



# IMCO invests US\$400-million in Swedish battery maker Northvolt

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PUBLISHED JUNE 20, 2023

Investment Management Corp. of Ontario is betting US\$400-million on a Swedish battery manufacturer as part of the public-sector pension manager's strategy to align a fifth of its portfolio to achieving climate-related goals alongside investment returns.

IMCO, which manages a number of retirement funds, said its investment in Northvolt AB will help the company expand manufacturing and marketing of its sustainable battery technology and develop its supply chain globally.

Northvolt produces batteries for transport and energy storage at a gigafactory in northern Sweden. It touts sustainable production methods, with the plant powered by emission-free electricity. The company has set a goal to produce 150 gigawatts of annual production capacity by 2030, with a focus on keeping a small carbon footprint through regional sourcing of materials and recycling. It has been considering new manufacturing sites in other countries including Canada.

"Every year we go through and look at some of the trends that are going to shape the world as we look out five to 10 years, and this investment lands with a couple of those," said Matthew Mendes, IMCO's head of infrastructure. Those including electrification and greening of the economy, as well as developing supply chains and manufacturing at home or within allied countries.

IMCO also has expertise in battery supply chains as owner of British-based Pulse Clean Energy, which operates utility-scale generation and power storage projects, Mr. Mendes said. In addition, it is interested in Northvolt's plans to employ recycling to manufacture in almost a closed-loop system.

Northvolt has signed supply deals worth US \$55-billion with such European companies as Volkswagen AG , Bayerische Motoren Werke AG, Fluence Energy, Scania AB, Volvo Cars and Polestar. Its ownership group includes Volkswagen, BMW and Goldman Sachs, and the company has been reported to be considering an initial public offering.

The pension-fund manager said the deal fits with the organization's climate action strategy. It aims to invest 20 per cent of its assets in climate solutions within the next seven years. IMCO, which currently has about \$73-billion in assets under management, also plans to reduce its emissions by half over that time.

The organization is not accepting lower rates of return for such investments, said chief investment officer Rossitsa Stoyanova. "The reason we believe that is, the energy transition and climate-type investment right now is a huge opportunity, and we're willing and able to develop the expertise and invest maybe earlier in the

cycle,” she said. Risks with investments such as Northvolt may be higher than renewable energy projects that are already in operation, but so are returns, she said.

Northvolt has studied the potential for a manufacturing plant in Canada. The company is considering locations in Quebec, including Saint-Basile-Le-Grand and McMasterville, the EV news outlet Electric Autonomy Canada reported last month, quoting provincial lobbying records. At the time, a Northvolt spokesperson said the company was looking at a host of potential sites in Canada and the United States.

The IMCO executives said they have discussed this with Northvolt officials, but their investment in the company is aimed at global expansion and not predicated on locating a new plant in Canada. “They still have lots to do in Sweden,” Mr. Mendes said. “We’ve seen the same reports and we’ve had conversations to the extent that we can be helpful to bringing them to Canada.”

EV battery manufacturing has become a large and controversial topic as Canada has sought to develop its own EV supply chains. The federal and Ontario governments announced a deal in April to provide Volkswagen with up to \$13.2-billion in subsidies for production support after the company builds a battery plant in St. Thomas, Ont.

Ottawa and another global automaker, Stellantis NV, are in talks about the future of a \$5-billion EV battery plant in Windsor, Ont., with the company asking for Canada to match billions in subsidies being offered in the U.S. after plant construction was halted last month.

IMCO’s investment is through a convertible note, which can be exchanged for equity later. It is not the first Canadian pension manager to invest in Northvolt. OMERS, which manages retirements funds for Ontario’s municipal employees, has participated in debt and equity raises for the company over the past two years.

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