

An Extended Abstract of Analyzing the Role of Renewable-Energy Fund Investors in the Sustainable Development

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The energy sector is the largest producer of greenhouse gas emissions causing global warming and climate change (International Energy Agency-IEA, 2016; Author, 2019a). To mitigate climate change, European countries have adopted the 2030 Agenda for Sustainable Development of the United Nations, whose sustainable development goal 7 focuses on ensuring “*access to affordable, reliable, sustainable and modern energy for all*” (United Nations, 2018). The achievement of this goal requires firms, investors, consumers and governments to move towards a low-carbon economy by implementing sustainable energy systems focused on managing and integrating improvements in energy efficiency with an increased share of renewable energy in the energy portfolio (Peura, 2013; Author, 2017a). Specifically, European governments have adopted the renewable energy and energy efficiency directives published by the European Commission and have established financial-support schemes to encourage firms to make large initial investments in new energy efficiency and renewable energy technologies, which allows the latter to reduce financial and environmental risks and to benefit from attracting environmentally conscious consumers, thus enhancing their corporate financial performance in the long-term (Haque and Ntim, 2018). However, public finance has become strained, making it necessary to mobilize private capital to fund firms’ investment projects linked to the renewable energy sector. Accordingly, mutual funds focused on the renewable energy sector could play an important role as a sustainable investment vehicle

due to their long-term investment horizon and their substantial accumulated assets (Author, 2019a).

While the fund managers' abilities to generate wealth for investors through renewable-energy-focused approaches have been examined by Reboredo et al. (2017), Ibikunle and Steffen (2017) and Author (2019a, 2019b, 2019c), the factors influencing the investment behavior of investors have not yet received attention. For this reason, this study examines whether renewable-energy investors take into account financial and/or non-financial factors when making the decision to invest in a specific fund, comparing their investment behavior with that of black energy and conventional investors. To this end, we have gathered information about 4368 mutual funds (76 renewable-energy funds, 109 black-energy funds and 4183 conventional mutual funds) from January 2007 to December 2017. For this sample, we adopt a panel-data approach with Petersen's standard errors clustered by fund and year.

Our main findings are, first, that renewable-energy investors are less concerned about financial attributes than are investors in black-energy funds and conventional funds, indicating that renewable-energy investors derive their utility from non-financial attributes. Second, we find differences in the flow-performance relationship depending on the financial performance measure used, risk-adjusted return or raw return, for the black-energy fund category. Third, we find a linear fund flow-performance relationship for the conventional fund category. These findings show that conventional investors are more sensitive to past financial performance than renewable and black-energy investors. Finally, we find that conventional fund flows exhibit persistence while renewable and black-energy funds do not have fund-flow persistence.

Keywords: renewable-energy mutual funds, black-energy funds, conventional mutual funds, fund flows, financial performance, panel data