

# *ESG 2023:*

ENHANCING YOUR ESG PROFILE

**Compeer**

20th September 2023

*With thanks to our sponsors and partners*



**BERNSTEIN**



**STEP FOURTH**



**ISG** | INVESTMENT  
SOFTWARE  
GROUP



**BERNSTEIN**

## Renewables – The bedrock of the energy transition

---

Bernstein Utilities & Clean Energy

September 2023

Deepa Venkateswaran. • Senior Analyst • +44 207 959 4915 • [deepa@bernstein.com](mailto:deepa@bernstein.com)

Sales Contact • Raj Samarasinhe • +44-20-7170-0524 • [raj.samarasinhe@bernstein.com](mailto:raj.samarasinhe@bernstein.com)

See Disclosure Appendix of this report for important Disclosures and Analyst Certifications

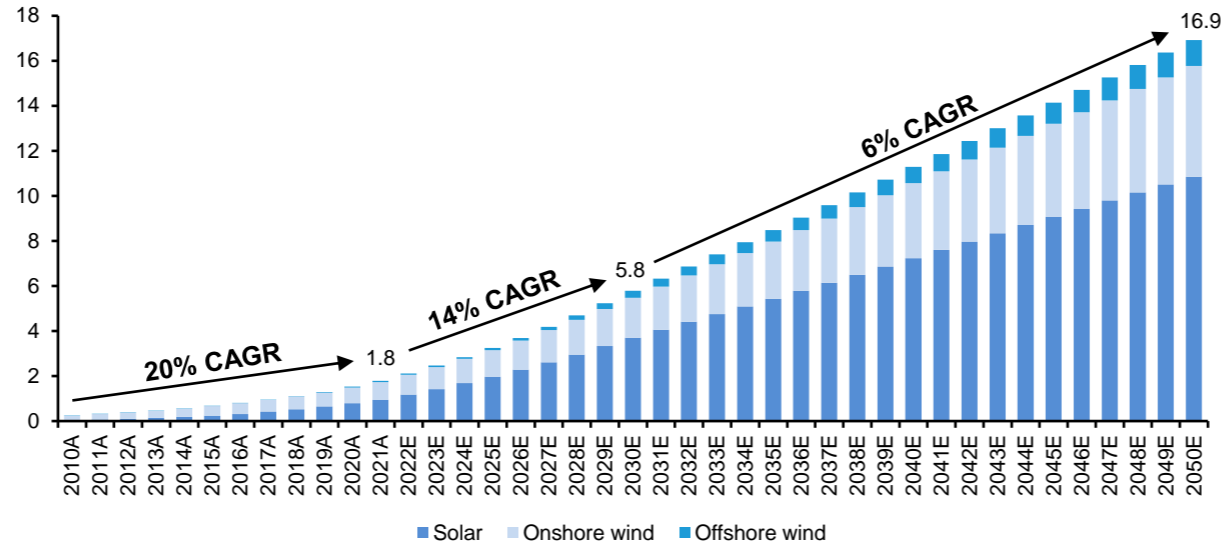
## Bernstein Research

- Widely recognized as Wall Street's premier **independent sell-side research** firm
- Research Analysts are acknowledged thought leaders – typically with 15yrs industry experience
- Research coverage of 600 companies in US, Europe and Asia
- Client relationships with c.2,000 institutional investment firms
- Investor Access – Thematic conferences, Industry Specialist events, Non-Deal Roadshows, Site visits
- Trading – global cash, algorithmic and portfolio trading desks. Execution capabilities in 160 venues and 49 markets worldwide

