

Le sfide e le opportunità della transizione energetica e della **Economia Circolare**: l'era di una nuova rivoluzione sociale ed industriale

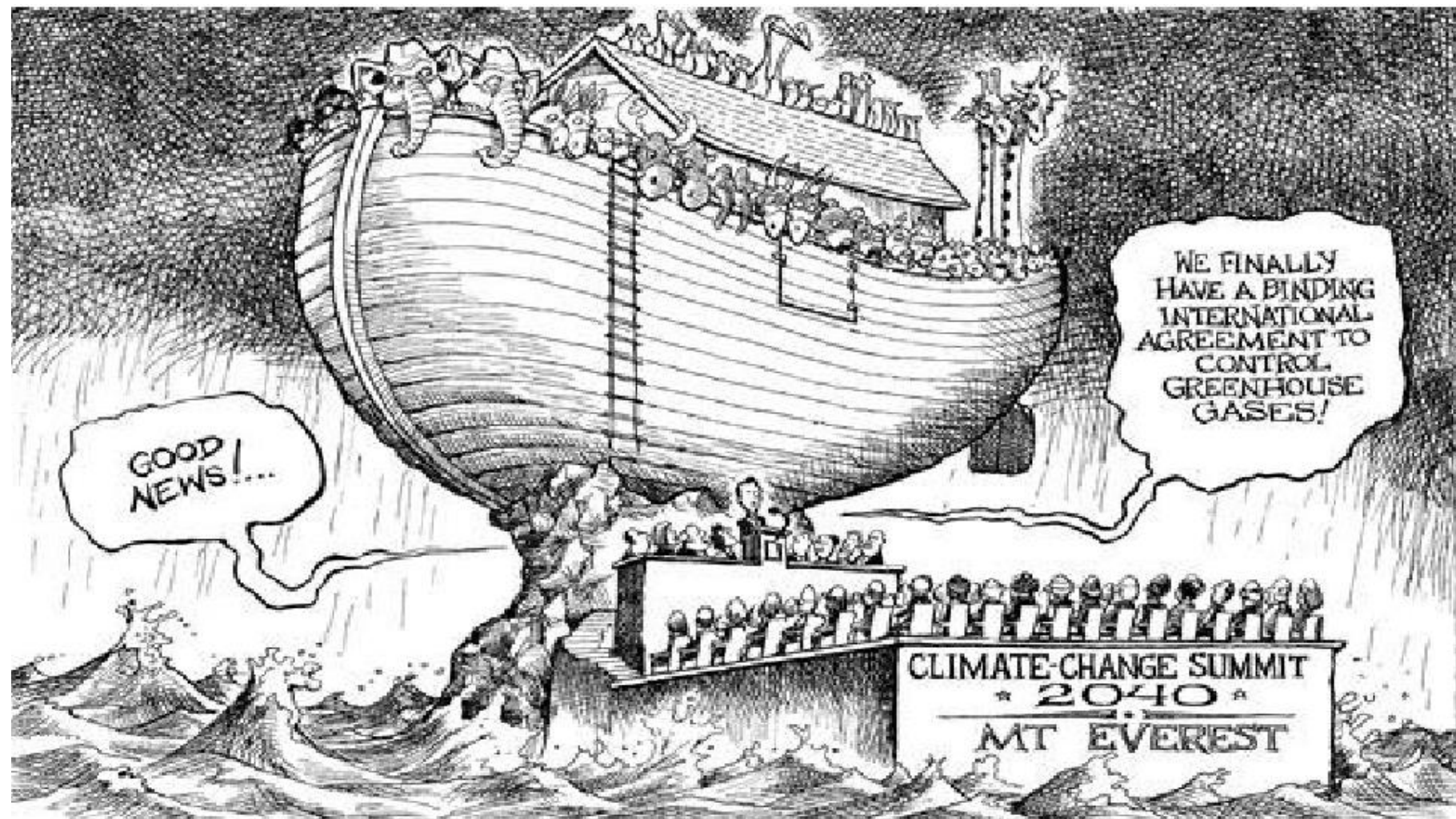
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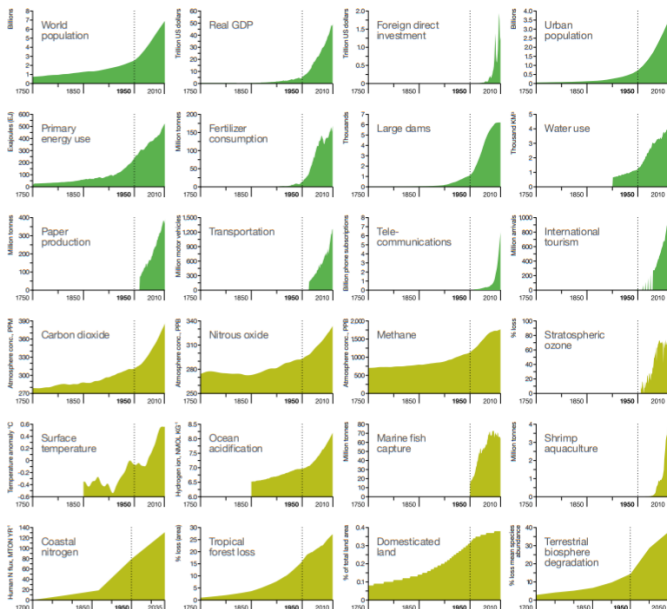
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The great acceleration

