WESTMOUNT

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LIGHTING THE PATH TO A MORE ENERGY-EFFICIENT FUTURE

We depend on reliable access to energy for nearly every aspect of daily life, from heating and cooling our homes to lighting our office buildings, driving our cars, and manufacturing the products we use. Energy fuels economic development, enables infrastructure that supports population growth, and powers technological innovation.

Naturally, demand for energy has never been higher. In 2022, US energy consumption rose to a record-high 4,027 billion kilowatt-hours (kWh) and is projected to increase by another 7.3% over the next two decades.[1] Globally, energy consumption is expected to rise 47% by 2050.[2]

Beyond simply producing *more* energy to meet demand, which can have a significant negative environmental impact (especially when that energy is derived from fossil fuels like coal, oil, and gas), energy producers and government agencies are beginning to focus on boosting energy *efficiency* and the ways that existing energy is consumed.

The 2022 Inflation Reduction Act (IRA) represents one significant step forward in this respect. The IRA provides generous federal tax credits and deductions to incentivize the adoption of more energy-efficient home improvements and appliances, and the purchase of more electric vehicles.[3] Following passage, the IRA was hailed as the largest investment in climate and energy in American history. Through the investments it enables, the Act is projected to decrease greenhouse gas emissions by about 40 percent below 2005 levels by 2030.[4]

In the private sector, innovative energy companies and those who operate in the energy space are also investing in new technologies and products that use less energy to perform the same tasks for a lower cost for consumers.

Westmount clients can participate in this burgeoning ecosystem through our ESG portfolio. One of the newest additions to our ESG platform is the **Hartford Schroders International Stock Fund**. Since 1998, Schroders has fully integrated responsible investment practices that emphasize ESG analytics to drive portfolio decisions. They actively engage with their portfolio companies, seeking long-term capital appreciation through investment in companies outside the United States. Their returns have meaningfully exceeded their benchmark over the last decade.

Here's a look at some of the innovative companies that Schroders has invested in:

ENERGY-EFFICIENT HEATING SYSTEMS

NIBE, headquartered in Sweden, is an international leader in the heating technology industry, emphasizing solutions that reduce carbon footprints. Along with boilers and water heaters, electrical heating elements, and freestanding fireplaces, NIBE manufactures heat pumps, an energy-efficient alternative to traditional heating systems.

Heat pumps are expected to play an important role in achieving the objectives of the Paris Climate Agreement, which seeks to reduce total carbon emissions by 45% by 2030 and reach net-zero by 2050. Unlike traditional heating systems, which rely on the combustion of fuel and emit harmful pollutants like nitrogen dioxide (NO_2) and carbon dioxide (CO_2) as byproducts, heat pumps extract energy directly from the surrounding air outside to provide heat and hot water. A heat pump can save up to 80% of energy consumption compared to a building that uses conventional heating systems, and emits no such harmful pollutants.

In 2019, buildings and households that use NIBE's heat pumps emitted 228,000 fewer tons of carbon dioxide, or roughly the same amount of emissions as 100,000 round-trip flights from Los Angeles to New York.[5]

PERSONALIZED ENERGY USAGE

Schneider Electric is a global leader in the field of power distribution and automation systems. They provide a wide array of energy-efficient solutions, both in energy management and data centers, and maintain a strong product mix for companies looking to reduce their power and carbon emissions and improve operational and energy efficiency.

Schneider unveiled its latest product, an all-in-one smart home energy management system, at the 2023 Consumer Electronics Showcase (CES) earlier this year. Its product, called Schneider Home, gives users full control over their electricity usage at the breaker and outlet level. The Schneider Home system includes a backup battery, solar inverter, smart electrical panel, electric vehicle charger and smart light switches and sockets, all controlled through a single mobile app.

With the app, users can schedule their energy use according to their lifestyles and schedules, resulting in significant cost savings. For example, those using Schneider Home will be able to charge their electric vehicles when electricity rates are cheapest or charge directly from their solar panels, and remotely switch off unused electrical devices while they are away. Customers will also be able to use incentives provided through the Inflation Reduction Act to offset the costs of installation.

RECOVERING DEMOLITION WASTE

Sika is a global specialty chemicals company that supplies the building sector and automotive industry in 101 countries around the world. Sika develops solutions for concrete, waterproofing, cement additives, rigid bonding, joint sealing, and more. They focus on improving the efficiency of construction products as well as providing sustainable solutions with environmental benefits. Schroders has engaged with Sika with regard to one of their recent breakthrough technologies called $ReCO_2ver$, a new process for recycling used concrete that would otherwise be shipped to landfills.

Large volumes of concrete demolition waste are generated worldwide every year. The Environmental Protection Agency estimates that 230 to 600 million tons of construction and demolition waste are produced each year in the United States alone.[6] Previous attempts to recycle old concrete have not been successful due to time-consuming techniques and high costs, resulting in lower recycling rates.

Sika's $ReCO_2ver$ technology aims to clear this barrier to better materials recycling. $ReCO_2ver$ uses a highly efficient chemo-mechanical treatment process to separate and reuse components of concrete demolition waste and increase the recycled aggregates' quality. The old concrete is broken down into its individual parts—aggregates, sand, and fine powdered material—recovered, and reused to produce high-performance recycled concrete. Of the roughly 300 million tons of old concrete produced by the five largest countries in Europe each year, Sika estimates that its $ReCO_2ver$ technology can capture up to 15 million tons of CO_2 emissions that would have otherwise been released into the atmosphere.[7]

Have a question about our ESG portfolio?

Visit westmount.com/esg for more information or call 310-556-2502 to speak with an advisor.

Sources
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