

MEDIA RELEASE

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New study by the University of Oxford and Lombard Odier examines the predictors of success in a greening world

Pathways towards green competitiveness remain dynamic in a post-pandemic world, though investor exposure to green industries continues to scale up

Report finds that Germany, the USA and China are among the countries set to benefit most from the green transition

A new study launched today by Lombard Odier and the Smith School of Enterprise and the Environment (“SSEE”) at the University of Oxford, has found that Germany, the USA and China are the countries set to benefit most from the ongoing transition to a green economy.

The report, Predictors of Success in a Greening World, offers a global, 25-year-long perspective on countries’ standing in global trade in high-growth green industries, and the extent to which each country has adequately directed their Covid-19 recovery spending to “build back greener”.

Through the use of cutting-edge research, Lombard Odier and the SSEE together have identified which countries are specialising in high-growth green industries, which are laggards, and ultimately, where the investment opportunities might lie in the global transition to more comprehensive use of sustainable energy and production systems.

The report implements two measurement frameworks to assess different countries’ abilities to capitalise on the green transition: a Green Complexity Index (“GCI”), to measure the number and complexity of green products competitively exported by a country that is linked to green competitiveness and green economic growth over time; and a Green Complexity Potential (“GCP”), to measure each country’s average proximity to complex green products not yet competitively exported, which has been shown to be a strong indicator of future green competitiveness (GCI).

The report finds:

- Germany, Italy, Spain, the USA and China are among the countries set to benefit most from the green transition, owing to their strong existing green manufacturing and technological capabilities;
- Countries such as Australia and the UAE have been laggards in the past, owing to their over-reliance on fossil fuel exports. However, Australia possesses immense renewable energy potential and the UAE has shown a clear intent to diversify their production capability resulting in recent increases in green competitiveness and potential
- This global competitive landscape is not static, and differences in post-pandemic recovery spending could drive changes in green capacities in the future. For some highly-ranked GCI

countries like the Netherlands and Italy, green recovery spending is relatively low, less than 0.1% of their GDP. Others, like the US, Germany and China, have invested up to 1% of their GDP into green recovery investments.

Investor Implications: For investors seeking greater exposure to clean energy industries, wind and solar companies are an increasingly important focus area, owing to the enormous growth predicted for renewable energy technologies and the position they occupy in globally integrated supply chains. From an initial global sample of 1,700 companies, the report identifies 93 publicly-listed wind and solar companies that are optimally positioned to benefit from investor and policy-led engagement.

Through a three-stage framework, the value chains of the initial sample were mapped onto the S&P Global Trucost Climate Impact Sectors Classification (“CISC”) framework. Each sector was then allocated an Exposure Score (ranging from 0 to 1), which considers value-add and specialisation to narrow the sample to those companies with the highest revenue generation potential. Finally, the sector exposure scores were used to create an overall Purity Score for each company, measuring its relevance to the theme of wind and solar.

Greater collaboration between policymakers and institutional investors, to channel the substantial pool of private capital currently being targeted at the renewables sector, will play a critical role in facilitating the growth of these companies. The report further indicates the growing role that European companies will play in the wind and solar transition; those with high GCP rankings will likely present an attractive opportunity for private sector investment.

Hubert Keller, Senior Managing Partner at Lombard Odier said: *“The environmental transition is the finance industry’s most pressing challenge. Lombard Odier’s ability to lead this conversation and provide frameworks and solutions for reallocating private capital into an environment-friendly economy is supported by this unique partnership with the University of Oxford. The study provides clear, science-based insights for investors looking to benefit from the sustainability transition.”*

Michael Urban, PhD, Deputy Head of Sustainability Research at Lombard Odier said: *“The publication of our joint report with the Smith School of Economics and the Environment at the University of Oxford is a significant moment for us, as we continue to drive initiatives that support governments, corporates, civil society and, ultimately, investors to identify investment opportunities in a greening world.*

“As countries around the world pledge their commitment to transition to more sustainable energy and production systems, the importance of capital allocation in driving solutions to climate change has never been greater. It is therefore critical to accurately determine which countries, industries and companies will survive, thrive, and come to define the new industrial landscape. Our report sets out a long-term trajectory for countries as we collectively transition to clean energy frameworks, and pursue avenues to drive this energy transformation for the benefit of the planet and wider society.”

Cameron Hepburn, Professor of Environmental Economics at the University of Oxford and Director of the Smith School of Enterprise and the Environment, said: *“Providing the foundational research and frameworks for solutions to achieve net zero emissions and sustainable development is at the heart of our mission, and we are proud to partner with Lombard Odier on this report. It should serve as a wakeup call to the “laggards”; they are not just holding back efforts to combat climate change, but missing valuable opportunities to benefit from the transition.”*

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The Group had total client assets of CHF 352 billion at 30 June 2021. Headquartered in Geneva since 1796, at end-June the Group had 28 offices in 23 jurisdictions and employed 2,620 people.

For more information: www.lombardodier.com

About the Smith School of Enterprise and the Environment

The Smith School of Enterprise and the Environment at the University of Oxford equips enterprise to achieve net zero emissions and the sustainable development goals, through world-leading research, teaching and partnerships.

<https://www.smithschool.ox.ac.uk/>

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