Sustainable investing

The Green New Deal

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The Green New Deal proposed by Democrats has been making headlines. Does it have a chance of becoming law? And how should it be viewed in the context of longer-term investing?

Last week, Senator Edward J. Markey (D-Mass.) and freshman Congresswoman Alexandria Ocasio-Cortez (D-N.Y.) introduced the "Green New Deal" resolution. The proposal is designed to tackle 21st century problems of climate change and income equality. The goals of the initiative include moving away from fossil fuels, eliminating the US carbon footprint by 2030, and creating US jobs with a federal jobs guarantee program that assures a living wage.

But does this resolution have any chance of becoming law? According to John Savercool, Head of the UBS US Public Policy Office, "The 'Green New Deal' will generate a lot of noise this year because it would profoundly change the energy position and goals of the US, but it has no chance of passing this year. It is too ambitious a package and would be too disruptive to consumers and industry alike."

"However," Savercool adds, "the bill is significant for two reasons. One, it puts climate change and related issues back in play as campaign issues for next year; and two, Republicans, including President Trump, will point to it as further evidence that Democrats are moving to the left philosophically and... emblematic of 'the creeping socialism' nature of current Democratic priorities."

Regardless of one's political views or the likelihood of the Green New Deal coming to pass, a way to view the Green New Deal is that it is indicative of a longer-term trend towards more sustainable and "green" ways of producing and consuming. It's worthwhile to consider the investment implications of trends towards sustainability, including related legislation.

"For many investors, the proposals put forth by the Green New Deal represent a source of uncertainty. For investors who are politically opposed to such a measure, or whose financial interests would be particularly threatened by these proposals, one solution is to invest in environmentally-oriented sustainable investments," says Chief Investment Office (CIO) strategist Justin Waring. "In addition to tapping into the themes' return potential, such an investment also represents a type of 'hedge' against the possibility of more-aggressive environmental legislation. It may seem counterintuitive, but if you are worried about environmental legislation, you might want to invest in environmentally-friendly investments."

CIO expects the broader sustainable investing solutions universe to grow significantly in the coming years, as "the list of asset classes and investments that can demonstrate
Specific to climate-related investments, the green bond market continues to expand, with "issuance up 4.9% in 2018" compared to 2017 "with total issuance reaching USD 182.1bn," according to CIO’s Sustainable Investing Digest (January). Andrew Lee, Head of UBS Sustainable and Impact Investing, reiterates CIO’s view that "investors should not have to sacrifice any financial return to invest sustainably."

For more: Sustainable Investing Digest, 16 January 2019; Building a more sustainable world.

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