

INSIGHTS

For the Mainstream Investor

WEEK ENDING JANUARY 19, 2018 EDITION 228



US COAL IN 2017 AND BEYOND?

Is coal finished?

From many press articles you might assume coal is dead. However, this fossil fuel presently supplies 37% of [global electricity](#) and the IEA forecasts it will still be the largest single source – i.e. not taking renewables as a single source – in 2040. In the US, where the President has been promoting coal, [mine output](#) rose 8 percent last year, helped by strong exports. So is everything fine for coal's future? The answer to that is no. Utilities in some countries are retiring large coal-fired power stations. In 2016, US coal production fell to its lowest level since 1978. Recently, coal mining CEOs have [criticized](#) the Federal Energy Regulatory Commission (FERC) for unanimously rejecting proposed subsidies for aging coal and nuclear plants. In 2018, power utilities plan to [shut](#) at least 10 large coal plants which will leave coal-fired plants producing under 30% of electricity in the US. In 2000, coal accounted for half of nation's power.

IPCC'S VIEW ON CLIMATE CHANGE

How are we doing?

The world will not be meeting the most ambitious [climate goal](#) agreed in the Paris Agreement. A [leaked draft](#) report from the Intergovernmental Panel on Climate Change (IPCC), which should be published in October, suggests that governments will have to start [sucking carbon dioxide](#) from the air in order to achieve the aim of limiting temperatures to 1.5C above pre-industrial times. The draft report suggests that surface temperatures are about 1 degree Celsius above pre-industrial times and are on track to reach 1.5C by 2040. It adds that a 1.5 degree Celsius rise may not be enough to save coral reefs and the ice caps of Greenland and West Antarctica. However, adhering to the 1.5 degree Celsius cap would help limit heat extremes, droughts and floods. [Climate skeptics](#) argue that the draft suggests global warming is closely linked to the sun's activity rather than greenhouse gas emissions. Scientists have lined-up to dispute this interpretation.

THIS WEEK IN NUMBERS

81
percent of US IPOs on US exchanges were one share, one vote, in 2017

80
percent of wastewater globally is dumped back into water bodies in an untreated form estimates the UN

49
percent of new US electric generating capacity is forecast to have come from renewable sources in 2017

27
January 2018 is International Holocaust Remembrance Day

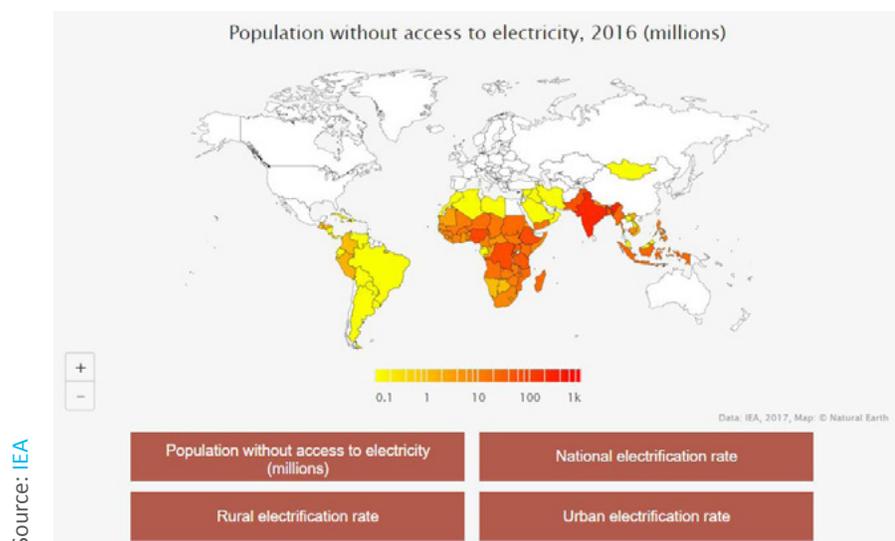
11
US\$ per hour is the new starting salary for Walmart employees, up from \$9

9
of the 11 GICS sectors have recorded an increase in their EPS estimates since the passing of the US tax law, led by financials and energy

3
countries remain which have failed to eradicate polio. Afghanistan, Nigeria and Pakistan

1
percent is the gender pay gap reported by Citigroup for the UK, US and Germany

INFOGRAPHIC OF THE WEEK



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CORPORATE ETHICAL REPUTATIONS

Who is the worst?

