



FUND LAUNCHED

2005

FUNDS UNDER
MANAGEMENT

£542.7
MILLION

NET ASSET VALUE
PER SHARE

425.4%
SINCE INCEPTION*



Emerging Markets and the Decarbonisation Challenge

February 2024

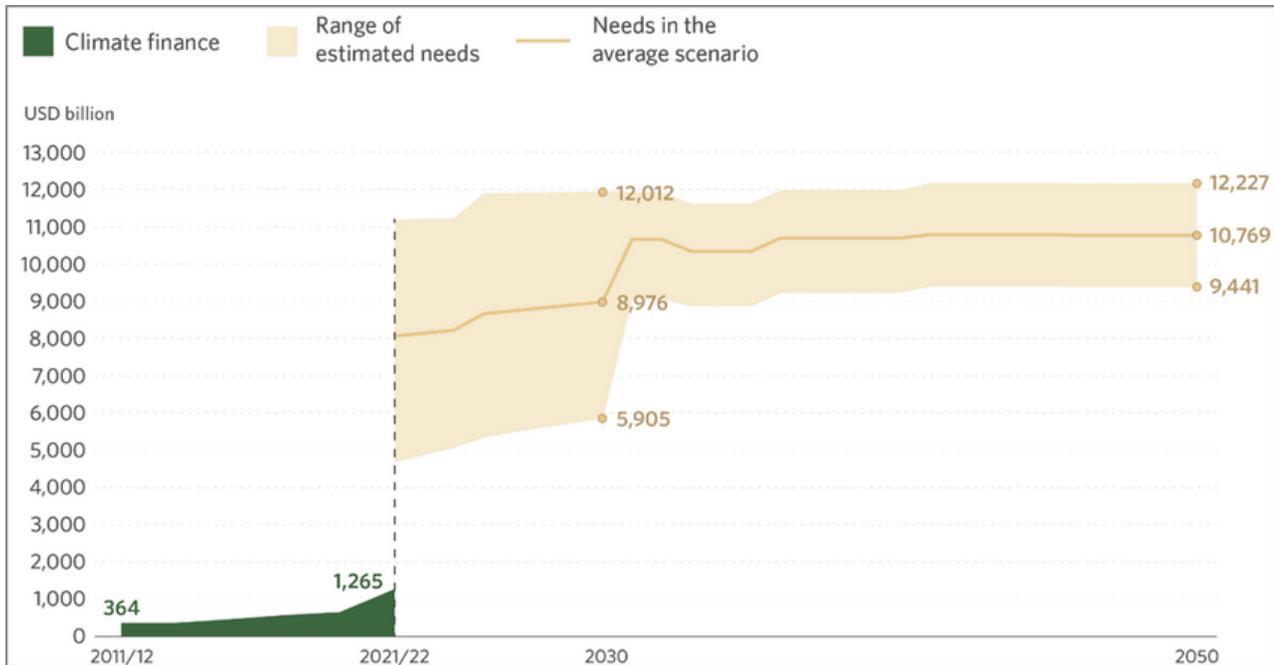
Societies have often impacted environments, with adverse consequences for themselves and the rest of nature. Phenomena such as rapid population growth and innovation in the 20th century resulted in increased consumerism, urban sprawl, and globalisation, bringing a first wave of environmentalism.

Internationally, it was the 1972 Stockholm Conference on the Human Environment that led to the establishment of the United Nations Environment Programme (“UNEP”) and environmental divisions in many inter-governmental organisations (“IGO’s”). The emergence of IGO’s subsequently grew resulting in more than 1,300 multilateral and 2,200 bilateral environmental agreements.¹

One of the key aspects of environmental policy is the recognition that environmental issues transcend national boundaries. Pollution, deforestation, climate change, and loss of biodiversity are problems that affect every corner of the globe.

Globally, significant attention has been placed on climate change due to the severity of climate impacts. According to the climate policy initiative (“CPI”) public and private funding in this area has increased in parallel with environmental agreements to an average of US\$1.27 trillion in 2021/2022.² Although a large figure, this is some US\$7.0 trillion short of the climate finance required.

