

DEBATE OVER DEFINITION OF GDP RESURFACES

Current definition is a measure of flow, not stock; Economic sustainability not captured

Diane Coyle, an economist, has sparked a recent debate about the suitability of Gross Domestic Product (GDP) as a [measure of economic success](#). Although she defends GDP as a tool for understanding the economy, she warns against its limitations. GDP is a measure of flow, not stock. Because of this, there is no measure of depletion of resources built into GDP. Therefore, it does not capture the ability of a nation to sustain its economic success, especially if it is dependent on natural resources.

Coyle, who recently published *GDP: A Brief But Affectionate History*, argues that not only does

GDP not take into account depleted resources, it makes no allowance for “externalities”—by-products of growth and industrialization. There is “no sense of the trade-off between present and future” says Goyle. This, she adds, leaves us vulnerable to “tipping points” such as the depletion of fish stocks. To add to the complexity, our global economy creates highly complex global supply chains, which makes it harder to value inputs and “value-added” outputs.

Harvard Professor, Michael Porter, made progress on [expanding the definition](#) of economic success with the release of his health and happiness index, which considers more than just GDP for policy and corporate agendas.

MAPPING CO2 FROM 190KM ABOVE EARTH

A satellite designed to map the concentration of atmospheric carbon dioxide in the world launched again last week after a failed attempt in 2009. The carbon mapping satellite identifies ‘sources and sinks’, which help scientists understand how carbon dioxide moves in and out of our atmosphere.

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SCIENTISTS SOUND THE ALARM: ANTIBIOTICS RESISTANCE QUICKLY EMERGING AS A MAJOR THREAT

Disease-causing microbes evolving to become resistant to drugs

Antimicrobial resistance threatens the effective treatment of infections caused by bacteria and viruses. Globally, there have been hundreds of thousands of [new cases](#) of multi-drug resistant diseases. Some have likened this issue to climate change. The scale of the challenge is immense and both require cooperation between nations. [Ramanan Laxminarayan](#), director of the Center for Disease Dynamics, Economics & Policy noted

that “Antibiotics are a natural resource, just like fossil fuels. As we run out, finding new ones will be hard and expensive. Penicillin costs pennies. Newer antibiotics may cost hundreds or even thousands of dollars.” It is an issue of science and public health, but also of economics and national security. Sally Davies, Britain’s chief medical officer, urged governments to raise this issue at the next G8 summit.

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GREEN BOND MARKET BOOMING; US LAUNCHES 100- YEAR WATER BOND

The first half of 2014 saw nearly twice as many green bonds issued than in all of 2013

The [green bond market](#) has grown rapidly in 2014, with many bonds being two or three times oversubscribed. Green bonds, which are all investment grade, are defined as financial instruments which link the proceeds from the bond issue to environmental projects or investments. For example, an issuer may use the money raised to finance a renewable energy project or an efficient manufacturing plant. This year there has been an increase in green bond issues by companies. Unilever, for example, issued a [green bond](#) in March which will help finance its Sustainable Living Plan based on a set of Green Bond Principles. This is in contrast

to 2013, when most green bonds were issued by international agencies, such as the World Bank. Although the cumulative value of the green bond market (USD 50bn) is a fraction of the size of the total bond market (USD 80tr), the market is growing rapidly, with over USD 20bn worth of green bonds issued in the first half of 2014 alone. The [EU Commissioner](#) for Maritime Affairs & Fisheries supports new 'blue bonds' to attract capital to finance sustainable fisheries.

The District of Columbia Water and Sewer Authority is [preparing to issue](#) a USD 300m green bond with a 100-year maturity period. Goldman Sachs and Barclays are preparing the deal. The proceeds will contribute to a drainage system called the DC Clean Rivers Project.

BELIEVE IT OR NOT!

We've worried about air pollution's effect on our lungs, not our skin... until now! A new study shows that pollution's effect on skin can be just as damaging as the sun's UV rays. Good thing that Clarins now produces anti-pollution cleansing system.

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JAPAN DELAYS NUCLEAR PLANT RESTART

Tokyo Electric Power setback; Fossil fuel use expected to continue to rise as a result

Japanese government officials do not expect the Kashiwazaki Kariwa facility, the world's biggest nuclear plant, to restart this year. This delay

deals a blow to turnaround plans for operator Tokyo Electric Power, which posted a USD 27bn loss in three years following the Fukushima disaster when the site suffered three nuclear meltdowns. As a consequence, the use of fossil fuels in Japan continues to rise.

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AUSTRALIA PULLS THE PLUG ON CARBON TAX ON THIRD ATTEMPT

New senate did not pass the repeal on the two-year old carbon tax on first vote; now set to pass

Last week it looked likely that the Abbott Government would repeal the carbon tax as soon as this month. The [carbon tax](#), which charges approximately 350 of Australia's biggest polluters, has been described by Prime Minister, Tony Abbott, as the "python squeeze" on the Australian economy. However, on Thursday the legislation was defeated 37-35 when senators including those backing the mining magnate Clive Palmer, raised objections. After being revisited, the repeal is [set to pass](#) after the House of Representatives voted in favor of the bill.

Meanwhile, Mike Baird, the prime minister of New South Wales (NSW), has plans to partially privatize the NSW [electricity network](#), which may jeopardize the USD 700m Climate Change Fund, established in 2007 to reduce greenhouse gas emissions. According to its annual report, the USD 302m spent on programs led to over \$207m in savings on annual utility bills. The government is debating making funding of the Climate Change Fund a condition of the new leases. If that becomes the case, the new private owners could pay tens of millions of dollars a year towards the efficiency programs.

STAT OF THE WEEK

70 percent: The reduction in CO2 emissions associated with precast concrete being developed by startup Solidia Technologies and the US Department of Energy National Technology Laboratory.

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LETTER FROM THE EDITOR

Dear Subscribers,

First, we want to thank you for subscribing to our weekly Sustainable Insights newsletter. This week we celebrate a milestone—our 50th edition. To commemorate this, we wanted to take a look back at some of the lessons we've learned over the last 50 weeks. We've seen an emergence of several environmental, social, and governance (ESG) themes, some gaining more traction than others. Interestingly, the 'E' stories have outweighed the 'S' and 'G' stories (approximately two-thirds of the stories were related to the environment, with climate change and energy policies being common themes). In Q3 & Q4 2013 we reported a lot about renewables (11 stories total) as the industry matured and support for projects waned

given pricing and levels of government support. However, in Q1 & Q2 of this year we saw the attention of asset owners and asset managers turn towards stranded fossil fuel assets (10 stories), the pricing of climate change (6 stories), and non-financial reporting (7 articles). We saw 'S' and 'G' issues come to the forefront especially in Japan and China; Japan's largest pension plan recently released a stewardship code, encouraging good governance practices. We capture these findings and more in our Quarterly Trends newsletter. Read the latest [here](#).

As always, we enjoy hearing from our subscribers so please don't hesitate to provide feedback.