



Investment Themes for Energy Transition

As governments continued to commit to carbon reduction, policies would still favor related sectors. Thus, low-carbon investment might benefit and stand out. Low-carbon strategy is one of the key strategies in Environmental, Social and Governance (ESG) investment. The potential of low-carbon strategy is huge. In recent years, more and more companies have joined the energy transition and carbon reduction trend. Among them, the automobile industry has attracted the most attention. Numerous electric vehicle (EV) brands have emerged, and stock prices of EV battery suppliers have been chased higher. In fact, energy transition is not limited to EV. All industries can join the energy transition theme. In this issue, we would introduce two areas that are gradually attracting investor interests.

According to data from Bloomberg, global energy transition investment totaled \$1.1 trillion, up 31% on the prior year and the first time the figure has been measured in trillions. Renewable energy and electrified transport have already accounted for 45% and 42% of investment respectively. And the remaining categories such nuclear, energy storage, hydrogen and sustainable materials, etc. only account for 13%. However, as Bloomberg estimated that transition investment needed to average more than 3 times this level, for the rest of this decade, to get on track for net zero goal, overall energy transition industry still has considerable growth. We believe that the prospect of hydrogen and energy storage are worth paying attention to.

Hydrogen as a Game-changer

Hydrogen, though only accounted for 0.1% of the trillion-dollar investment in energy transition in 2022, is regarded as a net-zero game changer. Compared with traditional fossil fuels that emit toxic fumes, hydrogen as a fuel only releases steam into the atmosphere and it would play a key role in achieving net zero emissions by 2050. Also, unlike oil and coal which are scarce and precious, hydrogen is actually abundant and can be found in water. As we all know, water is made of hydrogen and oxygen (H₂O). The supply of hydrogen can be very stable. However, the production of hydrogen involved a lot of fossil fuels. If renewable energy sources such as wind power and solar energy are used to produce hydrogen by electrolysis, the cost would be quite high. It is not cost-effective for the moment. But looking ahead, the cost of producing hydrogen from renewable sources is expected to drop significantly, driven by economies of scale and falling costs of renewable energy. The growth of green hydrogen production is warranted.

Hydrogen is already used in a few large-scale industrial processes, such as oil refining ammonia and nitrogen fertilizer production. However, if hydrogen fulfills its potential in these new end markets of heavy industry, shipping, aviation, heavy-duty transport and energy storage, the production and consumption of hydrogen volumes would expand significantly. In fact, hydrogen play an important role in the decarbonization of these sectors, as emissions are hard to abate, and alternative solutions are either unavailable or difficult to implement.

Demand for Energy Storage Grows

Energy storage includes charging devices at consumer level and power grid system at infrastructure level. Bloomberg regarded power grid system as an independent theme, so the data in the above chart did not include power grid system. According to Bloomberg, global grid investments reached as much as \$274 billion in 2022.

As renewable energy such as wind power and solar energy grows, the output of renewable energy over total energy would increase. However, the problem with wind power and solar energy is stability. Wind can be strong and weak at times, and strong sunshine is only available in limited time. Therefore, energy storage and transportation is key to further development. The previously mentioned application of hydrogen energy can be considered as one of the solutions, as wind and solar energy can be stored as hydrogen gas through electrolysis, which can be easily transported in compressed form. Of course, companies and governments have to invest more to reduce costs. The International Energy Agency (IEA) also commented that projected growth in grid-scale storage capacity was not currently on track with their net zero scenario and required greater efforts. In conclusion, more investments and growth are expected in energy storage area.

Looking forward to 2024, economies continue to face a lot of uncertainties. Although the latest interest rate dot plot by the Federal Reserve reflected that there may be three interest rate cuts this year, we believe that projections from the Federal Reserve and markets might be too optimistic. Interest rate cut might need to be convinced by further softening of inflation. Diversification remains an ideal strategy for navigating volatile market conditions. Diversifying into less correlated asset classes, such as stocks and bonds, can help reducing portfolio volatility. Diversifying stock investments in different regions also has the effect of reducing portfolio risks. In terms of sectors, as interest rates would likely peak in 2024 and bond interest rates would fall, growth stocks such as energy transition stocks may benefit. However, we may see some sector rotation during the year. One would not miss specific sector opportunities with a diversified approach. We believe low-carbon investment strategy remain to be a sustainable focus benefitted from government commitment to achieve "net-zero".

