



Sustainable Finance

Market Performance - Selected Markets for the Week Ended November 6, 2009

Market	Dec 31, 2008	06-Nov-09	YTD Change	YTD % Change
S&P TSX	8,987.70	11,250.42	2,262.72	25.18%
Dow Jones	8,776.39	10,023.42	1,247.03	14.21%
S&P 500	903.25	1,069.30	166.05	18.38%
Nasdaq	1,577.03	2,112.44	535.41	33.95%
Nikkei 225	8,859.56	9,789.35	929.79	10.49%
FTSE 100	4,434.20	5,142.72	708.52	15.98%
Dax	4,810.20	5,488.25	678.05	14.10%
Hang Seng	14,387.48	21,829.72	7,442.24	51.73%
Shanghai	1,820.81	3,164.04	1,343.23	73.77%
DJSI World TR	945.46	1,242.81	297.35	31.45%
DJSI North America TR	92.85	115.34	22.49	24.22%
Jantzi Social Index TR	128.27	164.72	36.45	28.42%
FTSE 4Good Global 100	3,384.13	4,121.60	737.47	21.79%

Selected Rates (Institutional)

Description	Price/Rate Nov 6, 2009
CDN/USF	1.0720
CDN/EURO	1.5903
CDN/CHF	1.0528
CDN/YEN	0.0119
Total CPI - Canada TTM (09/09)	-0.90%
Total CPI - USA TTM (09/09)	-1.20%
Total CPI - Euro TTM (09/09)	-0.30%
GOC 1 Yr T-Bill	0.56%
GOC 5 Year	2.74%
GOC 10 Year	3.53%
GOC 30 Year	4.03%
Gold USF/Oz	1,095.70
Oil USF/BBL WTI Cushing Spot	77.43

Week in Review

This week was a bit if a recovery week although there is still some distance to be covered before my technical indicators suggest that sentiment has swung the other way.

And there is still much to be accomplished in the economies of all major countries before the fundamentals will support the rally of the last year.

This is a fairly com-

mon occurrence after a crash year like 2008.

What is also fairly common is a market that finds new lows or gives up all of the post crash gains after a run up like the one we have had. Or, the market ends up going sideways for a year.

I want you to remember the figure 11,648.50. That is the intermediate high reached by the TSX on September 23,

2009. It has traded between this point and 10,745.20 since then. Should it break above or below these figures and stay there for at least a week it would be the establishment of a new trend either up or down. So keep your eyes open.

This week was simply a continuation of the up and down market that I expect will occur for the next few months as the fundamentals work to catch

up to the markets.

Of all the markets the biggest surprise this week was the Nikkei 225 in Japan. Every other market was moving up but this one fell by 2.77%. Odd. The Hong Kong market was up 0.53% and the Shanghai market jumped a whopping 9.24%. So Asia was all over the map.

The European markets were up about the same. The Ger-

man market was up 1.52% and the UK market grew 2.21%.

North America had a much better time of it with the TSX up 3.78%, the NASDAQ gaining 4.27%, the Dow Jones up 3.54% and the S&P 500 tacking on 3.67%.

Social and Sustainability indices lagged behind their counterparts in North America with the average gain about 0.63%.

On the economic

front there were some interesting releases. The US FED basically said that it will continue to give out money for nothing for the foreseeable future. They are effectively forming a new hurricane for their economic sail boat.

In Canada the labour market lost 43,000 jobs after two months of gains raising the unemployment rate to 8.6%. However, the US continues to shed jobs losing 190,000

jobs in October bringing their unemployment rate to 10.2%. We have not seen numbers like these since 1983.

Next week will hold surprises as always but I expect the market to continue to move sideways.

Look for gold to break \$ 1,100.00 USF as a continued de facto devaluation continues.

Sustainable Investing—The US, Inflation, and Gold

You may be wondering how this topic ties into sustainable investing.

Well, sustainable investing also means having the funds to continue investing. And this topic is central to this issue.

As you are all aware, economies around the globe have poured tons of money into their economies to stimulate them. Most of them have done so by selling government bond issues.

For some economies the borrowings have been well within comfortable limits of GDP and total country debt load. For some it has been a crushing exercise.

The US however, has been the largest

user of debt financing and deficit budgets in an absolute sense.

The deficit for FY 2009 amounted to 10% of GDP. Not only that, but the US spent \$1.90 for every \$1.00 of tax dollars brought in. How long could you do that? The yearly deficit for each year of the 2009—2012 period is forecast to be \$1.2 trillion PER YEAR.

