Sustainable Finance

Market Performance - Selected Markets for the Week Ended January 8, 2010				
Market	Dec 31, 2009	08-Jan-10	YTD Change	YTD % Change
S&P TSX	11,746.11	11,953.83	207.72	1.77%
Dow Jones	10,428.05	10,618.19	190.14	1.82%
S&P 500	1,115.10	1,144.98	29.88	2.68%
Nasdaq	2,269.15	2,317.17	48.02	2.12%
Nikkei 225	10,546.44	10,798.32	251.88	2.39%
FTSE 100	5,412.88	5,534.24	121.36	2.24%
Dax	5,957.43	6,037.61	80.18	1.35%
Hang Seng	21,872.50	22,296.75	424.25	1.94%
Shanghai	3,277.14	3,192.78	- 84.36	-2.57%
DJSI World TR	1,286.40	1,306.16	19.76	1.54%
DJSI North America TR	120.14	122.92	2.78	2.31%
Jantzi Social Index TR	173.67	174.85	1.18	0.68%
FTSE 4Good Global 100	4,256.14	4,345.64	89.50	2.10%

Selected Rates (Institutional)	
Description	Price/Rate Jan 8, 2010
CDN/USF	1.0344
CDN/EURO	1.4850
CDN/CHF	1.0046
CDN/YEN	0.0112
Total CPI -Canada TTM (11/09)	1.00%
Total CPI - USA TTM (11/09)	1.80%
Total CPI - Euro TTM (11/09)	0.50%
GOC 1 Yr T-Bill	0.67%
GOC 5 Year	2.75%
GOC 10 Year	3.63%
GOC 30 Year	4.15%
Gold USF/Oz	82.75
Oil USF/BBL WTI Cushing Spot	1,138.20

Week in Review

It was a good first week for 2010. Much more positive than the manner in which 2009 started off. At least no multi-billion dollar Ponzi schemes to bring in the New Year.

It is interesting to see how interpretation of numbers changes as people's outlook changes. A year ago if you had announced that the US lost 85K jobs in December it may have caused a market sell off. Now it is a non-event and people have instead looked to the Nov 2009 revision that showed the US added 4k jobs in that month. Really 4k is within the realm of errors but everyone picked up on it and hailed the first monthly gain since Dec 2007.

Also notable was the FED noting that easing would continue making the possibility of interest rate increases in the US a remote possibility for some time.

The first week was good for Canadian commodities and this contributed to the rally in Canadian markets and the Canadian dollar. Not so good for the rest of the world that buys these commodities as it will result in future inflation but that is the global economy for you.

The Canadian dollar is now almost par with the US and this has implications for Canadian manufacturers. It will mean that we have to become more competitive since we can no longer rely on a cheap currency. Based on the US debt situation, it is likely that the Canadian Dollar will continue its ascent.

As you can see from the table above, almost every market was up in the first week of January. Of interest was the fall in the Chinese market.

Since this is the first newsletter of the year I am not going to restate the obvious about how much each market went up or down. It is easy to see that from above.

What is interesting is the consistency of the numbers and how they all pretty much move together. This leads me to believe that markets are more interconnected than ever before. The diversification issue and non-correlation argument between foreign markets and domestic markets is becoming a moot point. More importantly, currency considerations are becoming one of the most important criteria to manage when investing abroad.

For instance, if I were investing in the US right now, which I am not, I would want an extra 10% to 20% return a year just to compensate me for the currency risk that the country poses to my investors.

The argument for investing in the US is they have a vibrant and innovative economy and that this will overcome all ills. Sorry, but debt loads are also important and no matter how vibrant your national economy, debt will cause issues. 2010 will be interesting.

Humanity's ADD

With the abject failure of Copenhagen it is time to take a look at where we have come from and where we are going with climate change and sustainability.

From the UN Rio Earth Summit in 1992 to the Kyoto Protocol in 1997 and final ratification in 2005 it has been a long and arduous road to get where we have when it comes to global awareness of climate change.

Of course, Al Gore's "An Inconvenient Truth" released in August 2006, despite its many critics, did much to raise awareness of the whole climate change issue.

From there it was a wild ride in 2007 to the third quarter in 2008 where it was hard to find a day when a newspaper or newscast did not have a "green" article or sound bite.

From there we moved on to the documentary stage wherein many new documentaries were created showing the effects of climate change, global pollution, food supply issues, and treatment of animals and the environment by man. Few of the shows were encouraging. At the very least, they gave us insight but it was a mirror that few wanted to continue looking into.

Of course in late 2007 to the end of 2009 the economy took front and center when it came to our attention. As a result climate change issues were pushed to the back burner since the possibility of global financial collapse was much more newsworthy.

