Is it now ‘buyer beware’ when it comes to sustainable technology?

Hindenburg Research has called out Loop Industries after taking a short position in the PET recycling company, stating its alleged technology breakthroughs are “fiction” and that it is no more cost effective than traditional PET recycling methods.

Temps de lecture : minute

---

19 October 2020

Hindenburg claims Loop made false representations to investors, lacks scientific expertise at the top levels, and has fabricated results from an off-limits company laboratory. Loop, which has signed agreements with major corporations such as Coca-Cola and Evian, says Hindenburg’s claims are unfounded and incorrect. Despite this, Loop's shares were down 30% after the release of the report.

Why does this matter?

If Hindenburg’s allegations are true, this would be the second recent example of an innovative company with a sustainable focus being found wanting. In September, the short-seller accused electric truck start-up Nikola of fraud, alleging it staged a video of its truck in operation for investors. While Nikola’s founder has stepped away from the firm, the company has denied Hindenburg’s allegations.

Concerning Loop, Hindenburg’s report quotes a former employee stating the firm’s claim of breaking down PET to its base chemicals at a 100% recovery rate is “industrially impossible”. The report also says the company runs two labs – one for its founders and one for its employed scientists. Employees have reportedly been unable to replicate the scientific breakthroughs generated in the founders' lab.

The issue extends beyond these companies themselves and their investors. A number of corporates with plastic-intensive operations had previously looked to Loop's technology as a solution to plastic proliferation. In addition to the firms mentioned above, PepsiCo, L'Oreal and Germany's Thyseenkrupp had all previously entered into partnerships with the recycler. Hinderburg says it has spoken to executives from Thyssenkrupp, who have said their partnership is on hold.

We've pointed out before that many net-zero emissions plans rely on technology – such as carbon capture and storage – that is yet to be tested at scale. If corporates are dependent on innovations that flatter to deceive in order to hit their sustainability goals, then they too could fall short.

Read also
Greenwashing: Do words speak as loud as actions?

Lateral thought from Curation

A potential solution would be for corporates to take a stake in providers of sustainable technology so that they can ensure it's reliable.

Amazon, for example, made a $440M investment in EV start-up Rivian in 2019 intending to use the company's trucks in its delivery operations. The ecommerce giant unveiled its first Rivian delivery truck earlier this month. Amazon, of course, has also established a Climate Pledge Fund to support sustainable innovation.

Additionally, payments startup Stripe committed to investing in carbon capture technology in 2019. The firm has since announced support for four businesses operating in this space.

Katie Chan is ESG Curator at Curation.

Article by Katie Chan