Socio-economic trends Earth system trends



The Great Acceleration that began in the 1950s remains at full pace, driven by an economy that has proved its ability to innovate and yet remains unsustainable.



The current economy shows no sign of maintaining global temperature rise below 2°C, nor addressing key challenges like inequality or natural source degradation.



This reveals a monumental market failure, with current policies and behaviors changing too slowly to transform the economy, despite the evident costs to society arising from business as usual.

Possible solutions could consist of the following elements



Bads such as pollution and the unwanted impacts of goods and services should be taxed more aggressively than goods like labour and profit.

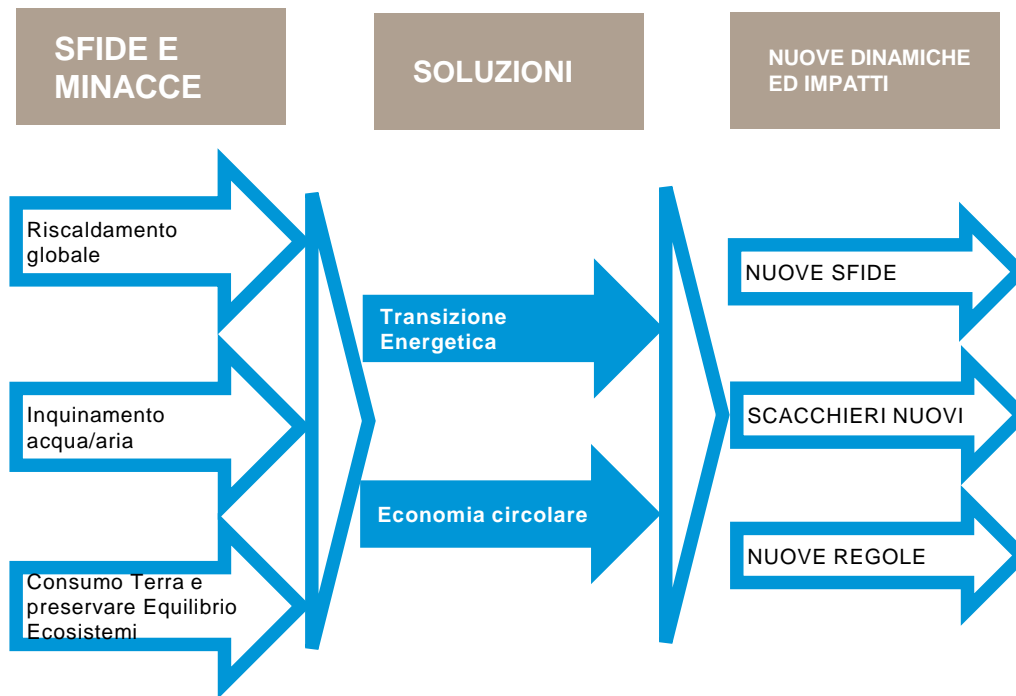


Regulatory responses or pricing mechanisms to control use, waste, inequality, discrimination, etc.



Transparency disclosing social and environmental performance to allow stakeholders to make up their minds about business behaviour.

Nuove sfide e mega opportunità: economia circolare e transizione energetica



What the economy should be delivering



Source: University of Cambridge

The graph on the left shows the UN Sustainable Development Goals (SDG) and what the economy should be delivering.

The SDGs are broken down into 17 parts, which have been condensed into six themes – climate stability, resource security, healthy ecosystems, decent work, basic need and wellbeing.

For businesses to play its full part in delivering the goals it requires concurrent action by governments and financial institutions.

Cambridge University has set-out the following guidelines for governments, finance and businesses:

- Measure the right things, set the right targets,
- Align incentives to support better outcomes,
- Drive socially useful innovation,
- Ensure capital acts for the long term,
- Price capital according to true costs of business activities,
- Innovate financial structures to better serve sustainable business,
- Align organizational purpose, strategy and business models,
- Set evidence-based targets, measure and be transparent,
- Embed sustainability in practices and decisions,
- Engage, collaborate and advocate change.