How does a country afford this? How does a country that has almost 50% of its national debt owned by foreigners afford this?

The easy answer is that they cannot. Something has to give and eventually it will.

The US is gifted (lucky) in that oil is

priced in USF, gold is priced in USF, and official reserves are priced in USF.

The countries that they import from have to do something with their US dollars. They buy US bonds.

The people that buy oil have to buy US dollars to do so. This places a demand on US dollars. Same thing with gold.

If you have noticed the price of gold lately you will notice that it has moved up sharply and is now trading at around the \$ 1,100 USF level.

Gold has always been an inflation hedge so what does this tell you?

Well, it tells me that the world is betting that the USA will use

inflation to reduce their debt load and to cunningly get about a 20% to 40% discount on all the merchandise they have paid for over the past 10 years. It is a de facto devaluation of the USD.

Here is how it works. And by the way, this is how it has always worked for the USA.

Instead of earning its way out of this mess, the USA can choose to just start printing money. They then use this money to pay down the debts as they come due.

Because there are more US dollars around, their value falls and so does the value of foreign country's holdings of US debt relative to their own currencies.

The extra US currency will also force the general level of prices to rise and when you have inflation making the value of a dollar in the future worth far less than it is today you end up getting a discount on any debts that you owe.

This in effect gives the USA a discount on their foreign held debt (they are paying with dollars that are worth less) while at the same time increases tax revenues domestically (higher prices require higher wages equals more tax revenue).

How does this relate to sustainable investing. Simply put it would likely be a good idea to stay out of US dollar denominated investments for the next 5 to 10 years

unless the potential return far outweighs the possibility for severe currency price erosion.

The US has effectively put itself in a very precarious position. It used to be that it could rely upon oil, gold, and official reserves being priced

in USD to allow them to inflate their way out of their debt obligations. Only this time the newly emerging BRIC countries are unlikely to offer a discount to Uncle Sam.

November 6, 2009 Volume 1 Issue 16

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Selected News Articles

Philippines Targets \$2.5 billion Geothermal Development

The Philippine government aims to approve contracts to explore and develop the country's massive geothermal energy resources, which could attract more than \$2.5 billion in private investment, an official said.

The Philippines, the world's second-largest developer of geothermal energy, plans to approve 19 deals in the next five months to allow foreign and domestic companies access to geothermal projects, the division chief for geothermal energy at the Philippine Energy Department, Alejandro Oanes, told Reuters.

Philippine power producer Energy Development Corp and Envent, a unit of Geysir Green Energy, one of Iceland's biggest geothermal energy com-

panies, were among groups vying for contracts to tap the country's geothermal resources, he said.

"Incentives for renewable projects are giving (the country's) geothermal development a much needed boost," said Oanes in a telephone interview from Manila.

Tax holidays and tariff exemptions for renewable energy projects are boosting investment in clean energy in the Philippines, with the government recently awarding 87 contracts to develop alternative energy sources.

Geothermal power accounted for 17 percent of the country's total power mix at the end of 2008, with installed capacity close to 2,000 megawatts, energy department data showed.

The government was

issuing tenders for the development of 10 geothermal sites and negotiating nine more deals directly with various companies, Oanes said. Combined, the deals could harness more than 620 megawatts of geothermal energy.

Geothermal sites covered in the deals include Mount Isarog, in Camarines Sur province, where about 70 MW of geothermal power could be developed. The government is also looking at resources in Mount Labo, Camarines Norte with a potential capacity of 65 MW.

Other provinces identified with geothermal resources include Benguet, Cagayan, Palawan, Oriental Mindoro, Surigao del Norte and Laguna.

Reuters
November 6, 2009
By Leonora Walet

High Hopes for Geothermal Amid Funds Push In Australia

About nine kilometres north of Anglesea there is a rolling piece of land waiting to be broken open. A drilling rig will crack the surface and churn through 3.5 kilometres of crust and rock until it hits an aquifer. There, the brine boils at a temperature approaching 200 degrees. Steam will be brought to the surface and fed through a turbine to produce electrons.

They will be directed into the electricity grid, where their greenhouse-free electrons will mix freely with the greenhouse-heavy electrons of the Anglesea brown-coal power station up the road - or replace them. Either way, it will lower Australia's carbon footprint.

For the moment, this geothermal energy scenario lives only in the mind of Mark Miller, managing director of Greenerth Energy, and his shareholders.

Consultants SKM have confirmed the Anglesea site has the potential to drive a 140 megawatt baseload power station. "This would

have the ability to displace about 1.3 million tonnes a year of carbon dioxide," Mr Miller said. "According to the City of Geelong, that is about 59 per cent of its annual industrial emissions."

