SUSTAINABLE INSIGHTS

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WORLD BANK ISSUES A WARNING ON CARBON MARKET

Recent report indicates that carbon markets are strong, but that policy developments may deliver setbacks

This week, the World Bank reported in its State & Trends of Carbon Pricing 2014 that efforts to price greenhouse-gas emissions, such as a tax or trading program, may fall from 18 percent to 12 percent this year.

Although cap-and-trade markets and emissions trading programs around the world are strong, the study finds that if countries, such as Ukraine, don't ratify an extension to the 1997 Kyoto, progress may stall.

Australia has also faced a recent policy setback. Australia's government is seeking to remove legislation that imposes fees on carbon emissions and replace it with grants for projects and companies that reduce emissions paid for by taxpayers.

Over 60 greenhouse-gas emissions reduction systems cover 12 percent of global emissions, but the costs between the pricing programs range significantly. According to the report, an emissions tax in Mexico is less than USD 1 a metric ton of carbon dioxide equivalent, while Sweden's carbon tax is USD 168 per ton. The report finds that China now has the second largest carbon market after the EU.

Global emissions trading programs were worth a little more than USD 30 billion at the end of 2013, according to the World Bank, which excluded United Nations emissions credits created under the Kyoto Protocol.

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NEW YORK TIMES OP ED: WE NEED TO INSURE AGAINST CLIMATE CHANGE

Global warming should be addressed by the private risk management institutions

A recent NY Times op-ed argues that given the realities of climate change, we need to worry about the potential for disasters, many of which we cannot predict today. "Global warming needs to be addressed by the private institutions of risk management, such as insurance and securitization. They have deep experience in smoothing out disasters' effects by sharing them among large numbers of people. The people or entities that are hit hardest are helped by those less badly damaged," says author Robert Shiller. professor of economics at Yale University.

QUOTE OF THE WEEK

"Inclusive capitalism is fundamentally about delivering a basic social contract comprised of relative equality of outcomes, equality of opportunity, and fairness across generations. Different societies will place different weights on these elements but few would omit any of them."

-Mark Carney, Governor of the Bank of England at the Inclusive Capitalism Conference in London, May 27, 2014

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ASSET MANAGERS MORE VOCAL ON SUSTAINABILITY, LONG-TERM THINKING

Three major firms emphasize sustainability in its investments

Asset managers worldwide are demonstrating a stronger commitment to sustainability and long-term thinking. AMP Capital, a large Australian Asset Management firm, announced that it will remove 56 mining and energy companies from its responsible funds, which represent approximately USD 3 billion and about 2 percent of all funds under management by AMP. The firm notes that the change comes in response to "growing interest and concern" about climate change from investors.

DekaBank, a German asset management bank, announced plans to phase in a "sustainability filter" which negatively screens out companies from its own multibillion dollar investment portfolio. Examples of companies that will be screened out include cluster bomb or land mine manufacturers or companies that are guilty of systematic corruption.

Larry Fink CEO of Black Rock, the world's largest asset management firm, revealed that he received criticisms from unnamed CEOs for a letter that he released in March 2014 (reference: Sustainable Insight edition 35). Despite the criticisms, Fink continued to urge S&P 500 executives to practice long-term thinking. He warned them against relying too much on dividends and buybacks at the expense of long-term thinking.

STAT OF THE WEEK

The Asset Owners Disclosure Project estimates that roughly 55 per cent of the average pension portfolio is exposed to climate risks, so investors simultaneously have a lot at stake and the ability to make an enormous difference to how companies tackle the issue.

ALL CARBON ALLOWANCES SOLD AT RECENT CALIFORNIA AUCTION

All permits found buyers at recent cap-and-trade auction

Californian companies purchased all 16.95 million allowances, which permit them to release carbon emissions according to the state's Air Resources Board.

Carbon allowances were sold for $11.50 each at California's seventh auction held in mid May. Over 9 million were also available for use after 2017. Of that pool, an additional 4 million permits were sold at $11.36.

The price is slightly higher than the previous two auctions, each of which sold allowances for $11.48 each.

BELIEVE IT OR NOT

Bet you haven't considered this climate change impact: Record-breaking heat in Australia is keeping dog groomers busy well past their typical peak season

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