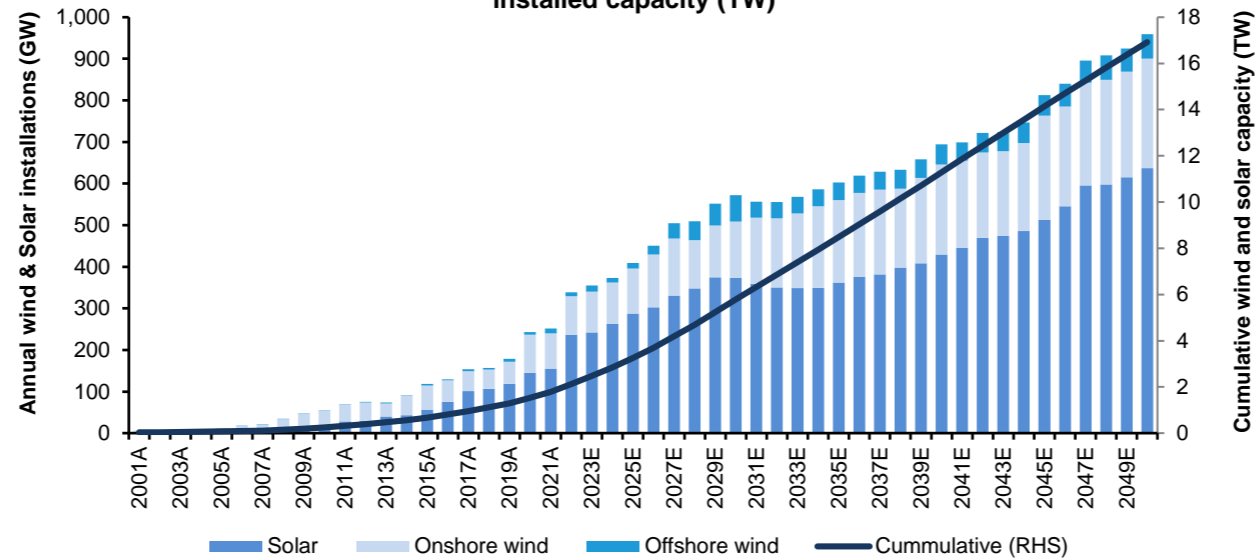


# Renewable capacity expands 9X to 2050...

### Global wind and solar installed capacity (TW)

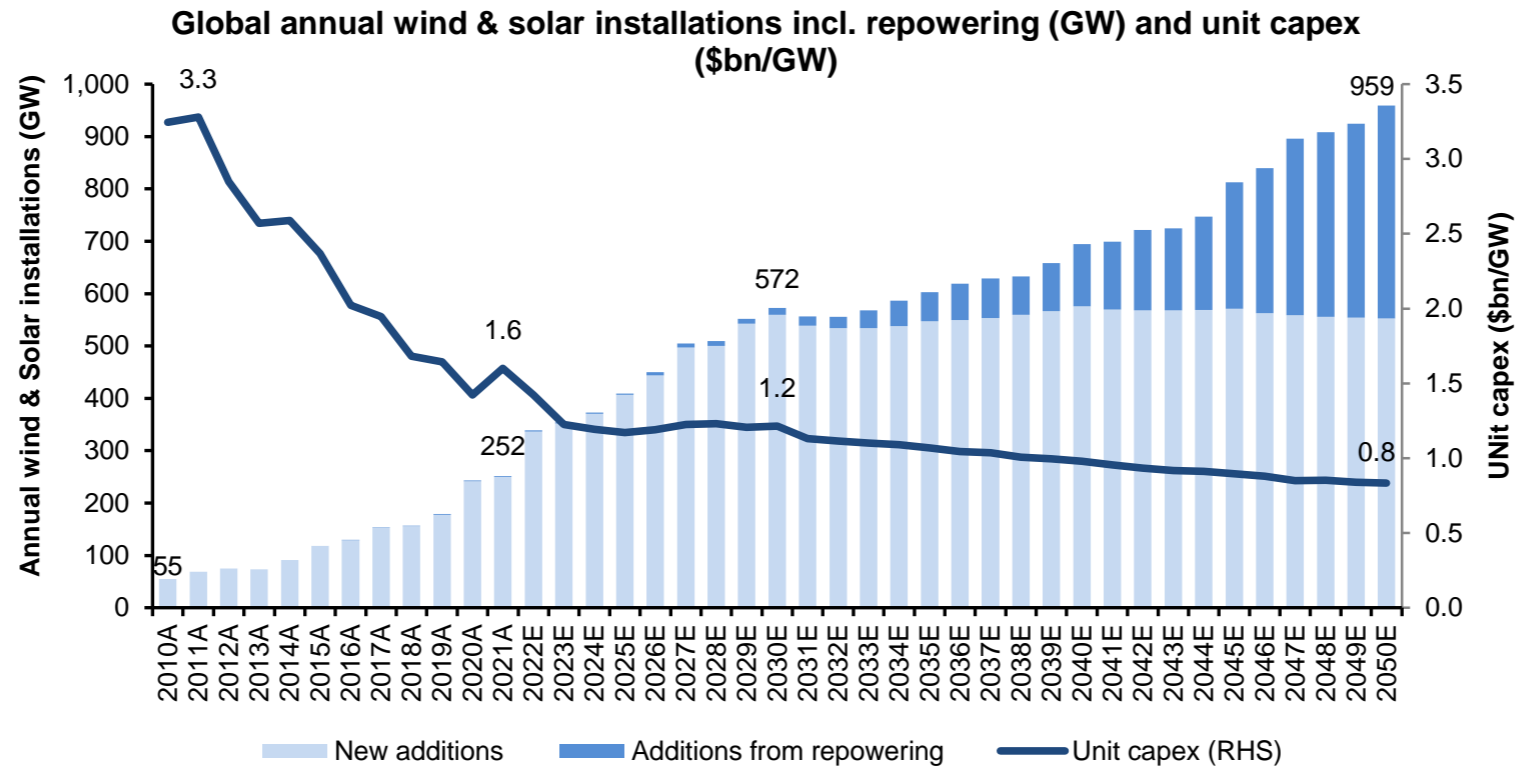


### Global annual wind & solar installations incl. repowering (GW) and cumulative installed capacity (TW)

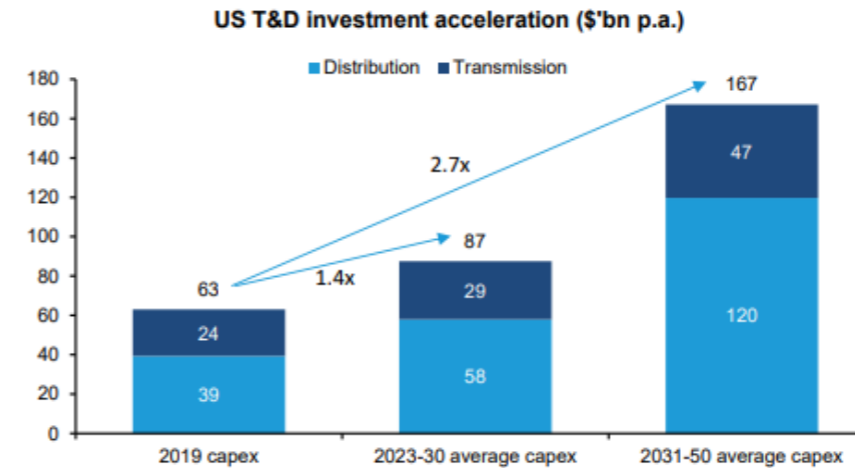
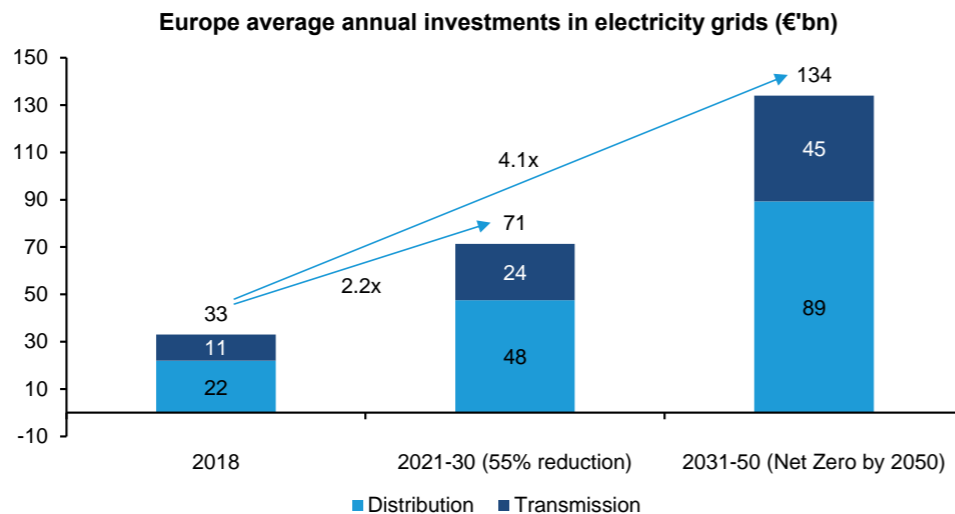
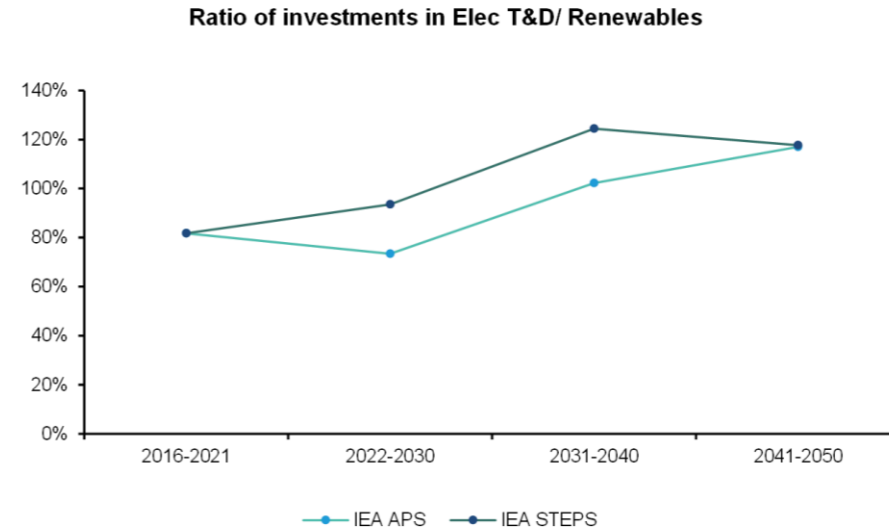
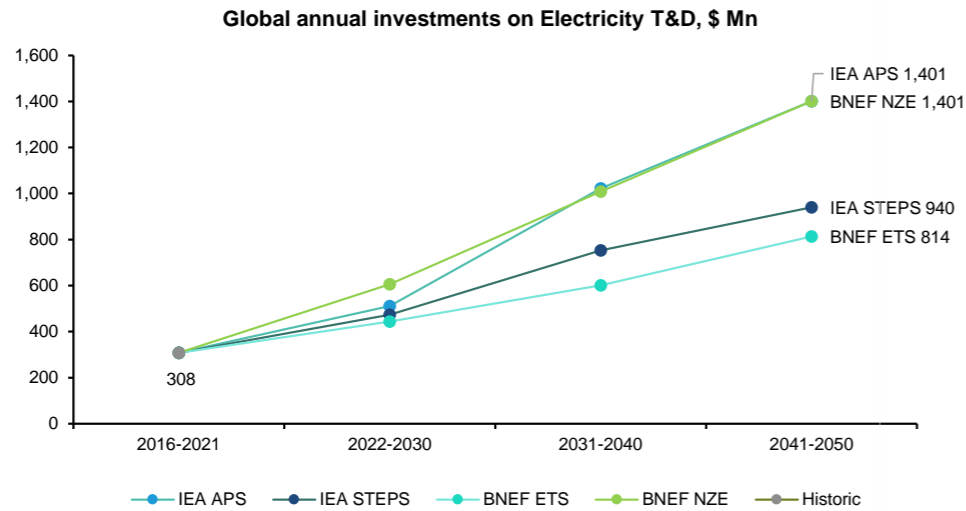




