

Jobs, energy, and a lot of hot air!

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For thousands of years, Aesop’s fable ‘The North Wind and the Sun’ has taught us the idea of persuasion over force. The tale goes that the warm glow of the sun was better at making the traveller remove his cloak than the howling force of the north wind.

For the last 30 years, climate scientists have not taken heed of the famous fable. They have used hot air and threats when trying to make people join the battle against climate change, but unfortunately, it hasn’t been enough.

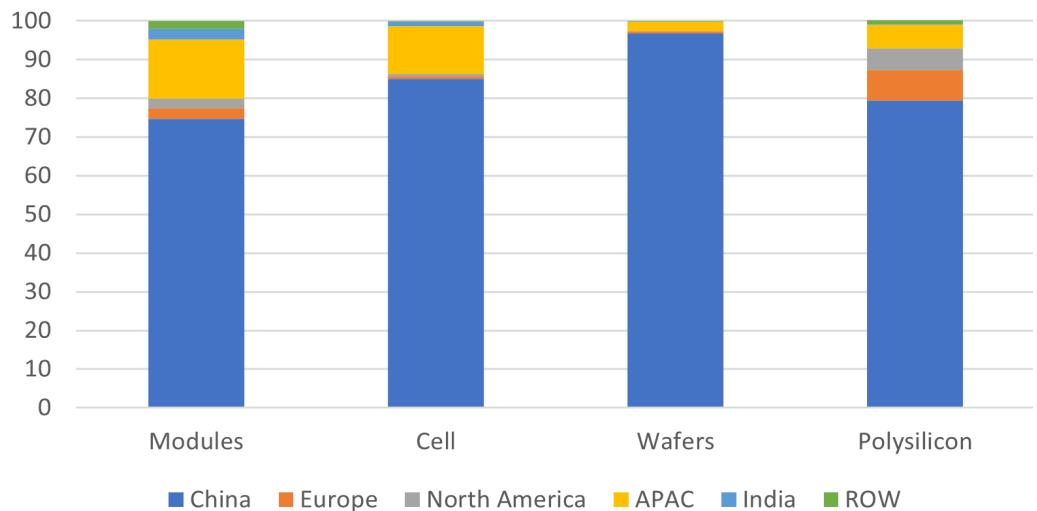
What they needed to do was persuade the public and governments that investing in the planet was not just beneficial to our planet, but could boost jobs and make energy supplies more secure. The promise of jobs and energy supplies has led to dramatic changes in legislation in the US, Europe and beyond.

What has helped these persuasive voices? Firstly, the dominance of China in the supply chains of mature green technologies like solar and wind has woken up politicians everywhere, from Brussels to Washington. Market forces do not work well when there’s a player like China throwing state money at home-grown industries. The chart below shows how China dominates solar technology. Western politicians do not want China stealing a march in new industries like hydrogen and carbon capture.



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Solar production by region



Source: <https://www.iea.org/data-and-statistics/charts/solar-pv-manufacturing-capacity-by-country-and-region-2021>

Fig1. China dominates solar technology production across the board.

Secondly, the war in Ukraine has also focused minds. For decades industry in Europe grew fat on cheap gas and easy money. Mr. Putin has put paid to that in one move, and if Germany wants to keep the lights on in its industrial heartlands, it must act now. The gloves are off, and politicians are now happy to dig into their pockets and spend on industry. This will not only curtail Russian gas exports but give an extra boost to the energy transition.

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The change in climate legislation has been swift. The US was the first to move, with the passing of the Inflation Reduction Act in August 2022. This increased incentives for green industries in the US and accompanies similar policies in semiconductors. The European Union published their plans on 1 February 2023. The Green Deal Industrial Plan's main ambition is to enhance the region's net-zero industry. It is about boosting skills and providing quality jobs for the masses. The benefits to the climate are a cherry on top.

Critics of these policies lament the return of protectionism and argue that this will lead to overproduction in certain industries. It may not be optimal from an economic perspective that Europe, the USA and China are all subsidising hydrogen and carbon capture industries. But the climate doesn't mind either way. These subsidies should drive prices lower and make these technologies more competitive against fossil fuels.

These persuasive forces are working in unlikely places such as Florida, the reddest of red states, which has Ron DeSantis as Governor, the next challenger to Donald Trump. He recently vetoed a House Bill that would have severely curtailed subsidies for rooftop solar power in the state. This is a huge win for NextEra, which has its headquarters in Florida and is the largest producer of solar energy in the USA. He didn't do this to help the environment but for what it could do for jobs and inflation.

It has become clear that the bluster of climate science hasn't worked, and it is the promise of jobs and security that is driving real change and giving politicians a warm feeling. Some may fear the return of protectionist policies, but others see this as a logical counter to the likes of Russia and China. Either way, the climate is the real winner.

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