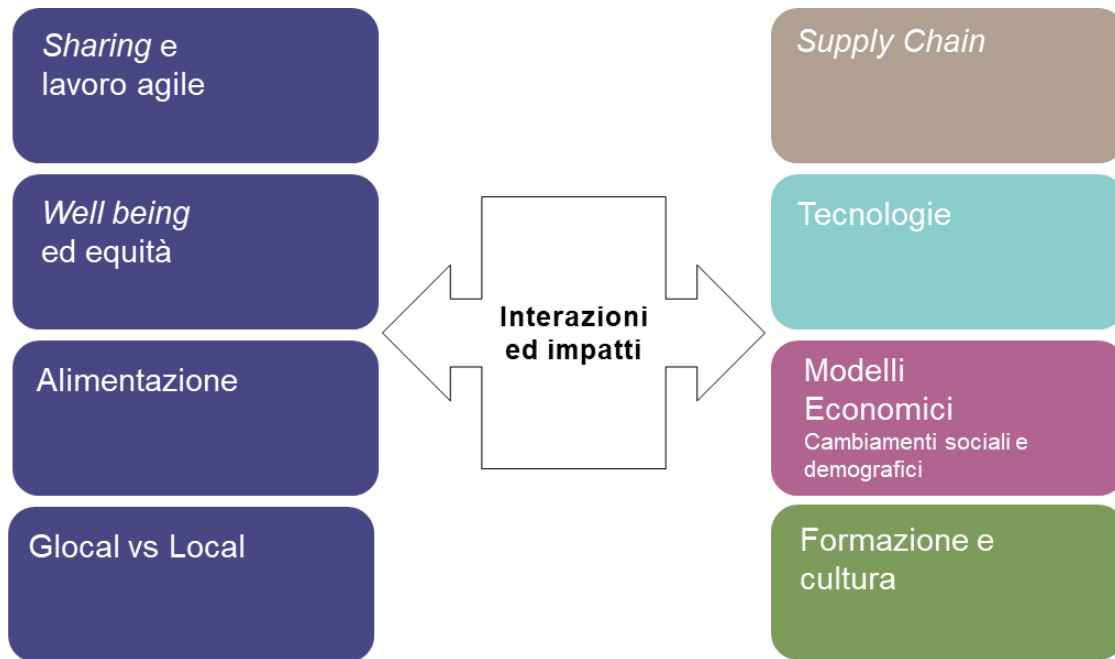
Governments

Finance

Businesses

Geopolitica verde: il ruolo strategico dell'economia circolare e della transizione energetica

Economia circolare ed impatto su modelli economici e sociali



Market Opportunity – why going circular now?

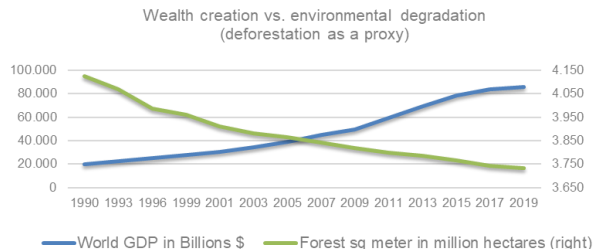
From an economical point of view, resource scarcity is a lesser problem than environmental degradation.

In a free market context, resources scarcity will lead to higher prices for raw materials and energy inputs, which in turn will force companies to improve their resource efficiency, ultimately leading to less pollution.

Higher prices will also create incentives for waste collection and re-use, which creates markets for second-hand materials. This development can be observed with materials such as glass, paper and variety of metals, where recycled materials compete effectively with those made from virgin inputs.

This is why, even though resources are running out at an unprecedented rate, there is no reason to assume that the global markets for raw materials will not be able to solve this through adequate price increases..

The problem is that the price adjustments are likely to be too slow to avoid an ecological disaster



Sources: The World Bank and The Food and Agriculture Organization

In order to promote the transition to a circular economy, governments can shape regulation in a way that internalizes the external costs of production (the negative externalities) and effectively safeguard a clean environment as a public good.

When seeking to internalize the external costs, governments set regulations in line with the “polluter pays” principle.

This means setting a price on pollution

The increased marginal costs from taxes or levies will incentivize companies to pollute less.

The EU Emissions Trading System (EU ETS) is an example of how a supranational institution has put a price on greenhouse gas emissions through a cap-and-trade scheme.