# ... requiring \$18 trillion of cumulative investments to 2050

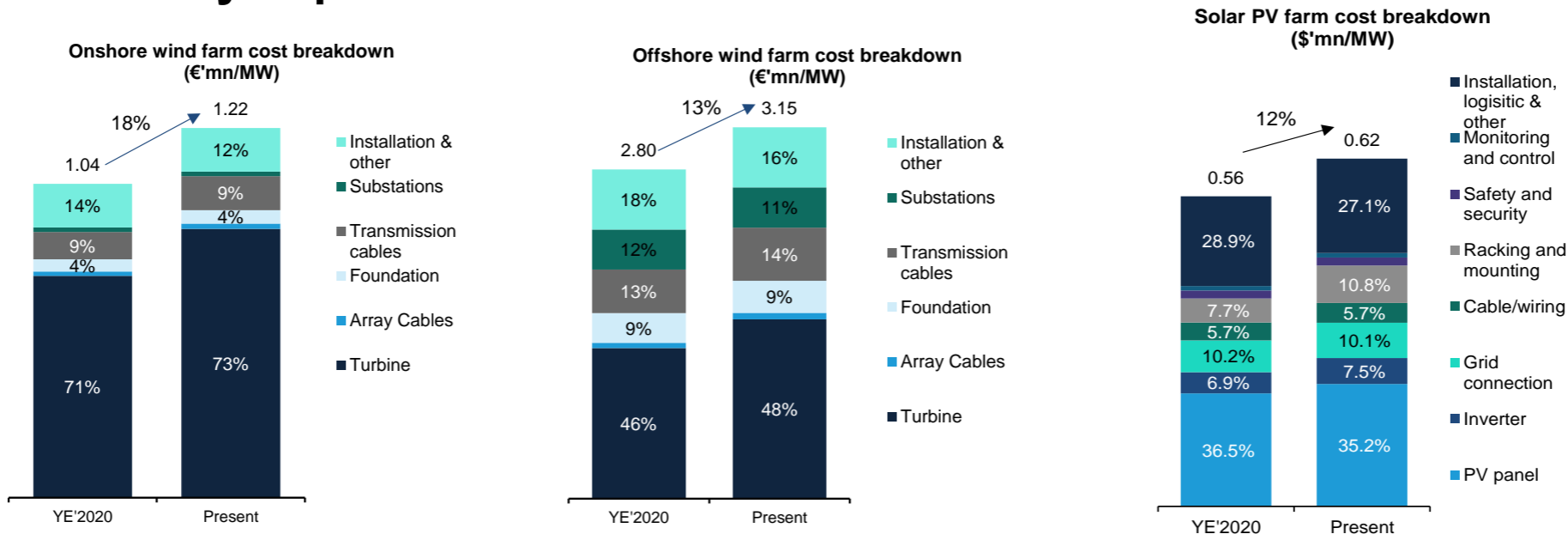


# >\$20 trillion of investments in Transmission & Distribution also required

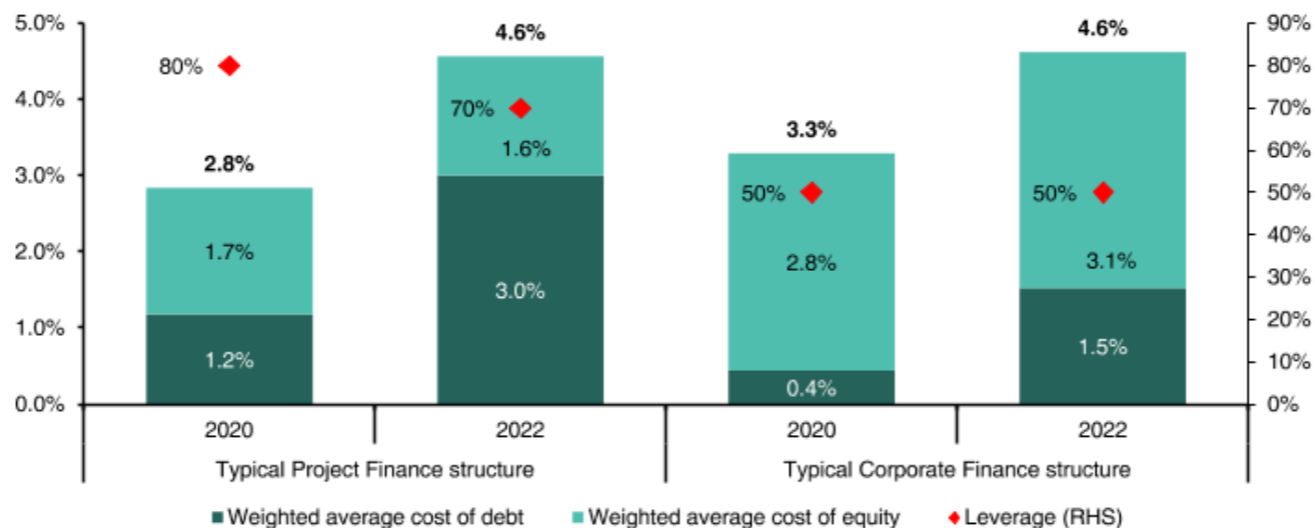




# While raw material costs and interest rate increases will have had an inflationary impact...

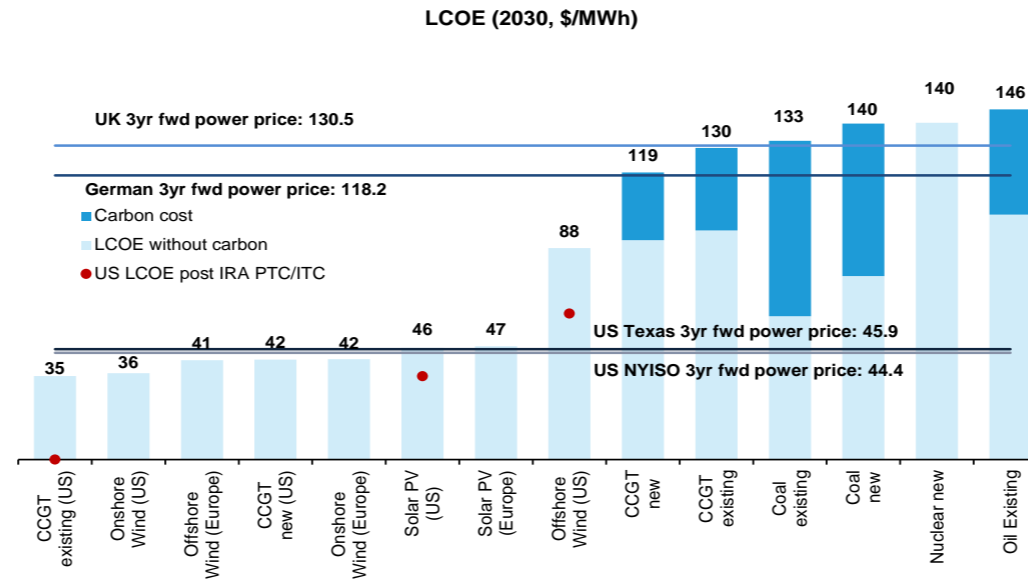
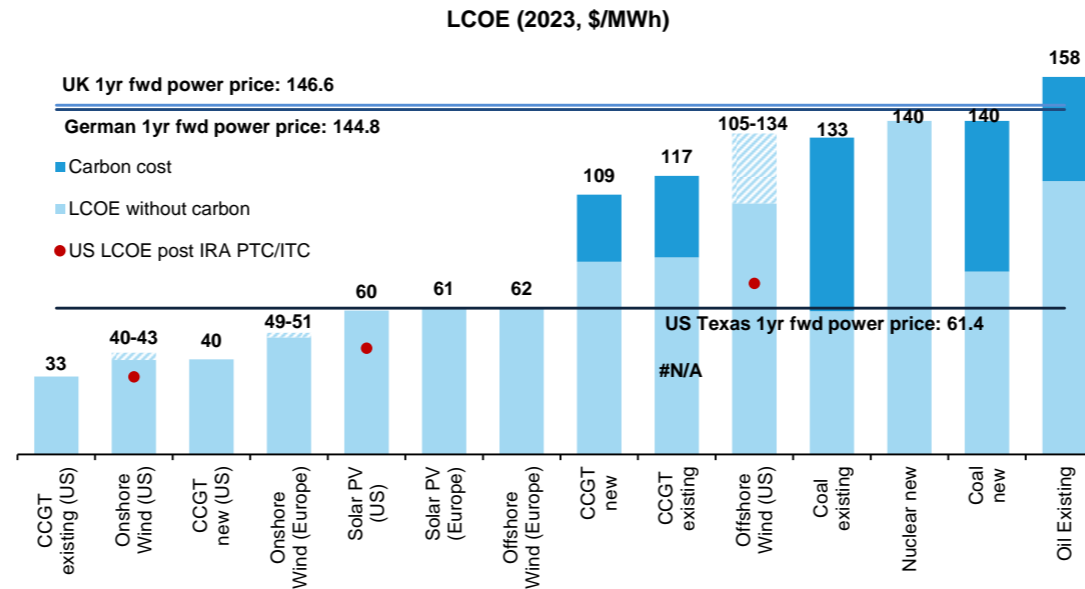


Implied WACC for project and corporate in 2020 and 2022





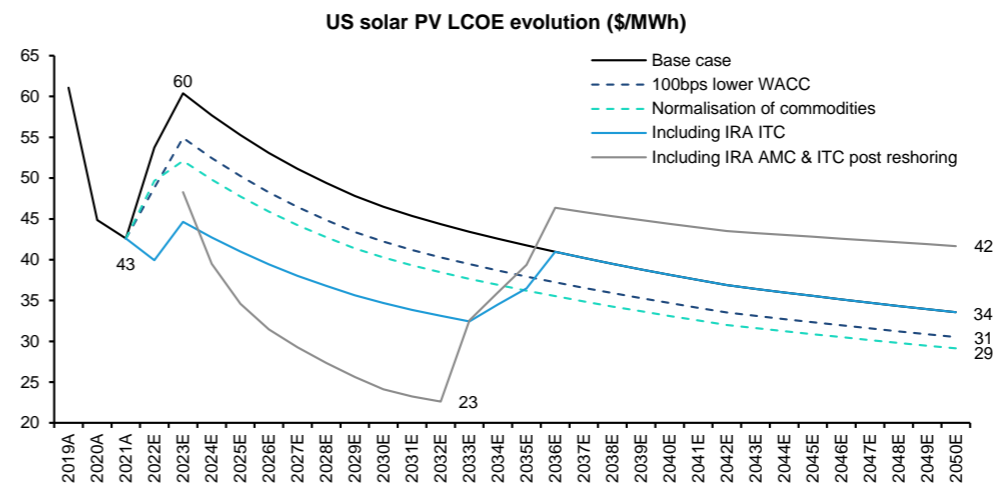
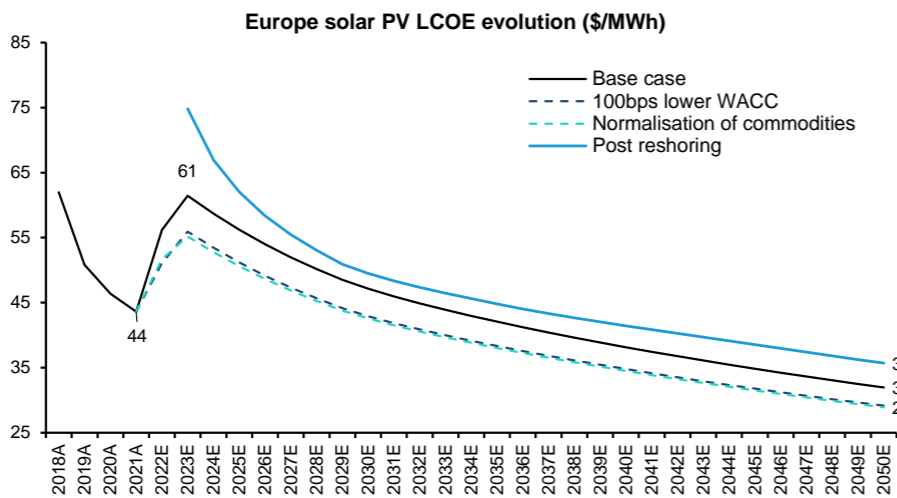
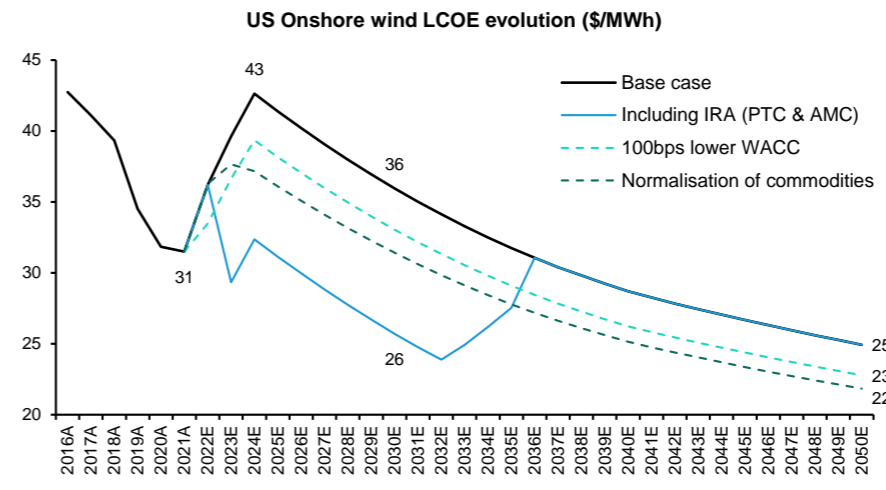
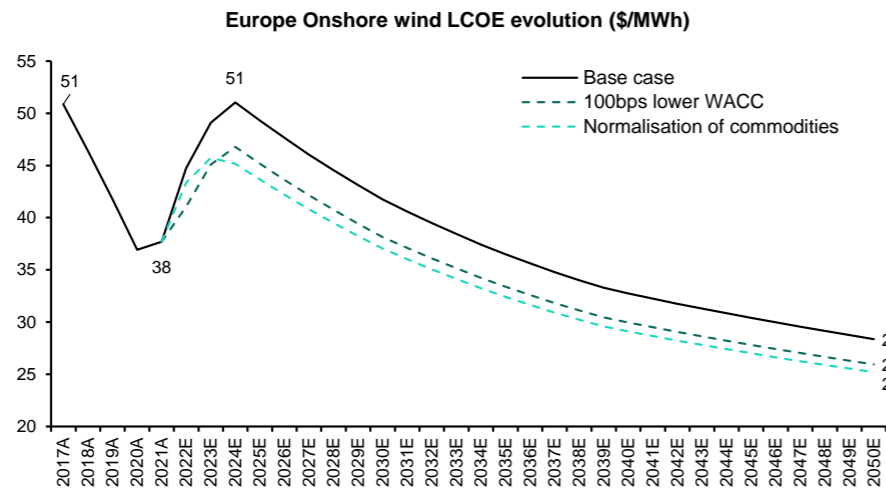
# ... competitiveness vs fossil fuels has remained unchanged in Europe and US (due to IRA)







