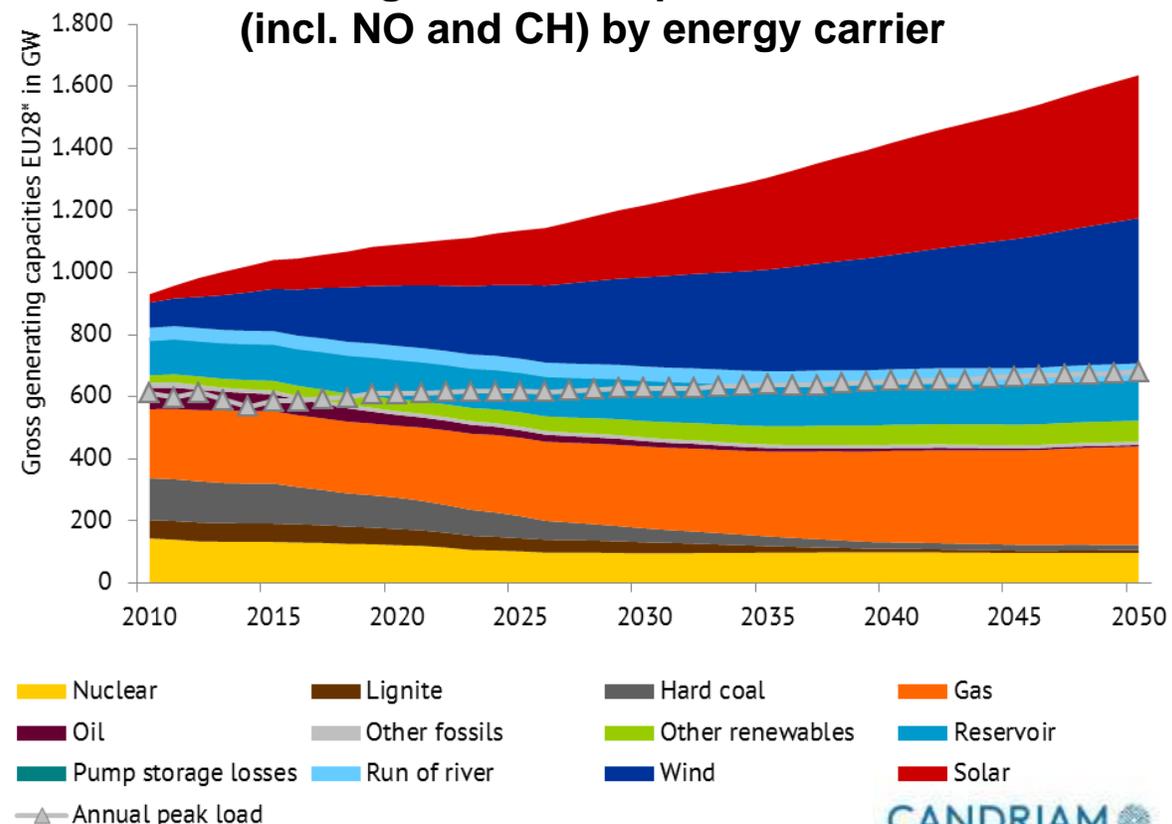
What has been achieved so far? 1. emission reduction objectives

The European Climate Law has made the EU's 55% emissions reduction targets legally binding.

75%
of total EU-27's
GHG emissions

Sources: World Economic Forum, European Council on Foreign Relations

Installed generation capacities in EU 28 (incl. NO and CH) by energy carrier



Targeted investments

What has been achieved so far? 2. increasing buildings' efficiency

The EU Renovation Wave envisages the overhaul by 2050 of 220 million buildings.

40%
of EU's energy
consumption

Sources: World Economic Forum, European Council on Foreign Relations



Targeted investments

What has been achieved so far? 3. improve agricultural efficiency

FARM TO FORK, the EU Code of Conduct on Responsible Food Business and Marketing Practices,...