Which sector does the public view as having the worst [reputation](#)? The [Reputation Institute](#) asked 2,000 British people to rate companies on their ethical credentials. The research – 2017 Global RepTrak 100 – [covers 100 companies](#) globally. Energy ranked the lowest with Telecom, Services. Information and raw materials were near the bottom of the list. The Reputation Institute's UK Managing Director, James Bickford, commented that the low ranking of Energy and Telecoms looks to be driven by "A lack of transparency, questionable ethical practices and interventions from regulators have tarnished almost all companies in both sectors." So which corporates led the way? Top of the list was Rolex, followed by LEGO Group, Walt Disney, Canon and Google. The lowest ranked corporate was Volkswagen, which was joined at the bottom by Hyundai, Fiat Chrysler, Delta Air Lines and General Motors.

DID YOU SEE?

ISS launches [company profiles](#) which look at corporate governance, including board, director and compensation insights.

GOOD NEWS

A [campaign](#) is underway to create a 1.8m sq. km. sanctuary in the Weddell Sea and around the Antarctic Peninsula. The intention is that it will be a fishing-free zone which in turn will protect penguins, leopard seals and whales. In October, the Conservation of Antarctic Marine Living Resources ([CCAMLR](#)) will decide on the proposal.

WE'RE WATCHING

Boards of consumer goods companies do not pay their CEOs in relation to their share price [performance](#).

INVESTING IN ELECTRIC VEHICLES

What will customers do?

Only one percent of vehicles sold are electric, at present. However, automakers have announced rising investment targets including Ford's target of US\$11 billion. In total, [Reuters calculates](#) that over \$90 billion is earmarked for electric vehicles: US\$ 52 billion is from Germany, \$21 billion from China and \$19 billion from the US. A spokesperson from Ford stated, 'We're all in. The only question is, will the customers be there with us?'. This mirrors a statement from Daimler CEO, Dieter Zetsche who said, "We will see whether demand will drive our (EV) sales or whether we will all be trying to catch the last customer out there".

Interestingly, US and German automakers are focusing on the Chinese market, where the government has imposed rising electric vehicle quotas starting in 2019. Under this [cap-and-trade policy](#), automakers must achieve a new energy vehicle score, in turn linked to the production of zero and low emission vehicles.

BAD NEWS

Are [dying coral reefs](#) reaching the point where they are beyond saving? Extreme bleaching events are now occurring every 5 to 6 years and is possibly going to increase in frequency. 'It is clear already we're going to lose most of the world's coral reefs' stated Mark Eakin, the coordinator of the National Oceanic and Atmospheric Administration's Coral Reef Watch program.

HAVE A THINK ABOUT IT

Do you want to go plastic free? Here are two ways to approach the issue: 9 suggestions from [Friends of the Earth](#) and a more ambitious 15 from [Good Housekeeping](#).

READING LIST

<i>The thawing of the Arctic threatens an environmental catastrophe</i> The Economist	<i>Large majority of 2017 IPOs were one share, one vote</i> Council of Institutional Investors
<i>IEA Atlas of Energy</i> IEA	<i>NASA-led study solves a methane puzzle</i> NASA

LISTENING LIST



Geopolitical Risk: What Investors Should be Watching in 2018
[CFA Institute](#)

The Ethics of AI
[The Economist \(Babbage\)](#)

QUOTE OF THE WEEK

“To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society.”
– Larry Fink's annual letter to CEOs:
[A sense of purpose](#)

BELIEVE IT OR NOT

Sustainable Development Goal number 6 is clean water and sanitation. However, Silicon Valley customers have gone in the opposite direction and are now buying 'Raw Water' extracted from natural sources but without purification or treatment. [READ MORE](#)

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