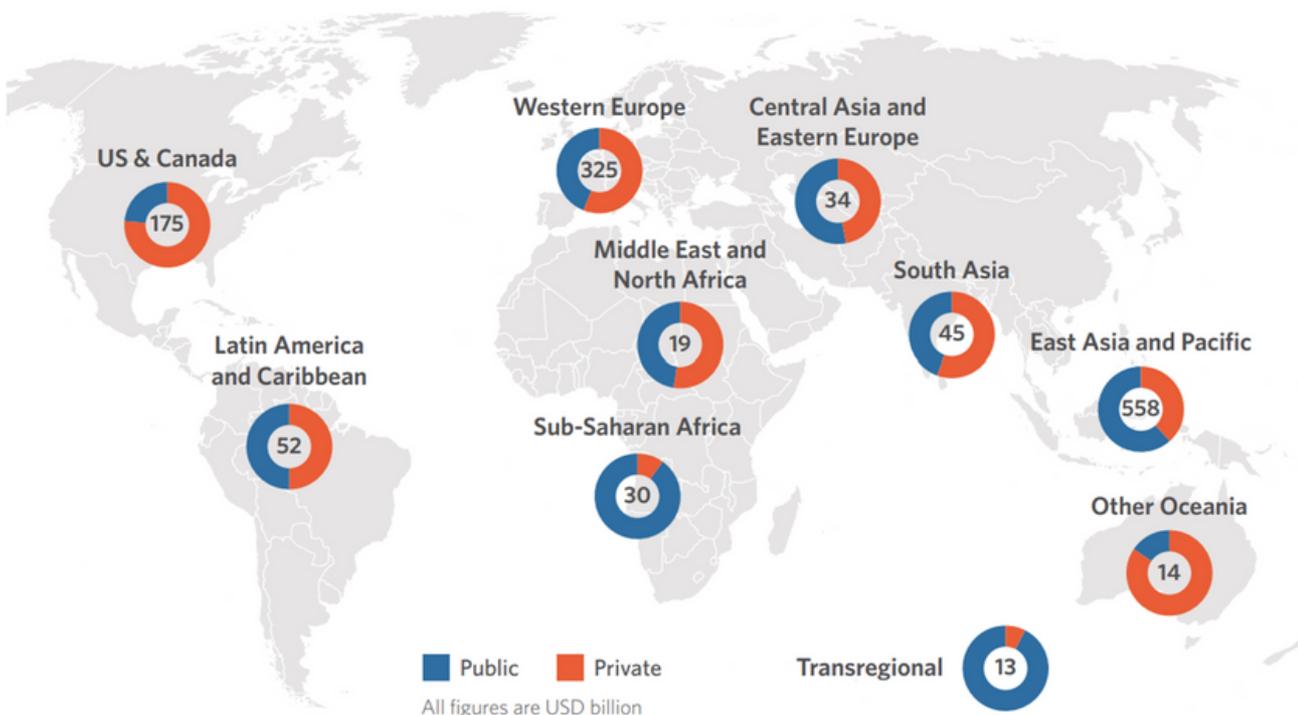
Global tracked climate finance and average estimated annual needs through 2050



Source: Climate Policy Initiative³

It is important to note that capital allocation corresponds to areas critical to global efforts to combat climate change. For example, East Asia and the Pacific on average in 2021/2022 accounted for almost half of tracked global climate investments, consistent with the region contributing 39% of the world's greenhouse gas emissions and 60% of the world's coal consumption.⁴

Public vs. private climate finance by region



Source: Global Landscape of Climate Finance 2023⁵

EM and the Decarbonisation Challenge

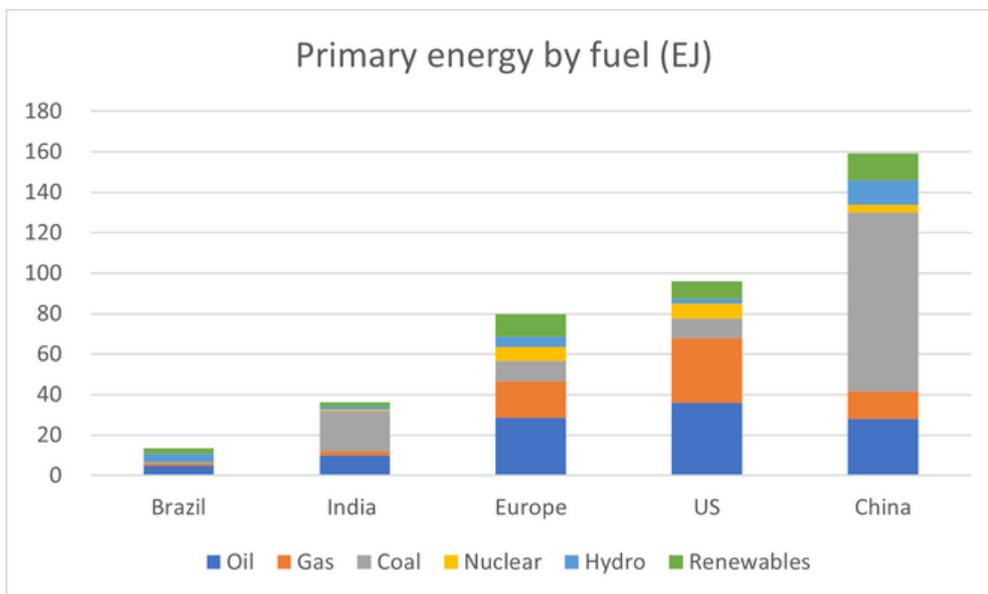
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Ignited by a combination of countries enshrining their net zero targets in law and the 2030 Paris Agreement deadline, the potential upside of a green transition is enormous. The World Economic Federation estimates that climate policy aimed at shifting critical systems such as food, energy, and cities toward greater sustainability could generate more than US\$10 trillion in new business opportunities and 395 million jobs by 2030.⁶ However, to get to this point the investment task and social challenge ahead are significant.

