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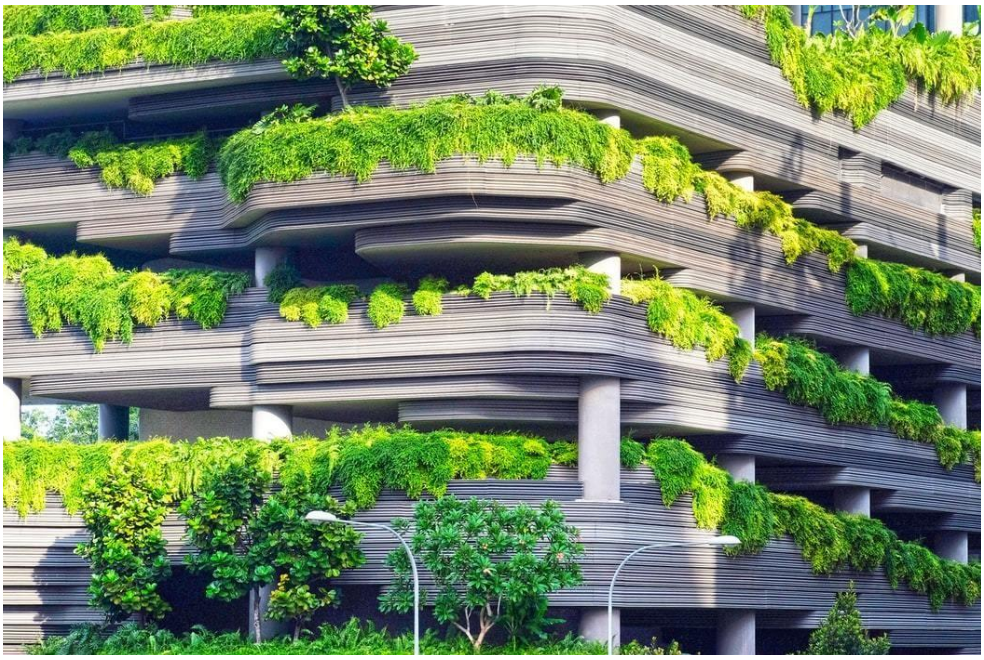
Green Investing — What does it mean?

Climate change is all around us. Not only have the devastating effects of rising global temperature impacted the small town of Lytton, British Columbia, where ravaging forest fires forced 1,000 residents to flee their homes as temperatures reached a record high of 49.6 C [1], but it is also responsible for an increase in animal extinction along with many other issues our world is facing today. Perhaps the most shocking outcome is the pressure that climate issues have placed on financial institutions and unsustainable industries by investors.

Stranded assets are assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities [2]. What once was a speculative concept, the notion of stranded assets combined with pressure from stakeholders has begun to force the hand of major industries. Emerging climate change laws along with the Paris Accord has created new challenges for industries such as energy, mining, automotive, petroleum, and many others as “greener” organizations come into the picture.

As assets for these businesses begin to deplete, one intangible asset for businesses is the ability to adapt. Thankfully, consumers and investors have the power to drive ESG initiatives within these firms through green investing which creates a need to adapt to consumer preferences. As of 2018, more than US$30 trillion in funds were held in sustainable or green investments in the five major markets tracked by the Global Sustainable Investment Alliance, a rise of 34 per cent in just two years [3]. Furthermore, countries are beginning to shift their long term goals as a result of green investing. For example, Germany is unveiling plans to move entirely from coal to renewable energy by 2038, while China is the largest manufacturer and buyer of electric vehicles in the world [4].



Even IFRS Accounting standards have changed, as climate change disclosures are anticipated to be mandatory by mid-2022 [5]. Currently, climate change reports are brief and often brushed over by auditors. Therefore, updated IFRS standards will undoubtedly be a game-changer for “Green Investors” who are determined to pressure unsustainable corporations to commit to better practices.

Perhaps the most exciting aspect of consumers having the power to spark environmental reform is the fact that there are thousands of green investments to choose from. Water stocks, wind power, green transportation, and aquaculture, to name a few.

In times like these, where heavy rainfall due to climate change caused catastrophic flooding in places like Luxembourg and the Netherlands, and job losses are anticipated at 80 million full-time positions as industries become outdated [6], acting on climate change has never been more important. Thankfully, however, the power is in our hands due to the concept of Green Investing.

Sources:

[1]https://apnews.com/article/canada-british-columbia-wildfires-fires-70a0140f8cf48d33bff92081214b3dbd

[2] https://www.greenbiz.com/article/growing-concern-over-stranded-assets

[3]https://www2.deloitte.com/us/en/insights/topics/strategy/impact-and-opportunities-of-climate-change-on-business.html

[4]https://www.cnbc.com/2020/02/14/esg-investing-numbers-suggest-green-investing-mega-trend-is-here.html

[5]https://cdn.ifrs.org/content/dam/ifrs/news/2019/november/in-brief-climate-change-nick-anderson.pdf?la=en

[6]https://www.hrreporter.com/focus-areas/wellness-mental-health/major-job-losses-with-climate-change-report/304957