

## New investment approach for energy utilities

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In March 2020 ATP adopted a new policy on investments in energy utilities, which is based on the following four steps. The aim of the approach is to ensure that ATP invest in the energy utilities that show the most advanced approach to green transition as well as to stay clear of energy utilities that are either not willing to transition or where the current energy mix will require a level of investments in low-carbon energy generation that is not feasible.

The approach is based on the following four steps:

1. Within our global factor based equity strategy we deploy an investment factor, which tilts the stock selection towards utilities with more advanced plans for investing in renewables.
2. ATP does not invest in utilities that are installing new coal generation capacity, as this will increase the CO<sub>2</sub>-intensity of their energy mix.
3. ATP ranks utilities based on CO<sub>2</sub>-intensity measured as gCO<sub>2</sub>/kWh. We have chosen this approach for several reasons.
  - a. It is technology neutral (e.g. a company can have a high intensity despite a relatively low percentage of coal capacity if they use gas or oil rather than renewables).
  - b. In our dialogue with utilities we ask for investment plans for 2030. Based on this we can calculate their expected/projected CO<sub>2</sub>-intensity by 2030. E.g. if a utility plans to add 10 percent more renewables but does not plan to retire coal capacity, this will not lower the CO<sub>2</sub>-intensity substantially. Thus, the new approach enables to assess plans for green transitions on a quantitative level.
  - c. If a utility with an estimated CO<sub>2</sub>-intensity of more than 600g/kWh does not show investment plans that will lead to a substantial decrease in CO<sub>2</sub>-intensity by 2030 we will disinvest from the utility. Based on the new policy we have excluded further 8 utilities from our investment universe. We expect to lower the threshold going forward.
4. ATP does not invest in utilities that have a generating capacity of more than 50 per cent based on coal as we do not believe these companies will be able to transition fast enough thus becoming a financial risk.