



Sustainable Finance

Market Performance - Selected Markets for the Week Ended February 05, 2010					Selected Rates (Institutional)	
Market	Dec 31, 2009	Feb 05, 2010	YTD Change	YTD % Change	Description	Price/Rate Feb 05, 2010
S&P TSX	11,746.11	11,223.12	- 522.99	-4.45%	CDN/USF	1.0725
Dow Jones	10,428.05	10,012.23	- 415.82	-3.99%	CDN/EURO	1.4594
S&P 500	1,115.10	1,066.19	- 48.91	-4.39%	CDN/CHF	0.9950
Nasdaq	2,269.15	2,141.12	- 128.03	-5.64%	CDN/YEN	0.0120
Nikkei 225	10,546.44	10,057.09	- 489.35	-4.64%	Total CPI -Canada TTM (12/09)	1.60%
FTSE 100	5,412.88	5,060.92	- 351.96	-6.50%	Total CPI -USA TTM (12/09)	2.70%
Dax	5,957.43	5,434.34	- 523.09	-8.78%	Total CPI -Euro TTM (12/09)	0.90%
Hang Seng	21,872.50	19,665.08	- 2,207.42	-10.09%	GOC 1 Yr T-Bill	0.54%
Shanghai	3,277.14	2,939.40	- 337.74	-10.31%	GOC 5 Year	2.43%
DJSI World TR	1,286.40	1,197.31	- 89.09	-6.93%	GOC 10 Year	3.36%
DJSI North America TR	120.14	114.40	- 5.74	-4.78%	GOC 30 Year	3.99%
Jantzi Social Index TR	173.67	164.02	- 9.65	-5.56%	Gold USF/Oz	1,055.70
FTSE 4Good Global 100	4,256.14	3,878.90	- 377.24	-8.86%	Oil USF/BBL WTI Cushing Spot	71.19

Week in Review

This week was not pretty. Save for a last minute buying spree in Canadian markets it would have been a world route.

Sometimes I like being right and sometimes I wish I was wrong. This is one of the weeks where I wish that I had been wrong.

But what can I say? Our finances are catching up to us. In particular the PIGS countries' debt load has become a greater

topic of discussion lately.

For those of you who do not know who the PIGS countries they are Portugal, Italy, Greece, and Spain. Countries who have continuously run deficits and spent a lot of time at the trough of public debt.

With Greece adopting and austerity plan that will likely fail requiring IMF intervention and the other three countries running debt loads and deficits that would make

the USA blush, there is a real threat that their problems could seriously jeopardize the very weak recoveries that are taking place around the globe.

When these types of problems arise they affect everyone. And it makes me glad that I spent time as a Foreign Bond Manager with a large investment firm where I had to follow many different currencies and governments around the planet.

What is interesting to me is that the PIGS countries have not changed. They were the same basket cases then (1992-1995) as they are now.

Only now if they go down they could take the Euro-zone with them.

Let me make a point very clear here. We are not out of the woods yet with respect to world economic recovery.

While many argued that the toxic mortgages were the cause

of all the problems I suggest they were only the symptom and not the cause.

No, it has been the incessant leveraging of societies that want it all now on the payment plan over the past 20 years that is causing this upheaval.

You cannot borrow forever against the future to pay for current consumption. Sooner or later you reach a breaking point.

The sub-prime breakdown was the break-

ing point. And it brought to light the insane levels of debt that had built up.

When that market collapsed, there was massive wealth destruction. Wealth that only existed on paper and funded by paper currency that had as its backing only the full faith of the people who use it.

When that much wealth vaporizes like it did, it results in a deleveraging of society as people start to pay down their debts,

go bankrupt, and stop spending. It takes a while for the process to shake out to a reasonable level but in the mean time asset prices fall or are vulnerable to severe price drops.

What makes the current situation so tenuous is that countries around the world borrowed or printed money to provide the stimulus to keep us out of a depression. In so doing they may have replaced one problem with another. Time will tell.

Huge Gas Plant Approved Despite Emissions Spike

A mammoth shale gas processing plant is lumbering ahead in northeastern B.C., but a proposal to implement carbon capture and storage (CCS) at the site appears dead in its tracks.

The province's effort to curb greenhouse gas emissions is on course to suffer a 2.17 megatonne-per-year setback, after an environmental assessment (EA) certificate was approved for the \$800-million Cabin Gas Plant last Thursday (Jan. 28). The green light to the EnCana-led project signals the onset of a shale gas boom in the million-acre Horn River Basin north of Fort Nelson.

