



Disinvestment Redistribution Of The World's Wealth

The danger to our future
pensions

Stefan Björklund
Munich, November 2018

What is climate politics about?

- *It is all about transfer of wealth*
- *Favours countries like China*

1987 Brundtland Commission

1992 Rio Conference creation of UNFCCC

1996 Kyoto Climate Treaty

2009 The Great Transformation

2015 Paris Climate Treaty

2018 EU Clean Investment proposal

THE GREAT TRANSFORMATION

CLIMATE — CAN WE BEAT THE HEAT?



THE GREAT TRANSFORMATION

The Political and Economic Origins of Our Time

KARL POLANYI

Foreword by Joseph E. Stiglitz

With a New Introduction by Fred Block

"One of the most important and original works of this century."

—Robert Kuttner

"The Great Transformation", published in London in 1946

Zusammenfassung
für Entscheidungsträger

Welt im Wandel Gesellschaftsvertrag für eine Große Transformation



WBGU: Summary for decision makers

- **The World in upheaval**
- **Contract with society for a Great transformation**
- **Change peoples values and Behaviour**
- **Nudge to create change**

ACCORDING TO UN NUTRITION EXPERT ARNOLD VAN HUIS, INSECTS SHOULD THEREFORE ALSO BE EATEN IN THE INDUSTRIALIZED NATIONS, BECAUSE REARING GRASSHOPPERS, CRICKETS AND MEALWORMS CONSUMES MUCH LESS RESOURCES THAN MEAT OR FISH PRODUCTION.

WBGU

FOR US, IT'S STILL A TEST OF COURAGE TO EAT INSECTS. BUT THAT CAN CHANGE QUICKLY.

ABOUT A THOUSAND INSECT SPECIES ARE SUITABLE FOR HUMAN CONSUMPTION AND ARE TRADITIONALLY EATEN IN LARGE PARTS OF AFRICA, SOUTH EAST ASIA AND LATIN AMERICA. THAT'S WHY THE UN FOOD AND AGRICULTURE ORGANIZATION, THE 'FAO', WOULD INITIALLY LIKE TO PROMOTE AN INSECT DIET IN THESE COUNTRIES.

WBGU

Comic pictures:

- Change
- Eat bugs
- Not beef





IN FACT WE CAN ONLY SOLVE THE NUTRITION PROBLEM IF WE EAT LESS MEAT AND MORE VEGETABLES.

ABOVE ALL WE MUST NOT USE FOOD AS BIOFUEL TO 'FEED' MACHINES.

IT'S ALSO A GOOD IDEA TO USE THE LEFTOVERS AS BIOMASS TO GENERATE HEAT AND ELECTRICITY.

Emissions Trading Clean Development Mechanism

Friday 7 September 2007

FINANCIAL TIMES

MARKETS & INVESTING

Analysis. Commodities

Hedge funds and Wall St banks ride wave of carbon credit revival



EU moves spark huge rally in a once-slowly-traded overhauling a broken system

A select group of specialist traders at hedge funds and Wall Street investment banks, including Morgan Stanley and Goldman Sachs, are celebrating bumper profits from a once-slow commodity that has risen phoenix-like from a decade-long slump.

Carbon credits, introduced by the EU to curb pollution by companies in the trading area, have soared almost tenfold in the past year to over \$10 per tonne of CO2 after legislative changes designed to get the scheme working.

The rebound in the relatively little-known commodity has gone largely unnoticed but is set to have huge ramifications, with the rising cost of emitting carbon expected to make renewables, nuclear and natural gas more competitive.

The opportunity for traders in a market that had languished due to a surplus of credits built up during the financial crash and emissions cuts was only spotted by a handful of carbon specialists who had stuck with the sector during the protracted slump, giving them the opportunity to reap large profits.

"It was pretty much a one-way bet but one that was only well-understood by a small club of guys who had been given up on the market even the best in price," said Jim Leckander, a carbon specialist who runs two energy-focused funds at Renaissance Partners in London.

