



# **Divestment – A Call to Arms**

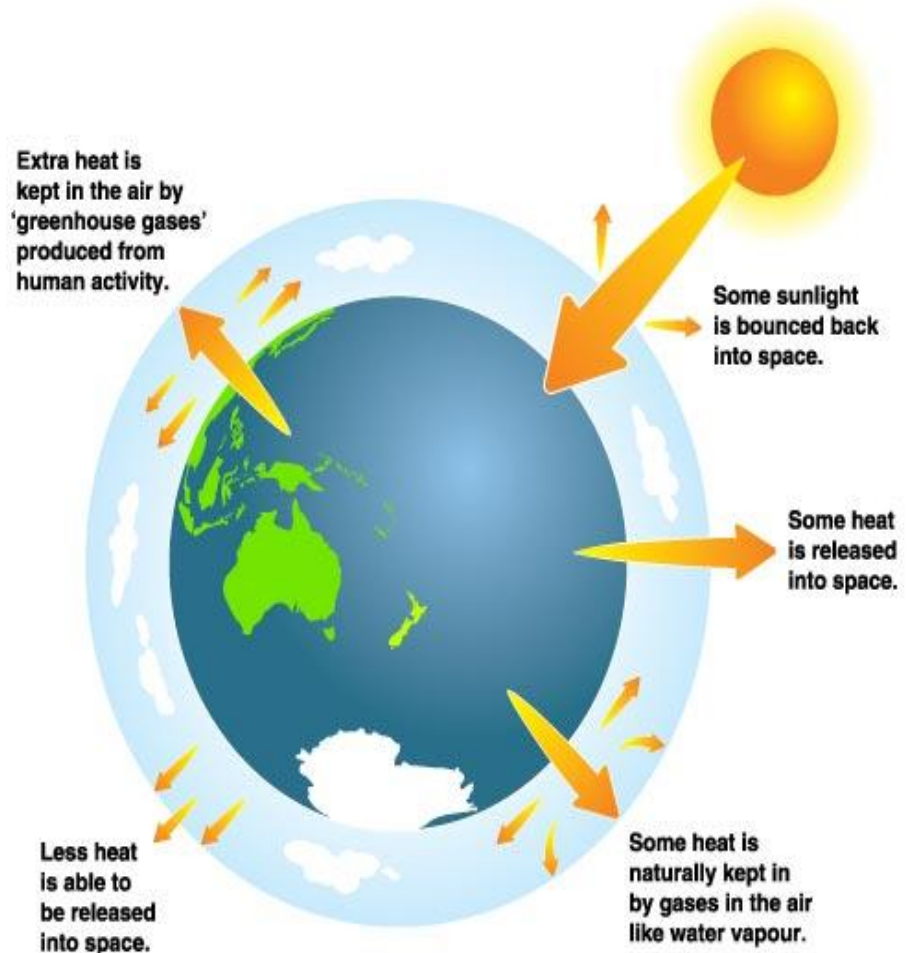
## **Sustainable Investing – A Catalyst for Global Change**

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# Climate Change Exists: Human Behavior is the Cause

- ▶ Global warming is happening faster than ever and humans are responsible.
- ▶ > 95% probability that human activities are responsible for releasing Greenhouse Gas (GHG) emissions, most commonly carbon dioxide, into the atmosphere.
- ▶ Greenhouse gases are trapped in the atmosphere.
- ▶ Planet temperature increases.



# Negative Effects of Climate Change: Extreme Weather Patterns

## Primary:

- ▶ Flooding
- ▶ Heat Waves
- ▶ Droughts
- ▶ Fires
- ▶ Storms



## Ancillary:

- ▶ Crop Insurance rates increased
- ▶ Flood Insurance rates increased

## Negative Effects of Climate Change: Across Borders

- ▶ Spread of plant, animal and human diseases.
  
- ▶ Challenge stability of governance structures in many countries.
  - Arab Spring
  
- ▶ Disruption of storm tracks and precipitation patterns.
  - In North America, the Corn Belt is moving significantly further north and displacing canola.
  