EM's challenge to meet zero carbon futures

Successful implementation of policy requires an alignment of governments and businesses, as well as broad support from local populations. For individual countries, policy adjustment must balance the pace of transition to net zero with the various levels of economic and social development, whilst factoring in the particular resource base which will be unique to each country and region. What might be appropriate for advanced economies such as the UK, which targets net zero by 2050, may be unachievable for developing nations such as India, which instead is targeting net zero by 2070.

Energy is essential for economic activity – from industrial plants to construction sites to offices, in the home, transporting people and goods throughout the globe. Since the industrial revolution, this has been predominantly fuelled by carbon-intensive fuels such as oil, coal and gas. As economies develop, their consumption of fossil fuels increases markedly, a trend which has taken China to become by far the largest consumer of primary energy in the world. Indeed, on coal alone China currently accounts for almost 55% of global consumption.⁷

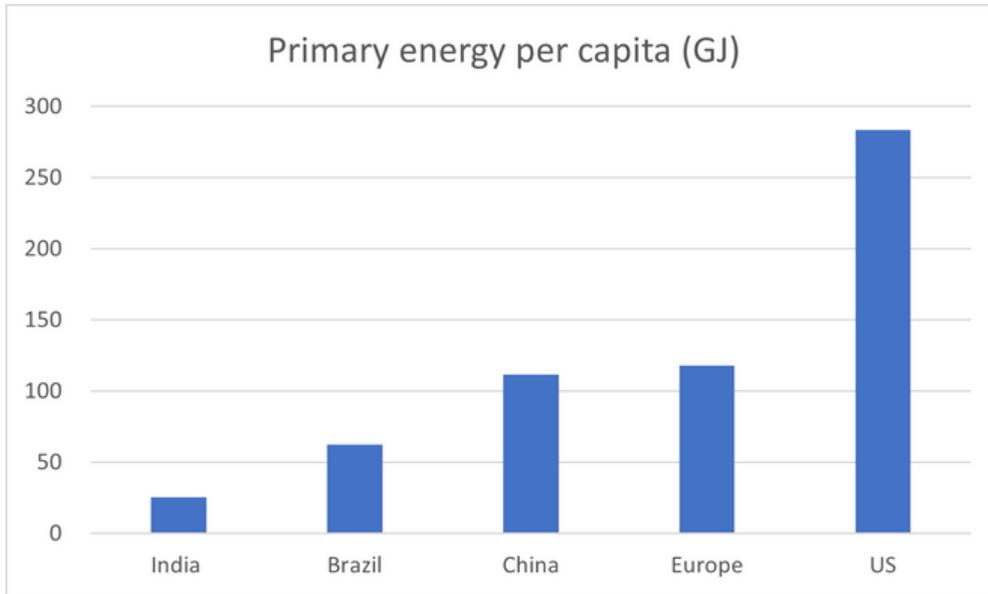


Source: Energy Institute Statistical Review of World Energy 2023⁷

However, China is also the second most populous country in the world, and a fairer measure of energy consumption would be on a per capita basis. As can be seen below, on this measure China is similar to Europe and the US is by far the most energy intensive country on a per capita basis.