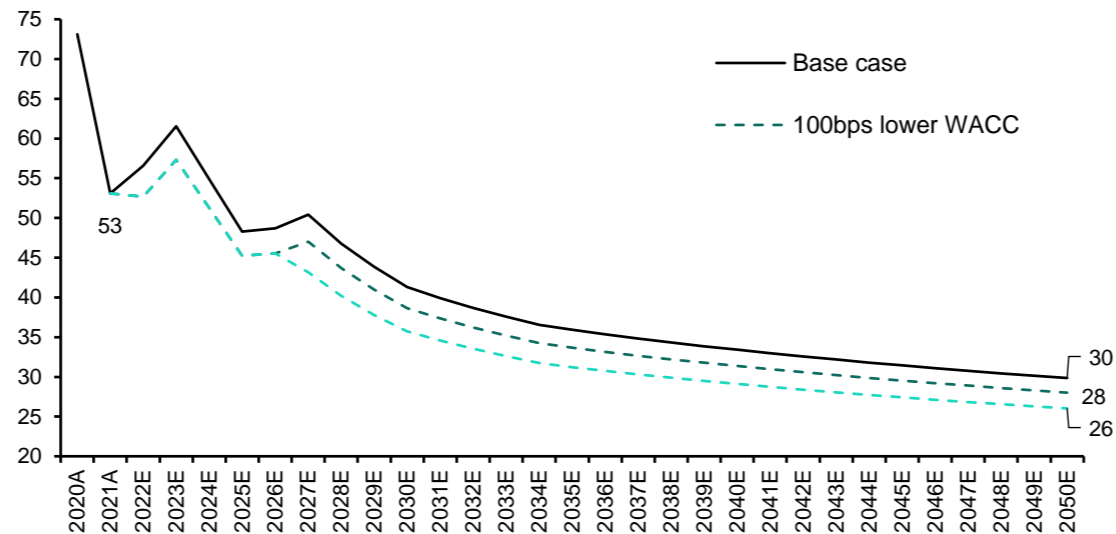
# Renewable LCOEs will start falling from these peaks over time (1/2)



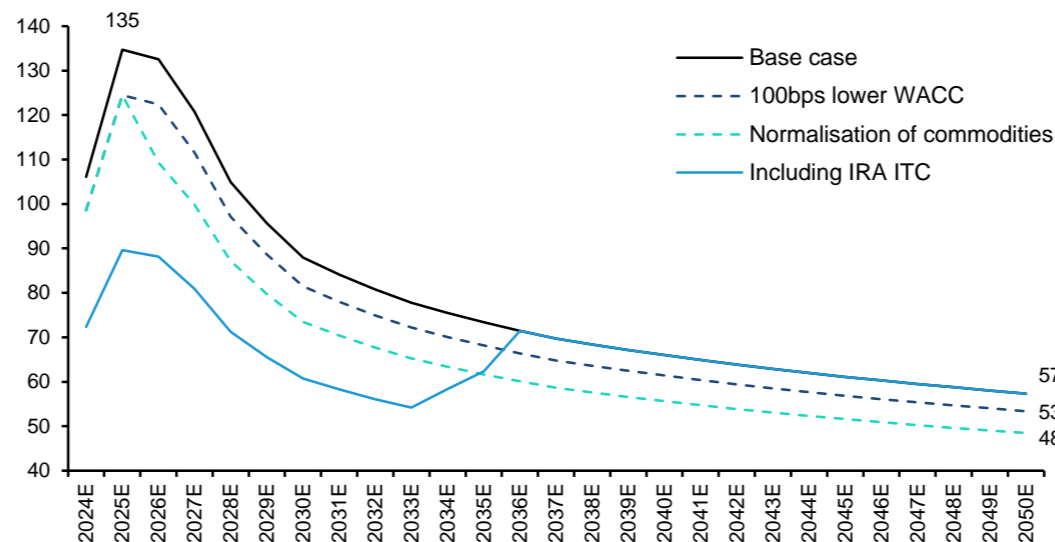


# Renewable LCOEs will start falling from these peaks over time (2/2)

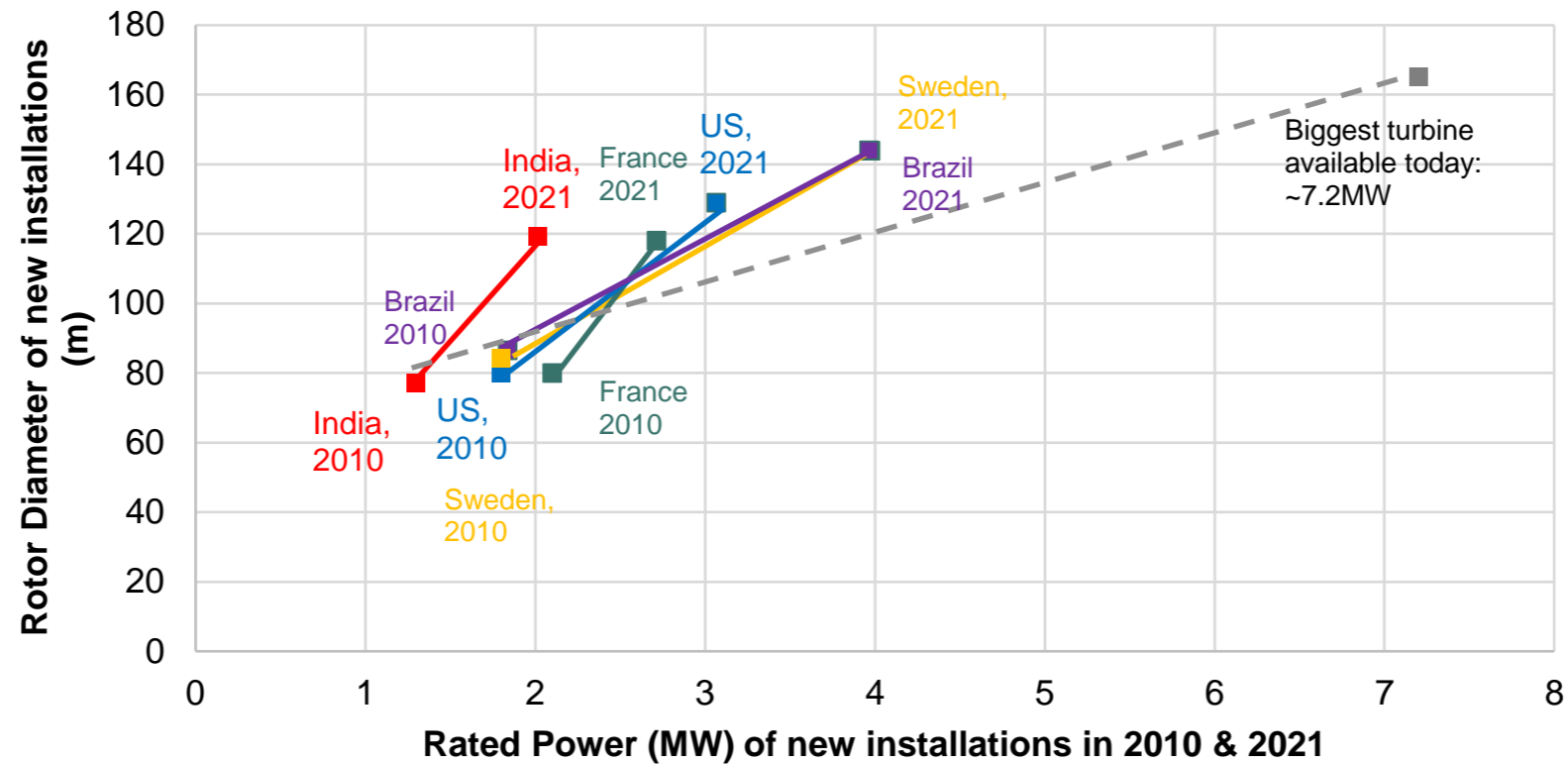
### Europe Offshore wind LCOE evolution (\$/MWh)



