

Ethical-Ecological Investment: A way towards Sustainability?

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Overview

- Introduction (Sustainability – Social Responsible Investment/SRI)
- Sustainable Financial Market (Products, Approaches)
- Current Project: Innovative financial instruments for biomass
- Market Data
- Can SRI achieve change? (Benefits)

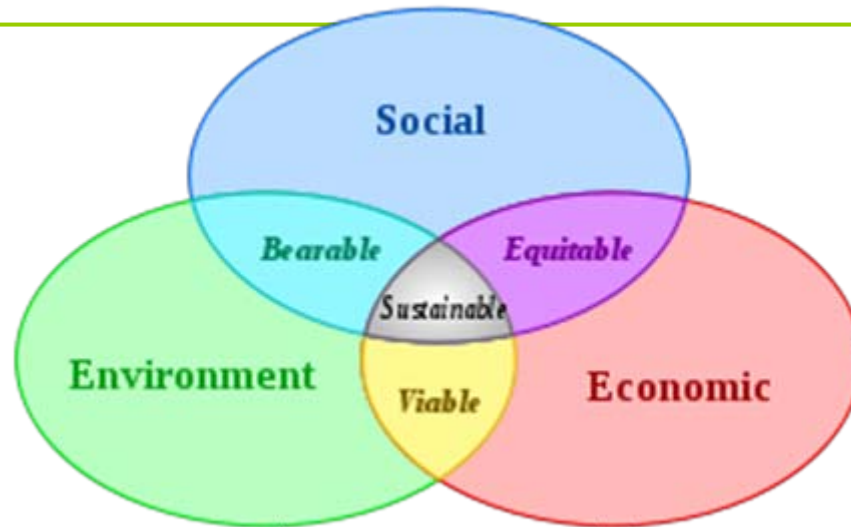
1 Sustainable Development



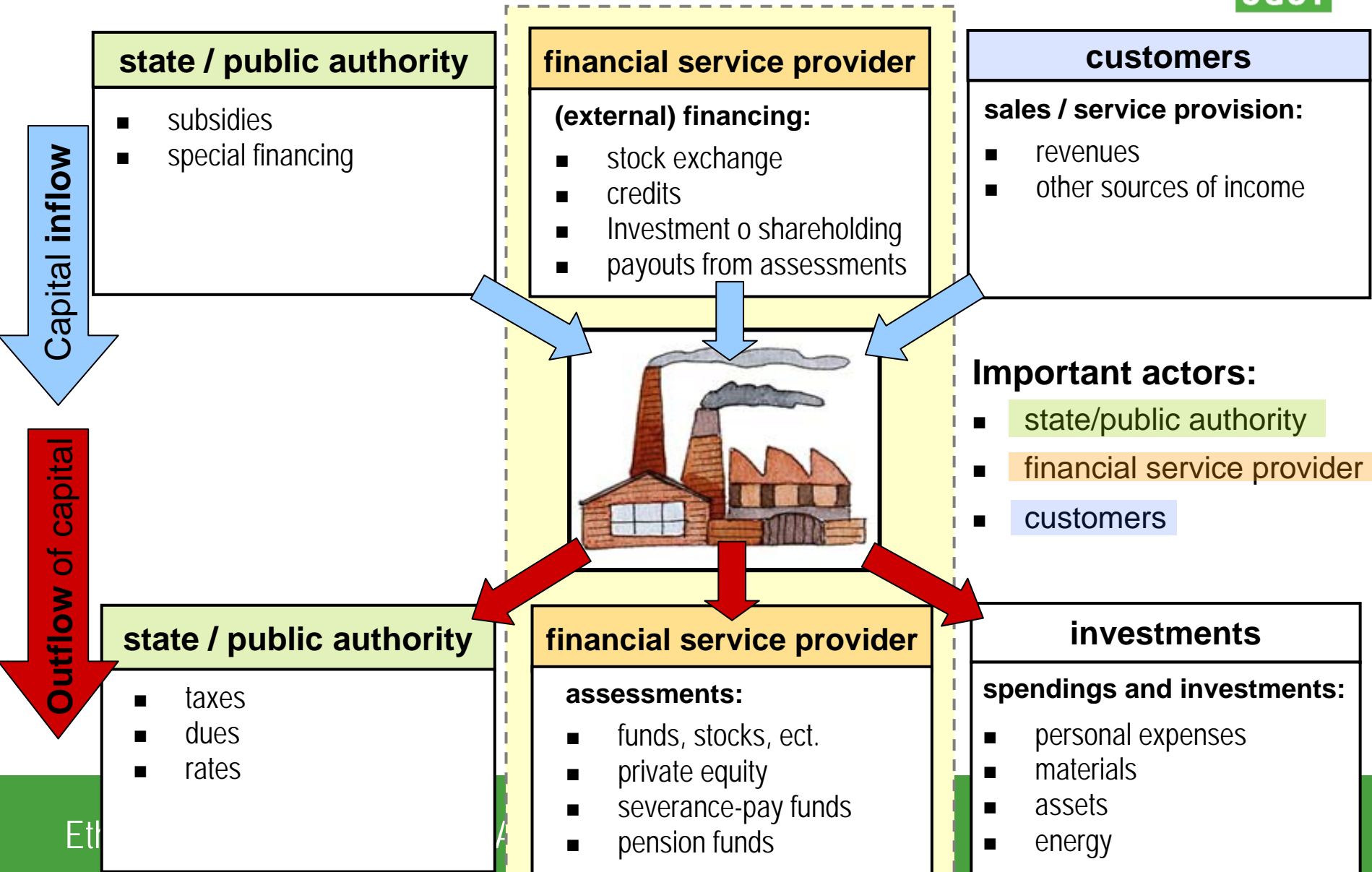
■ Definition:

Sustainable development is a pattern of resource use that aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for future generations.

(Report of the Brundtland Commission, Our Common Future, 1987)



1 Sustainable Financial Market



1 The Values Investor

Several roles in our lives:

- Voting
- Working
- Buying
- Investing

We contemplate our supporting or opposing roles as

- Voters
- Customers
- Employees



What are our roles as investors?

1 Social Responsible Investment

■ Definition

„Social Responsible Investment“ (SRI), a generic term covering ethical investments, responsible investments, sustainable investments, and any other investment process that combines investors´ financial objectives with their concerns about environmental, social and governance (ESG) issues.

- **Example: Investments in ethical and environmental friendly firms**
 - ◆ Corporate Social Responsibility (CSR)
 - ◆ Products or services with an economic, ecological or social additional benefit.

1 History of SRI I

- Origin in 18th century, USA – Quaker
- First SRI Fund: Pioneer Fund (1928) – ethical exclusions:
 - ◆ No guns
 - ◆ No liquor
 - ◆ No tobacco
- Religious Institutions are precursors of social investing

1 History of SRI II

- Peace movement 60s-70s influenced SRI: Vietnam War, Apartheid South Africa



Photo: (Nick) Ut Cong Huynh, Vietnam, The Associated Press.

1 History of SRI III



- Late 90s: promoting environmentally sustainable development
- Climate change: significant business and investment risk
- First ecological – oriented fund: New Alternative Fund (launched 1982)



2 Sustainable Financial Market I



SRI Strategies:

- **Absolute criteria (ethical exclusions, positive or negative criteria)**
 - ◆ Eco-Fund (environmental engineering firms, Eco-pioneers, Eco-Leader)
 - ◆ Ethical-ecological funds
 - ◆ Thematic funds (e.g. climate change, water)

- **Best-in-Class (Relative Kriterien)**
 - ◆ Sustainable Investment funds

- **Engagement**

2 Sustainable Financial Products

- Eco – savings account
- Microfinance (e.g. oikoscredit)
- Funds
 - ◆ **Money market fund** (e.g. ESPA VINIS Cash A)
 - ◆ **Equity fund** (e.g. SUPERIOR 4-Ethik Aktien)
 - ◆ **Balanced fund** (e.g. Raiffeisen-Österreich Rent A)
- Venture Capital (e.g. Renewables)
- Etc.