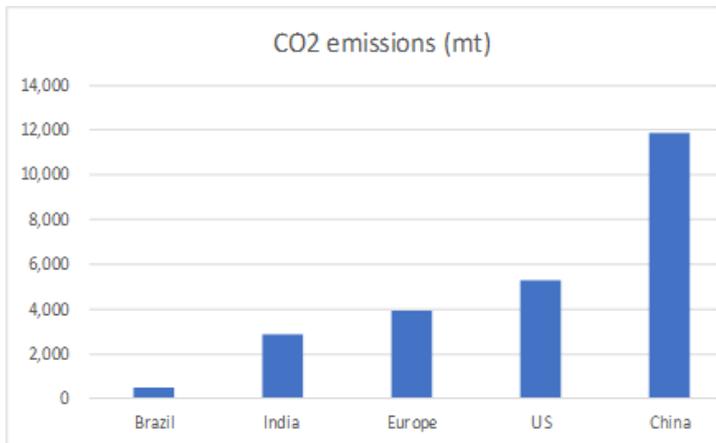
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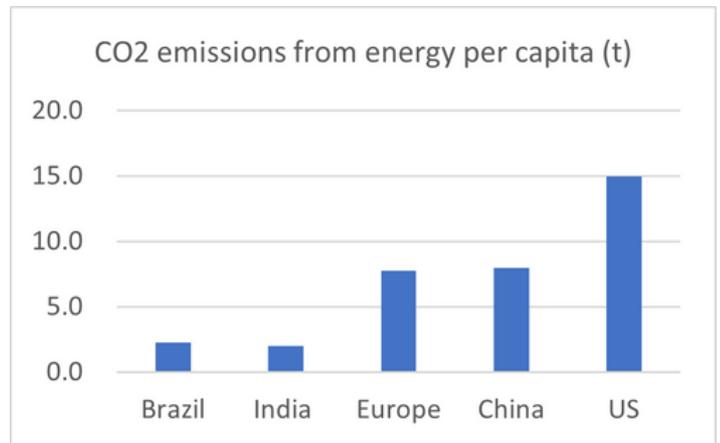


Source: Energy Institute Statistical Review of World Energy 2023⁷

These charts are mirrored by CO2 emissions data, demonstrating the pervasive link between energy consumption and carbon emissions.



Source: Energy Institute Statistical Review of World Energy 2023⁷

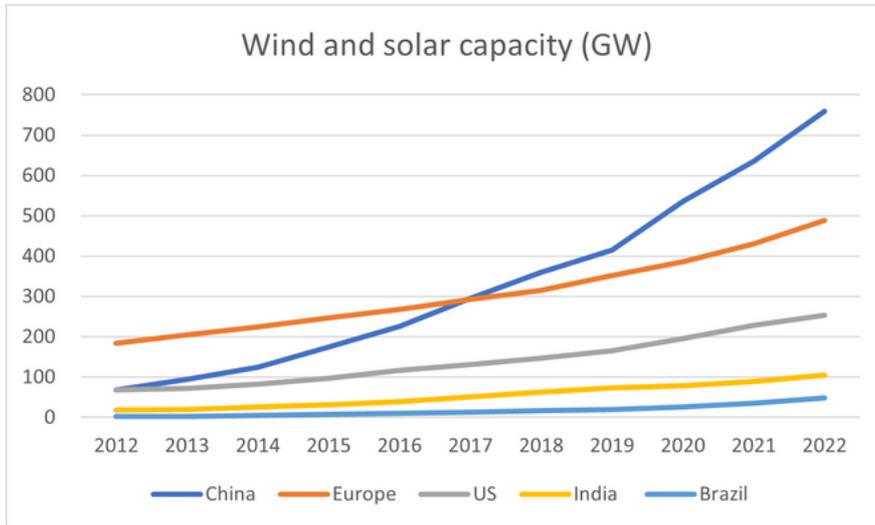


Source: Statista⁸

To meet zero carbon futures, countries will need to make significant investments in renewable energy. But it is worth noting that over the past decade there has already been enormous progress on this front, and particularly in Emerging Markets. The installed capacity of wind and solar assets has increased by 2.7-3.7x for developed economies such as the US and EU over the last ten years, but in India it is up closer to 5.8x, whilst in China an astonishing 11.1x. Though the latter do benefit from a lower starting base, the absolute figures are still substantial – in fact China and India alone have installed almost as much wind and solar capacity over the past ten years as the rest of the world combined!

