



# Sustainable Finance

## Market Performance—Selected Markets for the Week Ended September 11, 2009

Market	Dec 31, 2008	September 11, 2009	YTD Change	YTD Change %
S&P/TSX	8,987.70	11,253.23	2,265.53	25.21%
Dow Jones	8,776.39	9,605.41	829.02	9.45 %
S&P 500	903.25	1,042.73	139.48	15.44 %
NASDAQ	1,577.03	2,080.90	503.87	31.95 %
NIKKEI	8,859.56	10,444.03	1584.47	17.88 %
FTSE 100	4,434.20	5,011.50	577.30	13.02 %
DAX	4,810.20	5,624.02	813.82	16.92 %
Hang Seng	14,387.48	21,161.42	6,773.94	47.08 %
Shanghai	1,820.81	2,989.79	1,168.98	64.20 %
DJSI World TR	945.46	1,223.21	227.75	29.38 %
DJSI North America TR	92.85	107.12	14.27	15.37 %
Jantzi Social Index TR	128.27	167.55	39.28	30.62 %
FTSE 4Good Global 100	3,384.13	4,058.98	674.85	19.94 %

## Selected Rates (Institutional)

Description	Price or Rate Sep 11, 2009
CDN/US Dollar \$	1.0746
CDN/Euro €	1.5673
CDN/Swiss Franc	1.0360
CDN/Japanese Yen ¥	0.0119
CPI –Canada (TTM Total CPI)	(August 2009) - 0.08 %
CPI—USA (TTM Total CPI)	(August 2009) - 1.50 %
CPI—Euro Zone (TTM Total CPI)	(August 2009) - 0.20 %
Gov't Canada 1 Year T-Bill	0.54 %
Gov't Canada 5 Year	2.55 %
Gov't Canada 10 Year	3.32 %
Gov't Canada 30 Year	3.86 %
Gold (US\$/oz)	1,004.900
Oil (US\$/ BBL WTI Cushing)	69.34

## Week in Review

Gold at over \$ 1,000.00 US\$? Who would have ever thought that we would see this figure and what exactly does it mean?

Are people expecting massive inflation? Deflation? Is gold in short supply? What could possibly justify gold being at this price?

I know for sure that my desk partner at Wood Gundy who was a raving gold

bug is happy now. But it only took 16 years for him to have his prediction come true.

So here is what I think for what it is worth. I think people are losing faith in the US and its currency. It is a power in decline and like Rome they will likely not realize the process has already been moving ahead for 20 years until it is too late.

If you look at a country as a company and its currency as its stock then the US is the equivalent of GM.

Bloated, in debt up to its eyeballs, living in the past, and trying to sell a product that no one wants to buy.

Save for the fact that China and numerous other nations hold trillions in US debt, oil is priced in US dollars, and the US dollar is the official reserve currency, the

US dollar would be worth 75 cents Canadian or less. Much less I suspect.

The country has lost much of its manufacturing base, the citizens are in debt up to their foreheads, and the myth of a service based economy is quickly disappearing to the realities of the new economic powers of China, Brazil, and India. Notice I did not use the last BRIC nation Russia which is a corrupt

financial basket case.

Gold is just reflecting the world's opinion of the value of a US dollar.

China is clamouring for a reserve basket currency instead of the current reserve "basket case" currency. Other nations are starting to hold more Euros and Yen. But considering the current financial situation most countries have found themselves in...where

do you go?

Quick market review.

All markets were up this week. North American markets were up 2.00 % to 4.00 %. A lot of this had to do with the Federal Beige Book pointing to signs of stabilization and improvement in the US.

European markets were all up with the FTSE 100 in the UK doing very well at 3.60 % gain.

Asian markets were up strongly. Japan, the laggard, was up 2.90 % while the Hong Kong and Shanghai markets were both up over 7.00%. They are still a long way off their highs of 2008.

Sustainability indexes staged a wonderful recovery after their poor performance the week previous. The average gain was about 5.00 %.

Trevor Giles

## Cradle to Cradle

I do a lot of reading. A LOT of reading. Just to keep current in this business with investments and the world in general there are thousands of pages to read. Add to that rules, regulations, compliance, professional journals and economics and it gets challenging. In addition to all this I also read a lot of books to form the basis for my investment theses.

Recently, I read the book Cradle to Cradle by William McDonough and Michael Braungart.