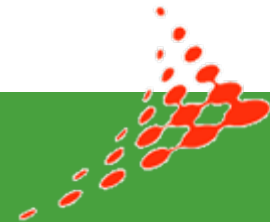
3 Project: Innovative financial instruments for biomass



- Financed by the Austrian Research Promotion Agency (FFG) – programme line „Energy of tomorrow“
- **Aims:**
 - ◆ Innovative financial instruments for biomass – requirements and development of a private equity fund
 - ◆ Launch innovative biomass-technologies in a large scale



*Biomass cogeneration plant:
Simmering/Vienna.*



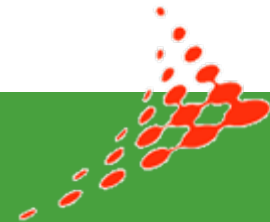
3 Project: Innovative financial instruments for biomass



- Present status – policy targets:
 - ◆ „EU-energy-climate package“: reduction of GHG emissions by 20% by 2020; increase the share of renewable energy to 20% by 2020
 - ◆ **Climate protection targets Austria**: increase the share of renewable energy to **34%** by 2020; double biomass energy use by 2020



Photo: www.Energy20.net



3 Project: Innovative financial instruments for biomass



- Present status – funding
 - ◆ Barriers of the funding of projects and companies which contribute to an increased deployment of renewable energy
- Present status – investing:
 - ◆ Increasing demand for green investment possibilities
- Present status – government regulation:
 - ◆ Existing subsidies up to 30% of investment costs; barriers within Eco Electricity Act



3 Project: Innovative financial instruments for biomass

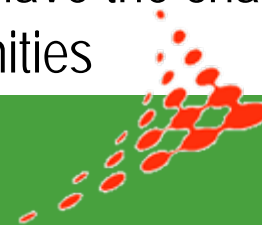


■ First Results:

- ◆ Additional energy demand of biomass in Austria by 2020: 70 PJ (2005: 118 PJ)
- ◆ Requirements for biomass technologies by 2020: 5.8 – 10.8 bn EUR
- ◆ Private equity fund: especially need of < 2 m EUR projects

■ Project Results:

- ◆ Financing-brochure
- ◆ Required steps for launching a new biomass fund
- ◆ Event: Selected project operators and companies will have the chance to present themselves as interesting investment opportunities

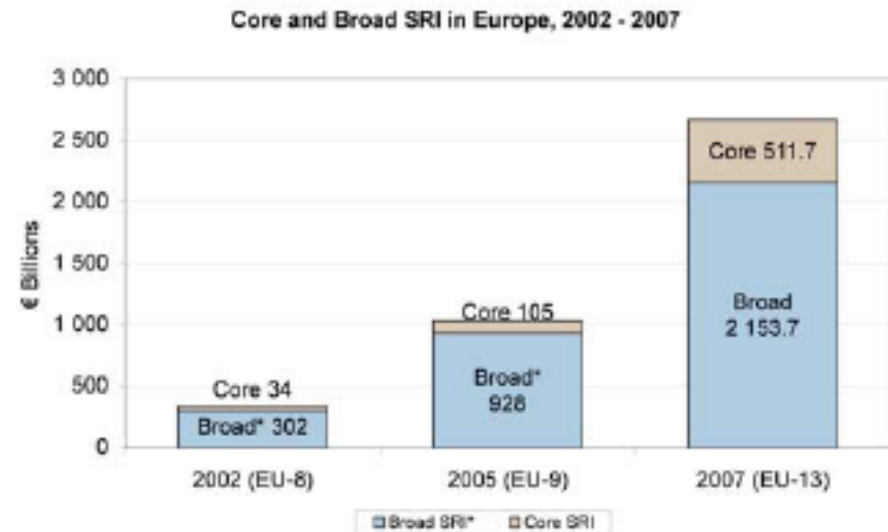


4 Market Data I – European SRI Study (Eurosif 2008)



■ Market Size – Market Growth

- ◆ 2,67 trillion total SRI assets
- ◆ 17.5% of the asset management industry in Europe
 - 14.2% Core SRI
 - 3.4% Broad SRI
- ◆ Growth of 102% since December 2005 – annual growth rate of 42%