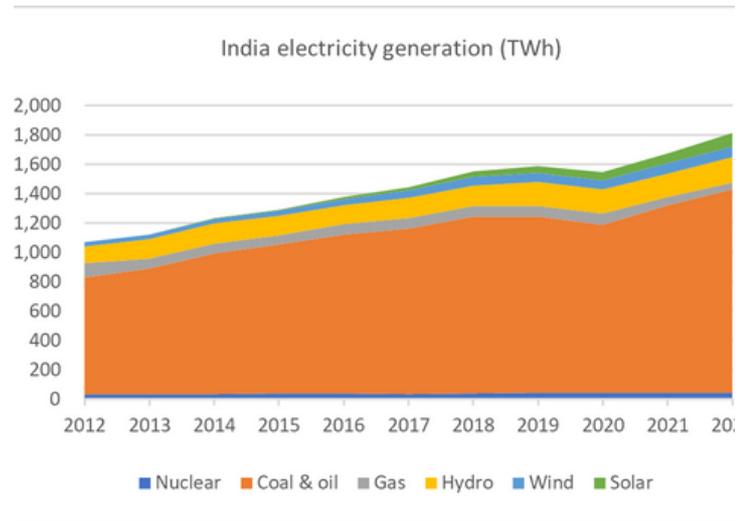
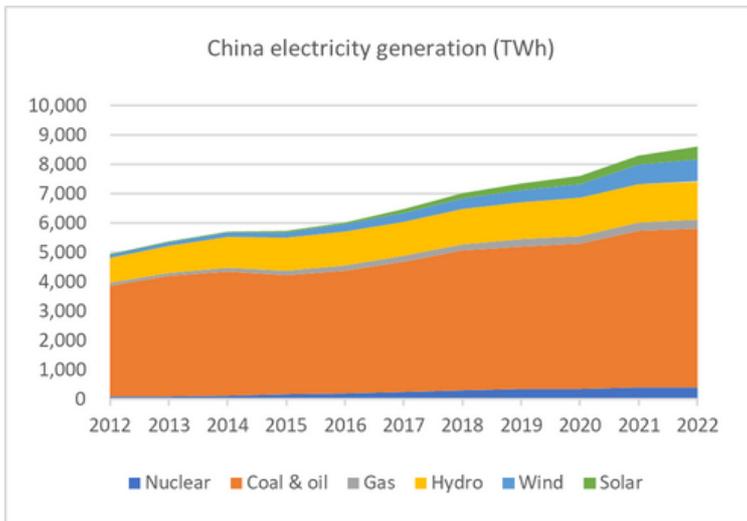
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Source: Energy Institute Statistical Review of World Energy 2023⁷

What is remarkable is that even with huge levels of investment in renewables, it is fossil fuels which still dominate the energy matrix for most countries. The insatiable demand for energy, particularly in developing economies which are industrialising, has meant that expansion in fossil fuel-based electricity generation (particularly coal) has sometimes vastly outpaced renewables. In India over the past ten years, for every additional kWh of energy produced by renewables, 2.6kWh was added by fossil fuel-based power plants. In China, the figure is almost exactly 1:1. Indeed, in terms of electricity generation, in 2022 fossil fuels still accounted for approximately 66% of electricity generation in China, and almost 80% in India.



Source: Energy Institute Statistical Review of World Energy 2023⁷

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These figures highlight the scale of the challenge facing many EM economies to successfully decarbonise to meet their climate policies. But all governments must balance economic and social progress with that of the wider global climate agenda and CO2 emissions targets, and developed nations have a responsibility to support and encourage their emerging brethren on this journey to a cleaner, greener world.

Appendix:

Net Zero refers to the state in which greenhouse gases going into the atmosphere are balanced by the removal out of the atmosphere.

Jonathan Grocock & Jack Cuddigan

15 February, 2024

Source Data: ICM Limited

[1] International Environmental Agreements Data Base, 2020, ed. Ronald B. Mitchell. University of Oregon, 2002–2023. Version 2020.1. Available from: Base Agreement List | International Environmental Agreements (IEA) Database Project (uoregon.edu) [Accessed 07 December 2023].

[2] CPI. Global tracked climate finance and average estimated annual needs through 2050. Global Landscape of Climate Finance 2023 - CPI (climatepolicyinitiative.org)

[3] CPI. Global tracked climate finance and average estimated annual needs through 2050. Global Landscape of Climate Finance 2023 - CPI (climatepolicyinitiative.org)

[4] World Bank. Climate and development in East Asia and Pacific Region. Climate and Development in East Asia and Pacific Region | World Bank Group

[5] Global Landscape of Climate Finance 2023. Global-Landscape-of-Climate-Finance-2023.pdf (climatepolicyinitiative.org)

[6] WEF (World Economic Forum). 2020. The Future of Nature and Business. Geneva: WEF.

http://www3.weforum.org/docs/WEF_The_Future_Of_Nature_And_Business_2020.pdf

[7] Energy Institute Statistical Review of World Energy 2023 Home | Statistical Review of World Energy (energyinst.org)

[8] Statista CO₂ emissions by country per capita 2022 | Statista

*Total return is calculated based on undiluted Net Asset Value, plus dividends reinvested and adjusted for the exercise of warrants and subscription shares

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