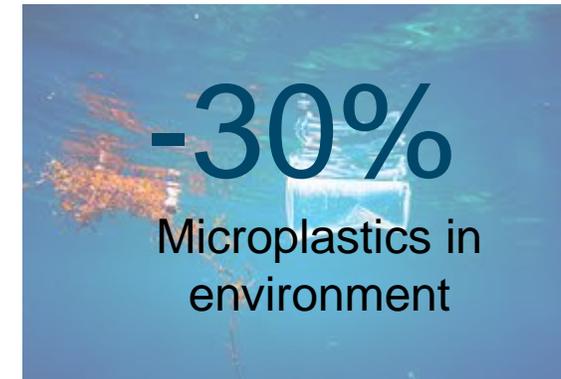
... to increase the availability and affordability of healthy and sustainable food options

Sources: Candriam, https://ec.europa.eu/food/horizontal-topics/farm-fork-strategy_en

Targeted investments

What has been achieved so far? 4. reduce pollution and waste

Towards Zero Pollution for Air, Water and Soil



➔ **Fostering zero pollution from production and consumption: first steps towards a circular economy**

Sources: European Commission

Targeted investments

What has been achieved so far? 5. a separate circular economy action plan

The EU's Circular Economy Action Plan

- Make sustainable products **the norm**;
- Empower **consumers** ;
- Focus on sectors that use the most resources and have the **potential for high circularity**
- Ensure **less waste** by transforming it into high-quality secondary resources



Source: Candriam, European Commission, <https://sdg.iisd.org/news/european-commission-adopts-circular-economy-action-plan/>

Targeted investments

What has been achieved so far? 6. legislative package to meet Paris Agreement

The “Fit for 55” package covers areas including:



renewables;



energy efficiency;



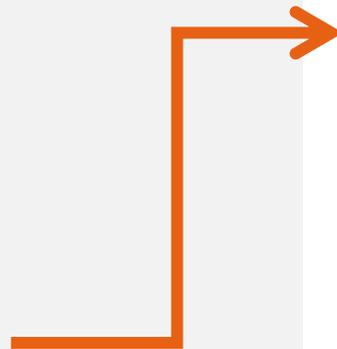
buildings;



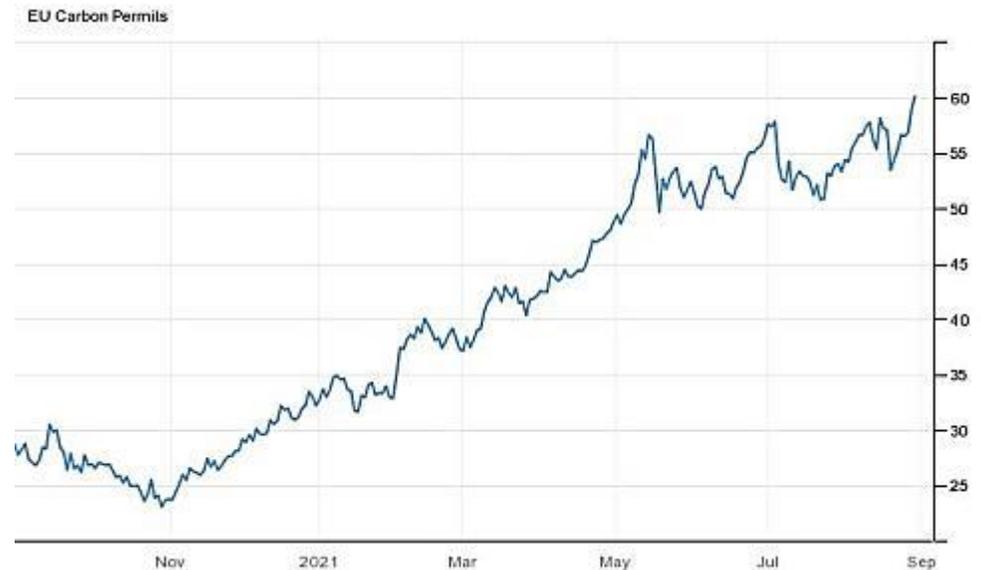
land use;



emissions trading schemes.



- Financial incentive > cap on emissions;
 - Allowance issues: cut back or buy;



SOURCE: TRADINGECONOMICS.COM

- Covers 40% of the EU's GHG emissions;

Sources: Trading Economics Carbon Emissions Allowances Prices are sourced from the European Union Emissions Trading System (EU ETS), the world's largest cap and trade greenhouse gas emissions market. Allowances for carbon emissions are first allocated considering EU directives for the maximum amount of greenhouse gases that can be emitted. Allowances for carbon emissions are then auctioned and traded.



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Is it enough?

Need for private capital investments



EUR 100 billion/year



200 TWh/year



7% of power generation

Significant? **Yes!** Enough? **Probably not...**

➔ **Also private capital needed!**

Sources: Candriam ESG Research

Is it enough?

Consumers should also step-up efforts

The role of the consumer

- 70% expects more from their country;
- 96% is willing to take action:
 - ▶ Recycling;
 - ▶ Changing consumption;
 - ▶ Changing dietary habits

➔ **Important opportunity and obligation to come together to create sustainable, inclusive growth for current and future generations.**

Sources: European Commission



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