



Climate Action Portfolios

Q1 2023 update

The EQ Climate Action portfolios allow you to align your financial goals with the global effort to reduce climate change risks and reach net zero. In these quarterly updates we showcase examples of 'transition', 'low-carbon leader', and 'solution' companies and funds to which investors gain exposure.



Climate transition companies are either those on a credible science-based path to decarbonising their business model or those that need investor engagement to put them on a pathway to net zero. Our transition company showcase this quarter is [TransAlta](#).

TransAlta™ Transitioning from fossil fuels to renewable energy

Achieving net zero will require high-emitting companies to transition. Therefore, financing and supporting companies with credible plans to decarbonise will have meaningful effect in combating climate change.

TransAlta is a Canadian power business going through an ambitious climate transition. Historically, TransAlta's power generation came largely from coal and gas.

Since 2017, the company has begun to recognise the need to transition towards clean energy power generation and has set out a road map to dramatically transition its business by 2025.

FUND IN FOCUS

[Kayne Anderson Renewable Infrastructure Fund](#)

Kayne Anderson

Capital Advisors, L.P.

TransAlta receives investment through the Kayne Anderson Renewable Infrastructure Fund, which looks to invest in a blend of renewable energy leaders and transition-orientated companies that have advanced plans to retire legacy coal-generation assets. Other examples of their holdings include SSE and NextEra Energy.

Science based targets



In 2021, renewable energy made up 43% of its energy mix but, by 2025, this number will increase to 70%.

TransAlta has committed to Science-Based Targets initiative (SBTi) and is in the process of having its near-term target validated by this independent body. One important aspect of TransAlta's strategy is its commitment to retire any remaining coal assets.

While TransAlta could decarbonise its energy mix at a faster rate by selling its coal-fired power plants, the company has committed to retire these instead. This shutdown has a definite positive impact on real-world emissions, as alternatively the potential buyers could choose to continue to run them.





Companies that fall into the low-carbon leader category are those that are ahead of the curve in carbon efficiency, with at least 33% lower emission intensity than their industry peers. Our low-carbon leader company showcase this quarter is [Alphabet](#).

Alphabet

A global leader in the low carbon transition

Alphabet have seen climate action plans mapped out for each decade since its founding in 1998 and has integrated this into its overall corporate strategy.

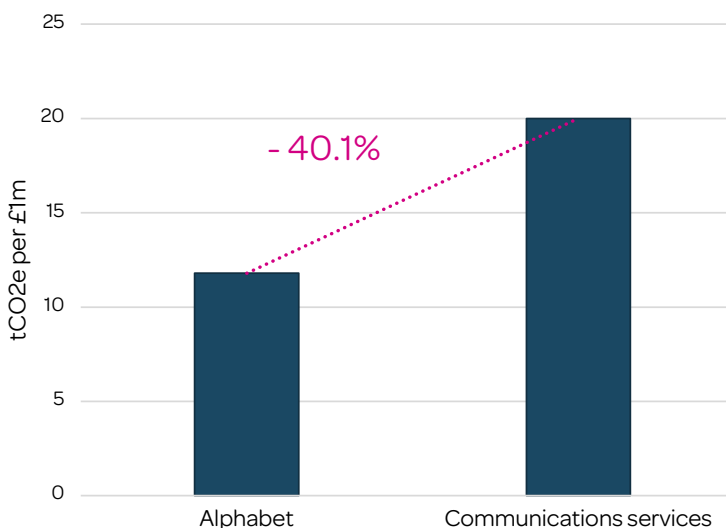
Alphabet have continuously set an example of how businesses can be run in a carbon-efficient manner. Since 2007, Alphabet has offset the carbon emissions from its operations, by purchasing high quality carbon credits. However, the company is moving away from the use of carbon credits by [investing \\$2.7 billion in renewable energy projects, helping expand renewables' global capacity.](#)

FUND IN FOCUS

[Alliance Bernstein Global Low Carbon Equity fund](#)



Alphabet receives investment through several different funds in the Climate Action portfolios, including the Alliance Bernstein Global Low Carbon Equity fund which holds other low carbon champions such as Adobe and Mastercard.



Data source: MSCI.

Methodology: Weighted average financed emissions (EVIC), compared to industry peer group. This describes the comparative carbon emissions of the business by adjusting for business size differences.