  - The volume of corn in these northern most communities is outstripping the transportation system.

# Negative Effects of Climate Change: Real Estate/Infrastructure

- ▶ Rising sea levels flood/submerge coastal landscapes threatening trillions of dollars of infrastructure.
- ▶ Super Storm Sandy caused an estimated US\$60 billion in damages.



Source: OECD, Natural Resources Defense Council, NASA Earth Observatory and Business Insider

## Challenge: 2° Celsius Argument

- ▶ 350 parts per million (ppm) CO<sub>2</sub> in the atmosphere → safe upper limit for humanity. Currently, we are at 390 ppm CO<sub>2</sub>.
- ▶ Limit CO<sub>2</sub> concentrations in the atmosphere to 450 ppm → 50% chance of avoiding temperature rises above 2°C.
- ▶ To keep the planet below the 2°C warming that scientists have warned to be a prudent warming limit for human civilizations, the most CO<sub>2</sub> that we can emit over the next 40 years is approximately 565-1000 billion tonnes. However, humans are currently on pace to emit 1500 billion tonnes of CO<sub>2</sub> by 2050.
- ▶ Even a 2°C temperature increase → dangerous risks to future civilization.
- ▶ Global community must adopt a Carbon Budget limiting the amount of GHG emissions into the atmosphere to avoid the otherwise inevitable and catastrophic effects of climate change.

Source: 350.org, International Energy Agency and Harvard University Investing in humanity's future means divesting from fossil fuels

## How Do We Meet The Challenge?

- ▶ Policy
- ▶ Philanthropy
- ▶ Advocacy (Divestment)
- ▶ Economics (Sustainable Investment)

**Generally, we have a view that there is no amount of policy, philanthropy or advocacy that can solve for these climate risks.**

# How Do We Meet The Challenge? Policy

## Policy:

- ▶ Limited Success: CAFE Standards – good but late!
  - First adopted in 1975
  - In 2007, a CAFE standard target of 35 miles per U.S. gallon for 2020 was set for all light vehicles.
  - In 2011, the Obama administration increased this target to 62 miles per U.S. gallon for cars and 54.5 miles per U.S. gallon for light vehicles by 2025.

Most often:

- ▶ Gridlock
- ▶ Political Differences
  - Example: Keystone pipeline



# How Do We Meet The Challenge? Philanthropy

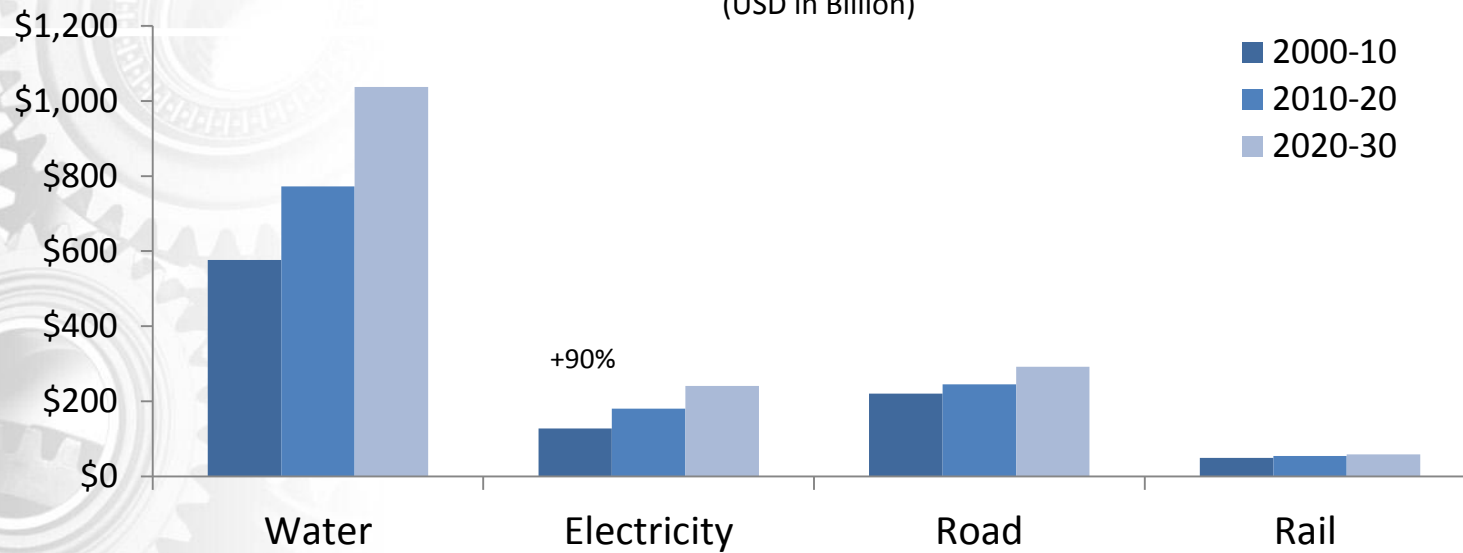
## Philanthropy:

- ▶ 2-5% of total capital being brought to bear when we have needs that are much greater

## Water Requirements:

### Average Annual Global Infrastructure Spend by Decade

(USD in Billion)



Source: AWJ Capital Partners

# Divestment: A Huge Success as a Call to Action

## What is Divestment?

- ▶ 350 ~~FOSSIL~~FREE
- ▶ Identify 200 publicly traded companies that hold the vast majority of the world's proven coal, oil and gas reserves which they're asking institutions to divest from.
- ▶ Success: 7 colleges/universities, 20 cities, 2 counties, 14 religious institutions, 3 foundations and 5 other institutions have committed to pursue fossil fuel free campaigns.
- ▶ Additionally, 300+ colleges/universities have initiated fossil fuel free campaigns.

Source: 350.org and gofossilfree.org

# Divestment: Why is Divestment Not Enough?

## Why is Divestment not enough to bring about Global Change?

- ▶ Will prove difficult to convince enough investors to divest.
  - Performance is King → Limit pool of investments hinders returns.
  - Extinguish our Voice → If we sell our shares we cannot advocate as a shareholder.
  - Politicizes the Endowments → Advocacy  
Philanthropy  
Political

# Sustainable Investment

## What is Sustainable Investing?

- ▶ 4 Types:
  - Socially Responsible Investing
  - ESG Investing
  - Environmental Investing
  - “Solutions” Investing

# Sustainable Investment

## What is the premise of “Solutions” Investing?

- ▶ Investing with an eye toward the opportunities and risks that occur as corporations, governments and consumers act out of their economic self-interest.

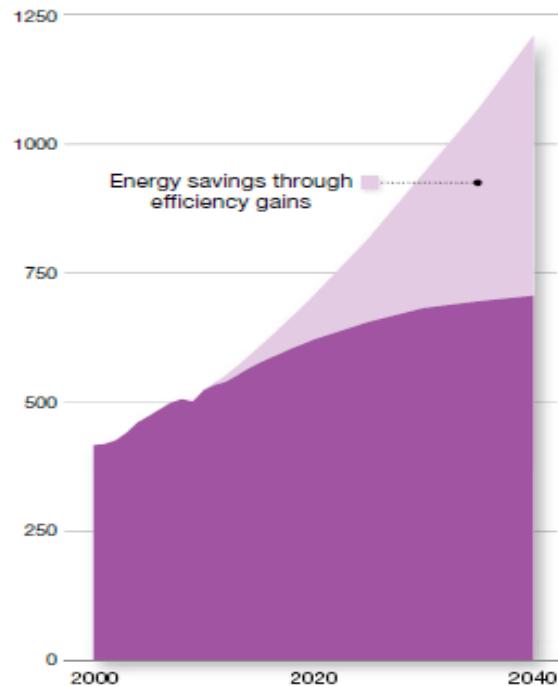
# Sustainable Investment

## What is the result of “Solutions” Investing?

- ▶ Massive Reallocation of Capital as corporations, governments and consumers become more efficient with these burdened resources

