

ENERGY VARIABLES: OIL SURPLUS, COAL'S FIGHT BACK, RENEWABLES PRICE WAR

Oil prices down after years of stability; Renewables may be close to price parity

Are we entering an era of energy abundance? Increased domestic production of oil and gas is reducing the U.S.'s reliance on [energy imports](#). In fact, imports are expected to provide just 21 percent of US liquid fuel consumption in 2015, down from 60 percent ten years earlier. In addition, supply from [Opec regions](#) is up, despite supply lagging due to a sluggish economy. In a recent meeting, Opec decided to maintain its [production target](#) for the first half of next year. However, some longer-term trends—including an increase in demand for energy—suggest that resource constraints will re-emerge in the foreseeable future.

Meanwhile, the coal industry is waging a war against skeptics, with some emphasizing coal's importance to global economies. "Mining is the largest earner of export income generating more than USD 200B in much-needed revenue for our country, a country in record debt" said [Gina Rinehart](#), who's company is behind a new USD 8.5B mine in Western Australia.

We may be heading towards energy '[price parity](#)' according to a study by Lazard. The cost of utility-scale solar energy is as low as 5.6 cents per kWh, and wind at 1.4 cents. In comparison, natural gas comes at 6.1 cents per kWh on the low end and coal at 6.6 cents.

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QUOTE OF THE WEEK

"And remember, as indexers, we are permanent shareholders. To borrow a phrase from Warren Buffett: Our favorite holding period is forever" said William McNabb, Vanguard's Chairman and CEO, explaining the rationale behind the USD 3T mutual fund's decision this week to become a signatory to the UN Principles for Responsible Investment (PRI).

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JAPAN MAY INCREASE CORPORATE GOVERNANCE REQUIREMENTS

Regulators may require at least two outside directors

This week Japan's Financial Services Agency (FSA) and the bourse published draft corporate-governance code which states that all listed companies will need to have at least [two outside directors](#) or explain why they don't. Prime Minister Shinzo Abe hopes to promote better governance

as a way of improving companies' earnings. It is expected that the final code will be implemented prior to next year's annual shareholder meetings. "The code will give some strong guidance to companies on how to improve their governance," Jamie Allen, secretary general of the Asia Corporate Governance Association in Hong Kong said.

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NEW WORLD BANK REPORT ON IMPACTS OF CLIMATE CHANGE

The impacts are unavoidable warns new report

A new World Bank [report](#) entitled “Turn down the Heat, Confronting the New Climate Normal”, warned that past and predicted emissions from several sources –power plants, factories and vehicles–have positioned the earth on a path towards an average

temperature rise of almost [1.5 degrees Celsius](#) (2.7 Fahrenheit) above pre-industrial times by 2050. Unless action to reduce CO₂ emissions produced by burning fossil fuels, “some of the world’s most important food crops could be severely affected by heatwaves, drenching rains and other [weather extremes](#)”, the report suggests.

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It is estimated that ‘conservation funding’—conservation-related impact investment—will grow 26 percent annually to reach USD 5.6B by 2018.

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IS URBANIZATION A SUSTAINABILITY ISSUE?

Big cities are getting denser and ‘centralizing’; Agriculture is moving from rural to urban areas

UN data shows that more than 50% of the world’s population now lives in urban areas. According to [a new study](#) recently published in the journal Environmental Research Letters, [urban agriculture](#) has been underestimated up to this point. “This is the first study to document the global scale of food production in and around urban settings,” explained co-author Pay Drechsel, a researcher for the International Water Management Institute

(IWMI). “There were people talking about urban agriculture but we never knew details. How did it compare with other farming systems? This assessment showed us that it was much larger than we expected.”

In Britain, the largest cities are growing denser at their core, but ‘faltering’ around the edge. Yet in other mid-sized cities in Britain and the U.S., such as Houston or Detroit, the opposite is true: the city centers are more deserted while the suburbs flourish.

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BELIEVE IT OR NOT

This is not the kind of pollution we usually report on: Noise pollution. Venice, Italy hopes to cut down on noise by banning suitcases on wheels from rumbling down the city’s cobblestone streets.

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