

Green goes the growth

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The ecological transition has begun. Among many others, one figure illustrates this particularly well: renewable energies accounted for 80% of new capacity installed in Europe in 2017. Faced with the rapid depletion of natural resources and the degradation of our planet, new production and consumption models are gradually beginning to take hold.

Eco-activities, drivers of the ecological transition

Driven by economic actors, encouraged by government policies, local authorities and citizens, eco-activities seek to decorrelate economic growth from the depletion of natural resources. The preservation of various balances is at the heart of these models: economic balance, ecosystem balance, social balance.

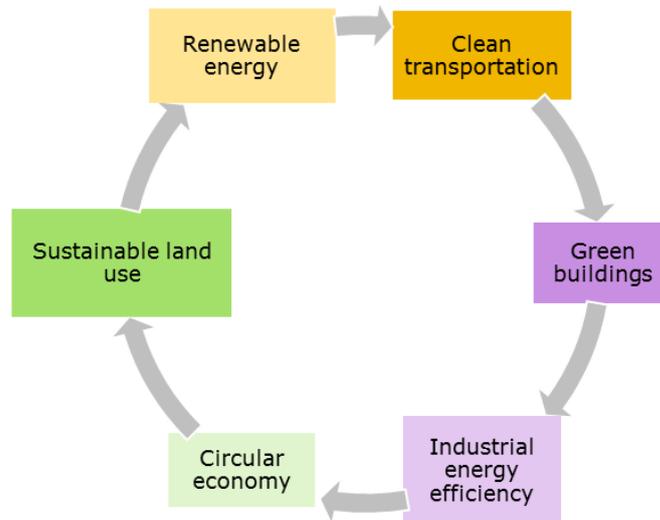
Far from being limited to a few specific developments, such as electric vehicles or renewable energies, the ecological transition concerns the entire economy. Eco-activities concerns those goods and services capable of measuring, preventing, limiting or correcting environmental impacts, whatever the economic field. The TEEC1¹ (French green label), supported by the Ministry for the Ecological Transition, lists activities ranging from green buildings to the circular economy, including sustainable land use. Eco-activities are intended to bring about profound changes in business models and lifestyles.

Sector by sector, companies are increasingly vigilant regarding the environmental impact of their activities. The most agile and innovative companies are positioning themselves on "green" solutions to benefit from new growth opportunities. This rational approach on the part of economic players aims on the one hand at better control of operational and legal risks, and on the other hand at exposure to green growth opportunities. The players positioned in such eco-activities will benefit from these opportunities associated with the ongoing ecological transition.

In terms of investment, significant opportunities are emerging, whether within a particular eco-activity or through a synergy of different eco-activities.

¹ This certification is awarded to investments focused on financing the ecological and energy transition

The universe of eco-activities as defined by Mirova



Sustainable land use: a different agriculture is possible

Our social model is based on intensive agriculture, relying on monocultures far removed from the natural ways in which ecosystems function. Soils are exhausted, degraded, even sterilized. High external inputs of mineral fertilizers (phosphates, potash) are necessary to improve yields, and plant protection products are used to preserve crops. Agriculture has thereby become a sector that uses large quantities of toxic products, which, on the one hand, spread throughout the food chain (where they decimate species), and on the other hand, end up in consumers' products. Moreover, this agricultural model is moving away from consumption basins, to specialize in certain fertile and watered areas. Agriculture has therefore become one of the activities with the highest CO₂ emissions (24% of global greenhouse gas emissions come from agriculture and deforestation). However, this model is reaching its limits, both in terms of productivity and quality. To see this, one only has to look at the growth of organic products: they represent less than 5% of all agriculture, but their growth rate is over 10% per year. And that is without counting sustainable agricultural products, which are not always labelled. Consumers increasingly prefer healthy food to protect their health and preserve the environment (soil quality, biodiversity). In terms of investment, responsible agriculture and food are a significant vector for growth. An evolution towards more sustainable agricultural practices is under way: innovations in biotechnology, precision agriculture, certification mechanisms for organic practices are all levers and vectors of transformation. By way of illustration, innovation resulting from biotechnological research can contribute to maintaining agricultural production yields while protecting the environment from negative impacts. For example, the Danish group Chr Hansen, a specialist in enzyme and probiotic production technologies, offers alternative solutions to chemicals by offering substitutes based on "living technologies". Chr Hansen promotes human and animal nutrition and sustainable agriculture. The group has posted annual growth of over 10% over the past five years.

In these sectors, as in many others, we believe there are considerable growth opportunities.

At the confluence of eco-activities: green buildings

In building design, we now know how to introduce high-performance technologies to regulate energy consumption, better insulate buildings and create a habitat-specific ecosystem. This involves capturing external energy through heat exchange, greening roofs, or recycling water through wetland ecosystems. Inspired by nature and made possible by technology, this approach proposes a new balance by reproducing the functioning of the plant ecosystem. It also reduces the dependence of buildings and aims to optimize the use of resources, whether external or internal. The green buildings sector thus involves several eco activities: the circular economy, renewable energies, and energy efficiency. This approach, found in other sectors, seeks to move us away from an extractive model, which can only grow by depleting resources, and to promote more sustainable ways of life and functioning. In green buildings, thermal investments (insulation, lighting, heating) have become attractive, with quantifiable reductions in energy consumption. Green investments thereby managed a financial return (the present value of expected savings). In addition, the environmental value of real assets is materializing, in line with new energy sobriety standards (RT2020, BBC). The Swedish company NIBE has built its success on heating solutions, namely heat pumps. These aim at a substantial reduction in energy consumption, in the order of 30% to 40%, and a sustainable reduction in the energy bills of buildings. As a result of this strategy, NIBE has grown at an average annual rate of over 8% over the past five years.

From eco-activity to stock selection

Mirova's philosophy is based on placing key sustainable development issues at the heart of its investment policies. All the strategies developed by Mirova aim to select assets that combine economic profitability with a positive environmental and social impact. The environmental prism therefore constitutes an attractive and value-creating approach to exposing investors to the major transitions to come in the management of long-term savings. This is all the more the case since the concept of eco-activity makes it possible to define a universe of companies positioned on long-term challenges, whose growth potential is significantly greater than global growth. It is a question not only of understanding, but also of choosing. At the heart of this universe, the choice of investment will above all be the choice of a project. Investing in a company implies understanding its innovation potential, its technological expertise, its competitive advantage, its exposure to long-term trends, and its risk control. It is important to understand your economic project, but also and above all, your business project. This choice will be made by analysing the so-called "extra-financial" factors, which provide additional insight into a company's strategy, its management of environmental and social risks and also its governance.

The transition from a carbon-intensive and ecosystem-destroying extractive economy to a green economy has begun. The awareness of the climatic urgency is enabling us to remove the brakes and to accelerate the emergence of new business models. Green growth, which creates environmental value first, will also contribute to the creation of economic and shareholder value.

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