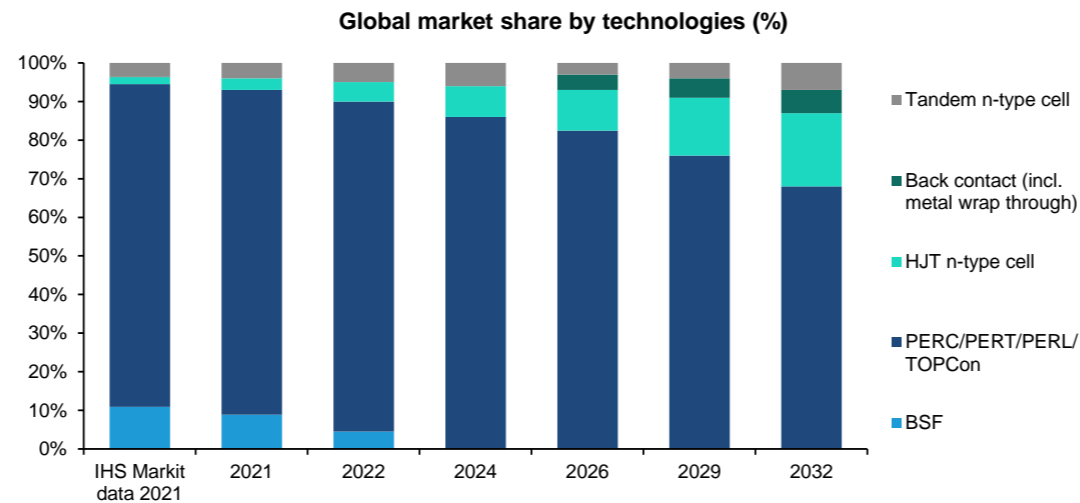
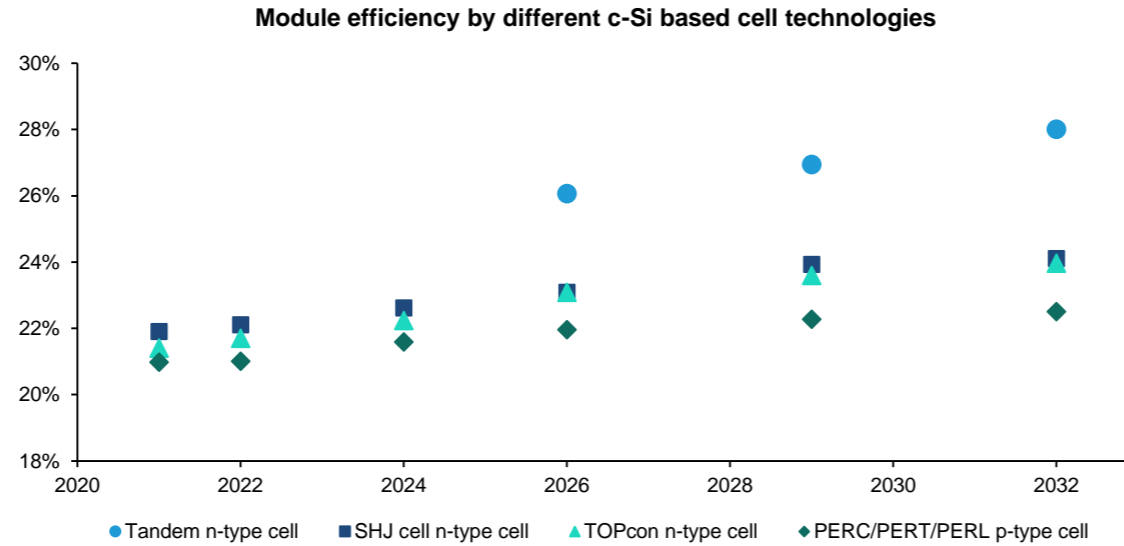
### US Offshore wind LCOE evolution (\$/MWh)



# Increasing turbine sizes will continue to be a driver of lower costs; average installed turbine sizes today still have a long way to go

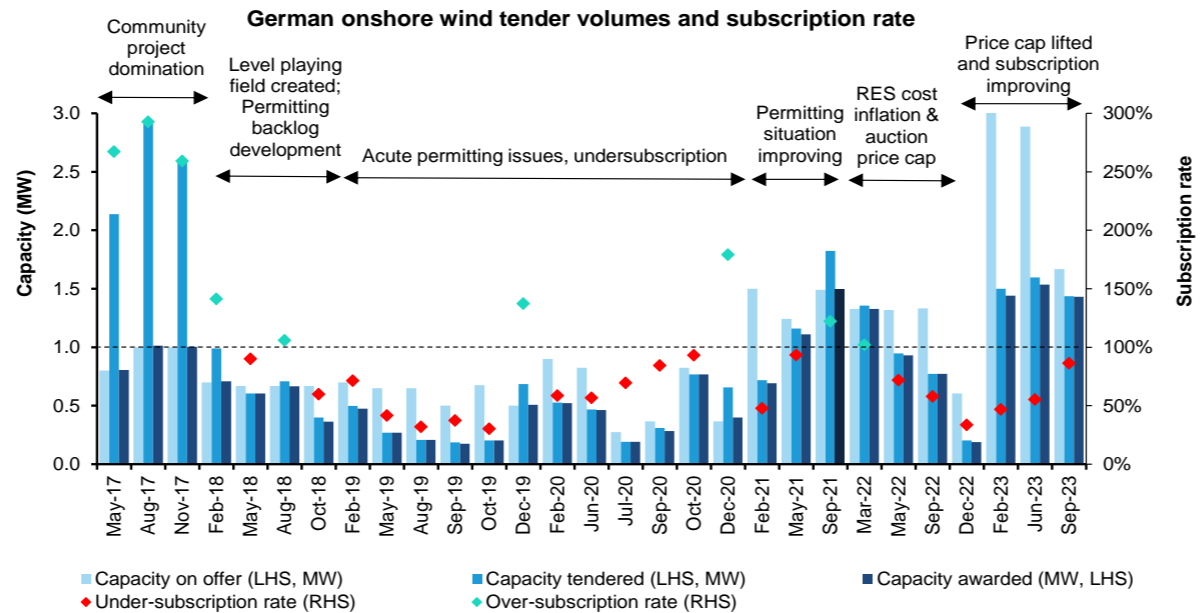
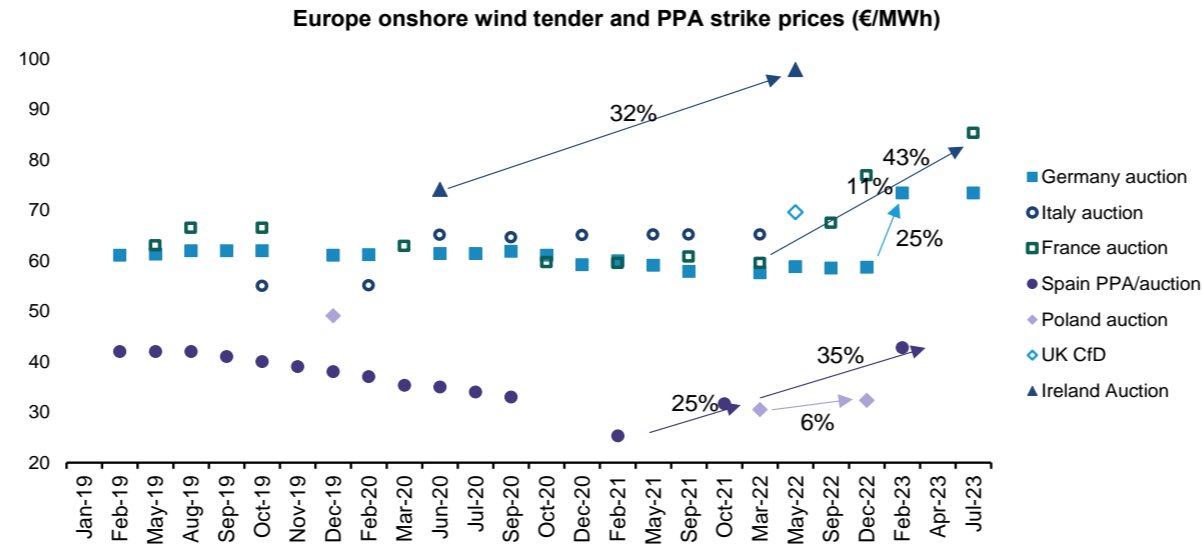


# Solar PV technology is pushing up the efficiency





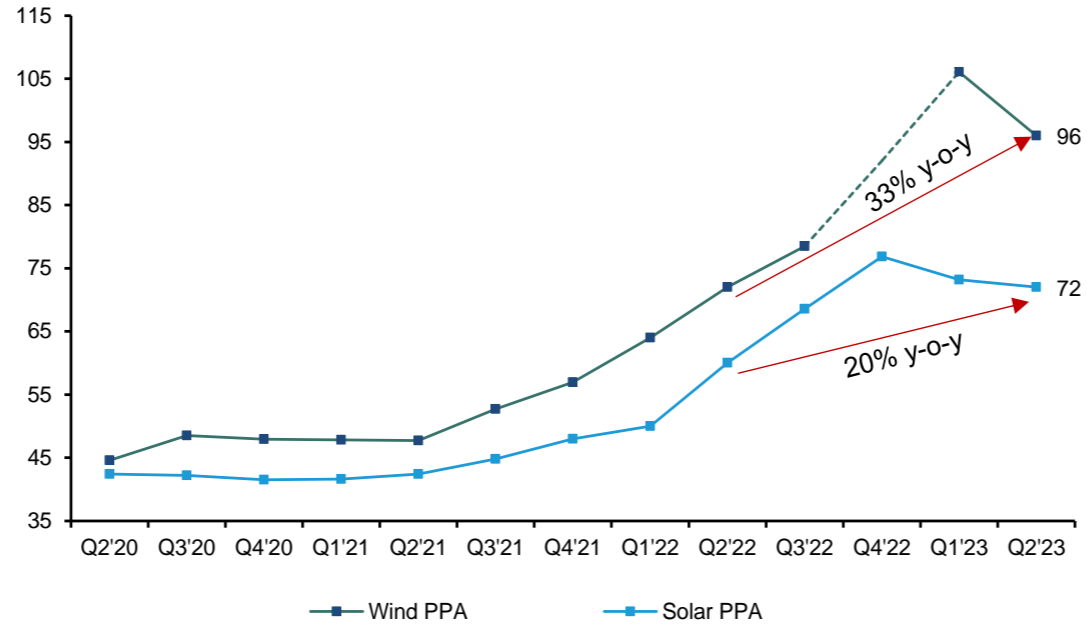
# Renewable pricing is reflecting the higher cost environment in auctions unless there are price caps...



