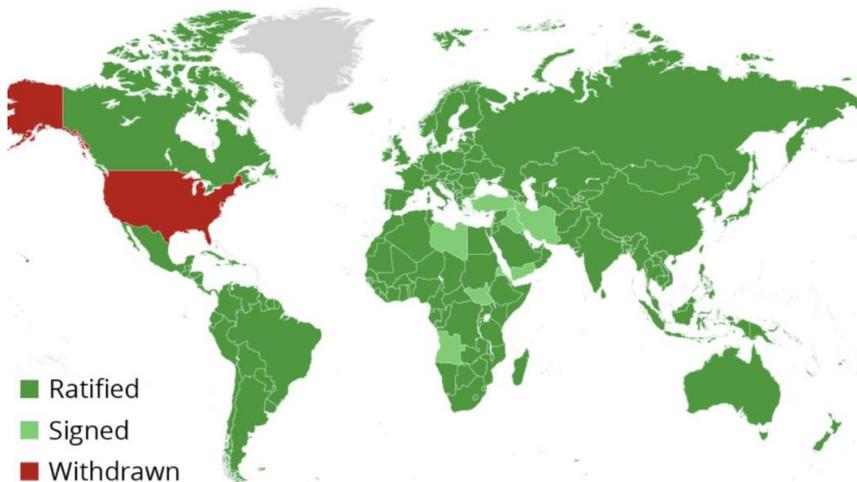




### Now not a question of evolution, but revolution

Over the past two months, we have seen some of the most stunning and transformational climate related announcements from the world's superpowers. China has committed to net-zero ambitions by 2060 (only ten years after the UK...), Putin has formally ordered cuts of 30% of greenhouse gases (GHG) by 2030 for Russia, and under President-elect, Joe Biden, on 20 January, the US will be re-joining the Paris climate change Agreement.

#### Countries by their participation in the Paris Agreement (as at 4 November 2020)



Source: UNFCC, statista

Looking at the finer points of these announcements, we can find some interesting and promising details, particularly from China and the US, the world's two largest economies.

In November 2020, according to Reuters, Putin formally ordered Russian government to cut GHGs by 30% by 2030, from 1990 levels. Whilst Russia is economically dependent on fossil fuels (energy products are by far the country's largest export), climate change is a threat to Russia. 65% of Russia's landmass is the Arctic, representing 10% of Russia's GDP, according to The Arctic Institute.

Biden's election as the next US President looks to deliver altogether more ambitious and detailed climate goals. Biden looks to commit the US to become carbon neutral by 2050, and for the economy to be both more resilient, and more sustainable. On Biden's first day in office, he will take the US back into the Paris Agreement, although this is likely to be the easy bit.

Biden is targeting \$2 trillion of infrastructure to deliver his carbon neutral ambitions. If approved, the spending will be focused across a range of sectors:

- **Infrastructure:** investment projects such as roads, bridges, green space and water systems to ensure they are able to withstand the impacts of climate change and to improve public health including access to clean air and clean energy.
- **Transit:** Biden wants to provide every US city with more than 100,000 residents with high quality, zero-emission public transportation by 2030. There are also plans to install 500,000 electric vehicle charging stations, and to

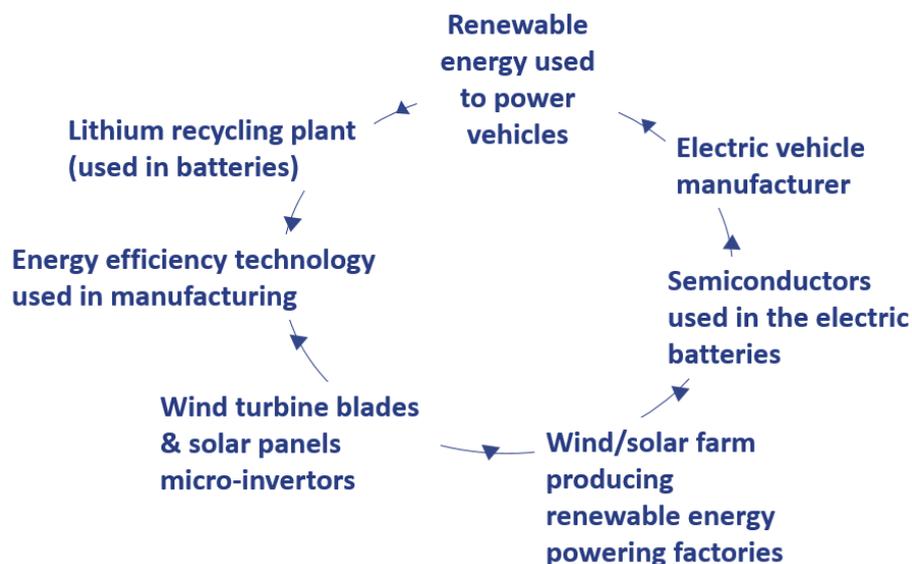
ensure all US built buses are producing zero emissions by 2030, including converting all 500,000 school buses to zero emissions.

- **Power sector:** the creation of a carbon pollution-free power sector by 2025 by spurring the installation of millions of solar panels and tens of thousands of wind turbines.
- **Buildings:** spur the building retrofit and efficient-appliance manufacturing supply chain by funding direct cash rebates and low-cost financing to upgrade homes and appliances.
- **Innovation:** drive dramatic cost reductions in critical clean energy technologies, including battery storage, negative emissions technologies, the next generation of building materials and renewable hydrogen. Increase research investments and tax incentives for technology that captures carbon including lowering the cost of carbon capture retrofits for existing power plants, ensuring the market can access green hydrogen at the same cost as conventional hydrogen within a decade.
- **Agriculture and conservation:** create jobs in climate-smart agriculture, resilience, and conservation, including 250,000 jobs plugging abandoned oil and natural gas wells and reclaiming abandoned coal, hard rock, and uranium mines

Biden is also planning the creation of a new Advanced Research Projects Agency on Climate. This new cross-agency looks to target affordable, game-changing technology to get the US to their 100% clean energy target.

China is planning for carbon neutrality by 2060, which will mean reducing carbon emissions by as much as 90% and offsetting the rest through natural systems or through technology that absorbs carbon. Whilst China is the world's largest producer of carbon, the country is also by the far the largest [investor, producer](#)) and [consumer](#) of renewable energy. One out of every [three solar panels](#) and wind turbines in the world are in China. By 2025, its battery facilities will be almost [double the capacity](#) of the rest of the world combined.

In the sustainable portfolios we run for clients, one of the major investments themes is that of the green revolution. Circa 20% of a LGT Vestra sustainably-invested portfolio is directly exposed to this theme. Whilst many people think of the first derivative trade to tap into the trend, there is a multitude of investment opportunities across the entire life cycle of the green transition:



Since the start of the year, momentum behind the green transition has continued to gather pace. Exposure to these businesses and sub-sectors in our sustainable portfolios have been performance accretive, however we believe this is part of a sustained long-term trend that will continue to attract attention from policy makers, and increasing numbers of investors.

#### Important information

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Investors should be aware that past performance is not an indication of future performance, the value of investments and the income derived from them may fluctuate and you may not receive back the amount you originally invested.