Extended Producer Responsibility (EPR) is another increasingly popular approach to force the polluter to pay. It makes producers responsible for the treatment and/or disposal of post-consumer products (financially by paying for or physically by collecting, treating and disposing of the products).

Investing on ESG: lower risk implies lower cost of capital... **GAM** Investments

A research from MSCI (Feb. 2020) demonstrated that Companies with high ESG scores, on average, experienced lower costs of capital compared to companies with poor ESG scores in both developed and emerging markets during a four-year study period.

The cost of equity and debt follows the same relationship.

The average cost of debt of high-ESG-rated companies is lower than that of low-ESG-rated companies.

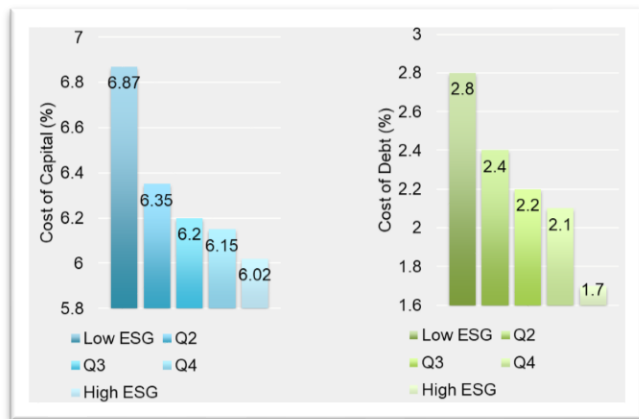
In the MSCI ACWI World Index, the average cost of capital of the highest-ESG-scored quintile was 5.95%, compared to 6.95% for the lowest-ESG-scored quintile.

Corporate management needs to consider that adequate management of financially relevant ESG risks means being aligned with investor interests.

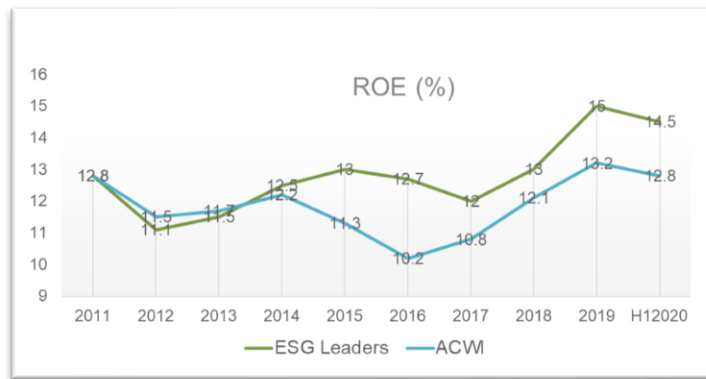
This finding is consistent with the capital asset pricing model (CAPM), where lower systematic risk (beta) implies lower cost of equity.

In a discounted-cash-flow model, with all other variables equal, companies with a lower cost of capital will also likely achieve a higher valuation.

Besides facing lower financing costs, high-ESG-scoring companies also benefit from the competitive advantage that stems from better management of resources, human capital and company-specific operational risks.



Source: MSCI



Source: MSCI

ESG Investments require going circular now



The Circular Economy offers broad growth prospects in Europe thanks to the Green Deal and the on-going regulatory changes.



Investments in Circular business models are sustainable and have an average profitability 15% higher than comparable S&P500 companies.



Investments in ESG (environment social governance) projects in Europe have become increasingly more interesting for investors. This is mainly due to three factors:

- Investments in ESG projects are at the same time remunerative and less risky.
- European governments have pledged substantial financial resources to progress ESG projects.
- Partially also due to the COVID-crisis, companies and investors have understood that a sustained growth can only be achieved by taking social and environmental aspects into consideration.



Key investment areas include creation of green infrastructure, alternative mobility solutions, circular economy, healthcare and energy efficiency.



Italy has shown a strong growth in all these sectors and already boasts world-class companies such as ENEL, Hera and Terna (green energy and circular economy), Inwit, TIM and Reply (digital transformation), ERG and Falck Renewables (renewable energies).



Besides these large-scale companies, the Italian ESG market is composed of a large amount of small- and medium-scale companies. These companies have shown an above-par growth, however, often lack sufficient funds to ensure further growth or face succession issues.