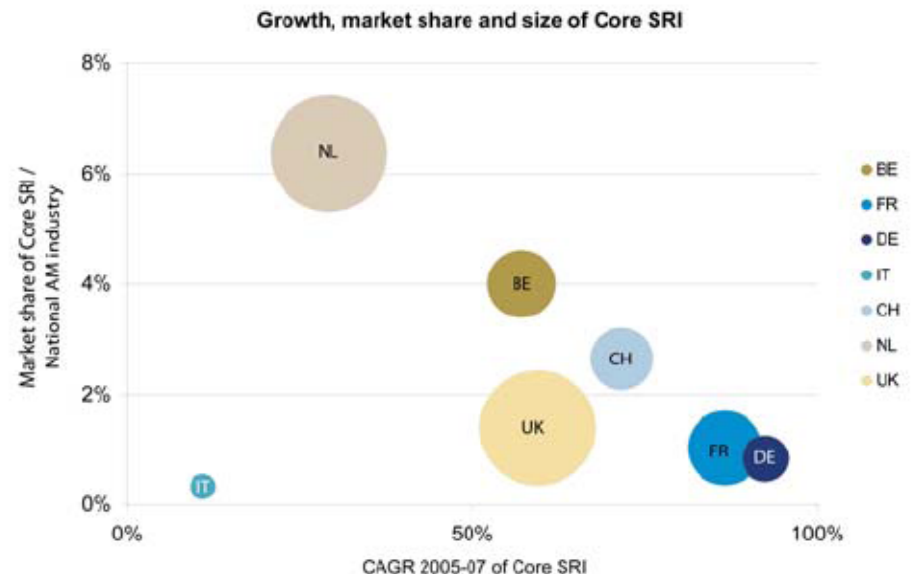
Source: Eurosif European SRI Survey, 2008

4 Market Data II – European SRI Study (Eurosif 2008)



■ Market Share: Core SRI by country

- ◆ NL (70 bn Euro)
- ◆ GB (67,4 bn Euro)
- ◆ S (56,8 bn Euro)
- ◆ CH (21,5 bn Euro)
- ◆ D (11,1 bn Euro)
- ◆ Ö (1,1 bn Euro)



Source: Eurosif European SRI Survey, 2008.

Note: bubble size represents the size of Core SRI.

4 Market Data III – European SRI Study (Eurosif 2008)



■ European SRI market's growth is driven by:

- ◆ An increasing demand from institutional investors, for which responsible investment becomes a matter of risk management, particularly around the area of climate change,
- ◆ A further mainstreaming of Environmental, Social and Governance (ESG) considerations into traditional financial services,
- ◆ External pressure from NGOs and media,
- ◆ A growing interest from individuals, particularly wealthy individuals.

5 Can SRI Achieve Change?

- **SRI is actually an effective way to change the world if...**
 - ◆ many people practice it
 - ◆ the wealthiest individuals of the planet are interested in SRI
- **SRI is actually an effective tool to change the world because...**
 - ◆ it is one step ahead of legislation
 - ◆ it is a global instrument

5 Benefits of SRI

■ Benefits for Investors

- ◆ In compliance with personal values
- ◆ Promoting sustainable development

■ Benefits for the Environment and Society

- ◆ More transparency
- ◆ Influencing on harmful activities to the environment
- ◆ Financing of ecological and social projects

Thank you for listening!



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