



The new resolution will put climate change and related issues back in play as campaign topics for 2020. (UBS)

Sustainable investing

The Green New Deal

12 February 2019, 8:07 pm CET, written by UBS Editorial Team

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

contribution to sustainable and impact outcomes" is expanded.

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](#).

Main contributor: Louise Bylicki



Important information

As a firm providing wealth management services to clients, UBS Financial Services, Inc is registered with the U.S. Securities and Exchange Commission (SEC) as an investment adviser and a broker-dealer, offering both investment advisory and brokerage services. Advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate contracts. It is important that you carefully read the agreements and disclosures UBS provides to you about the products or services offered. For more information, please visit our website at www.ubs.com/workingwithus. ©UBS 2019. All rights reserved. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

There are two sources of UBS research. Reports from the first source, UBS CIO Wealth Management Research, are designed for individual investors and are produced by UBS Wealth Management Americas (which includes UBS Financial Services Inc. and UBS International Inc.) and UBS Wealth Management. The second research source is UBS Investment Research, and its reports are produced by UBS Investment Bank, whose primary business focus is institutional investors. The two sources operate independently and may therefore have different recommendations. The various research content provided does not take into account the unique investment objectives, financial situation or particular needs of any specific individual investor. If you have any questions, please consult your Financial Advisor. UBS Financial Services Inc. is a subsidiary of UBS AG and an affiliate of UBS International Inc.

ESG/Sustainable Investing Considerations: Sustainable investing strategies aim to consider and in some instances integrate the analysis of environmental, social and governance (ESG) factors into the investment process and portfolio. Strategies across geographies and styles approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit the portfolio manager's ability to participate in certain investment opportunities that otherwise would be consistent with its investment objective and other principal investment strategies. The returns on a portfolio consisting primarily of ESG or sustainable investments may be lower or higher than a portfolio where such factors are not considered by the portfolio manager. Because sustainability criteria can exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria. Companies may not necessarily meet high performance standards on all aspects of ESG or sustainable investing issues; there is also no guarantee that any company will meet expectations in connection with corporate responsibility, sustainability, and/or impact performance.