His main \$700m fund is up 11 per cent so far this year with carbon accounting

European carbon credits price
Source: Thomson Reuters



for the majority of its gain. The key change that sparked the rally was EU legislation to introduce the so-called Market Stability Reserve (MSR) mechanism for carbon allowances from next year, overhauling a system that was first launched last decade to encourage a gradual switching to cleaner fuels.

Over the past decade, carbon prices have been too low to encourage fuel switching to the MSR is designed to ensure and then ultimately cancel a large number of allowances from next year. Traders forecast the carbon allowance market will be in annual deficit from 2008, gradually eating off a further surplus for the credits in the coming months.

"The EU is to effect the only supplier of carbon credits in the world," said Mark Lewis, head of research at consultancy Carbon Tracker. "So the signal the EU has sent on supply to carbon traders is far more powerful than anything CDM could ever send to the market."

Companies that produce pollution in excess of their carbon allowances they are assigned need to buy extra in the market while those that are low - by switch-

ing to cleaner fuels or using less energy - are free to sell them.

Banker trading Morgan Stanley, Citigroup and JPMorgan are riding the wave of renewed interest in carbon in Europe, outperforming or competing trading desks with new hires to get a jump start on the market.

Oliver Stockhammer, who runs Morgan Stanley's London-based carbon trading business after joining from Barclays at the start of this year, said it was "the most excited I've been about this market in a long time".

He added: "We have managed to add a lot of new clients this year as the market has really taken off... we have been that much further out of the low banks that never got out of carbon trading."

Analysts in the carbon market estimated that all three will have done well from the rally in prices, however - both

Higher carbon credit prices will reduce pollution in Europe and other cities

through increased client activity and from the price appreciation of credits they had accumulated ahead of the rally. One of the biggest overnight winners has been specialist energy hedge fund Northlander Advisors, whose founder and head trader, Vili Ek, has two decades of experience in power and energy markets. He said that, when the EU announced the changes to carbon market legislation last year, he was flooding them this spring. It presented one of the biggest opportunities of his career.

"As soon as we understood the price of this new mechanism we realised prices had to rise. It was very cheap" said Ek, a Swedish-born national whose fund has offices in Richmond, London and Greenwich, Connecticut.

According to a letter sent by the Financial Times, the Northlander fund, which manages slightly more than \$100m, was up 14.4 per cent out of four at the end of August, putting it on course for the best year in its history largely due to positions in carbon.

That marks Stockhammer and Ek Leckander's confidence with one of the seven stars for commodity funds, a number of which have shut in recent years due to the difficulty in making money out of oil and copper.

The rising carbon price has been hailed by politicians that the EU scheme is working.

