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Climate Change is a generational opportunity for Europe

The COVID health crisis of 2020 created a synchronised economic depression. Europe's response was the creation of a €750bn European Recovery Fund. However, rather than just deploy the capital, Member States chose to focus on a Green Recovery, with a significant proportion of the funds to address the existential threat of climate change and the protection of the environment. In practice, this means EU spending is being guided by the newly developed Sustainable Taxonomy. The EU Recovery Plan is interlocked with the Commissions' 2019-24 priorities that included the realisation that "Europe needs a new growth strategy that will transform the Union into a modern, resource efficient and competitive economy". However, the real prize isn't intra-European, it's global.

European environmental legislation is not new. For years, Europe has been a first mover in safety standards and best practices that have become global standards. However, the European Green Deal marks a more dynamic approach and the Taxonomy has the potential to become the means by which the market will administer the carrot or the stick to companies. Winners will be those seen to solve the environmental crisis and the losers will be those thought to be the cause.

Combined these elements create the foundations for success. European companies that exhibit strong alignment with the Taxonomy will see their cost of capital fall compared with those that don't.

The goal of climate neutrality requires significant investment and innovation. However, the proposed technical screening criteria under the Taxonomy fails to reward transition. This risks excluding our existing stock of European companies from being part of the solution. Failure to nurture companies in transition could cause them to wither before sending up new shoots and lead to Europe dependent on imports to achieve its goal. If policy rewards companies through the transition phase we will grant our existing enterprises access to cheaper capital as they change and hence fund more innovation and create the products, services and refreshed jobs to achieve EU prosperity and its climate goals.

This idea of creating a pathway isn't new. Europe has 2030 climate goals as well as the goal of climate neutrality by 2050, which recognises the need for transition plans such as hybrid autos ahead of full electric, coal to gas electricity generation and

blue hydrogen ahead of green being viable. We must further embrace this approach and reward companies for becoming less bad, not just those that are good. By focusing on transition, we will incentivise European companies to allocate their existing cashflow towards green innovation as opposed to being forced into ever larger dividend yields.

Europe has grand ambitions and a once in a generational opportunity to steal a march on other continents. Most of the tools in place to achieve success, however failure to promote our existing companies in the transition phase could endanger our goals, including those beyond climate change. With small adjustments to the current agenda Europe has the potential to achieve Net Zero and in doing so become the Silicon Valley of Green Tech including the vibrancy, jobs and innovation that comes with it.