



## UNDER AN AMERICAN SUN

- **Americans, including the vast majority of Democrats, are increasingly concerned about climate change**
- **Joe Biden is ready to devote huge resources to combating climate change, via a 2 trillion dollar investment plan over 4 years**
- **The United States has significant technological and industrial resources in the domain of green technologies**
- **Although the Democratic candidate for the White House was careful not to mention fossil fuels in his plan, it is likely that regulations governing the sector would tighten**

This summer, temperatures on Earth hit an all-time record high: 54.4°C in the shade on the thermometer in Furnace Creek, California<sup>1</sup>. The record was also broken in the Île-de-France region around Paris, with 39.2°C recorded in August. These extremely high temperatures are now affecting our everyday lives. In California, for the first time in 20 years, the State imposed power shut-offs because of consumption peaks due to the demand for air-conditioning, and in order to avoid damage to transformers that might cause fires<sup>2</sup>.

Almost two thirds of Americans now think that the federal government should do more to combat climate change, and almost as many emphasise that the problem now affects their communities in some way, according to a survey published in June by the Pew Research Center. The divide between pro-Democrats and pro-Republicans persists, but in less than 10 years, the proportion of Americans describing climate change as a “major threat” has risen from 44% to 60%: 88% for Democrats and 31% for Republicans<sup>3</sup>.

Joe Biden showed a clear grasp of the situation when he announced his new climate plan, known as the “Clean Energy Plan”. It is a much more ambitious version than his proposals during the Democratic primaries. Inspired by the European Green Deal, it aims to rally the left wing of the party around the issues of employment and American technological superiority.

At a time of recovery plans worth trillions, he needed an attention-grabbing figure: 2 trillion dollars to be invested over his first term. This is an enormous sum, even compared to the European Green Deal’s 1 trillion euros over 10 years.

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<sup>1</sup> <https://www.leparisien.fr/environnement/meteo-54-4-c-dans-la-vallee-de-la-mort-aux-etats-unis-un-record-mondial-17-08-2020-8369103.php>

<sup>2</sup> <https://www.bloomberg.com/news/articles/2020-08-17/california-blackouts-heatwave-raises-fire-risk-in-climate-change-loop>

<sup>3</sup> <https://www.washingtonpost.com/climate-environment/2020/06/23/climate-change-poll-pew/>

The plan covers 5 areas:

- **Electricity generation**, with an ambitious objective to decarbonise the sector by 2035.
- **Transport**, with stricter emissions standards, encouraging the growth of electric vehicles and the return of an ambitious rail policy.
- **Buildings**, aiming to reduce their carbon footprint by 50% by 2035.
- **Hydrogen**, with support for research and for the sector, in order to achieve parity of cost between green hydrogen produced by electrolysis and grey hydrogen produced by reforming natural gas.
- **Agriculture**, in order to support the investments required to decarbonise the sector.

The plan is careful not to mention fossil fuels, but decarbonisation of the electricity sector implies the end of coal, which is already threatened by low gas prices.

Concerning oil, there is no mention of “fracking”, the fracturing of bedrock used to obtain shale oil. The left wing of the party wanted to ban this practice, but Biden proposes limiting the authorised zones, which should restrict the growth of the sector. Furthermore, Democrats want to reduce the associated methane emissions, which could increase production costs.

The scale and implementation of this programme will depend on the scope of the potential Democratic victory. Even in the event of a victory in the White House and Congress, if the Republicans retain control of the Senate, they will be able to block legislative changes. The opposite scenario of a Republican victory is not necessarily bad news. Despite his rhetoric, it is under Trump that new renewable additions have accelerated to make up 55% of new additions to capacity, thanks to falling costs<sup>4</sup>.

Looking further back in history, it is worth remembering that it was President Nixon, a Republican, who created the EPA (Environmental Protection Agency) and signed the *Clean Air Act* and *Clean Water Act*.

## WHICH INVESTMENT OPPORTUNITIES IN THIS CONTEXT?

Contrary to preconceptions in Europe, the United States has significant technological and industrial resources in the domain of green technologies. Investment opportunities there are also as numerous as in Europe, and perhaps even greater.

For electricity production, many American utilities have turned to renewable sources. Names like Nextera and Avangrid stand out and are competing with the European leaders. The plan requires massive acceleration in the deployment of solar and wind power, which will benefit domestic players like TPI Composites (a manufacturer of wind turbine blades), First Solar (a solar panel producer) or Solaredge (who makes solar inverters and domestic batteries).

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<sup>4</sup> <https://www.economist.com/united-states/2020/03/14/a-renewable-energy-boom-is-changing-the-politics-of-global-warming>

In the transport sector, Tesla is now a name that needs no introduction, but many other start-ups have benefited from this company's success to raise funds and launch electric models. Rivian and Lucid Motors have launched promising models and they particularly stand out. In fact, Joe Biden highlighted that the United States has fallen behind China in the development of the electric vehicle and battery industry, and he wants to use "all the levers of the federal government" to make the United States a leader.

The other big name in transport in 2020 is Nikola in our view. The American company wants to transform the lorry market by launching a hydrogen lorry. The group is still in the development stage for this, but its success in the stock market is a boost for the hydrogen sector, bringing in its wake many fuel cell manufacturers like Plug Power and Bloom Energy. Also in transport, the Biden Plan mentions that rail has fallen severely behind, with a degraded infrastructure and poor coverage. It describes the need for a "second great railroad revolution". Alstom would be a key beneficiary, with the acquisition of Bombardier and the banning of the Chinese corporation CRRC. Wabtec is the only significant local player.

In buildings, there are many levers for action and many players who could get involved. Today, just 1% of property is renewed each year<sup>5</sup>. To reduce the greenhouse gas emissions of buildings, it is necessary to move from gas heating to heat pumps, which will also increase the electrification of buildings. Within this sector, players such as Trane, Carrier and Eaton seem to be well positioned. The other course of action regarding buildings is the development of smart meters, to improve tracking of customers' usage and better link electricity production to consumption. Itron, an American smart meter specialist with a global presence, is one of the companies who have distinguished themselves in this field.

In agriculture, there are many players on the American market. For example, Deere would benefit from renewed investment in modernising the sector. Trimble, in the domain of precision agriculture, offers measurement technologies to reduce the usage of inputs.

This rich reservoir of companies shows that the world has woken up to the climate emergency, whatever the ideological position of its leaders. The market is now as important as regulation in driving environmental protection. It does not wait for politicians, having understood the now tangible impacts of climate imbalance.

According to a recent study by Ohio State University, Greenland's glaciers have passed a point of no return. The melting of this icecap is now irremediable, even if climate change were to stop today, because snowfall can no longer compensate for the lost ice.

Given that Biden spoke of an effort "on a scale well beyond the Apollo program", it seems that the environmental theme will remain in the spotlight for a long time in our view.

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<sup>5</sup> <https://www.iea.org/reports/global-status-report-for-buildings-and-construction-2019>

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