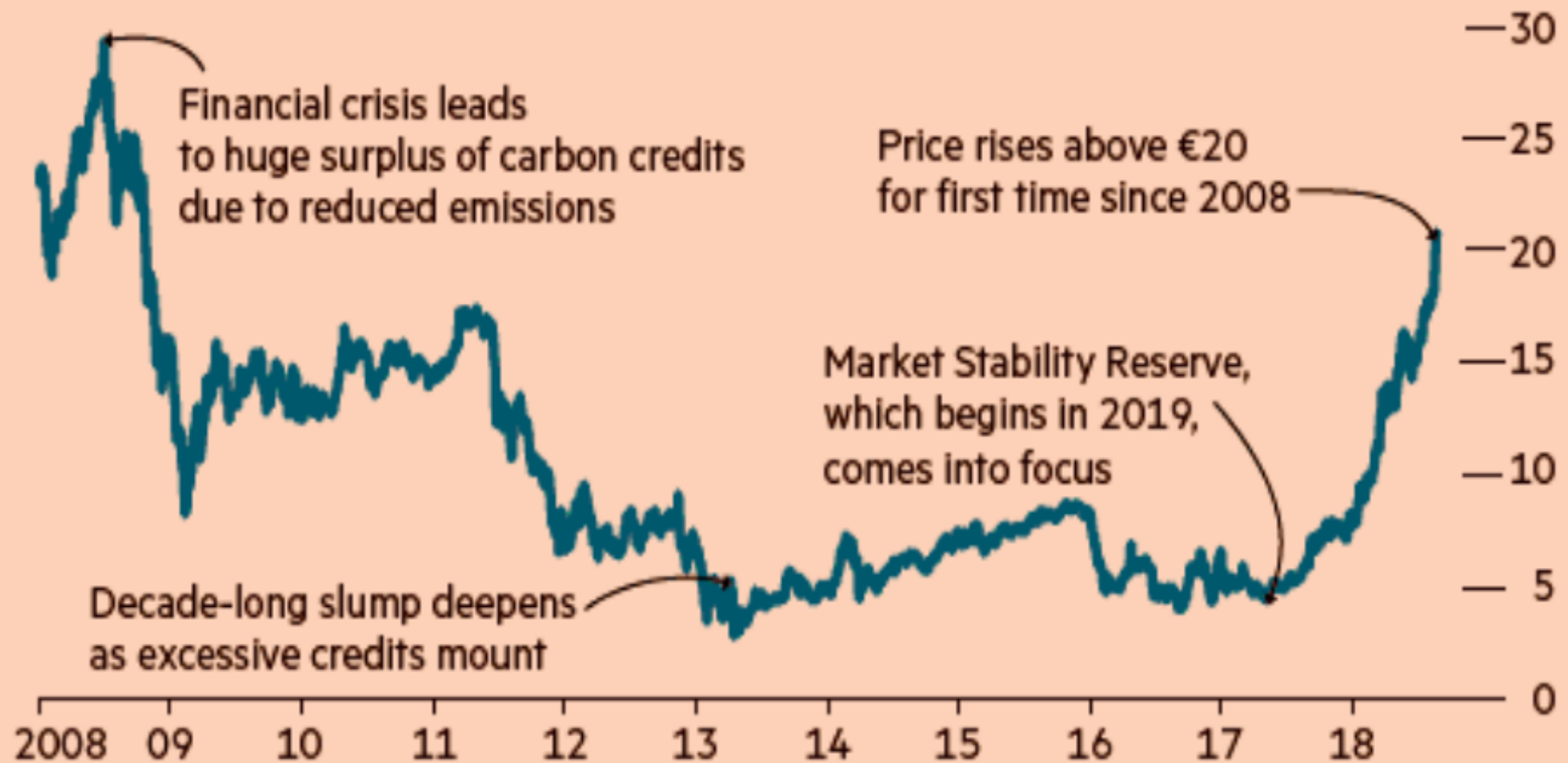
Miguel Cardes, EU commissioner for energy and climate, said in a presser, you always get (that) a learning curve... now we have a system that is much better than the one we had in the past."

But Ek Ek, it is a sign carbon is falling and from other commodities. "When people hear of higher commodity prices, they worry about inflation, but the higher carbon price should reduce inflation and that's a good thing." Additional reporting by Luke Stark

It's the most excited I've been about this market in a long time!

European carbon credits price

Euros per tonne



Source: Thomson Reuters

Amongst the greatest profiteers are some American hedge funds and big banks such as Goldman Sachs and Deutsche Bank.

