

INSIGHTS

For the Mainstream Investor

WEEK ENDING SEPTEMBER 14, 2018 EDITION 261



PENSIONS + CLIMATE CHANGE

Slowly, slowly

A [study](#) by the Asset Owners Disclosure Project (AODP) shows that 60% of the world's largest public pension funds have 'little or no strategy on climate change'. In mid-June, the AODP [found](#) that 90% of US insurers' investment strategies are not aligned with the Paris Agreement.

The most recent research examined the world's top 100 public pension funds, with combined assets of more than \$11 trillion, and discovered that '63% of pension funds are found to provide very little to absolutely no information on the financial implications of climate change to their portfolios'. These pension funds are investing only \$90 billion in low-carbon technology which is less than 1% of their assets. Europe has the majority of top-rated funds in adopting a climate change strategy – notably Sweden and the Netherlands – while in the US some funds are tackling this problem as a state level, notably in California and New York.

EV TRUTHS

Dispelling the myths

A [study](#) by [Transport and Environment](#) examines six perceptions about electric vehicles (EVs) in Europe. Firstly, the research argues that electrification will create jobs rather than resulting in a large number of factory closures. It believes the main threat is that EVs will be built in China rather than Europe. Secondly, the report challenges the idea that there is a lack of re-charging infrastructure. It notes that only 5% of charging takes place at public sites. Thirdly, researchers believe that the impact on the power grid is manageable. It argues that smart charging will help manage the evening peak load.

Fourthly, although the initial purchase price of EVs is higher than petrol and diesel models, the total cost of ownership is lower. With falling battery prices, purchase prices may be comparable by 2025. Fifthly, the full cycle CO2 analysis – including manufacturing emissions – shows EVs emit less than diesel cars. Finally, the report disputes the worry that there are inadequate raw materials for batteries.

THIS WEEK IN NUMBERS

2045

is the year by which California has committed itself to carbon free electricity

90

activist campaigns have been launched in Asia so far this year, up from 60 for the same period last year

70

percent chance of an El Nino developing by the end of this year according to the World Meteorological Organization

60

percent of Africans are under the age of 25, with a median age of 19 for the continent

15

September 2008 was the date on which Lehman Brothers filed for Chapter 11 bankruptcy protection

9

billion Euro lawsuit by investors in Volkswagen against the car-maker has started in Germany

4

was the category of hurricane Florence as it approached the Carolinas

3

rd roll-back in environmental legislation may soon be proposed by the Trump Administration by loosening methane leak rules

QUOTE OF THE WEEK

When the central problem is the damage caused by greenhouse gas emissions, the cleanest and most efficient way to address it is to tax those emissions.

– Janet Yellen, former Chair of the US Federal Reserve & Founding Member of the Climate Leadership Council

IMAGE OF THE WEEK



Brain images display the beauty and complexity of consciousness - [NewScientist](#)

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Sustainable Insight
CAPITAL MANAGEMENT

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BRANDING FOSSIL FUELS

Is it responsible?

Southwestern Energy, the US oil & gas company, has sold 'responsible gas' to New Jersey Resources, a US utility. The gas is certified by [Independent Energy Standards \(IES\)](#), an independent ratings and analytics company. The [TrustWell](#) rating that IES uses 'evaluates a wide range of impacts and risks, with a focus on four overarching categories: water, air, land and community'. Ratings cover detailed issues such as emissions, leaks, water sourcing and community management. The ranking ranges from 0-150, segmented into silver, gold and platinum. This particular contract covers shale gas, an energy source which has raised environmental concerns. New Jersey Resources is paying a premium for this responsible gas, although no number was revealed. However, IES did state that using 100% 'responsible gas' would add 90 cents per month to the average bill.

WE'RE WATCHING

The [UN Climate Change talks](#) in Bangkok appeared to have made progress on drafting a rule book on how the 2015 Paris Agreement should be implemented. It is hoped that the rule book will be agreed at the next conference in Poland in early December (2-14). The most contentious issue remains the \$100 billion fund for climate finance.

NOT GOING AS PLANNED

In late 2015, the Association of Member Nominated Trustees ([AMNT](#)) recommended the introduction of [Red Line Voting](#), a standardized set of ESG instructions which could be used as a template for investment managers at UK listed companies' AGMs. It was intended to add clout to smaller UK pension funds. However, the AMNT has [admitted defeat](#) noting resistance from fund managers and inertia from asset owners.

INSURANCE INDUSTRY WARNING

Climate change risk

California Insurance commissioner Dave Jones has [announced](#) that more than 10,000 claims have been filed, totaling \$845 million in insured losses from the Carr and Mendocino Complex fires alone. But as the most destructive fires occur after the beginning of September, further destruction is probable. In a new [report](#), the Commissioner states that insured losses from fires, hurricanes, droughts and floods, totaled \$12.6 billion in 2017.

'Disclosure of climate-related risks to the financial sector is important for the sustainability of the global and United States financial systems generally, and the insurance sector in particular' says the Insurance Commissioner for California. The hope is that the report will help identify climate risks and to discuss how insurers, regulators and policymakers should respond.

A BONUS

A [study](#) published in Science has proposed that large scale wind and solar farms in the Sahara will not only reduce carbon emissions but are also likely to cause more local rainfall, higher temperatures and increase vegetation. However, the project models were vast in size – 9 million sq. km.

DID YOU SEE?

[Burberry](#), the UK luxury fashion house, has announced it will end the destruction of unsaleable products with immediate effect. In mid-2018 it was revealed that the company had burnt goods worth US\$37 million in order to protect their intellectual property. It intends to recycle its products.

READING LIST

Going mainstream: The future of ESG investing
[Newsweek](#)

WATCH LIST

From-free foods gaining popularity [Bloomberg](#)



LISTENING LIST



Japan's flawed policy of female empowerment
[Financial Times](#)

BELIEVE IT OR NOT

Trawling for plastic in the Pacific. An eighteen year old developed a bow-shaped floating barrier (made of plastic) which scoops up plastic litter while it drifts. The captured plastic is intended for recycling. A 50% reduction in the Great Pacific Garbage Patch is forecasted in 5 years' time.

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