

Affirmative Impact

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What the Frack! Investors Seek Environmental Impact Disclosures from Oil and Gas Companies

Many investors are **increasingly dissatisfied** with the industry wide-failure to disclose the impacts of **hydraulic fracturing** (“fracking”).

An investor coalition representing members of the **Investor Environmental Health Network** has filed shareholder proposals at Chevron, Exxon Mobil, WPX Energy, QEP Resources, SM Energy, and Chesapeake Energy Corporation—all of which face criticism for failing to disclose the extent of their efforts to address the repercussions of fracking operations.

Investors argue that without disclosing the environmental impacts of fracking, oil and gas companies make it impossible to accurately assess company performance in managing the risks.

New Fracking Standards

And now, the first independent **social and environmental standards** for shale oil and gas fracking operations have been published—and the developers are looking for public feedback.

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Sustainable Investing Now 30% of Global Managed Assets

A study conducted by the **Global Sustainable Investment Alliance** (GISA) has found that sustainable investing now accounts for 30% of professionally managed assets globally. Sustainable investing has grown by 61% over two years, reaching \$21 trillion around the world in 2014.

According to GISA, a sustainable approach to investing is most widespread in the U.S., Canada, and Europe, which account for 99% of sustainable investing assets. Despite a **growing sustainable market in Asia**, it is not yet a widespread practice in the region. The GISA study noted, however, that in Asia there has been a rise in investor interest in products which address resource efficiency and climate change.

In the U.S., sustainable investing **grew by 76%** between 2012 and 2014. Over the same two year period, Canada witnessed 60% growth, nearing \$1 trillion in sustainable assets. Europe continues to lead the way in

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*At First Affirmative, “SRI” is an acronym for **Sustainable, Responsible, Impact** investing.*

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First Affirmative
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Sustainable Investment Solutions

It's a New Energy Era

The future of green energy and economic prosperity rests in the hands of everyone—from small business owners to policy makers around the world. Together we can make a positive impact and promote a new energy era.

According to the United Nations Framework Convention on Climate Change (UNFCCC), to avoid catastrophic climate change we must not exceed 2° Centigrade of average global warming. Passing this threshold will likely create an increasingly volatile environment that will affect communities and economies on both a global and local scale.

Companies are becoming more aware of the negative consequence of climate change and are beginning to take responsibility for their actions; and there is still an important role for governments to play.



In fact, there have been several global summits on the issue; including, most famously, the Kyoto conference which culminated in the [Kyoto Protocol](#).

Later this year,

delegates to the [Paris Summit](#) will seek to promote a green economy, showcase solutions to climate change, and draft a declaration pledging support for another international climate deal.

As of July 2014, [Oil Change International](#) estimated that U.S. fossil fuel subsidies are [\\$37.5 billion](#) annually, including \$21 billion in production and exploration subsidies. Those estimates do not include the negative externalities (costs) imposed on people and the environment. Developed countries collectively squander [\\$600 billion](#) annually in subsidies according to [Global Subsidies Initiative](#).

No doubt, this money could be better allocated to investing in renewable sources of energy and supporting innovation.

BP Calls for Meaningful Global Price on Carbon

Emissions of greenhouse gases (GHG) are rising. Climate scientists tell us that the 2° Celsius average [global warming target](#) limit will soon be surpassed, changing the livability of the planet. In this context, the recent public call from BP—one of the largest fossil fuel extraction companies in the world—for a meaningful global price on carbon is big news!



Carbon Pricing is a method many believe will reduce global warming by charging a fee per ton of CO₂ (carbon dioxide) emissions allowed into the atmosphere.

If there was a global price on carbon—if emitters were required to pay to pollute—it would almost certainly incentivize dramatic behavior change and quickly catalyze a shift to a lower-carbon economy, and potentially, a truly sustainable future.

Carbon pricing should motivate advancements in energy efficiency and renewable sectors. BP CEO [Bob Dudley](#) appears to agree: “History has shown the power of market forces in making economies less energy intensive as people have found more efficient ways to use energy,” he said. “A global carbon price would help to unleash market forces and provide the right incentives for everyone to play their part.”

