# Sector-Specific ESG Betas

## Why Fossil Fuels, Tech, and Renewables React Differently

# What Is ESG Beta?

📊 **ESG Beta = Sector's sensitivity to ESG risks & tailwinds**

- **Like financial beta, but for sustainability**
- **Can be positive or negative depending on the sector**
- **Crucial for DCF, WACC, and valuation models**

# Fossil Fuels

📉Fossil fuels = High ESG Beta

- High emissions = regulatory & reputational risk
- Stranded asset risk is real

# Tech

💻**Tech = Governance-Sensitive ESG Beta**

- **Low E, but big S and G risks (privacy, labor, monopoly)**
- **Strong ESG governance = +1.2% annual outperformance**
- **Poor governance = lawsuits, fines, reputational damage**

# Renewables

🌞 **Renewables = Positive ESG Beta**

- **ESG trends = tailwinds (subsidies, investor demand)**
- **Lower risk, lower capital cost = higher valuation potential**

# Why It Matters for Investors

✅ **ESG Beta = pricing risk or upside**

✅ **Sector-specific insight helps avoid mispricing**

✅ **Embedded ESG = stronger, forward-looking valuations**

# Final Thought

📌 **ESG Beta isn't optional; it's now a core variable in risk-adjusted returns.**

📌 **Without ESG Beta, our models might miss what really moves the market.**