

# across | #1 the universe

Energy transition



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*Since 2015, the Intergovernmental Panel on Climate Change (IPCC) has published six assessment reports highlighting humanity's role in climate change, and the need to act swiftly to contain the rise in average temperatures to +1.5°C, while ensuring that land and ocean ecosystems are protected. This is an ambitious plan of action, which calls for contributions from States and companies, as well as the financial sector.*

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**To accelerate the energy transition in light of the climate emergency, it is more crucial than ever that we bring all players to the table, argue Hervé Guez, CIO for Equity, Fixed Income and Social Impact Investing, Raphaël Lance, Head of Energy Transition Funds, and Marc Romano, Head of Impact Private Equity at Mirova.**



**Hervé Guez**

*CIO of Equities,  
Fixed Income and  
Social Impact Investing*



**Raphaël Lance**

*Head of Energy  
Transition Funds*



**Marc Romano**

*Head of Impact Private  
Equity*

## What impact have geopolitical tensions had on energy transition and its financing needs?

**Hervé Guez:** These tensions have highlighted a self-evident reality: the need for the European Union and states more generally to achieve energy sovereignty, and to do so in a way that's consistent with climate objectives. Today, the consensus endorses renewable energies, which are accelerating all over the world, supported by ambitious initiatives, like the Inflation Reduction Act in the United States. Tensions with Russia are also shaking up the issue of gas supply, creating space for new solutions, especially as American gas is neither particularly clean nor affordable.

The development of biogas is still in its infancy but is set to grow from 1% of Europe's energy supply to 10% or 15% over the next decade<sup>1</sup>. Beyond these questions of energy supply and mix, which include a debate on the role of nuclear power, another issue is looming on the horizon: how to organise this market.

**Raphaël Lance:** Indeed, as Hervé points out, renewable energies are on a strong growth trajectory, but even greater acceleration is still essential. Investment to the tune of 100 billion euros per year in solar and wind power will be necessary to achieve the carbon reduction targets set for 2030 and 2050<sup>1</sup>. In addition to this, green hydrogen will be essential for decarbonising industry, further adding to green energy needs. These last still suffer from limited production capacity, a stumbling block that must be removed. Doing so will necessarily require financing for projects—but that's not all.

The crisis demonstrated the limits of the European common energy market. This policy must find itself a model that promotes European sovereignty and industrial policies. In terms of investment, we at Mirova believe it is essential that we contribute to financing along the entire value chain and across the full ecosystem involved in climate transition.

This is why we don't work in isolation, but rather ensure a continuum of investments spanning all asset classes, as well as companies at varying stages of maturity. This is true of my team on listed assets—it's also true in real assets for Raphaël and Marc's teams. We must rise to the considerable challenge of financing the players that will be capable of ensuring Europe's energy supply, companies that can contribute to reindustrialisation and create jobs.

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**Hervé Guez,**  
CIO of Equities, Fixed Income and Social Impact Investing

It is also important to lift the administrative barriers which, particularly in France, hinder the launch of new projects. This is all the more important in light of increasing international competition, as evidenced by the many countries seeking to create favourable conditions for establishing green infrastructure.

**Marc Romano:** In addition to the issue of energy sovereignty that it highlights, the current context underlines the importance of financing innovations in the field of decarbonisation.

Potential applications abound, from construction, recycling and agriculture to energy efficiency... At Mirova, we have chosen to finance companies that have mature solutions in place and can support and assist the development of new trends. There is a huge need for growth capital, as a large part of the financial flows in Europe tend to be directed towards either venture or buyout capital. Given this situation, we wanted to provide real additionality in a market segment that is under-addressed.

1. Source: [Panorama of climate finance](#), I4CE, 2022

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## Since financing the energy transition is a sovereignty issue, and increasingly competitive, shouldn't we be concentrating our investments in Europe?

**Hervé Guez:** Global warming is just that—global, so we must look for investments that will have the greatest impact, which means going international. Africa has enormous needs for investment in electrification, and we know this will also have positive social repercussions for the population. As a mission-led company, Mirova tries to address these issues capitalising on every tool available and at the global level, including in emerging markets.



**Raphaël Lance:** There is still a lot of liquidity in the markets, but some geographical areas suffer from a lack of financing, such as Africa. At the same time, as Hervé pointed out, we know that the benefits of investment in these areas are tremendous, including for local communities, so these challenges must be address. As a mission-driven global responsible investor, we are aware that much of the increase in global electricity demand will come from non-OECD emerging economies. Accordingly, we are expanding our presence in Asia and Africa in particular.

**Hervé Guez:** At the same time, we must be committed to supporting our own national industrial policies: companies should not yield to the temptation to list on foreign stock exchanges, for example. The success of our economies hinges on an alignment amongst their constitutive agents and our ambitions in terms of sovereignty.

**Marc Romano:** It is also important to point out that innovations may be produced by a foreign company and used on European soil, or even have a production unit there, thereby creating jobs and value. Through our impact private equity strategy, we have invested in a Canadian company whose robots esort heavy waste and opened offices in Europe. Beyond Canada, there are many innovative companies in North America and the Nordic countries.

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**Raphaël Lance,**  
Head of Energy Transition Funds

## How do you see the role of public policy in the energy transition?

**Raphaël Lance:** Government intervention comes with a risk of political instability that could disrupt certain players or sectors, for instance, when governments change their tariff support policies. Likewise, changes to taxation can contribute to uncertainty, and the currently high levels of government debt makes us fear political changes of this kind. On the other hand, it's important to recognise the indispensable role that states may play in financing certain innovations or energy solutions. Their commitment is essential if we are to succeed in promoting green hydrogen, for example.

**Marc Romano:** Certainly, regulation can drive accelerated adoption for certain innovations, by creating new markets and by encouraging the growth of those companies that undertake such innovations.

**Hervé Guez:** Energy policy, the circular economy and biodiversity, are all subjects that are taking shape as we speak, and therefore evolving rapidly in terms of regulations. Given this reality, it is necessary to possess extensive expertise that is not easy for investors to access. Addressing these issues calls for active management.

Even passive green funds do not seem to us capable of addressing the market properly, as each company needs to be thoroughly examined before the decision to invest. Such analysis requires the combined expertise of research and managers, as well as the skills of highly specialised professionals, such as the environmental engineers we have on our teams.

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**Marc Romano,**  
Head of Impact Private Equity



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