



The news is a success case of governments, corporations and individual consumers coming together to reverse environmental destruction. (UBS)

Sustainable Investing

# The ozone is healing

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**The Earth's ozone layer appears to be healing, three decades after governments and corporations limited the use of ozone damaging chemicals, according to a UN report. This shows what can be accomplished if society works together to combat environmental damage.**

The ozone is a layer of the stratosphere that absorbs the sun's ultraviolet radiation - radiation that is harmful to life on Earth. Use of chlorofluorocarbons (CFS), a chemical found in things like air conditioners, spray cans and fridges, was discovered to be damaging the ozone, and a gaping hole in the protective layer was even found over the South Pole in 1985.

The Montreal Protocol was signed in 1987 by 180 countries, regulating the use of ozone damaging substances. As a result, industries developed replacements for CFS. Thirty years later, according to the UN report, the ozone layer is healing and damage above the Northern Hemisphere could be fully repaired by 2030, while damage above Antarctica might be repaired by the 2060s.

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Other challenges loom though. In Oct., the UN released a report on global warming, showing that many of the adverse impacts of climate change will come when temperatures increase by 1.5 degrees Celsius above pre-

industrial levels. The report concludes that without radical countermeasures, this level is likely to be reached between 2030 and 2052. According to the UN, in order to prevent the threshold being exceeded, by 2030 emissions of climate-harming carbon dioxide (CO<sub>2</sub>) need to be reduced by around 45 % vs. their 2010 level. That means that the share of renewable energy must be increased to 70% - 85% by 2050.

## What can investors do?

Investors can generate positive environmental and social impact by incorporating sustainable investing (SI) ideas and products in their portfolios. SI enables investors to invest in products that seek to make the world a better place, while still achieving competitive financial returns.

More specifically, an investor could contribute to the reduction of carbon emissions, among other sustainable goals, without sacrificing investment returns, according to the UBS Chief Investment Office (CIO). Green bonds, for example, typically, have approximately same duration and rating as many other conventional bonds, yet their investment proceeds are ring-fenced for green projects,

such as carbon reduction. BlackRock finds that a USD 1 million investment in the bonds that form the Bloomberg Barclays MSCI Green Bond index represents over 2,000 tons of CO<sub>2</sub> avoided, in addition to over 88 million liters of water saved, and other positive contributions.

Thematic investments that CIO believes will contribute to the fight against climate change, without a sacrifice of returns, include renewable energy and carbon reduction. See CIO's long-term investment themes [Renewables](#) (23 Aug. 2017) and [Clean Air and Carbon Reduction](#) (13 April 2017).

The healing of the ozone is cause for celebration, but instead of growing complacent, investors can view this as an example of what can be accomplished when groups and individuals work together to protect the planet.

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