Despite the scale of development, the carbon-intensive activity around natural gas is "actually a bridging technology that allows us to move to the new cleaner energies," Premier Gordon Campbell explained. He and Energy Minister Blair Lekstrom were in Tumbler Ridge on Sunday, January 31, during the Olympic torch's day-long visit to the oil and gas-friendly Peace River region. "It helps us in B.C., but it helps the whole Western corridor substantially," added Campbell.

EnCana's EA application indicates that when operating at full processing capacity of 800 million cubic feet per day, the plant

would produce 2.17 million tonnes of greenhouse gases per year -- equivalent to a 3.27 per cent increase to B.C. emissions since 2006. That emissions increase doesn't square with the province's mandate to cut emissions by 33 per cent below 2007 levels by ten years from now. Without CCS in place, the interim reduction target of six per cent below 2007 levels by 2012 becomes significantly harder to meet.

"We have not moved off of our targets," said Campbell. "These are always challenging decisions to make; the important thing is there's nothing that's changed about our goals to reduce our

greenhouse gases. Yes, this puts additional pressure in other areas, but it generates potentially some real benefits for the Western economies, not just in British Columbia but all over North America."

It's an argument that likely won't hold water with Fort Nelson First Nation (FNFN) chief Kathie Dickie, who panned the plant in a Dec. 2009 Vancouver Sun opinion piece and was among the first to criticize the EA approval.

"The premier has made some really flowery statements about protecting the environment and cutting greenhouse gas emissions, as well as respecting aboriginal rights and title, and

the decision being made as it is just flies in the face of all that," Dickie told Energeticity.com.

The carbon dioxide implications get larger when considering the end uses of the gas. The initial volumes of gas produced daily at the plant would add up to 7.9 million tonnes of emissions each year when combusted. At full production, that downstream emissions rise to nearly 16 million tonnes -- nearly 25 per cent of B.C. emissions, based on a 2007 baseline. Much of the gas will be exported to the United States.

The plant is being proposed by an EnCana-led consortium of several companies,

collectively called the Horn River Basin Shale Gas Producers Group (HRPG).

If the plant receives regulatory permits from the Oil and Gas Commission as expected, construction

could begin in spring 2010.

The Tyee
February 3, 2010
By Greg Amos

* Edited for length

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Selected News Articles

Copenhagen signatories submit pledges, reveal fear of commitment

Fifty-five nations have attached formal emissions targets to the Copenhagen Accord, the United Nations reported today. But most nations, including the U.S., are hedging their pledges:

“In the range of 17 percent,” reads the U.S. commitment now attached to the Copenhagen Accord, “in conformity with anticipated U.S. energy and climate legislation, recognizing that the final target will be reported to the Secretariat in light of enacted legislation.”

The nations that submitted pledges by yesterday’s deadline represent 78 percent of global emissions of greenhouse gases. Only ten bodies, including

the 27-nation European Union, submitted hard targets, what the UN calls “quantified economy-wide emissions targets.” Many of them also hedged on their 2020 commitments:

- For example, Australia pledged to reduce its emissions by 5 percent to 25 percent by 2020, depending on the strength of the commitments made by the rest of the world.

- Canada pledged to reduce its emissions 17 percent “to be aligned with the final economy-wide emissions target of the United States in enacted legislation.”

- The European Union is aiming for a 20 percent reduction unless the rest of the world gets its act to-

gether, in which case, “the EU reiterates its conditional offer to move to a 30 percent reduction by 2020 compared to 1990 levels, provided that other developed countries commit themselves to comparable emission reductions and that developing countries contribute adequately according to their responsibilities and respective capabilities.”

- Likewise, Norway promised 30 percent, but will bump it to 40 percent if the rest of the world gets serious.

- New Zealand promised 10 to 20 percent cuts, but only if a series of conditions are met, including comparable cuts by other countries and access to a broad and

efficient international carbon market.

Kazakhstan, on the other hand, pledged an unequivocal 15 percent cut.

Many other nations pledged mitigation actions instead of hard targets, including the world’s largest polluter, China. Notice the crucial words “per unit of GDP” in China’s language:

“China will endeavor to lower its carbon dioxide emissions per unit of GDP by 40-45 percent by 2020 compared to the 2005 level, increase the share of non-fossil fuels in primary energy consumption to around 15 percent by 2020 and increase forest coverage by 40 million hectares and forest stock volume

by 1.3 billion cubic meters by 2020 from the 2005 levels.”

Because China’s GDP is growing rapidly, these cuts are expected to flatten rather than reduce emissions and may even result in a slight increase.

Brazil submitted a list of reforms to its forestry and agriculture practices which it said will result in a 36 to 39 percent reduction in emissions.

The only surprise in the language from the U.S. is the firm attachment of the U.S. target to climate legislation. The Administration retains the power to enact emissions cuts through regulation, using the Clean Air Act.

