

Hydrogen: Acting today for tomorrow's net zero economy



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CPR AM has been a committed climate player for several years now and has been innovating to offer investment solutions addressing the climate transition across all asset classes.

Our hydrogen strategy, a global equity portfolio, comes as an additional piece enriching and diversifying CPR AM's climate expertise, which accounts more than €2 billion in assets under management.¹ This unique and complementary strategy is entirely dedicated to the financing of the already investable and developing hydrogen value chain, set to play a crucial role in making the net zero economy a reality. The strategy is among the first on the market to invest in this theme of the future, and to do it through a conviction-based management and an impact approach.

What are the main motivations behind of the hydrogen strategy?

At CPR AM, we are convinced that hydrogen will be a game-changer and play a key role in achieving tomorrow's net zero economy. At present, clean hydrogen represents our best option for fully decarbonising our economy. It is indeed the only viable solution to cut emissions in sectors that are hard too decarbonise by current renewables such as heavy industry or transport, bridging thereby the gap where direct electrification is difficult if not impossible.

Additionally, the market timing is just right. We firmly believe that the unprecedented momentum that hydrogen is enjoying today is completely justified and here to

stay. Global push and commitments towards sustainability, technological advancements, dropping costs and massive investment initiatives from both private and public actors are granting full support to the growth of the emerging hydrogen economy. Indeed, the global green hydrogen market is projected to be worth \$11 trillion dollars by 2050.² The time to power our net zero future is definitively now!

In brief, what is your investment philosophy to harness the potential of this promising industry?

The use of hydrogen is already here and part of our economy. Through this strategy, we are willing to support the transition to green hydrogen production and use while benefiting from the significant growth opportunities associated to its nascent economy.

To do so, we invest in global equities involved in the entire hydrogen ecosystem from the upstream to the downstream businesses. Furthermore, the strategy adopts a rigorous and multi-fold sustainable approach and is SFDR Article 9 compliant.

Focusing on the investment universe, how has it been structured in more concrete terms?

As mentioned previously, our investment universe englobes the entire hydrogen value chain from upstream with green energies to downstream with various users such as automotive and rail industries, through storage and distribution.

More concretely, our hydrogen investment universe includes companies whose activity revolves around the manufacturing of wind turbines or solar panels. Indeed, clean electricity is essential for generating the chemical reaction that splits water into oxygen and green hydrogen. This water splitting process known as electrolysis is enabled by the use of electrolyser devices. Therefore, companies involved in the developing and deployment of this fundamental technology are also to be found in our universe.

Furthermore and as cited above, we

also select companies benefiting from hydrogen use. In fact, hydrogen being an energy vector with high versatility, it has multiple applications and can be used to decarbonise different sectors including steel industry, long-haul transport and even agriculture. And for sure, with the advances in hydrogen production, new applications will see the day and additional companies will join the hydrogen economy.

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How are the companies entering the investment universe selected?

We target companies with material and concrete exposure to hydrogen. Intentionality has to be material and that is why we include in our universe only companies whose management has set out a real vision for hydrogen accompanied by ongoing hydrogen projects that are beyond the R&D phase and in an advanced development stage.

As we might expect, the investment universe is particularly dynamic and regularly evolving reflecting obviously the booming hydrogen industry. The management team ensures an accurate follow-up of all the projects, technologies, initiatives and regulations likely to push hydrogen. Indeed, the hydrogen projects are blooming worldwide and new names are constantly joining the hydrogen scene.

What about the profile of the investment universe, any particular feature standing out?

As our investment universe covers the whole hydrogen spectrum, not surprisingly, from a sectoral point of view, it has a bias on industrials, utilities, materials and energy corresponding also to the core areas of hydrogen's value chain.

Geographically speaking, the universe is mostly exposed to Europe and Asia (including Japan) representing also the epicentre of the most advanced hydrogen technologies and projects today.

With this regard, it is worth pointing out that the geographical breakdown of the universe is likely to evolve as additional countries commit to hydrogen.

To conclude, could you spend a few words on the portfolio and future perspectives?

As we are exposed to the entire hydrogen value chain, the portfolio is pretty diversified and not fully concentrated. Additionally, the portfolio is actively managed and we take care of building a robust risk-adjusted portfolio by closely managing constraints. The final portfolio includes between 60-80 stocks and reflects the same biases as its investment universe.

We are very confident that the economy that is being built around hydrogen will continue the take-off at a rapid pace. The clean energy future with hydrogen is absolutely not out of reach, the best is yet to come. Technology, cost as well as public and private investments are all going and will continue to go on the right direction supporting the growth of the hydrogen economy. This is the time to shift and support the transition to clean hydrogen, the only viable solution to meet the net zero objectives.

FOOTNOTES

- 1 CPR AM, as at 31 December 2021.
- 2 “The Special 1 — Hydrogen Primer”, September 2020, BofA Global Research.