### Global energy demand

Quadrillion BTUs



- ▶ In 2040, global energy demand will be approximately 700 quadrillion BTUs greater than in 2010 (35% growth).
- ▶ Energy efficiency will satisfy approximately 71% of this future energy demand.
- ▶ **\$9 trillion per annum reallocation of capital**

Source: ExxonMobil 2013 – Outlook for Energy: A View to 2040

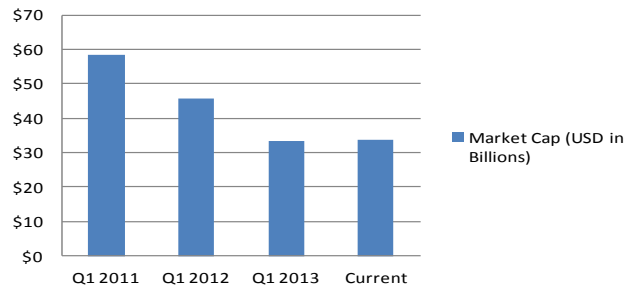
# Sustainable Investment

## What is the result of Sustainable Investing?

- ▶ Creating winners and losers.

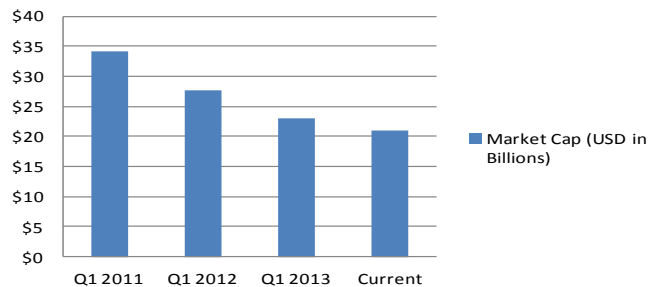
### Losers Now: German Energy Public Utilities Market Capitalization Reduction

Company A Market Cap



Market capitalization  
reduction over last 11  
quarters = **-42.1%**

Company B Market Cap



Market capitalization  
reduction over last 11  
quarters = **-38.8%**

Whereas, Germany's DAX Index market capitalization increased over last 11  
quarters by **+7.9%**