Investing In Climate Change

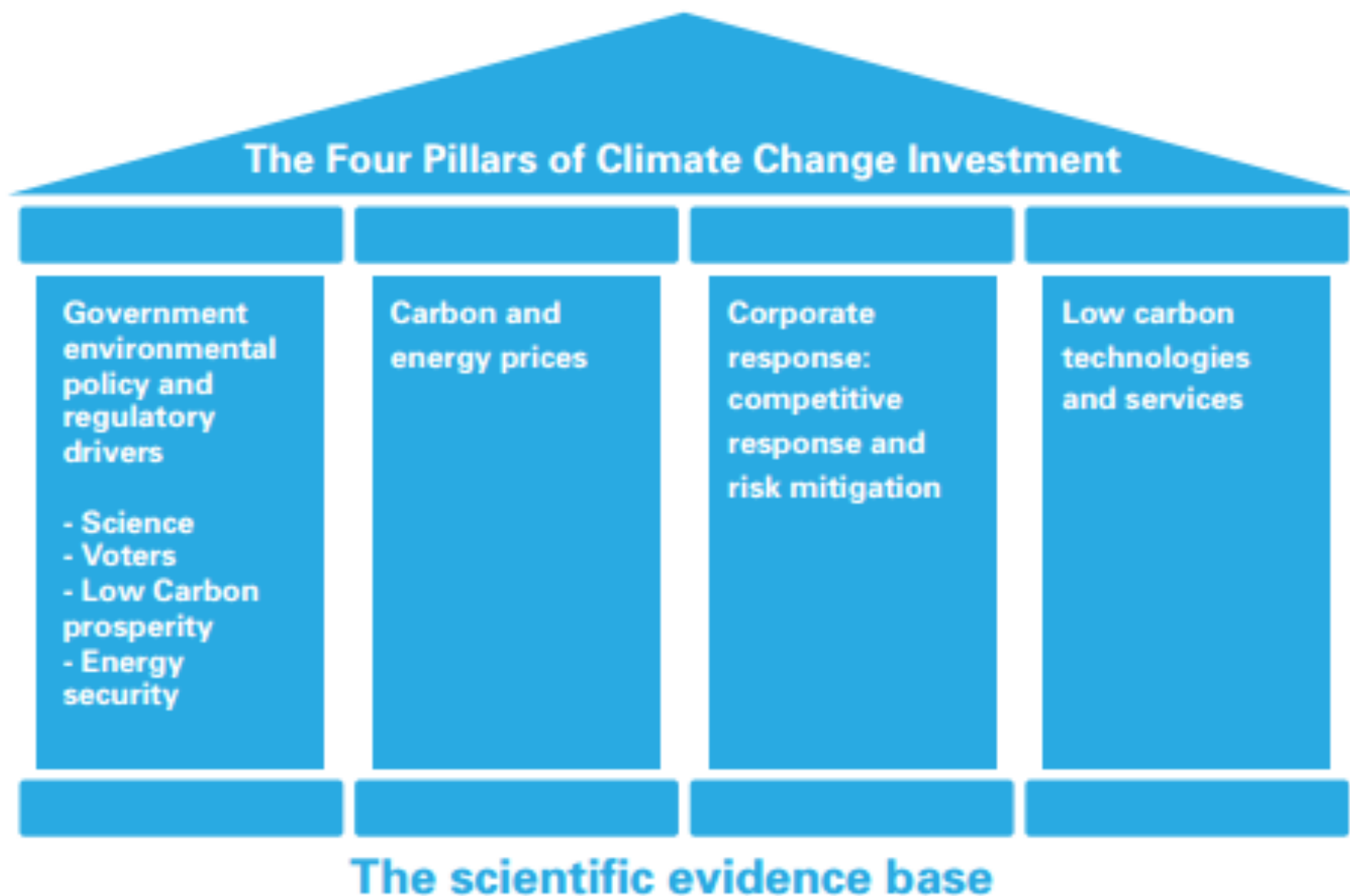
An Asset Management Perspective

October 2007



EX 2.1: The Four Pillars of Climate Change

Our updated view of the climate change investment universe





DBCCA research available online:
<http://www.dbcca.com/research>

Growth of U.S. Climate Change Litigation: Trends & Consequences

November 3, 2010

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Sustainable Ethical Investment

First spread among pension funds in England and Scandinavia, then driven by large global bureaucracies:

- **UN: UNEP, UNDP**
 - **The World Bank**
 - **OECD**
 - **EU-Commission**
 - **Central Banks**
-

Examples of own sustainability and ethics of corporations part of global bureucracies:

- **Deutsche Bank** Close to bankruptcy 2009, faking accounts
- **Enron** Bankrupt 2002 The Chairman died in jail.
- **Goldman Sachs** Saved by a capital injection from Warren Buffet
- **Nordea bank** Reconstructed 1990-92 by the Swedish state
- **Lehman Brothers** Bankrupt 2008
- **Lloyds Bank** Close to bankrupt 2009, rescued by BoE
- **UBS** Close to bankruptcy 2009, rescued by SNB
- **Swiss Re** Saved by a capital injection from Warren Buffet

ESG

(environmental, social and corporate governance)

MARKETS | OVERHEARD

A Fund for Pigs and Polar Bears

The new U.S. Vegan Climate ETF aims to exclude stocks that hurt animals or contribute to climate change, but what is left may not be much better



The founders of the new ETF believe animal welfare and climate change are closely linked. PHOTO: DANNY GOHLKE/ZUMA PRESS

By Ken Brown

Oct. 29, 2018 1:17 p.m. ET

Why invest in regulations?

- Rig the “market” to your advantage
- Subsidies for wind power owners
- Kill coalmines and conventional power

The big next threat is regulation

- How to invest our savings and pensions -**
 - EU Action plan on sustainable finance
 - EU targets of the UN 2030 agenda
 - €2 trillion to finance a low carbon EU (€180 billion p.a. to 2030)
 - €3 trillion in pension funds and private savings in Europe.
-

Return on investments Resource or renewable stocks?

	Dividend 2015-2018	Change Paris
Royal Dutch Shell	6,0 %	47%
BP	5,8	43
Whitehaven Coal	5,7	740
Glencore	5,4	363
BHP	5,1	2
Vestas Wind	2,0	3
Gamesa/Siemens	0,9	-19
Nordex	-72	
Solar World AG		Bankrupt
Total	5,2	31

Dis-investment

- De-industrialisation of the West
- Last 30 years a lot of well-paying manufacturing jobs in Western countries have moved East: Eastern Europe, Turkey, China.
- This will have consequences for future generations and the wealth of European countries



China strategic plan 2025

- World dominance in important sectors
- Economy of scale
- Low energy cost
- Intellectual property theft

Chinese Statistics

<u>World Steel Production 2017</u>	<u>1691 Mt</u>
China	831 (49%)
EU	168
Japan	104
India	101
USA	81

<u>World Aluminium Production 2017</u>	<u>63 Mt</u>
China	36 (57%)
Gulf States	5
Russia	4
EU	4
USA	4

<u>World Silicon Production 2017</u>	<u>7,200 kt</u>
China	4,600 (63%)
Russia	747
USA	396
Norway	380

<u>World Electricity Production 2017</u>	<u>25,000 TWh</u>
China	6.500 (26%)
USA	4.200
India	1.500
Japan	1.100
Russia	1.090
Canada	712
Germany	653