According to Federal Energy and Resources Minister Martin Ferguson, this project is only a fraction of what's beneath the surface. Earlier this year he quoted Geoscience Australia's mind-boggling estimate that just 1 per cent of the country's hot rock capacity would meet national annual energy demands 26,000 times over.

In short, it could replace coal.

The need for a rapidly accelerated geothermal industry is one of the issues being highlighted by the Run for a Safe Climate - a marathon seaboard during November by 25 emergency services workers to draw attention to climate change's projected threats and potential solutions.

Susan Jeans, chief

executive of the Australian Geothermal Energy Association, says geothermal is in an "interesting position" - widely referred to as the "long-term emissions-free baseload solution", but mostly stuck in first gear.

"We are in the difficult position of being widely predicted by most analyses to be the lowest cost emissions-free solution. The problem is this hump that we face now. Until we have built enough to demonstrate that the risks can be overcome, we can't get the funding."

Ms Jeans was talking before yesterday's announcement by Mr Ferguson that two geothermal projects in outback South Australia would share in \$153 million to set up demonstration plants - a step she welcomed. It was drawn from a long-promised \$500 million fund shared across prospective renewable energy industries. Wave and hydro projects were the other winners.

There is also \$35 million in funding pending for five ex-

ploratory drilling projects. But the industry says government support for geothermal pales when compared with about \$4 billion in total on offer for "flagship" carbon capture and storage and solar thermal plants. "Our concern is that after these long-term funding announcements ... there will be no more money left," Ms Jeans said.

Critics of geothermal say its biggest problem is that the best sites are inaccessible to the power grid, requiring extraordinary investment in transmission lines. A recent industry study, however, found it would cost just \$171 million in public backing to roll out power lines to remote plants in northern South Australia.

The Age
November 7, 2009
By Adam Morton

No man is an island, entire of itself; every man is a piece of the continent, a part of the main.

John Donne

Maldives announces windfarm plan to provide 40% of island's electricity

Windfarm would provide the island state with the largest percentage of renewable electricity of any country in the world

Plans for a new windfarm are set to make the Maldives the country with the highest proportion of renewable power in the world.

The 30-turbine proposed windfarm, close to the capital Malé, will deliver 75 megawatts of electricity at full capacity, enough to provide electricity for the whole of the capital, the international airport and the surrounding resorts. Excess power will be used to run desalination plants that will produce bottled drinking water from

the sea.

If built, the project will mean that per head of population, the Maldives will be getting about six times more electricity from wind than the UK. Mark Lynas, the British climate change expert who helped the Maldives develop its draft programme for carbon neutrality, welcomed the windfarm proposal, saying that it was an important signal to the rest of the world. "If a middle-income country can cut its emissions by a quarter through standard commercial

partnerships, the rich world has little excuse for saying that carbon reductions are too expensive."

The Maldives government is taking the lead on climate change mitigation in an effort to push larger states into taking more determined action. Last month, President Mohamed Nasheed held a cabinet meeting underwater to highlight the plight of the low-lying island nation as the sea-level rises. In March, he announced a 10 year plan to reduce its use of fossil fuels to zero.

On part of this is a partnership announced in September with the British biochar company Carbon Gold to improve the country's soils by adding charcoal produced from coconut shells and other woody waste materials. The Japanese government is also giving \$10m to provide solar panels to power schools and government buildings in Malé. And Nasheed will be hosting a planning meeting for a group of countries most vulnerable to climate change in the run-up to the UN climate change nego-

tiations in Copenhagen in December.

The \$200m windfarm project is being financed and built by Falcon Energy and will use turbines from the American company GE, one of the world leaders in wind energy. The project will start with a year-long analysis of wind conditions to assess the best arrangement for the turbines. It will then take up to two years to build. Hassan Zahir, chairman of the local electricity company, STELCO, said that the windfarm represented an important

step in the country's move towards a carbon-neutral society.

A new gas turbine power station will provide back-up power when conditions are too calm for wind generation. The Maldives has moderate but reliable winds that blow for most of the year, making this source of power a good choice for the country.

Once built, the windfarm and the gas generator will replace old and inefficient diesel generators on which the Maldives has been completely reli-

ant. The project is likely to provide about 40% of the country's electricity and reduce its overall carbon footprint by about a quarter. When completed, the windfarm should provide this small island state with the largest percentage of electricity sourced from renewable source of any country in the world. Another major windfarm announcement is expected within the next few months.

The Guardian UK
November 2, 2009
By Chris Goodall