

# Investing in the energy transition: need to know guide



## What is the energy transition?

The energy transition describes the passage from the world's mainly still fossil fuel-based energy sector to a zero-carbon emission sector.

## Transformation of the energy system: fossil fuels to CO<sub>2</sub>-neutral by 2050

To drive the significant reduction of carbon dioxide (CO<sub>2</sub>) emissions forward, the decarbonisation of high-emitting industries is crucial.

In parallel, the further development of more sustainable and efficient forms of energy production, storage and usage is essential to address pressing climate-change related challenges.



Factories



Natural gas



Petrol



CO<sub>2</sub> GHG emissions



Efficient buildings



Solar modules



Electric vehicles



Wind farms



Forestry



## Why invest in the energy transition now?

Urgent need to move from fossil fuels and step-up renewable energy development.

- Falling behind on the Paris agreement **1.5°C goal**
- Geopolitical conflict causing **security-of-supply concerns**
- Potential long-term opportunities arising from USD billion gaps in financing more sustainable forms of producing, storing and **consuming energy**



1.5°C goal



Supply concerns



Consuming energy



Achieving Sustainability

Allianz   
Global Investors



### What is the energy opportunity?

- Renewables' share of the energy mix must rise sharply by 2050.
- Wind and solar power expected to lead.

### Support the transition from fossil fuels.

**Twin goals:**  
doing good and earning while seeking a return on investment



Invest in climate focused solutions



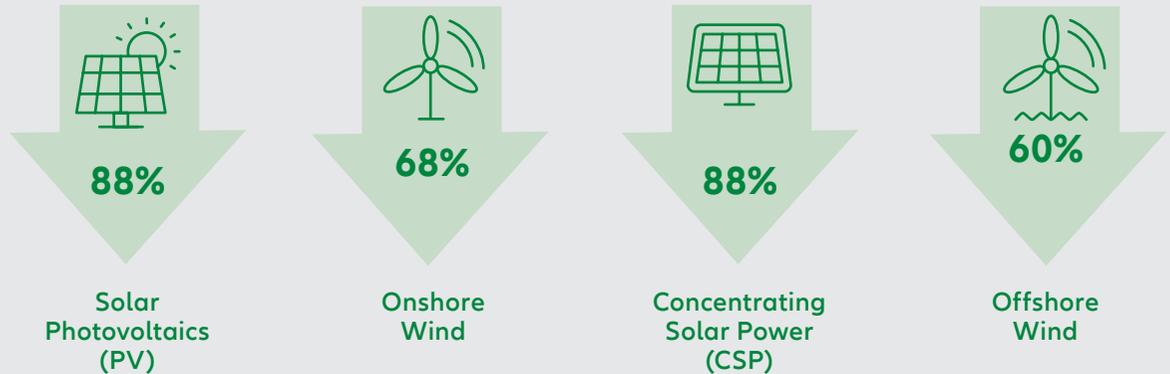
Seek out renewable energy opportunities



### Falling costs of renewable energy sources

Increment of installed renewable energy capacity and lower access barriers to renewable energy sources could lead to a decrease in prices and drive up interest in renewable energy sources. With lower energy prices disposable income could rise which in turn would lead to more economic growth.

### 2010 to 2021: A decade of declining clean energy costs (per kWh)



Source: International Renewable Energy Agency, as of July 2022.



### Setting sustainable gears in motion

#### Collaborative efforts

and investment aim to drive sustainable forms of energy production, energy consumption and energy storage.

**Towards achieving 1.5°C by 2030.**

#### Paving the way

1. Expand share of electricity from renewables.



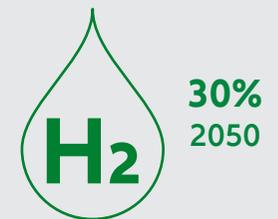
2. Improve energy intensity.



3. Ramp up of clean hydrogen production.



4. Massive increase in total CO<sub>2</sub> capture.



Source: IRENA World Energy Transitions Outlook 2022, as of June 2022.



### Investor focused solutions for the clean energy value chain

1. Participate in the potential growth of enablers, front-runners and beneficiaries of the clean energy transition process.



2. Seek solutions that deliver on changing energy consumption patterns and the resulting new demand dynamics.



3. Explore potential opportunities arising from innovative technologies like hydrogen based energy supply or CO<sub>2</sub>-reducing technology innovations.



4. Focus on contribution towards the UN Sustainable Development Goals (SDGs)\*



\*Allianz Global Investors supports the UN Sustainable Development Goals (SDGs).