Since the Copenhagen Climate Talks reached their dramatic and much debated close on Dec. 20, the Democrats have lost a seat in the U.S. Senate, dimming prospects for a climate bill. The commitment reported to the United Nations Framework on Climate Change echoes the language used by Administration officials during the conference last month, but without the optimism they once attached to it:

“I’m confident that America will fulfill the commitments that we have made,” Obama said in Copenhagen Dec. 18, “cutting our emissions in the range of 17 percent by 2020, and by more than 80 percent by 2050 in line with final legislation.”

A day before, Secretary of State Hillary Clinton made the first cut sound even more firm: “First, we have announced our intention to cut our emissions in the range of 17 percent below 2005 levels in 2020 and ultimately in line with final climate and energy legislation.”

A footnote on the formal language of the U.S. pledge retains the Administration’s long-term goals: “The pathway set forth in pending legislation would entail a 30 percent reduction in 2025 and a 42 percent reduction in 2030, in line with the goal to reduce emissions 83 percent by 2050.”

Scorched Earth
February 1, 2010
By Jeff McMahan

“Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it's the only thing that ever has.”

Margaret Mead

Fury as giant Belo Monte Amazon rainforest dam is approved by Brazil

Brazil has approved the controversial construction of a giant hydroelectric dam in the heart of the Amazon, defying a 20-year protest by indigenous and environmental campaigners who say that the project will devastate the surrounding rainforest and threaten the survival of local tribes.

The Belo Monte project on the Xingu river, an Amazon tributary, was started in the 1990s but abandoned amid widespread protests at home and abroad. The rock star Sting led a campaign against the plan with tribal leaders, and revisited Brazil in November last year to urge the Government to consider the impact of deforestation

on greenhouse gas levels and global warming.

The \$17 billion (£11 billion) dam in the northern state of Pará will be the world’s third-largest and could provide electricity to 23 million homes, a supply that the Government says is vital to the country’s economic growth. Critics argue that the flooding of 500 sq km of rainforest will damage fish stocks and wildlife and force the displacement of indigenous peoples.

Carlos Minc, the Environment Minister, said on Monday that the land flooded would be a fraction of the 5,000 sq km originally planned. “The environmental impact exists but it has been weighed up, calcu-

lated and reduced,” he said. “Not one Indian on indigenous land will be displaced.”

However, groups on land not demarcated as tribal territory — a distinction often labeled a get-out clause by indigenous campaigners — still stand to lose their homes. Mr Minc said that they would be compensated. Indigenous groups complain that they were not properly consulted over the project, which Megaron Tuxucumaræ, a chief of the Kayapo tribe, said would destroy the environment that his people had taken care of for millennia. “We are opposed to dams on the Xingu, and will fight to protect our river,” he said.

The state-run com-

pany Eletrobrás is said to be eyeing the project, but a contract has not yet been awarded. The winning company will have to spend \$803 million on measures to minimize its impact and resettle an estimated 12,000 people.

Critics said that the Government had underestimated the potential impact in its attempt to meet political ends in an election year. Even within the Government, the project has been so contentious that in November two senior officials from Ibama, Brazil’s environmental agency, resigned, citing political pressure.

With general elections looming in October, the Government is under pres-

sure to deal with energy infrastructure problems that resulted in large swathes of the country, including São Paulo and Rio de Janeiro, being plunged into darkness in November.

Engineering experts have questioned the efficiency of the 11-gigawatt dam, which would be outstripped in size only by China’s Three Gorges and Itaipu on the Brazil-Paraguay border.

Francisco Hernández, an electrical engineer and joint coordinator of a group of 40 specialists who analyzed the project, said that the dam would generate little electricity during the three to four-month dry season. Describing it as a scheme of “doubtful engineering viability”, he said Belo

Monte was an extremely complex project “that would interrupt the flow of water courses over an enormous area, requiring excavation of earth and rocks on the scale of that carried out for digging the Panama Canal”.

Up to 70 dams, roads, gas pipelines and power grids worth more than \$30 billion are to be built to tap the region’s raw materials and transport agricultural products.

The announcement drew a furious reaction from environmental groups around the world. Aviva Imhof, the campaigns director of International Rivers, described it as a “foolish investment”, and said that by investing in energy efficiency, Brazil

could cut demand by 40 per cent over the next decade and save \$19 billion. “The amount of energy saved would be equivalent to 14 Belo Monte dams,” she said.

Fiona Watson, research director of the UK-based Survival International, said the dam would be a catastrophe for indigenous people. “The Brazilian Government has driven through the dam with a cavalier disregard to indigenous peoples’ rights,” she said. “Development in Brazil comes at an unacceptable price — the destruction of whole tribes.”

Times Online
February 2, 2010
By Hannah Strange
