

Sharp rise in electric car sales important in slowing pace of global warming

According to Andrew Howard, head of sustainable research at Schroders, a sharp rise in electric car sales and an increase in public concern towards climate change have helped in further slowing the pace of global warming. The most recent Schroders Climate Progress Dashboard update has revealed that the predicted global temperature rise has fallen for the second consecutive quarter, pointing to a long-run temperature rise of 3.8°C, down from 3.9°C for the previous quarter.



Image source: www.pixabay.com

“The Climate Progress Dashboard - launched in 2017 - has given Schroders’ analysts, fund managers and clients an insight into the progress governments and industries are making towards meeting the 2°C temperature rise target set by the Paris Agreement in 2015.

“The Q1 2019 results show electric car sales as the biggest driver of improvement, with global sales almost doubling in January. In China sales almost tripled compared to Q1 2018.

“Additionally, an annual survey of the US population found that the number of Americans worrying about climate change ‘a great deal’ or ‘a fair amount’ rose to 65%, from 63% the previous year, leading to an improvement in the dashboard’s public concern indicator,” says Howard.

Greater awareness among SA investors

Locally, the trend towards an awareness of sustainable behaviour was also revealed amongst South African investors. “The 2018 Schroders Global Investor Study revealed that over half (55%) of South African investors said that they often invest in sustainable funds rather than funds that don’t consider sustainability factors – and that 88% of South African investors indicated that sustainable investing is more important to them now than it was five years ago.”

That said, Howard cautions that the current rate of capital investment in the oil and gas sector is now close to 8% of the industry's assets and would lead to production growth in line with a long-run temperature rise close to 5°C.

"Electrifying transport is not a solution to climate change in itself but it remains an important step towards decarbonisation. Growth in the industry remains impressive and so far at least has accelerated.

"On the negative side of the ledger, the major headwind lay in the rising capital investment of the global oil and gas sector. We questioned last year whether producers would restrain capital investment as prices and cash flows improve, demonstrating deliberate rather than enforced discipline, or would investment escalate as it has in past cycles? The jury remains out.

"Although the direction of travel remains positive, the pace is pedestrian relative to the sprint needed to meet the commitments leaders made in Paris to limit temperature rises to 2°C."

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