### Closing the investment gap through the enablers and beneficiaries of the energy transition

#### The investment gap

Annual investments of almost USD 2.2 trillion are required until 2030, plus annually USD 0.7 trillion to be redirected from fossil fuels towards energy transition technologies.<sup>1</sup>

Energy transition-related investments amount to around 80% of total energy sector investments, i.e., USD 47 trillion in cumulative terms between 2021 and 2030; in annual terms USD 4.7 trillion per year up till 2030 and USD 3.5 trillion per year from 2031 to 2050.<sup>2</sup>

#### Considerations for investors

The need for new infrastructure and disruptive new solutions across a multitude of industries and sectors could translate into a wide range of robust investment opportunities with the potential to provide investors with sustainable long-term earnings and a cleaner and greener portfolio.

<sup>1</sup>IRENA World Energy Transitions Outlook 2022, page 103.

<sup>2</sup>Ibid.

## Informed investment decisions with Allianz Global Investors energy transition insights



### Energy transition and energy security – complementary or conflicting?

Amidst energy security concerns, energy transition targets must be kept in sight in order to meet Paris agreement goals. This requires greater investment in reducing fossil-fuel reliance, identifying renewable energy opportunities, and investing in climate-focused solutions.

[Read more](#)



### Switching the energy transition to sustainable gears

The reduced cost of renewable energy sources is driving opportunities to invest in solutions for more sustainable energy generation, efficient energy storage, and consumption.

[Read more](#)



### Nuclear and gas in the EU taxonomy: what this means for the energy mix of tomorrow

The inclusion of nuclear and gas in the EU taxonomy for sustainable economic activities has intensified discussions about the current energy crisis and future sustainable sources of energy. A closer look at the taxonomy helps to assess the green credentials of each.

[Read more](#)

**Investing involves risk.** The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. Past performance is not indicative of future performance. This is a marketing communication. It is for informational purposes only. This document does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer or its affiliated companies at the time of publication. Certain data used are derived from various sources believed to be reliable, but the accuracy or completeness of the data is not guaranteed and no liability is assumed for any direct or consequential losses arising from their use. The duplication, publication, extraction or transmission of the contents, irrespective of the form, is not permitted. This material has not been reviewed by any regulatory authorities. In mainland China, it is for Qualified Domestic Institutional Investors scheme pursuant to applicable rules and regulations and is for information purpose only. This document does not constitute a public offer by virtue of Act Number 26.831 of the Argentine Republic and General Resolution No. 622/2013 of the NSC. This communication's sole purpose is to inform and does not under any circumstance constitute promotion or publicity of Allianz Global Investors products and/or services in Colombia or to Colombian residents pursuant to part 4 of Decree 2555 of 2010. This communication does not in any way aim to directly or indirectly initiate the purchase of a product or the provision of a service offered by Allianz Global Investors. Via reception of his document, each resident in Colombia acknowledges and accepts to have contacted Allianz Global Investors via their own initiative and that the communication under no circumstances does not arise from any promotional or marketing activities carried out by Allianz Global Investors. Colombian residents accept that accessing any type of social network page of Allianz Global Investors is done under their own responsibility and initiative and are aware that they may access specific information on the products and services of Allianz Global Investors. This communication is strictly private and confidential and may not be reproduced. This communication does not constitute a public offer of securities in Colombia pursuant to the public offer regulation set forth in Decree 2555 of 2010. This communication and the information provided herein should not be considered a solicitation or an offer by Allianz Global Investors or its affiliates to provide any financial products in Brazil, Panama, Peru, and Uruguay. In Australia, this material is presented by Allianz Global Investors Asia Pacific Limited ("AllianzGI AP") and is intended for the use of investment consultants and other institutional/professional investors only, and is not directed to the public or individual retail investors. AllianzGI AP is not licensed to provide financial services to retail clients in Australia. AllianzGI AP is exempt from the requirement to hold an Australian Foreign Financial Service License under the Corporations Act 2001 (Cth) pursuant to ASIC Class Order (CO 03/1103) with respect to the provision of financial services to wholesale clients only. AllianzGI AP is licensed and regulated by Hong Kong Securities and Futures Commission under Hong Kong laws, which differ from Australian laws. This document is being distributed by the following Allianz Global Investors companies: Allianz Global Investors GmbH, an investment company in Germany, authorized by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin); Allianz Global Investors (Schweiz) AG; in HK, by Allianz Global Investors Asia Pacific Ltd., licensed by the Hong Kong Securities and Futures Commission; ; in Singapore, by Allianz Global Investors Singapore Ltd., regulated by the Monetary Authority of Singapore [Company Registration No. 199907169Z]; in Japan, by Allianz Global Investors Japan Co., Ltd., registered in Japan as a Financial Instruments Business Operator [Registered No. The Director of Kanto Local Finance Bureau (Financial Instruments Business Operator), No. 424], Member of Japan Investment Advisers Association, the Investment Trust Association, Japan and Type II Financial Instruments Firms Association; in Taiwan, by Allianz Global Investors Taiwan Ltd., licensed by Financial Supervisory Commission in Taiwan; and in Indonesia, by PT. Allianz Global Investors Asset Management Indonesia licensed by Indonesia Financial Services Authority (OJK).