In 2017, Alphabet matched 100% of its operations' annual electricity consumption with renewable energy. Furthermore, to remain aligned to best practice, Alphabet has committed to the SBTi, a non-profit organisation that assesses and approves company's decarbonisation targets.

By 2030, Alphabet aims to run on carbon-free energy in all its operations globally. Many of Alphabet's products have been created to help their customers lower their climate impact.

Last year, Alphabet introduced [eco-friendly routing in Google maps available in North America and parts of Europe.](#) The tool aims to get people to their destinations as quickly as possible while minimising their fuel consumption. Another one of Alphabet's products is the Nest thermostat which helps households become more energy efficient.

In November 2022, Alphabet added the Nest Renew extension to its thermostat. [Nest Renew automatically shifts customers energy consumption](#) to the times of day when local grid electricity is cleaner or less expensive.





Climate solution companies are those whose products and services provide solutions to decarbonisation. It also includes financing targeted at green projects. Our climate solution company showcase this quarter is [Xinyi Solar](#).



Investing in a clean energy future

Clean energy solutions

Clean energy technologies are a vital climate solution. Electricity generation accounts for [approximately 40% of energy related CO2 emissions](#), therefore the continued introduction of clean energy technologies to green our grids will contribute significantly to lowering global emissions.

One such clean energy source is solar. Currently, the global capacity of solar is [850 GW](#), representing roughly 8% of the global installed electricity capacity. However, it is expected to reach [2,000 GW by 2030](#). In order to reach the 2030 goal, the solar industry will need to see further investment across the supply chain, including the solar panel components.

Xinyi Solar

Xinyi Solar is a company playing a crucial role in the solar industry and is one of the leading manufacturers of photovoltaic glass used in the construction of solar panels. In addition, Xinyi owns and develops several private solar farms.

Given that the solar glass manufacturing arm of Xinyi's business is still dependent on fossil fuels for production,

Xinyi uses natural gas as opposed to thermal coal ([which accounted for 64% of China's electricity mix in 2021](#)), as the principal energy source for its glass melting furnaces. Furthermore, since 2012, Xinyi has installed solar panels on its factory rooftops to further reduce operational emissions.

In 2014, Xinyi commenced its solar farm development business, as a way of bringing more carbon reduction contributions to society. Overall, Xinyi have contributed to an installed solar capacity of 5.4 GW, which is equivalent to just over a third of the [current solar capacity in the UK](#).

One criticism of solar farms is that they take up valuable agricultural space that could instead be used for food production. To help tackle this challenge, Xinyi Solar constructed two demonstration solar parks that have a dual purpose.

The first park uses the land for farming as well as creating green affordable electricity, while the second park is built on a lake and uses the water resources under the solar panels for aquaculture.



FUND IN FOCUS

Aviva Climate Transition
Global Equity Fund



Xinyi Solar receives investment through the Aviva Climate Transition Global Equity Fund, which looks to invest in transition-oriented and climate solution companies.

Other examples of their climate solution holdings include Vestas Wind Systems and LG Chem.



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The SBTi is a partnership between CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature. Science-based targets show companies and financial institutions how much and how quickly they need to reduce their greenhouse gas emissions to prevent the worst effects of climate change.

The Science Based Targets initiative (SBTi):

- Defines and promotes best practice in emissions reductions and net-zero targets in line with climate science.
- Provides technical assistance and expert resources to companies who set science-based targets in line with the latest climate science.
- Brings together a team of experts to provide companies with independent assessment and validation of targets.
- The SBTi is the lead partner of the Business Ambition for 1.5°C campaign - an urgent call to action from a global coalition of UN agencies and businesses, mobilizing companies to set net-zero science-based targets in line with a 1.5°C future.

The change has already begun and action is gaining pace. Over 2,000 organizations worldwide are leading the transition to a net-zero economy by setting emissions reduction targets grounded in climate science through the SBTi.

Within the EQ Climate Action Portfolios, EQ Investors uses the Science-based targets initiative as the gold standard framework to evaluate companies' climate ambitions.

Find out more: <https://sciencebasedtargets.org/>

Risk warning

Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up and investors may get back less than they originally invested. The Climate Action Portfolios are available in seven different risk profiles.

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EQ/0223/627