And to cap it all off we had Copenhagen in late 2009. It was, in a nutshell, a deplorable failure.

Some of the ideas put forward were as bizarre or pathetic as it can get. For instance, the concept of economic reparations for past climate transgressions was put forward by the Chinese. Please, I will not even go there.

Or what about the Canadians suggesting such pathetic targets and intensity based no less. Really, it must be hard to get all that tar sand off your suits. The Canadians were so useless and obstructive that one day the delegates actually walked out. Well done. Hard to believe it was a Canadian that was Secretary General of the Rio Summit.

Following these events it is obvious to me that humans have a built in attention deficit disorder when it comes to issues so large that they cannot agree on the solution or perhaps even comprehend the gravity of what they are facing.

Humanity has followed a common mob pattern here. First they caught on to the threat of global climate change. Then they got incensed and wanted to solve it. Then they made a bunch of noise and a lot of people put a lot of effort into reporting on every minute detail. Then, when they figured out it could not be solved by the equivalent of a one night bar room brawl, they went and got distracted by economic crisis.

The last time this happened was in the early 1980's when the price of oil skyrocketed and everyone was all of a sudden on an environmental and fuel economy kick. Only to be distracted by ridiculously low oil prices that followed a few years later.

We pursue our collective HADD at our own peril. The issues have not gone away with our attention.

It is my fear that one day historians of the future (human or otherwise) will look back upon this epoch in our species history and either be amazed at how we turned away from the abyss because of collective action and concerted cooperation amongst the nations of man to solve the issues and live in harmony with the planet or they will laugh their asses off at how stupid we were to ignore the problems, go on our merry way, and ending up causing self induced extinction of the "most intelligent" species the planet ever knew.

How intelligent is man when he destroys the only planet he can live on?

January 8, 2010 Volume 2 Issue 1

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Selected News Articles

Sun, wind and wave-powered: Europe unites to build renewable energy

It would connect turbines off the wind-lashed north coast of Scotland with Germany's vast arrays of solar panels, and join the power of waves crashing on to the Belgian and Danish coasts with the hydro-electric dams nestled in Norway's fjords: Europe's first electricity grid dedicated to renewable power will become a political reality this month, as nine countries formally draw up plans to link their clean energy projects around the North Sea.

The network, made up of thousands of kilometers of highly efficient undersea cables that could cost up to €30bn (£26.5bn), would solve one of the biggest criticisms faced by renewable power – that unpredictable weather means it is unreliable.

With a renewables supergrid, electricity can be supplied across the continent from wherever the wind is blowing, the sun is shining or the waves are crashing.
Connected to Norway's many hydro-electric power stations, it could act as a giant 30GW battery for Europe's clean energy, storing electricity when demand is low and be a major step towards a continent-wide supergrid that could link into the vast potential of solar power farms in North Africa.

By autumn, the nine governments involved – Germany, France, Belgium, the Netherlands, Luxembourg, Denmark, Sweden and Ireland and the UK – hope to have a plan to begin building a high-voltage direct current network within the next decade. It will be an important step in achieving the European Union's 's pledge that, by 2020, 20% of its energy will come from renewable sources.

"We recognize that the North Sea has huge resources, we are exploiting those in the UK quite intensively at the moment," said the UK's energy and climate change minister, Lord Hunt. "But there are projects where it might make sense to join up with other countries, so this comes at a very good time for us."
More than 100GW of offshore wind projects are under development in Europe, around 10% of the EU's electricity demand, and equivalent to about 100 large coal-fired plants. The surge in wind power means the continent's grid needs to be adapted, according to Justin Wilkes of the European Wind Energy Association (EWEA). An EWEA study last year outlined where these cables might be built and this is likely to be a starting point for the discussions by the nine countries.

Renewable energy is much more decentralized and is often built in inhospitable places, far from cities. A supergrid in the North Sea would enable a secure and reliable energy supply from renewables by balancing power across the continent.

Norway's hydro plants – equivalent to about 30 large coal-fired power stations – could use excess power to pump water uphill, ready to let it rush down again, generating electricity, when demand is high.
"The benefits of an offshore supergrid are not simply to allow offshore wind farms to connect; if you have additional capacity, which you will do within these lines, it will allow power trading between countries and that improves EU competitiveness," said Wilkes.

The European Commission has also been studying proposals for a renewable-electricity grid in the North Sea. A working group in the EC's energy department, led by Georg Wilhelm Adamowitsch, will produce a plan by the end of 2010. He has warned that without additional transmission infrastructure, the EU will not be able to meet its ambitious targets. Hunt said the EC working group's findings would be fed into the nine-country grid plan.