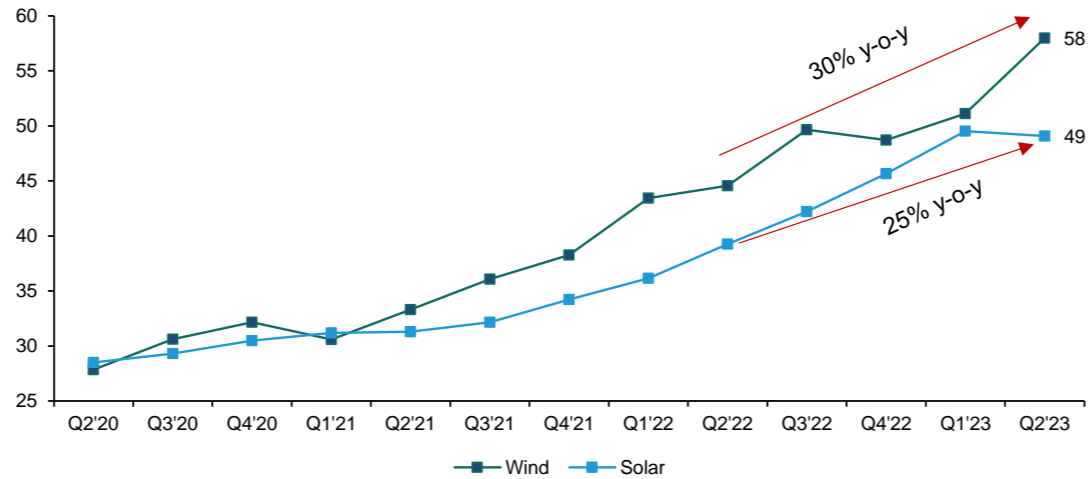


# ...as well as in Corporate PPA pricing

European onshore wind and solar PPA prices (€/MWh)

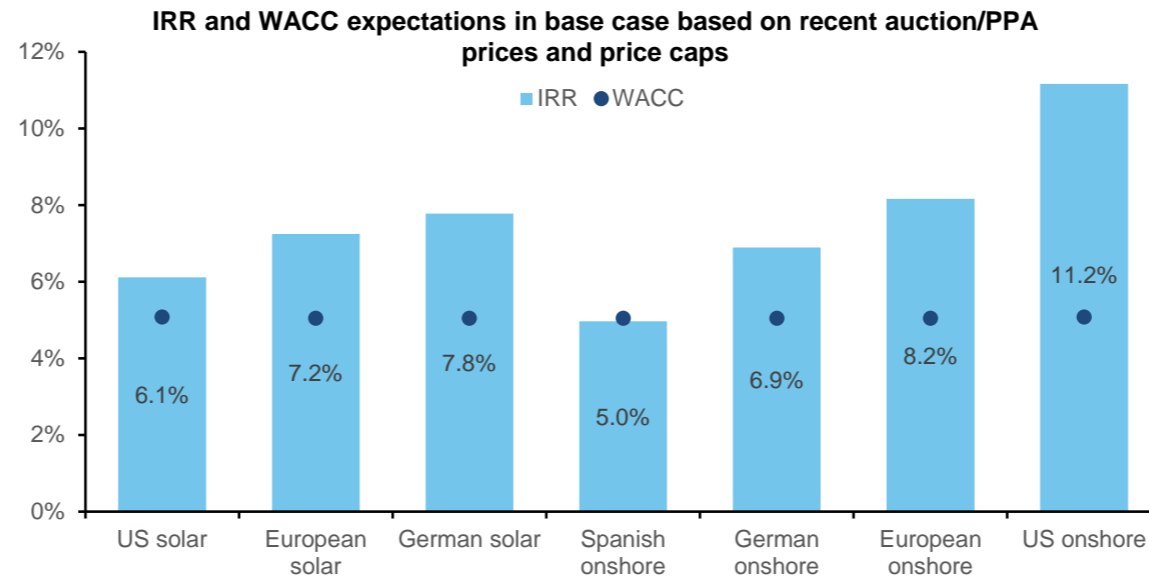
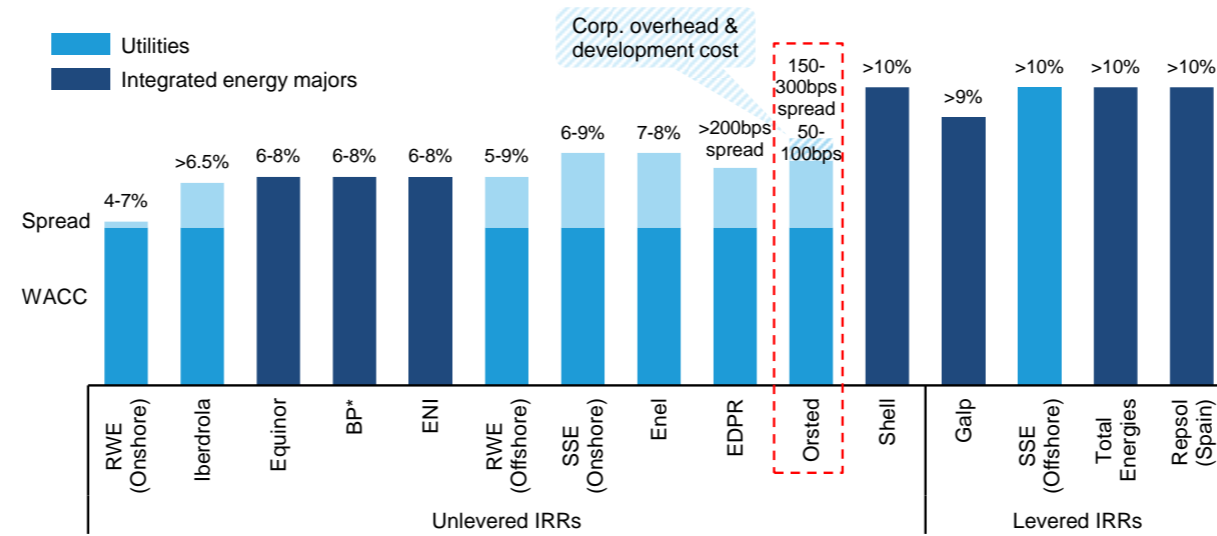


US onshore wind and solar PPA prices (\$/MWh)



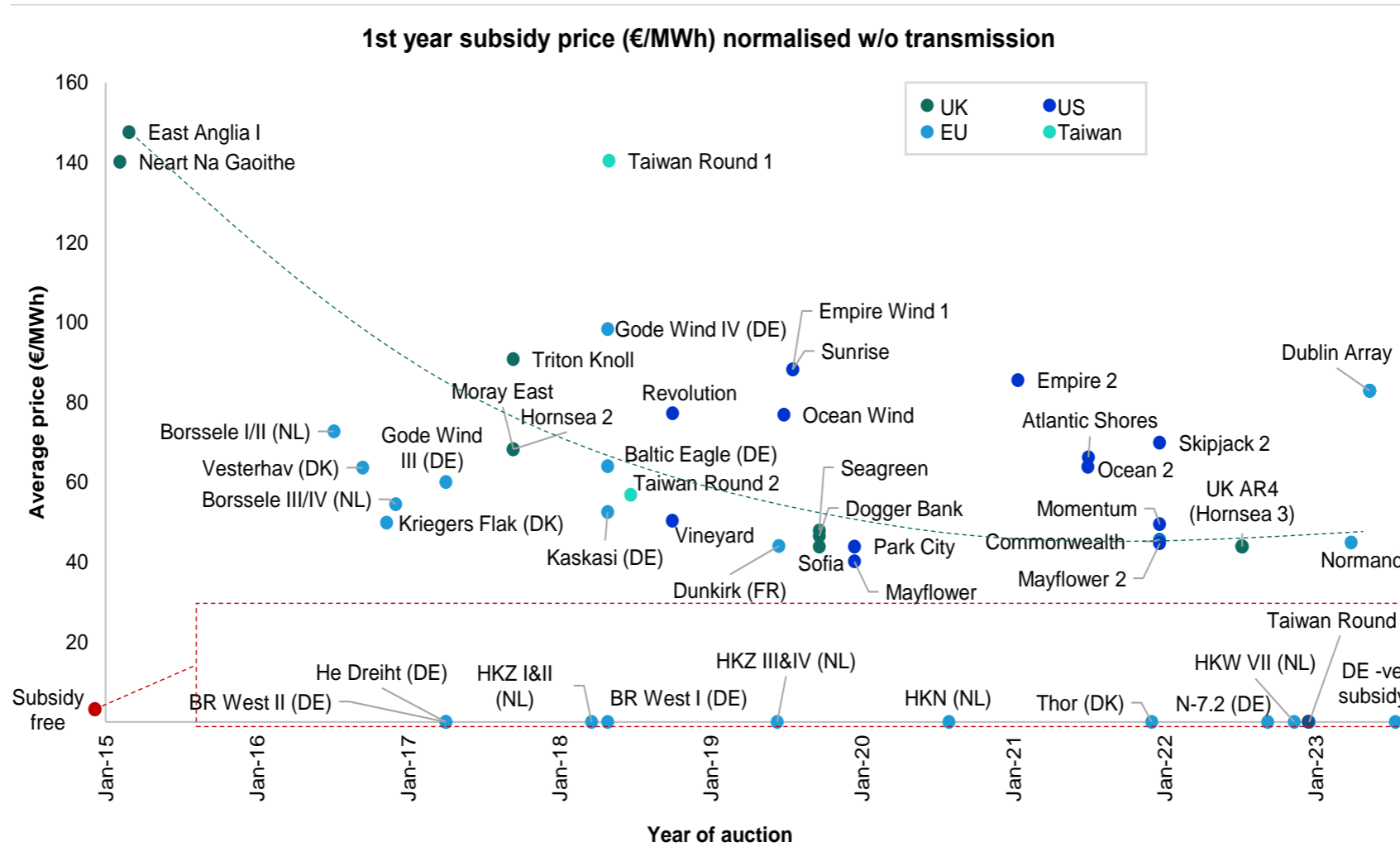


# ... and delivering targeted returns





# Offshore wind has seen a steep-reduction in auction prices which are starting to go up now

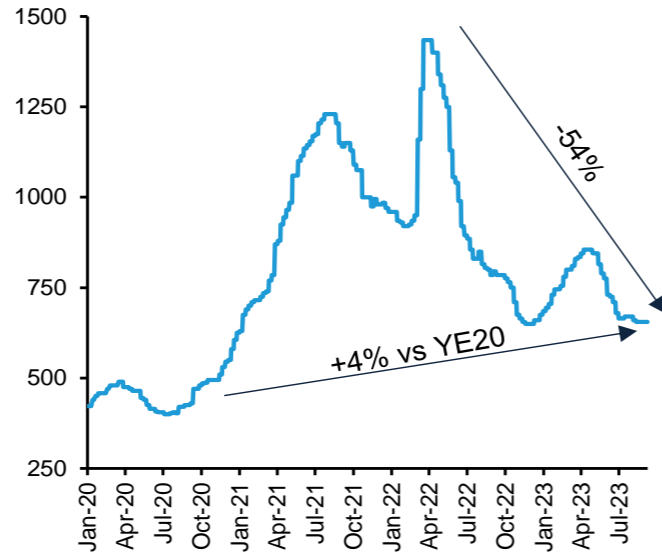


Source: Regulatory releases, 4cOffshore, Company reports, Bernstein analysis and estimates  
 For geographies where bid prices include offshore transmission (UK, US and Taiwan), we have shown the prices ex. Transmission costs of €14/MWh for comparability

