

SUSTAINABLE INSIGHTS: 2017



FOURTH EDITION

JANUARY 2017

This year we provide seven sustainable insights for 2017, just like we did [last year](#), [2015](#) and [2014](#). And as usual, we review how we did on 2016 predictions, revealing our successes and shortcomings (see page 2).

- 1 **Fossil fuel fight-back.** There could be life in Big Oil yet, especially in the US where Trump nominees appear to suggest backing for the industry (see [Insights 173](#)). If confirmed by Congress, it will certainly give uplift to Big Coal as well, while China and India continue to heavily rely on this fuel (see [Insights 151](#)), as does Japan. Despite activist pressure, a number of the world's banks continue to back the fossil fuel industry (see [Insights 147](#)). Is it inevitable decline or resurgence?

- 2 **Diversity in the boardroom.** We predict that there will be a greater focus on diversity, particularly gender. Progress on this front appears woefully slow, despite the introduction of new measures (see [Insights 162](#)) and the involvement of regulators (see [Insights 149](#)). Some corporate governance companies are canvassing views of their clients (see [Insights 157](#)). However, there is evidence that US Boards are becoming less diverse (see [Insights 156](#)). Is 2017 time for a change perhaps?

- 3 **Green product sophistication.** We expect the introduction of more complex financial green offerings. This is being promoted by the G20 (see [Insights 159](#)) as well as by the ongoing battle to be the world's green financial capital. Not only has Paris (see [Insights 167](#)) been making a serious pitch for this title, but so has Luxembourg (see [Insights 162](#)). Tokyo has also set up its stall, where the Government continues to promote a more ESG friendly approach to investing (see [Insights 163](#)).

- 4 **Cities to lead on pollution.** We anticipate that city authorities will lead the charge on ever tightening pollution measures. Although there remains much focus on the Chinese cities (see [Insights 174](#)), OECD urban areas are also suffering. Concerning research has been emerging about the effect of pollution (see [Insights 146](#), [159](#), [161](#) & [163](#)). And if the city authorities do not take action, then there is always the law courts (see [Insights 167](#)).

- 5 **ESG and fixed income.** Anticipate more ESG reach into the world of fixed income products. Certainly some data suppliers are upping their game (see [Insights 158](#)) while credit rating agencies have warned about the exposure borne by some sectors (see [Insights 165](#)). Countries are now being examined for climate change exposure (see [Insights 168](#)). The need for tighter rules is understood (see [Insights 146](#)). More is probably on the way. See '[Who are the ESG Rating Agencies?](#)'

- 6 **Agricultural emissions.** We have seen a range of sectors being scrutinised for their emissions, more recently aviation (see [Insights 163](#)) and [shipping](#). In 2017, we expect a growing focus on the agriculture sector, where methane in particular is attracting attention (see [Insights 173](#)). There have even been suggestions of basing food prices on emissions (see [Insights 168](#)). If this happens, food waste will inevitably be highlighted as well.

- 7 **Fracking concerns.** In 2016, the attention on hydraulic fracking has centered on the effect on non-OPEC oil supply and the subsequent effect on prices. This could well change as more analysis is undertaken on the environmental effects of this form of drilling. There has been research into its impact on particular diseases (see [Insights 152](#)) but more recently on the contamination of drinking water (see [Insights 173](#)). Will the frackers continue to hold off the environmentalists?

SUSTAINABLE INSIGHTS 2016 PREDICTIONS

Year-End Review



DECEMBER 2016

In January 2016 we made seven predictions about 2016. We review them below. We discuss our successes but also our shortcomings.

- 1 COP 21 Aftermath.** We were cautious post the Paris Climate Change Conference, warning that the holes in the agreement would become ever more transparent (see [Sustainable Trends Q3 2016](#)). On reflection we were overly pessimistic with signatories ratifying the treaty in the year (see [Insights 163](#)), although some wobbled. At the time of writing, 117 countries of the 194 who signed the Agreement have now ratified it, representing 80% of global emissions.
- 2 Oil major distance themselves from tobacco.** We warned that Big Oil would remain under attack (see [Insights 161](#) & [168](#)) as legal challenges (see [Insights 157](#)) and proxy voters demanded more transparency on climate change risks. This has proved true with others aligning assets associated with the [oil divest campaign](#). Furthermore, our warnings of a focus on sugar also saw the introduction of a sugar tax in some US regions (see [Insights 164](#)).
- 3 Big Pharma stand-off.** We warned that pharma prices would become part of the US presidential campaign rhetoric. They did, further fuelled by some drug companies' executives publicly defending their [price hikes](#). However, some have since backed off, offering [generic versions](#). Some regulators have also responded, notably in the EU (see [Insights 165](#)). However, Big Pharma is now feeling more at ease following a Trump win.
- 4 Even hotter in 2016.** There is little question as to this being correct. In fact, so much warmer were global temperatures that 2016 was already declared the hottest year by mid-November (see [Insights 169](#)). This followed on from 2011-2015 being the hottest five-year [period on record](#).
- 5 Oceans take center stage.** Certainly the state of the World's oceans has risen up the agenda. We have heard about rising [ocean temperature](#) increasing [acidity](#), rising [sea levels](#) and extensive [coral bleaching](#), notably the Great Barrier Reef. The largest marine reserve was also created (see [Insights 158](#)). But should we hear even more? Relatively little is still known about climate change and the oceans. Out of sight, out of mind, perhaps?
- 6 Polluted cities.** We feel confident that we got this right, warning that pollution and urbanization would ensure that not only Chinese cities hit the headlines. (See [Sustainable Trends Q2 2016](#)). Some of the World's greatest cities have been forced to tackle pollution, from Delhi ([Insights 168](#)) to Paris (see [Insights 148](#)). While London dithered it was told by the Supreme Court to remedy the pollution problem pronto!
- 7 ESG and fiduciary duty.** We predicted further clarification on the link between ESG factors and the fiduciary duties of trustees. This has been emerging but at a slower pace than we would have expected. Certainly data suppliers have responded with Morningstar providing a sustainable [globe ranking](#) while MSCI released ESG Fund Metrics (see [Sustainable Trends Q1 2016](#)). S&P Dow Jones joining the ESG market information market (see [Insights 158](#)). Ongoing work by the SEC (see [Insights 152](#)) suggests more clarity, as does work in the UK (see [Insights 154](#)) The G20 Climate Change task force is encouraging swift action.

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