

# INSIGHTS

## For the Mainstream Investor

WEEK ENDING FEBRUARY 2, 2018 EDITION 230



### A SUSTAINABLE EU ECONOMY

*The final report*

The High-Level Expert Group (HLEG) on Sustainable Finance has issued its final report on the financing of a sustainable European economy. Among its 30 proposals was [the recommendation](#) that a sustainable finance classification system be established, that pan-Europe rules on how investors must consider sustainability in mandates be introduced, and the development of EU-level green bond standards.

The [report](#) strongly recommended that existing EU rules that deal with fiduciary duties should be updated to say that asset owners and managers must incorporate the time horizons and sustainability values of the end client into mandates, investment strategies and asset allocation “whether financially material or not”. Disclosure guidelines on sustainable issues should be tightened particularly for retail investors. Unsurprisingly, not all are in agreement with the report’s findings.

### GREEN BOND BENEFIT

*Lower cost all around*

This week the estimate for the total value of green bonds issued in 2017 was put at **US\$163 billion** by Bloomberg New Energy Finance, up 68 percent from 2016. This is not dissimilar from the total estimate released by the Climate Bonds Initiative which stated global issuance reached \$155.5 billion in 2017. The market was mainly driven by new corporate debt issuance.

As a further sign that this green financial market continues to develop, Poland raised €1bn in its second green bond, making it the first country to return to the market for environmentally friendly finance. It was the first country to issue a green bond at the end of 2016, when it raised €750m in five-year paper. The green bond market may have just received a further **boost**. Analysis by NatWest Markets identifies what they call the “**halo effects**” of issuing a green bond. The report suggests that issuing a green bond “can put downward pressure on the company’s entire bond curve” for both its public debt including both green and non-green bonds.

### THIS WEEK IN NUMBERS

2021

will be the date that France will shut down all coal-fired power stations by 2021, President Emmanuel Macron said in Davos

200

mile (320 km) autonomous car journey will be attempted in a complex journey across the UK, taking in country roads and high-speed roundabouts in 2019

73

% of US Presidential disaster declarations between 2008-17 were flood related

50

% of U.S. military sites are threatened by wild weather linked to climate change

27

% gender pay gap was reported by the Insurance organization Zurich for fixed hourly pay

20

billion US\$ defined benefit fund of the San Francisco Employees’ Retirement System (SFERS) board voted not to divest the \$20bn defined benefit fund from fossil fuels

12

foods – the dirty dozen – were identified by EWG with strawberries and spinach leading the list of pesticides in produce

10

percent was the estimated growth in sustainable assets under management in the US in 2017

### INFOGRAPHIC OF THE WEEK

Global Antimicrobial resistance (AMR) Surveillance system – GLASS – enrollment in 2017



Source: [World Health Organization](#)

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Sustainable Insight  
CAPITAL MANAGEMENT

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### NEGATIVE EMISSION TECHNOLOGIES

#### Not enough

As greenhouse gas concentrations and global temperatures rise, there has been growing interest in [negative emission technologies](#). These range from natural methods such as by protecting and restoring degraded forests so they become carbon sinks. More technologically advanced solutions include geo-engineering, capturing the carbon released, and pumping it into underground geological reservoirs. Some technologies literally suck the CO2 from the atmosphere. However, there have been [warnings](#) that these technologies are unlikely to be enough and actually encourage the growth of emissions.

Now, The European Academies' Science Advisory Council (EASAC), formed from national science academies of EU members, has reviewed scientific evidence from several options for removing CO2 from the atmosphere. In its report it noted that these technologies have "limited realistic potential to [remove carbon](#) from the atmosphere". So it's back to reducing GHG emissions?

### GOOD NEWS

The Super Bowl is going for [zero](#) – on waste at least. On the big day, the initiative will encourage fans, chefs, and custodians at the US Bank Stadium in Minnesota to recycle bottles and cans, compost organic materials, and repurpose items including signage, bags, and construction materials through community organizations.

### WE'RE WATCHING

The water crisis in Cape Town continues to make the headlines. Now it has attracted the attention of the financial companies. [Moody's](#) Investors Service has stated that the water crisis is credit-negative as it will reduce revenue at a time when the city has to boost spending to ensure supplies. The report doesn't constitute a rating action... yet.

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### CHINA IS UPDATING THE RULES

#### Improving emission levels

At the end of last year, China's Ministry of Environment [shut down](#) thousands of factories in order to reduce pollution. In the past year, it sent inspectors to 30 provinces, where they've reprimanded, fined, or charged officials in more than 80,000 factories with criminal offenses. This no longer looks like a temporary measure. Now, the Ministry of Environmental Protection has announced plans for a new three-year battle plan in the war to protect blue skies and this incorporates [tougher curbs](#) on major industrial regions. This plan is expected to be completed in the first half of the year, and will continue in the Beijing-Tianjin-Hebei region, but will also focus on other major regions like the Yangtze river delta, the northeast and Chengdu-Chongqing. With the present campaign set to end in March, the Government wants to subject firms to more permanent scrutiny, so as to avert any possible dilution from the 2017 targets. Beijing is expected to keep the toughest emissions curbs on industrial firms, not only to cut pollution but also spur industries to relocate.

### BAD NEWS

A [study](#) by the New York University School of Medicine on E-cigarette suggests that users are possibly putting themselves at risk for developing heart disease, lung and bladder cancers. The preliminary findings indicate that the devices which aerosolize nicotine and contain no tobacco, may not be as safe as previously assumed.

### DID YOU SEE?

German Chancellor Angela Merkel has said Federal officials would work with German [cities](#) which face particularly high air pollution. The aim is to develop specific solutions to cut emissions but avoid driving bans on diesel cars. Merkel and state government leaders wish to avoid driving bans. Can this really be done?

### READING LIST



*Closing the gap:  
Scaling up  
sustainable supply*  
CDP

*The ocean is  
losing its breath*  
[Science Daily](#)

### LISTENING LIST



*How did we get hooked on plastic –  
The Inquiry*  
[BBC World Service](#)

*Recovering from Wildfire in Northern  
California*  
[Infinite Earth Radio](#)

### WATCH LIST



*An economic case for protecting the planet*  
[TED Talks Business](#)



*Anote's Ark – Kiribati is disappearing*  
[Democracy Now](#)

### BELIEVE IT OR NOT

A study shows that of the 21 cities that have hosted or are going to host the Winter Olympics – even if emissions are cut to meet the target of the Paris climate agreement of 2015 – only 13 will be cold enough to host snow-sports in the 2050s. With high emissions, the number would drop to just eight in the 2080s. [READ MORE](#)