

# Accelerating Climate Action through Technology

For Professional Clients only

## The role of climate technology and innovation in creating a more sustainable future

Climate technology has rapidly emerged as a dynamic and evolving sector within the broader technology and sustainability landscape. In the past year alone, global climate tech venture capital funding experienced a remarkable 89% year-on-year increase, reaching a staggering \$70.1 billion (Holon IQ, 2023).

Yet, the scale of the challenges posed by climate change is immense. Estimates suggest that investments in new infrastructure and systems required to meet international climate goals could amount to \$9.2 trillion annually until 2050 (McKinsey, 2022). This is where climate tech becomes crucial and thus the choice of 'Accelerating climate actions through technology' as the theme of our side event during the PRI in Person conference 2023.

At the event, Michelle Hilliman, our Head of Responsible Investing for Alternatives capabilities was joined by Avrom Salsberg, Google's Global Lead for Sustainability Partnerships & North APAC Head – Geo Product Partnerships to exchange on their views and latest initiatives in the field of climate technology through the format of a fireside chat.



### Supporting the net-zero transition

To kick off the discussion, Avrom stated that Google approaches the net-zero transition along three main pillars which are 1) how they 'walk the talk', 2) how they support individuals and 3) how they enable partners to scale and enhance their solutions.

As an example of the first pillar, Google has matched 100% of their electricity consumption of global operations with renewable energy in the last 5 years, and will continue to look into reducing water consumption, the overall carbon footprint and more. For the second pillar, they are expanding the suite of products that empowers the public to make sustainable choices, such as showing eco-friendly



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routing alternatives on Google map where possible. As of 2022 year end, this initiative has already helped prevent more than 1.2 million metric tons of carbon emissions since launch. The third pillar is no less important than the others as it is through partnerships that Google can scale what they have to offer. Avrom used the Environmental Insights Explorer to illustrate how Google imagery, map data and other unique features have been integrated to produce snapshots of CO2 emission profiles, tree coverage and solar potential of a city, which can be used to develop more focused and impactful climate action plans.

At HSBC Asset Management, it is believed that climate tech plays a pivotal role in supporting the transition towards a net-zero future. Michelle explained that by investing in innovative technologies, HSBC Asset Management aims to accelerate decarbonisation and achieve other climate goals for clients and the society.

Under this vision, HSBC Alternatives launched the Climatech Venture Capital Strategy last year for clients to access investment opportunities in the growing field of climate technology and fulfill their investment goals.



### **Creating impact through scaling climate technology**

Climate technology is a vast and evolving field, encompassing a wide range of technologies. There are scaled technologies and companies like Tesla on one end and on the other, technologies which are still at an early stage of development like green hydrogen. From the HSBC Asset Management perspective, Michelle detailed that it is critical to invest in companies with proven technologies supporting decarbonization and depollution but seeking capital to create global impact. Those that offer innovative solutions, and show evidence of market traction, early and high growth are prioritised, particularly if they are at early-stage of development, focusing on the transition to net-zero in the power transformation and transport electrification sectors.

To further illustrate, Michelle named the investment in Amperon, a US-based electricity analytics platform as an example. Amperon utilises AI-driven electricity forecasts to assist utilities in effectively balancing power grids and increasing their utilisation of renewable energy sources.

Google, on the other hand, is also committed to supporting the scaling of early-stage climate or green technology. 'Project Point Carbon Zero', a program jointly launched by Google cloud and the Monetary Authority of Singapore in 2022 is one of the latest initiatives. Its goal is to bring together green FinTech companies to aid financial institutions in developing green revenue streams, and efficient channeling of private capital toward sustainable projects and businesses focusing on their long-term sustainability impact and empower multinational corporations, small and medium-sized enterprises to set, track and achieve their sustainability targets.



### **Takeaway for investors**

While climate tech presents significant investment opportunities, Michelle reminded the audience that it is also inherently risky. The technologies are new and evolving, and the development timeline can be lengthy. This means that investors must have a higher risk appetite and a longer investment horizon. For those that seek to ride on the growth of climate tech but want to avoid additional liquidity risk, investing in climate-focused technology companies through diversified ETFs may be more suitable. Thematic ETFs provide broad exposure to the climate tech theme as a whole, rather than focusing on picking individual winners of the future, which makes them more appropriate for investors with lower risk appetite. In both cases, by supporting innovative companies and technologies in the climate tech sector, investors can contribute to the transition to a more sustainable future and address the challenges posed by climate change.



## Upcoming trends in climate technology

When invited to share his views on the trends in the next decade, Avrom mentioned that there are two key areas where Google is focusing on – the increasing use of AI to solve climate problems and the prioritisation of rapid climate adaptation. Before the end of the fireside chat, he reminded the audience that climate change is already here. The technological sector is acknowledging this as the world catches up to this reality.

Today, we and many of our customers contribute to greenhouse gas emissions. This is why HSBC Asset Management, together with other asset managers, have an important role to play in supporting the transition to a net zero economy. Step by step, we are developing strategies to reduce our own emissions and to help our customers reduce theirs.

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