SUSTAINABLE INSIGHTS

Sustainable Insight
CAPITAL MANAGEMENT

Week ending 10 January 2014 | Edition 24

CHINA WITHDRAWS CREDIT SUPPORT FOR 75% OF SOLAR EQUIPMENT MANUFACTUERS

The decision is expected to consolidate China's fragmented solar industry, which has been affected by falling panel prices and anti-dumping duties.

Companies not recognized by China's Ministry of Industry and Information Technology will not be eligible for export tariff refunds or participate in local component supply deals to set-up power plants. The move is expected to affect more than 75% of the companies in the industry. About 130 companies will remain eligible for credit support.

This withdrawal of support follows the country's ban on capacity increases (Sustainable Insights: Edition 9; Article 1) and mandate to companies to invest in research and development and technology upgrades.

The government hopes the move will push the over-supplied sector towards consolidation, and that a regulated market will help achieve China's target of adding 40GW of solar capacity, compared with the earlier target of 5GW, by 2015.

Read more

FOSSIL FUEL FIRMS ENCOURAGED TO IMPROVE CARBON ASSET RISK DISCLOSURE

Investors maintain focus on fossil fuel companies' investments in risky carbon assets that could erode their equity value under a low carbon scenario.

Investors, including members of the Investor Network on Climate Risk (INCR), sent resolutions requesting more transparent carbon asset risk disclosures to companies such as Exxon Mobil (XOM US), Peabody Energy Corp (BTU US), and Alpha Natural Resources (ANR US), in a follow-up to their September 2013 initiative.

In September 2013, INCR members and others who collectively manage USD3tn sent letters to 45 of the world's largest fossil fuel companies urging them to report on how they would mitigate the risk of stranded assets. Several of these investors are now following up by filing shareholder resolutions with 11 fossil fuel companies.

As identified in Sustainable Insights: Edition 15, tightening emission rules and cheaper low-carbon technologies are likely to increase the risk of carbon assets. This has resulted in an increasing number of investors urging fossil fuel companies to disclose the potential risk.

Read more

SIX EU COUNTRIES FOCUS ON RENEWABLE ENERGY GOAL INSTEAD OF EMISSIONS TARGET

Six EU ministers set a 2030 goal for renewable energy use, in opposition to the UK who advocates a greenhouse gas emissions reduction target instead.

Six European Union countries set a 2030 goal for renewable energy use. This move comes in opposition to the UK, who has instead set a greenhouse gas emissions reduction target. Ministers from Austria, Belgium, Denmark, France, Germany, Ireland, Italy and Portugal signed the letter stating a 2030 renewables goal, hoping to cut dependency on fossil fuel imports and spur economic growth.

Those in favor of setting an emissions reduction target argue that it will provide governments more flexibility in how they cut emissions—including investing in nuclear power or energy efficiency.

The European Commission will kick off a legislative process later this month that will consider a 40 percent emissions reduction target and a 30 percent renewables goal.

Read more