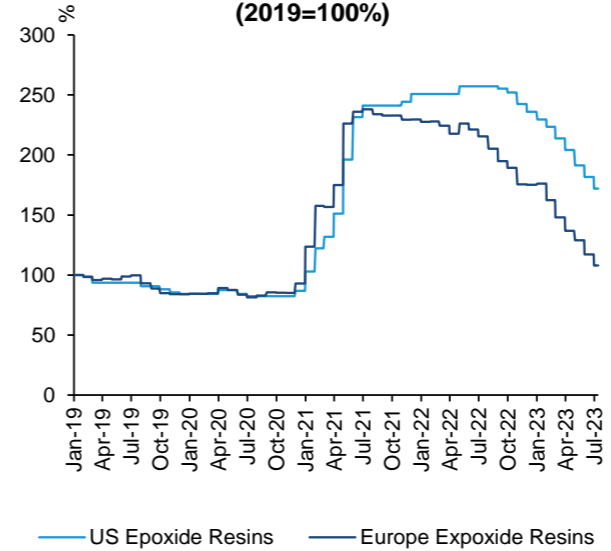


# ... some of the renewable input cost indicators are improving

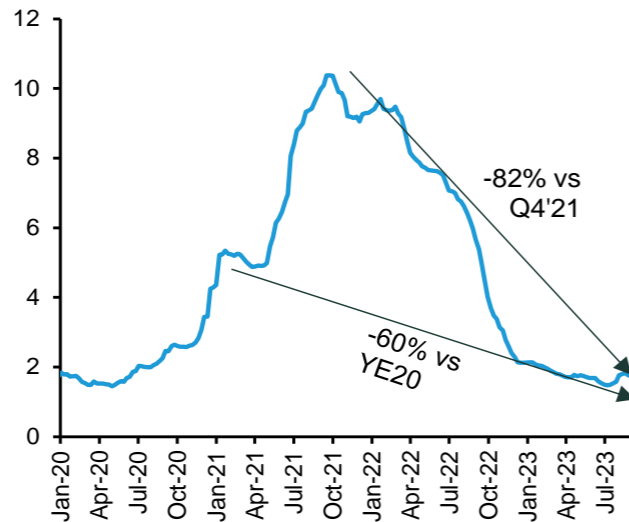
### Europe Hot Rolled Steel spot (€/t)



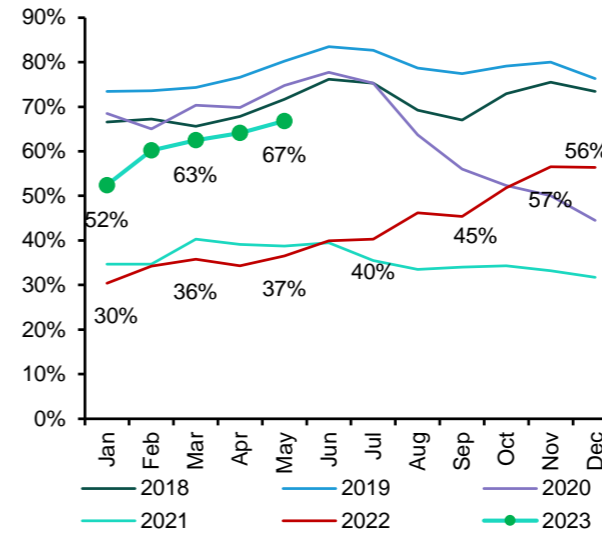
### Epoxide Resines price change (2019=100%)



### Composite seafreight rate (\$'thd/FEU)



### Global schedule reliability for ocean shipping

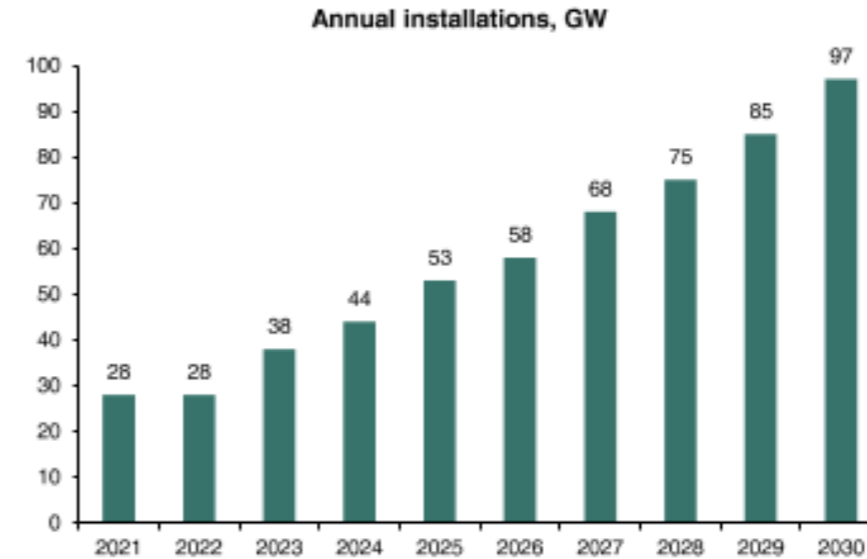
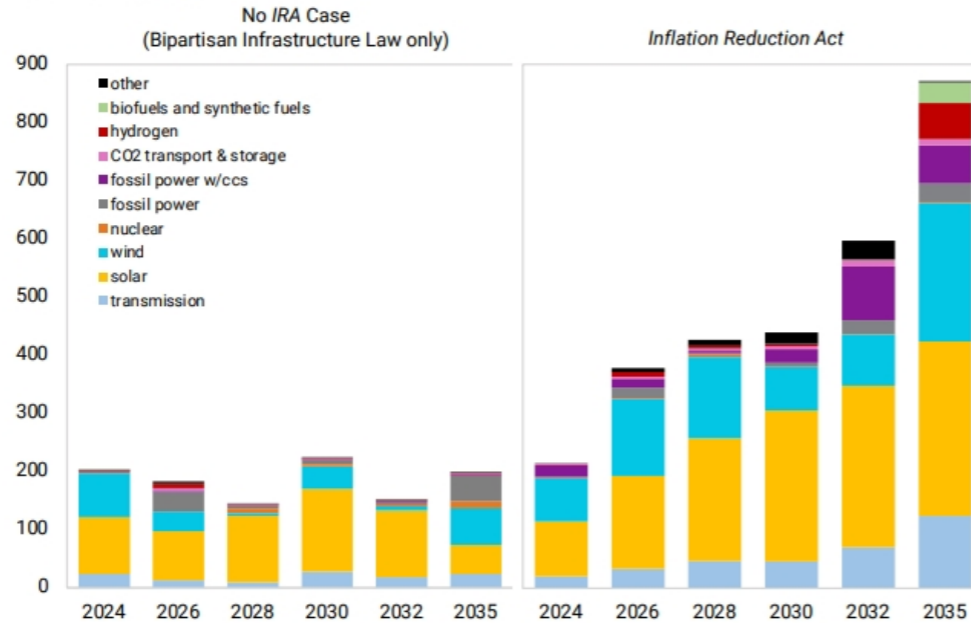




# IRA improves visibility for the wind supply chain moving away from the boom bust cycle; Advanced Manufacturing Credits and 10% bonus credits for investors also a positive