The cost of a North Sea grid has not yet been calculated, but a study by Greenpeace in 2008 put the price of building a similar grid by 2025 at €15bn-€20bn. This would provide more than 6,000km of cable around the region.
The EWEA's 2009 study suggested the costs of connecting the proposed 100GW wind farms and building interconnectors, into which further wind and wave power farms could be plugged in future, would probably push the bill closer to €30bn. The technical, planning, legal and environmental issues will be discussed at the meeting of the nine this month.

"The first thing we're aiming for is a common vision," said Hunt. "We will hopefully sign a memorandum of understanding in the autumn with ministers setting out what we're trying to do and how we plan to do it."

All those involved also have an eye on the future, said Wilkes. "The North Sea grid would be the backbone of the future European electricity supergrid," he said. This supergrid, which has support from scientists at the commission's Institute for Energy (IE), and political backing from both the French president, Nicolas Sarkozy, and Gordon Brown, would link huge solar farms in southern Europe – producing electricity either through photovoltaic cells, or by concentrating the sun's heat to boil water and drive turbines – with marine, geothermal and wind projects elsewhere on the continent. Scientists at the IE have estimated it would require the capture of just 0.3% of the light falling on the Sahara and the deserts of the Middle East to meet all Europe's energy needs.

In this grid, electricity would be transmitted along high voltage direct current cables. These are more expensive than traditional alternating-current cables, but they lose less energy over long distances.

Hunt agreed that the European supergrid was a long-term dream, but one worth making a reality. The UK, like other countries, faced "huge challenges with our renewables targets," he said. "The 2020 target is just the beginning and then we've got to aim for 2050 with a decarbonized electricity supply – so we need all the renewables we can get."

A North Sea grid could link into grids proposed for a much larger German-led plan for renewables called the Desertec Industrial Initiative (DII). This aims to provide 15% of Europe's electricity by 2050 or earlier via power lines stretching across desert and the Mediterranean. The plan was launched last November with partners including Munich Re, the world's biggest reinsurer, and some of Germany's biggest engineering and power companies, including Siemens, E.ON, ABB and Deutsche Bank. DII is a $400bn (£240bn) plan to use concentrated solar power (CSP) in southern Europe and northern Africa. This technology uses mirrors to concentrate the sun's rays on a fluid container, the superheated liquid then drives turbines to generate electricity. The technology itself is nothing new – CSP plants have been running in the United States for decades and Spain is building many – but the scale of the DII project would be its biggest deployment ever.

Guardian UK
January 3, 2010
By Alok Jha

A human being is part of the whole, called by us "Universe," a part limited in time and space. He experiences himself, his thoughts and feelings as something separated from the rest - a kind of optical delusion of his consciousness. This delusion is a kind of prison for us, restricting us to our personal desires and to affection for a few persons nearest to us. Our task must be to free ourselves from this prison by widening our circle of compassion to embrace all living creatures and the whole [of] nature in its beauty. ~Albert Einstein

Canada to study biofuel's environmental impact

The study, ordered on Wednesday, comes after evidence of harmful environmental effects from ethanol plants and amid growing criticism of biofuel technology, according to a government document from the environment ministry, Environment Canada.

"Experiences in the U.S. and Brazil now suggest that existing biofuels production facilities are responsible for the generation of a range of new air- and water-related problems as well as recent concerns over human health," the document states.

The study will help government scientists understand the environmental implications of making biofuel, it states.

Canada has invested heavily in the biofuel industry as a way to reduce greenhouse gas emissions. It has committed to distributing subsidies for biofuel plants totaling up to C$1.5 billion ($1.45 billion) over nine years.

In September 2010, a federal mandate takes effect requiring 5 percent renewable content in gasoline.

A spokesman for Environment Canada was not available for comment by late Thursday afternoon.

On Wednesday, the Canadian Press quoted department spokeswoman Paula Franchellini as saying: "The commissioning of this study does not presuppose that there are any harmful effects from these facilities, nor does it change the government of Canada's commitment to renewable fuels."

Gordon Quaiattini, president of the Canadian Renewable Fuels Association, was unavailable for comment.

Canadian plants make ethanol from corn and wheat and make biodiesel from animal fat, soybeans and canola. Canadian biofuel production is expected to grow by 76 percent before the end of 2011, according to the document.

Environment Canada also ordered on Wednesday a study of the environmental impact of using "marginal lands" -- such as contaminated sites and buffer strips along roads and rivers -- for the production of biofuel crops or for production plants. The U.S. and European biofuel industries have come under criticism for taking up traditional farmland to grow biofuel crops, Environment Canada said.

Reuters
January 7, 2010
By Rod Nickel and Peter Galloway