In a world of doom and gloom about the environment and global warming, this book is a breath of

fresh air (pardon the pun).

Set against the common cry for reduce, reuse and recycle or to head for the hills and live in mud huts, the book presents its approach to resource utilization and product design.

When I speak of design in the context of this book I refer to design of everything and not just products that we consume.

The authors, both highly regarded in their fields, approach design from a completely different tack.

They argue, quite convincingly, that we should approach design from the concept of abundance and not

one of scarcity. It is not a stretch to imagine that there are more than enough resources for the worlds people lying in the garbage dumps on the planet.

From this point of view it easily follows that we should be designing everything from the standpoint of eco-effectiveness. Not just eco-efficiency which is a subset.

The authors talk about the concept of technical streams, biological streams and eliminating the concept of waste. While it may sound difficult to eliminate waste, with a little forethought in the design process one man's garbage be-

comes another man's or the planet's input.

The authors argue that by designing everything with the start, middle and end in mind we would be able to have our garbage become the input for other processes. They divide these processes into two streams.

Biological streams involve materials and products that at the end of their life can be safely returned to nature to decompose and provide nutrients similar to the way leaves from a tree do so every fall.

Technical streams are comprised of products that instead of being thrown away can be used continu-

ally as input for other processes that produce new products and upgrade the material. Current recycling methods end up downgrading materials even though they are reused. Essentially they are a stop gap measure until the material ends up in a landfill.

These are not just ideas however. They are taken from the authors' actual experience with projects that have done exactly what they propose. As a vivid and tactile example, the book itself is made from polymer "paper" that can be continually upcycled to new products in the technical streams the authors envision.

So when you consider all the issues that surround our consumption based society it is wonderfully refreshing to read material that gives you hope.

Do not be fooled however, the process the authors describe

would take no less than a monumental shift in current design methodology and would certainly put some raw materials manufacturers out of business. But there are not many buggy whip makers anymore either now are there?

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## Selected News Articles

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### Financings Fuel Interest In Geothermal Power

The North American geothermal power business is hoping for a renaissance after two successful recent financings and a big boost from new U.S. government incentives.

The industry has been around for decades, but has never gained much traction with investors because of the small size of the players and the long lead times to get projects up and running.

Companies in the business search for potential sites where the heat in the interior of the earth can be tapped, usually by drilling for hot water or steam that is piped to the surface and used to power turbines that generate electricity.

In North America, funding for many of the small number of public geothermal

power companies comes from the Toronto Stock Exchange and the TSX Venture Exchange. Canada's natural resource expertise, and the availability of shell companies for reverse takeovers, helped create this critical mass.

Ironically, there are no operating geothermal power plants in Canada. Most of the existing and planned operations - including those owned by the Canadian-listed firms - are concentrated in the western United States, with Nevada as the epicentre.

And over all, the geothermal sector has so far carved out only a tiny niche in the alternative energy scene, far less than 1 per cent of electricity production generated worldwide.

"It has been the Rodney Dangerfield of

renewable energy, but things are changing," analyst Greg Reid of Wellington West Capital Markets Inc. told a geothermal investing conference yesterday.

The very consistent level of power produced by geothermal plants over very long periods is now being recognized as highly valuable, Mr. Reid said. Even when the long lead times to get a plant up and running are factored in, geothermal operations generate power more cheaply over the long term than wind or solar power projects, he added.

Industry watchers sat up and took notice recently when two new companies in the sector completed substantial equity issues.

In July, Vancouver-based Magma Energy Corp. raised more than \$110-million in

an initial public offering on the TSX. Magma, run by experienced mining entrepreneur Ross Beaty, has one operational plant in Nevada, several others on the drawing board, and recently bought a chunk of a large geothermal producer in Iceland. Its stock has gone up 30 per cent since the IPO.

And last month, Ram Power Inc. of Reno, Nev., raised almost \$180-million by selling 60-million subscription receipts, which will eventually be converted to shares on the TSX.

Ram is in the process of amalgamating its own operations with those of two other public companies, Western GeoPower Corp. and Polaris Geothermal Inc.

These financings have "created a buzz" in the geothermal

sector, Mr. Reid said, and may be the start of a flurry of equity offerings and consolidations.

