

INSIGHTS

For the Mainstream Investor

WEEK ENDING JULY 27, 2018 EDITION 254



LOBBYING

Climate change law

A [study](#) in [Climatic Change](#), a publication focused on the description, causes and implications of climate change by Drexel University, analyzed the [lobbying costs](#) of climate change. The report suggests that the lobbying power of the fossil fuel industry may be working in keeping climate change legislation out of Congress. The report states that ‘Environmental organizations and the renewable energy sector lobbying expenditures were dwarfed by a ratio of 10:1 by the spending of the sectors engaged in the supply and use of fossil fuels’.

The researchers plot the ‘countervailing power ratio’ over time. This ratio is the total lobbying expenditures by the big fossil fuel trade associations along with the transportation, electric utility, and fossil fuel sectors divided by the total lobbying expenditures of the renewable energy sector along with environmental organizations. It shows that it has remained close to 10 times since 2008. The total amount spend on lobbying Congress has been more than US\$ 2 billion since 2000.

RATING ESG VENDORS

How subjective?

A [report](#) by the American Council for Capital Formation (ACCF), a non-profit, nonpartisan organization, has advocated tax, energy, environmental, regulatory, trade and economic policies that encourage saving and investment, economic growth, and job creation, challenges the accuracy of the ESG rating companies.

The report states that ‘An individual company can carry vastly divergent ratings from different agencies simultaneously, due to differences in methodology, subjective interpretation, or an individual agency’s agenda’. The report makes mention of an [earlier paper](#) it wrote on ‘the conflicted role of proxy advisors’, claiming ‘the two papers collectively suggest that there are substantial challenges with the quality of information that investors are using to both deploy ESG focused capital and vote stock options’.

On ESG, the report comments that the data has ‘significant disparities in the accuracy, value and importance of individual ratings’ caused by biases, inconsistencies, lack of standardization and risk failures’.

THIS WEEK IN NUMBERS

7,400

Nike employees are to receive a pay rise after an internal review

7,000

heat related deaths, a tripling of the number from the present day by 2050, is forecasted in the UK

170

commitments were made by Governments at this week’s Global Disability Summit in London

138.2

billion US\$ was invested in clean energy globally, reports BloombergNEF

20.8

% is the blended rate (companies which have reported and estimates of those that haven’t) for year-on-year earnings growth for the second quarter

12

miles in diameter is the size of an underground reservoir found on Mars

9

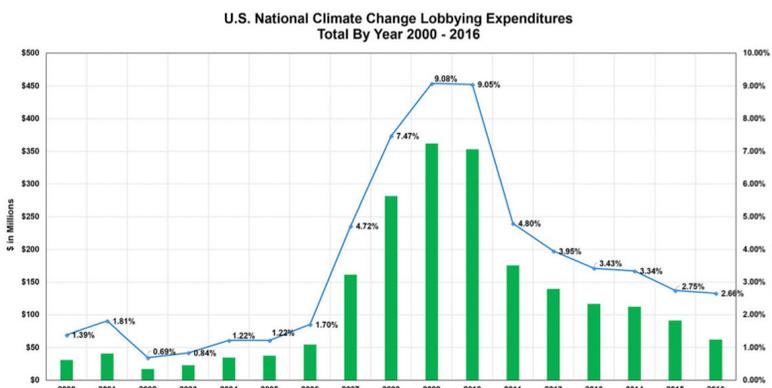
of the 10 most polluted cities in the world are in India

4

fold increase in Australian impact investments between 2015 and 2017 has been recorded by the Responsible Investment Association Australia

INFOGRAPHIC OF THE WEEK

US National Climate Change Lobbying Expenditures Total by Year (2000-2016)



Source: [Think Progress](#)

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ESG: YES OR NO?

Financial factors dominate

NEPC, the investment consulting firm, conducted an online [survey](#) of Corporate and Healthcare Practices last month. There were 69 respondents which offered 119 plans. The results showed that the majority (88%) of plan sponsors have not incorporated ESG into their DB or DC plans, however 29% claimed they were interested in it. Fifty-nine percent of respondents state that 'long-term risk and return factors are their most important consideration when evaluating a potential investment, followed by diversification' at 39%. The primary reason for ignoring ESG factors is the consideration of financial factors (38%) while 27% wanted more data on ESG's impact on performance. Further details can be viewed in this [infographic](#).

BAD NEWS

Apparently, the carmakers may already be [manipulating emissions](#) for new standards, coming into force in 2020, claims the European Commission. This time they may be making the results look worse so that future targets become more achievable.

GOOD NEWS

Liverpool, in the UK, is aiming to become the first 'climate positive' city in the world. Presently the city is undergoing a year-long trial, and if successful, by the end of this year the city aims to remove more carbon dioxide from the atmosphere than it emits. The sum of Liverpool's entire carbon emissions is first priced and the cost passed on to purchase carbon credits, certificates which are tradable and internationally recognized in financial markets.

WE'RE WATCHING

The Trump administration is going to attempt to [revoke](#) California's authority to regulate auto greenhouse emissions. It will also cover electric vehicle sales and improved fuel efficiency.

ANOTHER CITY DEFEATED

Big Oil wins

In January, the city of New York sued five oil companies for producing greenhouse gases that constitute a 'public nuisance' and a 'private nuisance'. The [claim](#) stated that the energy companies ignored evidence from climate scientists even though they knew that fossil fuels posed a grave risk to the planet. The Mayor was looking for reimbursements from flooding, extreme weather conditions and other harm from climate change. However, the US District Judge dismissed the city's claims stating that the Clean Air Act controlled such emissions, requiring Congress and the Executive to address this problem. This is a similar ruling to those on Big Oil versus the cities of San Francisco and Oakland.

WORTH NOTING

In Australia, a pension plan member has taken the Retail Employees Superannuation Trust (REST) to court stating there is a lack of information about the [impact of climate change](#) on his investments and what it is doing about it.

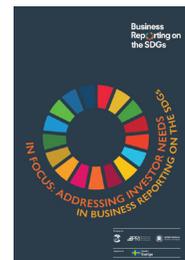
DID YOU SEE?

Canada's Office of the Chief Actuary (OCA), an independent unit that provides a range of actuarial valuation and advisory services to the Government of Canada, has [stated](#) it is 'ready to conduct work on the 2-degree stress test' for the Canada Pension Plan. The aim is for the US Environmental Protection Agency to propose revoking the Clean Air waiver granted to California. Let legal battles ensue.

COST OF SCANDALS

The Bank of England's Prudential Regulation Authority, has revealed that it has investigated KPMG's viability after the company has been affected by a [string of scandals](#), notably in South Africa and the UK.

READING LIST



Business Reporting on SDGs
[PRI, GRI and UN Global Compact](#)

Too hot to handle: the global heatwave
[The Economist](#)

2017 was the second worst year on record for tropical forests
[Vox](#)

LISTENING LIST



Too hot to handle
[The Economist: Babbage](#)

Are things getting worse?
[BBC Business Daily](#)

Save the Sharks
[After the Fact](#)

BELIEVE IT OR NOT

When foraging for food online researchers have found twin peaks for demand, regardless of geography or season. They are 7pm (not a surprise) and 2am!

[READ MORE](#)

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