Frédéric Rochat: «Energy Independence Has Never Been More Relevant»
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Geopolitics is further fuelling the urgency to shift economic models towards sustainable growth, Lombard Odier managing partner Frédéric Rochat writes in an article for finews.first, highlighting areas such as energy independence.

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A transformation of our economic models towards a more sustainable economy is underway and represents a real revolution. New players with major growth potential will emerge, while others will disappear. The fear of some investors that investing sustainably means sacrificing performance is unfounded.

Recent geopolitical events and the resulting tensions will only add to the urgency of the
transition. The concept of energy independence, for example, has never been more relevant.

«We must look further ahead»

In recent years, investors have integrated sustainability criteria according to their preferences. Many have chosen ESG as the scoring tool, which allows us to compare the current practices of different companies across a range of environmental, social and governance criteria.

Today, we must look further ahead. Just as the technological advances of the last fifty years have disrupted all business models, this sustainability transition will impact all of our investment universes, inviting us to rethink the way we invest.

More than ever, sustainable investing must become a matter of conviction, highlighting the importance of scientific research to allow us to better understand the transition trajectories of companies, sector by sector. The analysis must be forward-looking and will require a wide range of skills: climatologists, scientists, engineers and analysts.

«We have already crossed the alert thresholds»

It is undeniable that functional societies, sustainable economic growth and attractive long-term financial returns rely on environmental stability. Scientific research has now quantified a number of global limits that must not be exceeded in order to safeguard this, with measures concerning CO2 emissions, water quality, biodiversity and more.

While the situation is alarming, since we have already crossed the alert thresholds for most of them, the science is clear on how to restore or limit the damage caused to our ecosystems. The environmental transition will be built around four major axes:

**Electrification.** Electricity is becoming the dominant energy vector. From around 20 percent of the world's energy demand in 2020, it will rise to over 70 percent in 2050. To produce electricity, we will have to switch from fossil fuels to cleaner energies (water, wind, solar and possibly nuclear).
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Agriculture and nature preservation. Between now and 2050, we will need to feed an additional 2 billion people while restoring large areas of arable land for reforestation and biodiversity projects. We will have to rethink our production and consumption methods.

Materials. We will have to decouple the trajectory of economic growth from the extraction of raw materials. The «take, make, waste» model must be replaced by «reduce, re-use, recycle». Building materials must be rethought; cars will be shared and their components recycled.

Carbon. The market economy model must be expanded to include all its externalities. Carbon emissions must become increasingly expensive, creating the incentive mechanisms needed for industrial actors to adopt real transition strategies.

Frédéric Rochat has been a managing partner at Swiss private bank Lombard Odier since 2012 after joining the bank in 2011. Previously, he worked at Goldman Sachs' investment banking division for 11 years in New York and London covering financial institutions and industrials. Rochat graduated from the University of St. Gallen in 1999.