SUSTAINABLE INSIGHTS

Sustainable Insight
CAPITAL MANAGEMENT

Week ending 09 May 2014 | Edition 41

THE WHITE HOUSE RELEASES REPORT ON CLIMATE CHANGE

Report highlights impact of changing climate on all US regions; Demands action now

This week the Obama administration released an 800-page report on how a changing climate has impacted every region in the United States and noted that urgent action is needed. The report, released Tuesday, finds that the climate has already changed and that the effects are already being felt. The report cited drought in the southwest, increased flooding in wet regions, storm surges on the East Coast and forests coming under attack from insects that thrive in the heat as possible outcomes of human-induced climate change.

Thirteen government departments and agencies, including the Agriculture Department and NASA, as well as academics, businesses and non-profit organizations comprised the committee that compiled the report. By highlighting issues in every region, the administration hopes to drum up support for federal and state actions, including existing and pending regulations. "Climate change, once considered an issue for a distant future, has moved firmly into the present," the scientists declared in the report.

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SUSTAINABILITY FACTORS AFFECT S&P 500 PAY

Over half of S&P 500 companies tie sustainability factors to compensation

A new GMI Ratings analysis "Sustainability Metrics in Executive Pay: Short Term Focus on a Long Term Issue" indicates that over half of the S&P 500 companies cite the use of at least one "environmental, safety, labor and other sustainability factors" when determining executive pay. The report noted that 16.3% used a specific sustainability metric, and approximately 10% tied a specific performance target to that metric. The industries with the highest percentage of participating companies included utilities and energy with 74.2% and 58.1% respectively.

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CHINA LAUNCHES FIRST CARBON-LINKED FINANCIAL PRODUCT

This week China launches its first carbon-linked financial product, a debt product linked to carbon offsets of the Shenzhen Emissions Exchange. The note, which will mature in 5 years, was issued by a unit of China General Nuclear Power Group. Chinese trading houses have historically considered carbon permits unattractive, so this move will test market confidence. The General Nuclear Power Group will allow investments of up to 1 billion yuan ($160M). We reported on growth in China's emissions markets in March.

Meanwhile, since the beginning of the year Beijing has fined over 650 industrial facilities for breaking environmental regulations. This action demonstrates China's commitment to its "war on pollution". The fines have totalled over 14.5 million yuan (USD 2.3M).

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AMIDST PRESSURE, SOME OIL GIANTS INCREASE SUSTAINABILITY EFFORTS

Although oil is under attack, Hess gets high marks for sustainability and Shell invests in Carbon Capture

Hess scored well on Corporate Responsibility magazine's 2014 Best Corporate Citizen's list. The Hess Corporation is the highest ranking energy company on the magazine's list, which tracks companies' performance in the areas of Climate Change, Governance, and Human Rights, among others.

Shell announced this week that it has joined CO2-EOR, a research project exploring CO2-driven enhanced oil recovery. The idea behind the project is to improve recovery from depleted oil fields using CO2 captured from large emitters and storing the greenhouse gas in offshore oil reservoirs.

EU ENERGY MARKETS FACE MIXED MESSAGES

German utility giant urges EU to overhaul its energy policies, while EU hopes more companies protected from emissions market

The chief executive officer of Dusseldorf-based EON SE urged the European Union to strengthen its energy and climate policies, noting the current energy policy has increased carbon emissions and raised energy bills. The EU is currently discussing its energy and climate regulations for 2030 with the goals of maintaining an affordable and reliable energy supply while reducing its reliance on fossil fuels.

Meanwhile, the EU commission has proposed expanding the number of industries that are protected from the current emissions trading market. The proposal states that several industries, such as manufacturers of non-electric appliances, will receive a higher share of greenhouse-gas emission allowances free of charge from 2015-2019. The purpose of the proposal would be to support the industries that are particularly exposed to competition and are likely to move production overseas. The EU Climate Change Committee will vote on the measure before it is sent for review by the ministers and the European Parliament.

BELIEVE IT OR NOT

"Climatic fluctuations increase the probability of infidelity in birds that are normally monogamous."

- U.S. National Climate Assessment

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STAT OF THE WEEK

Forty percent of Americans said that global climate change was a major threat to their country while over 50 percent of Canadians, Australians, French and Germans, 60 percent of Italians and Spaniards, and 70 percent of Japanese felt that it was.

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