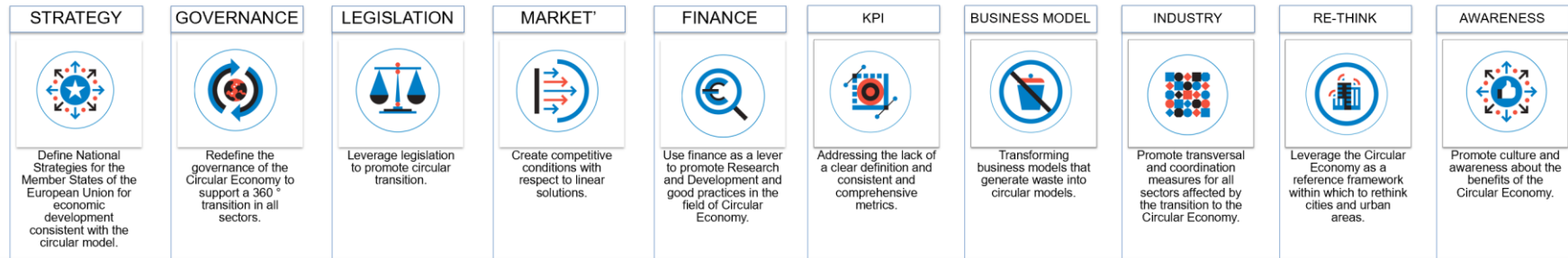
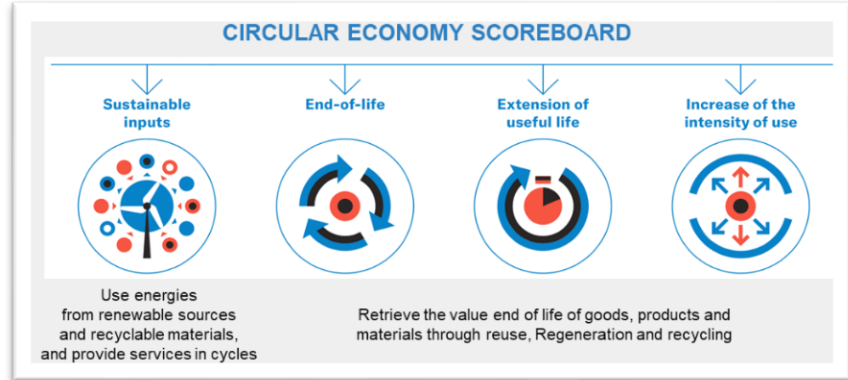


The 10 EE and Italian Policy areas to address the challenges related to Circular Economy

The recent European Green Deal and the related New Circular Economy Action Plan, adopted in March 2020 by the European Commission, have established new and more ambitious goals for Europe in relation to the transition towards Circular Economy models.

However, in the countries of the European Union, the development of the Circular Economy is anything but homogeneous.

Although the New Circular Economy Action Plan represents an important step in the transition towards a sustainable economy model, there are still some open issues in the field of Circular Economy, foremost the need for a strategic approach towards the circular transition and, therefore, of rules and clear regulations and operational guidelines that support the implementation of circular economic models.



Target investment sectors

Priority sectors	Bio-fuels/Biomethane 	Chemicals 	Waste management/WTE 	Digital/Sharing/CO2 
Rationale	<ul style="list-style-type: none"> Bio fuel strategies are fundamental for automotive and transportation industries Biomass market in Italy amounts to 126 mln. tons with exponential growth expected. Anaerobic digestion in agribusiness and FORSU (urban organic waste) 	<ul style="list-style-type: none"> Plastic utilization to recycling: Europe plans to recycle 10 mil. tons by 2025 New definition standards in food sectors: i.e. Nestle will invest 2 billions SF on recycling plastic projects. Italian industry in plastics recycling (50 bln. turnover) amounts to 22% of European market 	<ul style="list-style-type: none"> Italy is third largest market in Europe Local authorities aim to increase and differentiate waste business. 	<ul style="list-style-type: none"> High growth in renewable energy generation assets driven by subsidies and decarbonization policies, resulting in reduced demand for conventional assets Share economy will be new normal CO2 reduction high priority in policy makers' agenda
Benefits	<ul style="list-style-type: none"> Growth markets Government policies will enable circular business models Increased interest from multinational strategic investors Expected market value increase 	<ul style="list-style-type: none"> Growth markets Government policies will enable circular business models. Increased interest from multinational and local strategic investors Expected market value increase 	<ul style="list-style-type: none"> Growth markets Government policies will enable circular business models Expected market value increase 	<ul style="list-style-type: none"> Growth markets Government policies will enable circular business models. Expected market value increase



Le energie per la transizione e i vettori

Sole



Solar Power

- Photovoltaic
- Solar-thermal

Vento



Wind Power

- Onshore
- Offshore

Acqua



Biofuels

- Agricultural crops (1st Gen)
- Cellulosic feedstock (2nd Gen)
- New feedstock such as Algae (3rd Gen)

Biostock



Hydro Power

elettrone

CH₄

H₂ e H₂O

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