

ACCOUNTING NECESSITIES

Consultation on ESG standards is encouraged while international accounting standards are exposed

The European Commission has published a [Green Paper](#) on 'Building a Capital Markets Union', arguing that the free movement of capital is needed to 'support a sustainable return to growth'.

Under 'Improving access to finance' the consultation paper discusses green bonds and ESG standards, posing the question of whether the EU needed 'to facilitate the development of

standardized, transparent and accountable ESG investment, including green bonds'.

Meanwhile a group of UK institutions has challenged the accuracy of International Financial Reporting Standards (IFRS) highlighting 'faultlines' caused by the priority given to neutrality rather than prudence, while auditing. The [letter](#) (*subscription required for this link*) highlights the problems of mark-to-market valuations and the failure to report the breakdown of realized and unrealized income. The institutions welcome the European Commission's ongoing review.

DISMANTLING OIL PLATFORMS

Perhaps investors should worry about decommissioning and the lack of new discoveries

In the UK, some of the North Sea oil platforms will start to be [dismantled](#). One of the Brent platforms, which stands in 400 feet (122 m) of water, is to be decommissioned. The process of removing all four platforms could take a decade. [Wood Mackenzie](#), a consulting firm, estimates that the oil industry will spend £15 billion (\$23bn) on decommissioning in

the next decade. However, by the early 2020s, it estimates that dismantling costs will exceed new investment.

This news comes at the same time that the discovery of new oil and gas reserves (excluding shale and onshore North American fields) has dropped to its lowest level since 1995, according to [IHS](#), a research company. 2014 will be the fourth consecutive year of declining volumes, the longest stretch since 1950.

THIS WEEK IN NUMBERS

1,800

The number of high-end air purifiers purchased for US Embassy staff members' homes in New Delhi in the last few months.

100

Billions of US dollars that Citi has announced it will 'lend, invest and facilitate' within 10 years to finance activities which reduce the impacts of climate change and create environmental solutions.

75

The percentage of seeds which may be held by small farmers which are needed to produce the world's diverse food crops.

10

Millions of hectares of arable land being eroded or degraded every year.

5

The equivalent number of grocery bags full of plastic dumped into the sea, for each foot (30 cm) of coastline around the world. The three worst offenders were China, Indonesia and the Philippines.

BELIEVE IT OR NOT

Scientists are tracking water snails by satellite in an attempt to combat the spread of schistosomiasis, a parasitic disease in Africa.

DROUGHTS WITH MORE FORECASTED

Brazil struggles with water shortages while part of the US may follow

The carnival is over in [Brazil](#) and this is particularly true in the south-east of the country. The rainy season (December to March) is not living up to its name and water supply is low. Sao Paulo's Cantareira system, which supplies 8 million people, is at only 8% capacity. But power will also be affected as the country generates

80% of its electricity from hydropower. Some are forecasting a GDP decline of 0.5% this year because of the water squeeze.

In the US, it is the Southwest and Central Plains that is seen as at 'risk of a decades-long mega-drought' during the second half of the century. [Researchers](#) believe that this mega-drought will be even worse than the driest centuries experienced in medieval times (1100 - 1300 CE).

OECD SPENDS \$3 TRILLION ON POWER INFRASTRUCTURE

Lessons from the EU, an early mover, give concern over future investment

A [report](#) from Bain & Co. rings the alarm bells over future levels of energy investments, including renewables. The report encourages policymakers to incentivize investments and exploit the most efficient renewable resources. It also warns against making retroactive policy changes. Regulators should play their part by providing clear and stable market signals as well as creating level playing fields across regions,

businesses and technologies.

For businesses and investors it encourages engagement with policymakers and regulators to decide how to balance risk and return for investments and to look for new financing structures within the electricity chain. Finally, it encourages the use of both centralized generation as well as customer-centric proposals. It points out that although OECD countries have spent \$3 trillion to date; they are less than 30% through the process if policy objectives (carbon intensity and energy security) are to be met.

WE'RE KEEPING OUR EYE ON...

INDIA

Prime Minister Modi appears to be encouraging India to take a central role in climate change negotiations. Two weeks ago, while speaking to Indian [diplomats](#), he argued that the country 'must lead the fight' against climate change. However, the [IEA](#) expects India to dramatically increase its coal output to boost the domestic economy and reduce the country's energy deficit. India has the third largest coal reserves in the world.

To further concentrate the politicians' minds are [pollution](#) levels in New Delhi, where levels of fine particulate matter (PM2.5) are significantly higher than Beijing in the winter months.