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能源轉型新機遇

由於各國政府繼續實踐減碳承諾，政策上仍然會傾斜相關板塊，低碳投資可望突圍。低碳策略是環境、社會和企業管治(ESG)投資當中的一個重要策略，其潛力不容忽視。近年愈來愈多企業加入以能源轉型減碳的行列，當中以汽車業最為矚目，大量電動車品牌應運而生，研發電動車電池的企業也受到市場追捧。其實，能源轉型的概念不限於電動車，各行各業皆可推動能源轉型，我們今期會介紹兩個漸受市場關注的範疇。

根據彭博資料，環球能源轉型投資於2022年首次衝破萬億，達到1.1萬億美元，較之前一年上升31%。其中，可再生能源和電動交通分別佔比45%和42%，剩餘的類別如核能、儲能、氫能、可持續材料等加起來僅佔13%。不過彭博預計環球要達到淨零排放目標，未來數年仍要多花三倍金額，意味整體能源轉型行業仍有可觀的增長。筆者認為氫能和儲存能源(儲能)的前景值得留意。

氫能被喻為能源轉型關鍵

在2022年上萬億的能源轉型投資中，雖然氫能只佔當中的0.1%，但卻被喻為「改變遊戲規則」的關鍵。相對於傳統石化燃料會釋放有毒氣體，氫氣作為燃料只會釋放水蒸汽，對實現2050年淨零排放起到關鍵作用。此外，與石油、煤炭等「珍貴」資源不同，氫氣的存量巨大，基本上水就是由氫元素和氧元素組成的，供應可以十分穩定。只不過，過去氫氣的生產牽涉很多石化燃料，若利用可再生能源如風力、太陽能等電解製氫，成本略嫌過高，因而並不划算。但放眼將來，在規模經濟效益和可再生能源成本不斷下降的影響下，可再生能源製氫的成本將會大幅下降，這將支持綠色氫生產的增長。

現時已有一些大規模的工業生產流程使用氫能，當中包括煉油、氫肥及氮肥生產等。然而，若氫能的應用潛力得以在重工業、航運、航空、重型運輸和儲能等市場中充分發揮，氫能的生產和消費需求量將會大大增加。事實上，上述這些工業的碳排放水平偏高，並難以實行替代能源方案，綠色氫能的應用對減碳有相當顯著的效果。

儲能需求穩步上升

儲能包括消費層面的「叉電」裝置和基建層面的電網系統，彭博將電網系統視為獨立研究項目，故上述圖表的數據並沒有包含電網系統。根據彭博數據，環球電網投資2022年達到2,740億美元，金額並不低。

可再生能源如風能、太陽能持續發展，其產量佔整體能源使用愈來愈多。但風能和太陽能的問題在於穩定性，要知道風力時大時小，強日照也只限於短時間，兩者發電設備的設置也有地域限制，故如何將可再生能源儲存好，再透過電網穩定供應至不同地方，成為研究的重點。之前提及的氫能應用可被視為其中一個解決方案，因為風能和太陽能透過電解後儲存成氫氣，便可以液態形式方便運輸。當然，企業和政府還要投入更多金額，才可令成本降低。國際能源機構(IEA)也表示，電網規模存儲容量的預計增長目前並未符合淨零情景，需要付出更大的努力。

展望2024年，宏觀經濟的不確定性仍高，雖然聯儲局最新的利率點陣圖反映今年減息或達至三次，但我們認為需要確定通脹持續回落，才可以放鬆貨幣政策。故聯儲局和市場有可能對於減息步伐過份樂觀。我們認為分散投資仍然是駕馭波動市況的理想策略。分散投資於相關性較低的資產類別，例如股票和債券，可降低投資組合的波動性。而分散投資於不同地區股市，也有降低組合風險的效果。板塊方面，2024年利率見頂及債息下跌，或利好具能源轉型概念的增長型股份，惟板塊輪動之下，分散佈局不至於錯失機遇。長遠而言，我們認為低碳投資策略的前景可望持續受惠政府碳中和承諾。



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PENSION SCHEMES ASSOCIATION
退休積金計劃協會

專家觀點
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