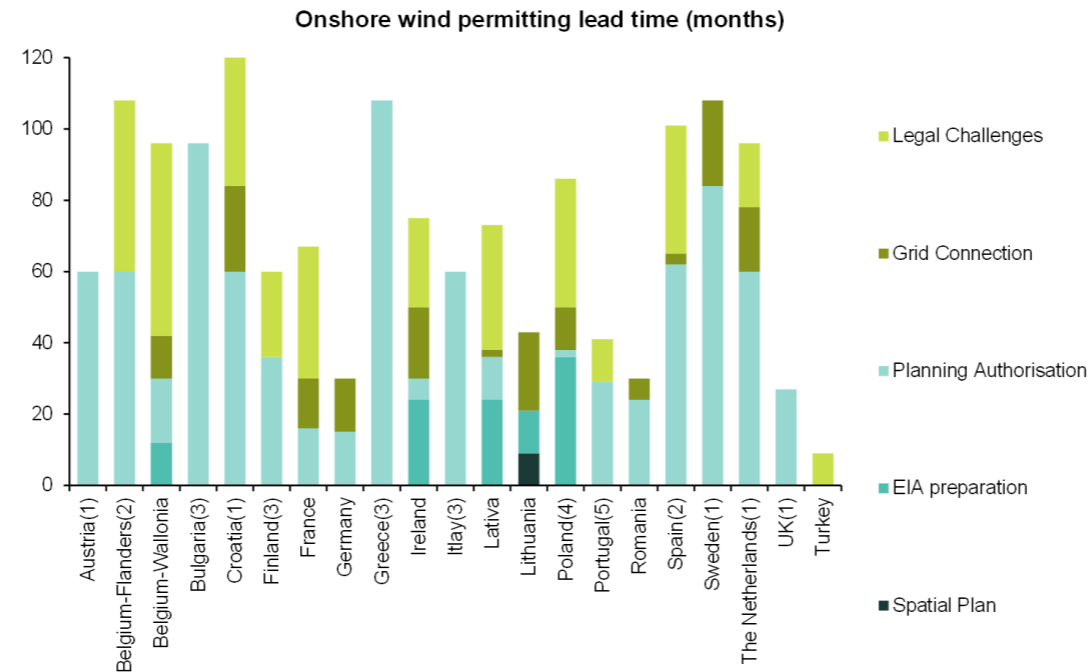
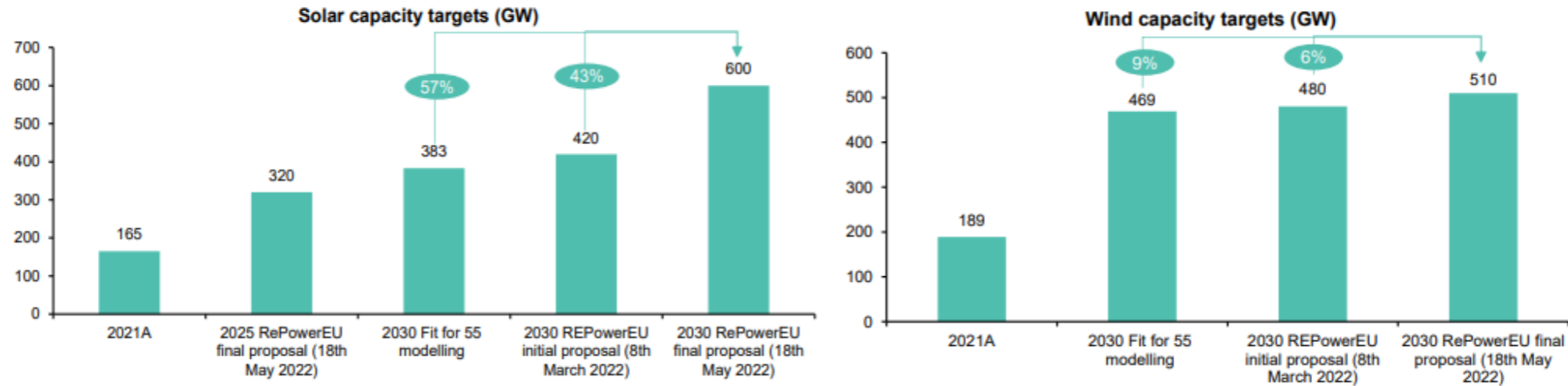
**Annual Capital Investment in Energy Supply Related Infrastructure**

billion 2022 USD per year<sup>1</sup>



Wind Component	Unit	Manufacturing subsidy
Blade	\$/MW	\$ 20,000
Nacelle	\$/MW	\$ 50,000
Tower	\$/MW	\$ 30,000
Offshore foundation (fixed)	\$/MW	\$ 20,000
Offshore foundation (floating)	\$/MW	\$ 40,000
Offshore wind vessel	% of sales	10%



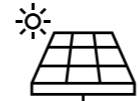
# RePower EU brings forward renewable targets but permitting needs to be speeded up, which now is extremely long and cumbersome



Planning authorization (1) likely includes both EIA and planning. (2) includes both EIA and planning. (3).EIA, planning and grid. (4) includes Spatial Plan and Environment Decision and building permit only (5) includes grid connection permits

# Permitting can be speeded-up & 'Overriding Public Interest' stature from Dec'22 is an important development

Development stage	Technology	Indicative time	Expedited time	Time savings
Site mapping and selection	Onshore	2 years	1 year	- 1 year
	Offshore	2 years	1 year	- 1 year
	Solar	4 months	2 months	- 2 months
Environmental surveys	Onshore	3 years	1.5 years	- 1.5 years
	Offshore	3.5 years	2 years	- 1.5 years
	Solar	1.33 years	4 months	- 1 year
Stakeholder consultation	Onshore	9 months	9 months	None recommended
	Offshore	9 months	9 months	None recommended
	Solar	9 months	4 months	- 5 months
Permit applications & examination	Onshore	3 years	1 year	- 2 years
	Offshore	4 years	1.5 years	- 2.5 years
	Solar	2 years	3 months	- 1.75 years
Obtaining grid connection	Onshore	3 years	9 months	- 2.25 years
	Offshore	4 years	1 year	- 3 years
	Solar	1.66 years	1 month	- 1.5 years
Legal challenges	Onshore	7 years	1 year	- 6 years
	Offshore	9 years	1.5 years	- 7.5 years
	Solar	3.33 years	4 months	- 3 years

<p>Offshore wind</p>  <p>From a 12 years indicative timeline to a 5.5 years expedited timeline</p>	<p>÷2</p>	<p>Onshore wind</p>  <p>From a 10 years indicative timeline to a 4.5 years expedited timeline</p>	<p>÷2</p>	<p>Solar</p>  <p>From a 4 years indicative timeline to a 1 year expedited timeline</p>	<p>÷4</p>
---	-----------	--	-----------	---	-----------





## ESG: A review of current offerings and the impact of having a strong ESG presence

James Brown  
Director of Client Services  
Compeer



# Improvements required in ESG and other responsible investment services



Significant  
improvement  
required



Some  
improvement  
required



No  
improvement  
required

Source: 515 affluent & high net worth investors, 2023

**Compeer**



# Rising demand for ESG

Have your preferences for ESG investments changed over the last 12 months?

	ALL	MORE THAN £1M INVESTABLE ASSETS	<40 YEARS OLD
Significantly more interested	13%	21%	16%
More interested	32%	34%	40%
No change	50%	39%	38%
Less interested	4%	5%	5%
Significantly less interested	1%	1%	1%

Source: 515 affluent & high net worth investors, 2023

**Compeer**

# ESG as a key selection criterion

What are the top three key criteria you consider when choosing an advisory or investment firm?

Proportion selecting "Availability of ESG or other responsible investment strategies" in their top 3 criteria





# What comes ahead of ESG?

What are the top three key criteria you consider when choosing an advisory or investment firm?

	% VOTING IT IN TOP 3 CRITERIA
Brand / reputation of the firm	52%
Investment performance	43%
The range of products / investment services offered by the firm	42%
The level of fees for the service	31%
Office locations throughout the UK	27%
Potential or actual relationship with the firm	24%
Services for international - based clients	21%
Availability of ESG or other responsible investment services	17%

Source: 515 affluent & high net worth investors, 2023



# Level of competition in ESG space

## Split of UK wealth firms by ESG offering

Based on presence of firm websites



Source: Compeer Research 2023

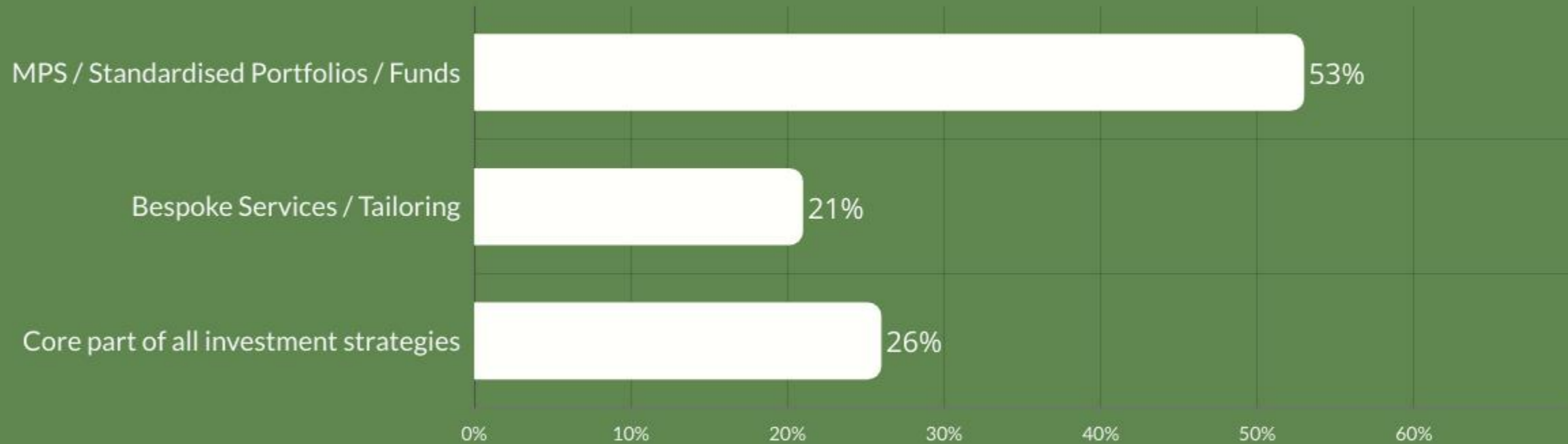
**Compeer**



# Focussing on those with a clear ESG offering

## Type of ESG Offerings

Proportion of those with an ESG offering



Source: Compeer Research 2023

**Compeer**



# Standing out from the crowd

Extensive research, reports and guides



Clear rating systems



Variety of investment options at different risk levels



Dedicated investment teams



Supporting sustainable projects beyond just investment strategies



Source: Compeer Research 2023

**Compeer**



# Comparing recent business performance

	TOTAL ASSET GROWTH IN 2022	ORGANIC INFLOWS PER FRONT OFFICE PROFESSIONAL
ESG is a core part of all investment strategies	-4.4%	£15.0m
Offer standardised portfolio / funds that are dedicated to ESG	-9.0%	£9.7m
Allow ESG investments as part of tailoring bespoke portfolios	-8.2%	£7.2m
No obvious ESG offering	-6.4%	£8.3m

Source: Compeer Business Performance Benchmarking Survey

**Compeer**



# WEALTH MANAGEMENT PANEL DISCUSSION



**PATRICK THOMAS**

*Head of ESG Portfolio Management*



**LOUISIANA SALGE**

*Head of Sustainability*



**AJ Singh**

*Head of ESG & Sustainable  
Investing*





**Thank you for listening!**  
**We hope you can join us at future events**



## **OPERATIONS 2023: HUMAN VERSUS MACHINE**

**Wednesday 18th October 2023**

**3pm - 6pm**



## **CLIENTS' VIEW 2023: EMBRACING A DIGITAL LANDSCAPE**

**Wednesday 22nd November 2023**

**3pm - 6pm**