

GERMANY'S GREEN CREDENTIALS TESTED

The country is heralded as an environmental leader. But will coal undermine this?

Certainly within Europe, if not globally, Germany is seen as an environmental trailblazer. It has recently committed to reducing emissions by 40 per cent by 2020, and 80 to 95 per cent by 2050. It aims to shut down its nuclear reactors by 2020 and this process is already underway. More recently, the Economy Minister has suggested more transmission lines will have to go [underground](#) in order to reduce environmental opposition, which will make way for the transport of wind power to the south of the country.

However, national emission levels have actually risen in the last three years. Over 40% of power generation still comes from coal, and that is from brown coal (lignite) one of the most polluting types. New coal-fired generation has been built to compensate for the closure of the nuclear sector. Tension with Russia has made domestic energy sources more attractive. Furthermore, the Social Democrats, in coalition with the Christian Democrats, are closely allied with the trades unions who are increasingly concerned about job losses related to coal. Imposing tighter rules on coal emissions looks like a tough act for the government.

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NORWEGIANS TO EXIT COAL; OR NOT

GPFG's size and transparency makes it an easy target for analysis

A report from Germany's [Urgewald](#), (German) along with [Future in our hands](#) (Norwegian) and [Greenpeace Norway](#), which studied the Norwegian's Government Pension Fund Global's 2014 annual [report](#) (released in March 2015), found that the GPFG had divested 51 coal companies in 2014. However, 'the total sum of its coal industry holdings has, however, grown and now amounts to NOK 85.8 billion, an increase of

over 3 billion kroner, when compared to 2013'.

Meanwhile, the Norwegian Parliament's Finance Committee (cross party) agreed that the GPFG should sell stakes in companies that generate more than 30 percent of their output or revenues from coal-related activities. The GPFG estimates that this may impact 50 to 75 companies. However, this will not require the fund to sell its oil and gas interests. The vote to sell the stakes is now going to full parliament for approval.

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THIS WEEK IN NUMBERS

600

of the world's biggest cities account for more than 60 percent of global gross domestic product.

148

is the number of countries (plus Hong Kong) analyzed in BCG's Sustainable Economic Development Assessment (SEDA) report. Norway is top and the Central African Republic bottom.

112.5

is maximum megawatt capacity at which Japanese coal plants can have without requiring air, noise, water quality and landscape assessments prior to their construction and operation.

76

percent rise in dividends and buybacks from Japanese companies for the 12 months ended March 2015, possibly down to improved governance rules.

45.1

percent of all threatened species in Australia were assessed to be moderately or highly vulnerable to climate change.

30

countries representing about 14 percent of the world's population, require warning images on at least half of the front and back of cigarette packages with anti-smoking messages in the local language.

DEVASTATING HEATWAVE IN SOUTHERN INDIA RAISES CLIMATE CHANGE ISSUES

With [reports](#) of nearly 2,000 heat-related deaths and hospitals struggling to cope with admissions, questions are being asked about the impact of climate change. Temperatures often rise quickly in May, prior to the monsoon, but with temperatures approaching 50C, this appears extreme. *(subscription required above)*

Countries measure heat waves differently and there has been reluctance by [scientists](#) (although not politicians), to attribute climate

change to regional weather effects. Science has focused on global mean surface temperatures with predictions made over the long-term. A growing branch of climate science, weather attribution, is trying to analyze this problem by using probabilities. Furthermore as humans are affected by these weather extremes, the economics need examining. As urban areas become 'heat islands' governments need to plan ahead. *(subscription required above)*

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WORLD HUNGER: UNDERNOURISHED GLOBALLY FALLS BY 167 MILLION OVER LAST DECADE

Despite this, the UN's Food and Agriculture Organization ([FAO](#)) reported that about [795](#) million people remain undernourished globally, 216 million less than 1990-92. This year is the end of the monitoring period for the [Millennium Development Goal](#) targets and has seen significant improvements in developing countries; these targets are being [re-negotiated](#). As a

percentage of the total population, developing regions have seen a decrease in the level of hunger from 23% (1990-92) to 13%. Within regions there are noticeable differences. In the [Asia-Pacific](#) region, both East Asia and South-East Asia recorded significant reductions in hunger levels, but South Asia lagged.

WE'RE KEEPING AN EYE ON...

Green bonds.

We have been monitoring the rapid growth in green bonds (see Insights [83](#) & [85](#)). There appears no let-up in their popularity. The market has just witnessed the [largest green bond](#) issue to date. There remains plenty of room for further expansion with green bonds accounting for only 0.2% of the bond market. But calls for [compliance](#) with green bond principles is recommended by commentators such as Moody' Investor Service.

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BELIEVE IT OR NOT

A recent IMF study estimates that post-tax energy subsidies will reach \$5.3 trillion (6.5 percent of global GDP) in 2015, compared to \$4.9 trillion in 2013

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