Fortunately, BP is not the only major oil and gas producer that is supportive of the idea of pricing carbon. Royal Dutch Shell, another one of the world's largest fossil fuel extraction companies, has also publicly stated support for a carbon price.

First Affirmative cannot applaud loudly enough!

Sustainable Investing Now 30% of Global Managed Assets

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sustainable investing with 146% growth between 2012 and 2014 and accounts for 64% of global sustainable, responsible, impact investment assets.

Sustainable investing is also gaining popularity in Australia and New Zealand, now topping \$180 billion. Interest is also rising across Asia. In Japan, green real estate and impact investing bonds are growing in popularity.

The most widely practiced sustainable investment strategy globally is negative screening, meaning the exclusion of investments found to be unsustainable. Negative screening is used most commonly in Europe and accounts for \$14 trillion of the global total.

The most frequently used method for sustainable investment in the U.S. is called [ESG integration](#). It's an analysis process that integrates environmental, social, and corporate governance factors (traditionally considered to be "non-financial" factors) into investment decision-making. ESG factors are key performance indicators used to judge a company's environmental and social impact and transparency. This method is popular in Asia and the Pacific as well as the U.S. and accounts for [almost \\$7 trillion in assets](#).

Oslo Divests from Coal, Hopes to Inspire Other Cities

Oslo Norway is the first capital city in the world to divest from coal. The Norwegian capital city recently [announced plans](#) to sell all of the coal investments in its pension portfolio. That will reallocate about \$7 million from coal investments into more worthy holdings.

The rationale behind the move was voiced by Oslo's finance commissioner Eirik Lae Solberg: "We are pulling ourselves out of coal companies, because power generation based on coal is one of the most environmentally harmful in the energy sector. We want to use our investments to promote more environmentally-friendly energy and a more environmentally-friendly society."

While there are strong environmental reasons for divesting from coal, this move is not entirely altruistic—there is a compelling economic argument as well. Due in part to declining relative cost efficiency, [coal has lost 10.5% of the U.S. power market](#) over the last decade. Moreover, its main substitute, natural gas, is expected to remain inexpensive for the foreseeable future.

The global picture is no rosier. Estimates for future coal demand in China, which accounted for [47% of the](#)

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The Utility "Death Spiral"

Solar and wind energy solutions are sweeping across the nation and traditional centralized utility providers are concerned about their ability to compete economically and environmentally.

Solar panels, distributed storage, electric vehicles, and home energy management platforms are providing consumers with direct technology and causing [widespread disruption](#) among traditional electric utilities.

Americans are voting with their dollars, and the evidence is hard to miss. A new solar installation—



mostly rooftop solar—is now being installed every [2.5 minutes in the U.S.](#) Last year the volume of solar installations was one every four minutes; next year it will be one every 90 seconds.

"Americans 'overwhelmingly' prefer solar and wind energy to coal, oil, and nuclear energy." [Forbes reported](#) on the results of a ten year study focused on U.S. consumers by Harvard Professor, Stephen Ansolabehere, who explained during an [appearance](#) at the University of Chicago that 90 percent of them want more solar and wind power; 80% want a lot of it. "That means a lot of Republicans like solar and wind more than coal. Everybody likes those sources. This is non-partisan."

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Equitable Origin is an independent non-partisan organization founded in 2009 with a mission “to protect the people, the environment, and biodiversity affected by oil and gas exploration and production through an independent, stakeholder-negotiated, market-driven certification system that distinguishes and rewards operators for outstanding social, environmental and safety performance.”

The new standards are undergoing a period of public comment. Through May 15, 2015, individuals and organizations are invited to **share their input** in order to clarify the standards and address potential weaknesses. The standards are designed to reduce environmental risks of fracking and allow transparency and shareholder involvement.



Though the standards are voluntary, compliant companies are more likely to be attractive to investors in a world where responsible business and investing is becoming a force not to be ignored.

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world's coal consumption in 2012, have been revised downward twice by the **EIA** (U.S. Energy Information Administration). A **third revision** is expected, as China has recently entered into an agreement to achieve a CO₂ peak by 2030, putting downward pressure on demand for high CO₂ emitting fuels such as coal.

“Sustainability, ensuring the future of life on Earth, is an infinite game, the endless expression of generosity on behalf of all.”

– Paul Hawken