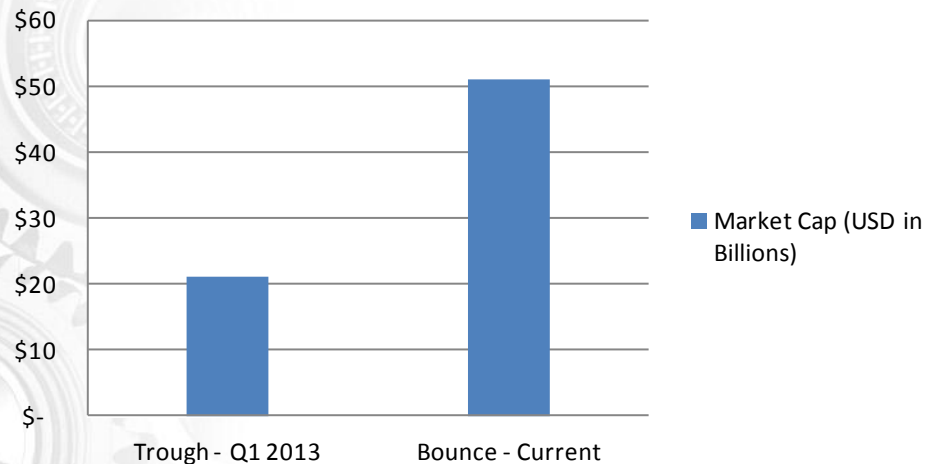
# Sustainable Investment

## What is the result of Sustainable Investing?

- ▶ Creating winners and losers

### Winners Now: Solar Companies Market Capitalization Increase

#### PV Solar Composite



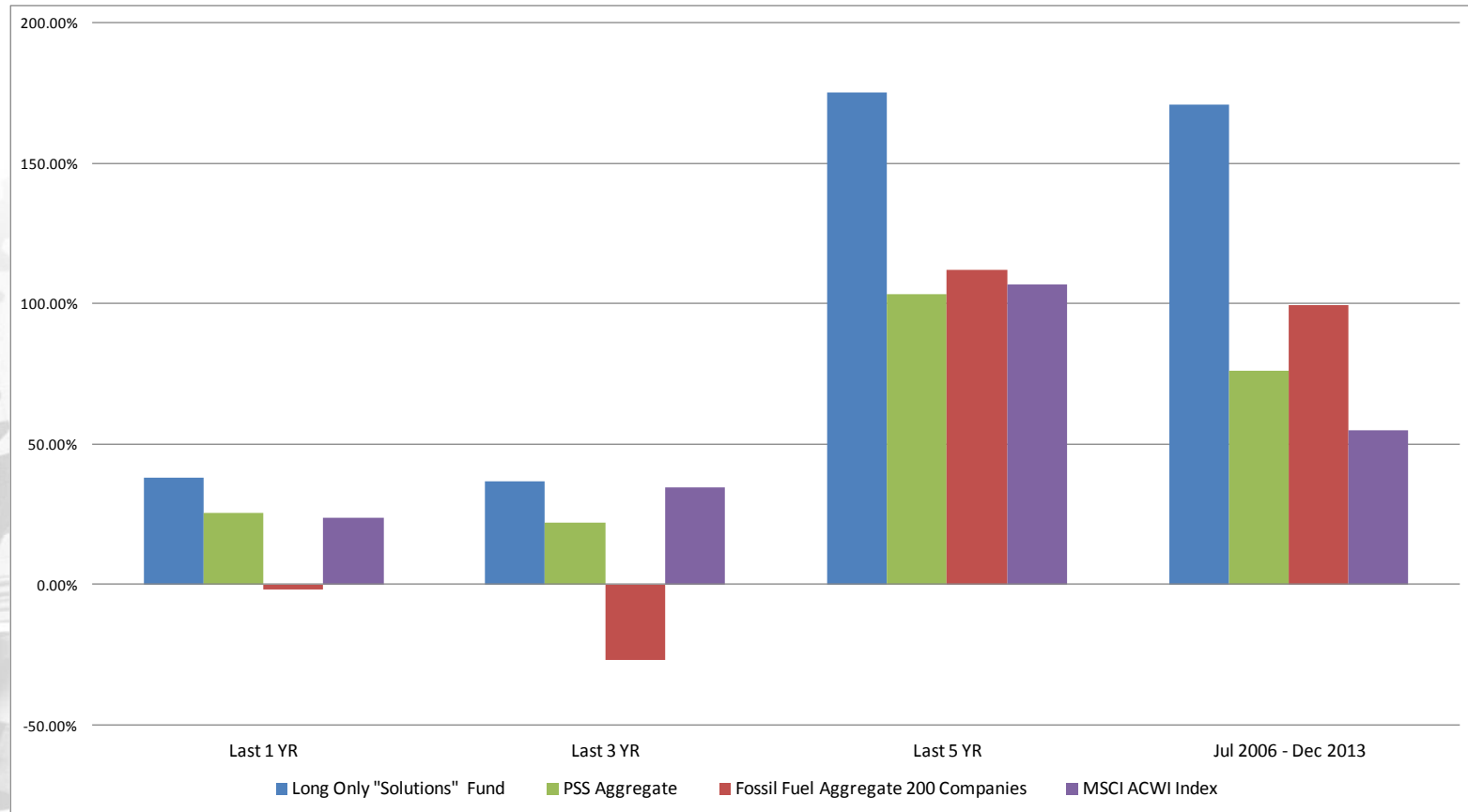
**Market capitalization  
increase over last 3  
quarters = +141.4%**

Source: AWJ Capital Partners, Meikle Capital Management, LLC: Composite of representative PV solar companies from various solar subsectors.



# Sustainable Investment

## Performance of "Solutions" Companies has been Robust



Source: AWJ Capital Partners