The other big factor that has lit a fire under the industry is the Obama administration's generous new green energy incentives, which provide grants for geothermal development, along with tax credits for facilities when they are in production.

The U.S. geothermal business has also been boosted by individual state mandates that require a certain percentage of power to come from renewable sources.

In Canada, however, a lack of incentives from federal or provincial governments, and a difficult permitting processes, have kept the geothermal sector from developing, industry players say.

While British Columbia has the geological potential for geothermal projects, only Western GeoPower Corp. and Sierra Geothermal Power have projects planned for the province, and those are considerably down the road.

For investors, it is tough to evaluate a geothermal company that has long-range plans for new plants that may not come on stream for several years. Some analysts set multiples on net asset value, or discount back from projected future EBITDA (earnings before interest, taxes, depreciation and amortization).

The most mature public geothermal company in North America, Ormat Technologies Inc. of Reno, Nev., generates more than 500 megawatts of power from plants around the world and

currently trades at a price/earnings multiple of about 30.

One advance that should help investors in the future is a code, being developed by the Canadian Geothermal Energy Association, that will set standards for the way companies report the amount of energy they expect to glean from drill sites.

Still, the uncertainly over valuation hasn't stopped individuals from participating in the recent equity financings. Magma reports that about 30 per cent of its stock is held by retail investors.

Globe and Mail  
Richard Blackwell  
September 11, 2009

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"I think the environment should be put in the category of our national security. Defense of our resources is just as important as defense abroad. Otherwise what is there to defend?"

Robert Redford

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### Sarkozy Launches Green Tax Plan

French President Nicholas Sarkozy launched plans on Thursday for a carbon tax to encourage industry and households to cut energy consumption.

The levy, initially set at 17 euros (15 pounds) per tonne of carbon dioxide emissions, will translate into a rise in the price of fuel for cars, domestic heating and factories.

"The gravest challenge that we face is climate change... Every one of our compatriots must feel concerned," Sarkozy said in a televised speech aimed at winning over a sceptical pub-

lic.

In the works for months, the tax has caused a political furore in France, with disagreements within the ruling party and conflicting objections from opposition Greens and Socialists.

The Greens broadly agree with the principle but say the levy should be higher in order to have a meaningful impact, while the Socialists say it will hurt families already struggling to weather the worst economic downturn in over 15 years.

An opinion poll by Ifop for this week's Paris Match magazine found that 65 percent of people

were against the tax.

The tax would be levied from January 1, 2010, Prime Minister Francois Fillon told TF1 television late on Thursday.

Critics accuse the government of seeking ways to increase its revenues in a year when fiscal income has plunged because of the recession, causing the budget deficit to balloon.

Sarkozy rejected that criticism, pledging that the carbon levy would not increase the burden on households because the rise in fuel bills would be offset by cuts in income tax.

Those households too poor to pay income

tax would receive "green cheques" from the state to compensate them for higher energy bills, he said. The tax cuts and green cheques will take into account the number of people in each household.

"The aim of ecological fiscal policy is not to fill state coffers but to incite French people and companies to change their behaviour," Sarkozy said, adding that households that keep energy consumption low could end up better off financially.

The system will differentiate between people who live in urban areas with good public transport and those who live in

rural areas and are more dependent on cars. The rural households will get more money back from the state, he said.

Labour unions said this sounded very complicated and they doubted that in reality households would be fully compensated.

The tax, calculated according to the volume of CO2 produced by particular types of fuel, will apply to oil, gas and coal.

A notable exception will be electricity. France produces 80 percent of its electricity from nuclear power plants that have low emissions, and Sarkozy said it

would be counterproductive to tax power or to punish motorists switching to electric cars.

Green politicians reacted negatively to Sarkozy's speech.

"The proposed carbon tax will not apply to electricity even though that also generates CO2 emissions. Furthermore, the rate proposed is too low to be a real incentive," said Yves Cochet of the Green Party.

The tax will rise over time, Sarkozy said, though he did not say by how much or by when.

Some Nordic countries introduced simi-

lar carbon taxes in the 1990s and have reported that the measures helped cut emissions without crippling growth. France will be the biggest European economy so far to adopt such a system.

Sarkozy said introducing the tax was a tough decision, but one that would allow France to negotiate from a position of strength at the Copenhagen conference on climate change in December by encouraging other countries to follow suit.

System  
Reuters  
September 10, 2009