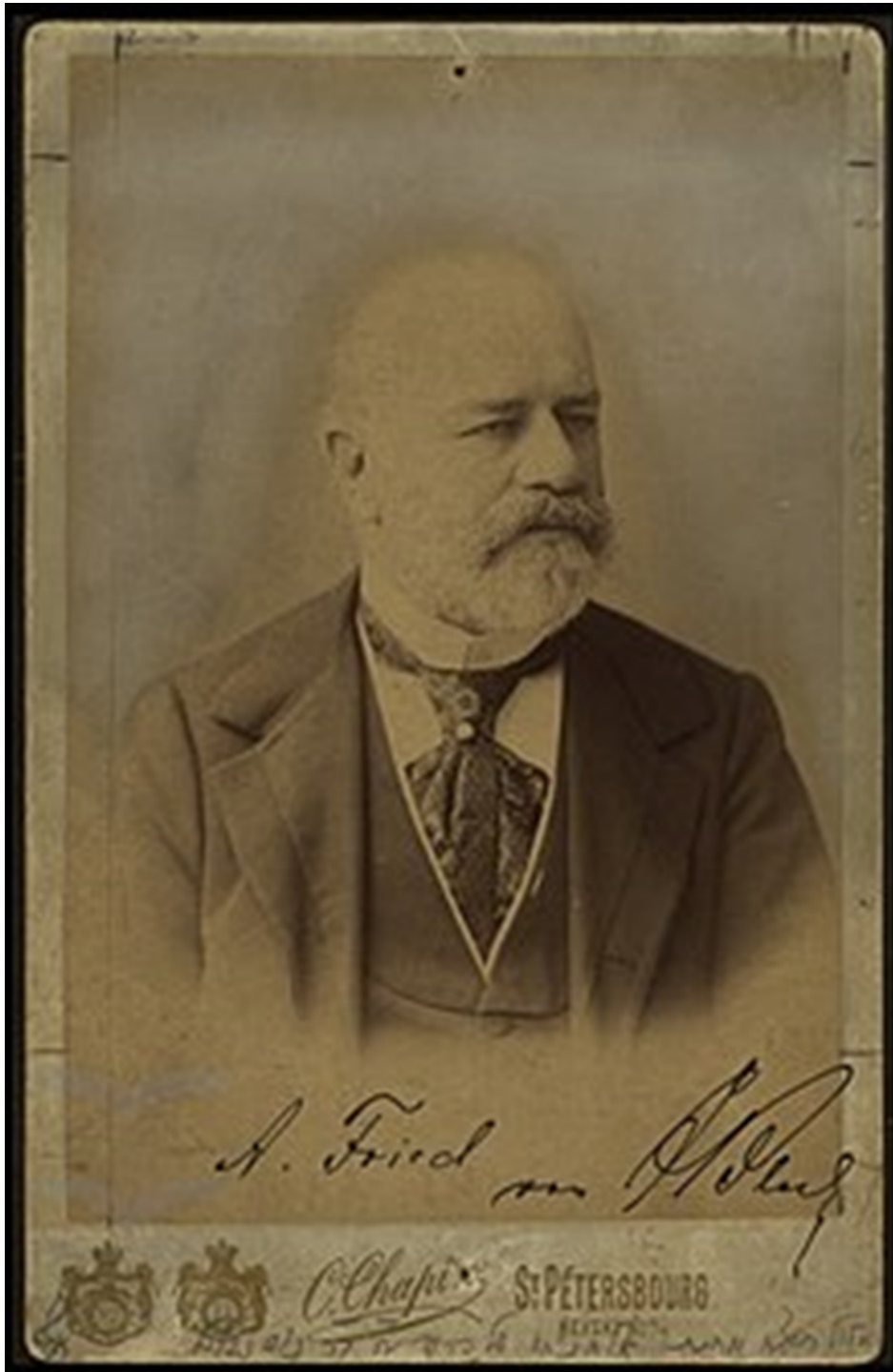
China Industry 2025 plan

The official vision is that China will become the world technology leader in:

- * Artificial intelligence
 - * Electronics
 - * Electric cars
 - * Batteries
 - * Chemicals
 - * Aerospace
 - * Power equipment and transmission grids
 - * Nuclear energy
 - * Renewable energy
 - * Bioscience
-
- China is now working very hard to increase the level of education and climb up in the value chain of manufacturing
 - China is the foremost country in stealing technology from other countries
 - Low cost electricity is a must for the implementation of the Chinese plan

Geopolitical background

- **Ivan (Johann von) Bloch**
“The Future Of War”, 1898
 - **Sun Tzu**
“The ultimate strategic achievement is to defeat the enemy without even coming to battle.”
 - **Vladimir Lenin**
-



Ivan Bloch
(Jan Gotlib Bloch)
1836 – 1902

***The Future of War in its
Technical, Economic and
Political Relations, 1898***

*“Future wars will be won by
countries with the biggest
Industrial capacity,
not the smartest generals”*



What Lenin read in Zurich:

“Electrical engineering
Military strategy”

At the 8th party
conference 1920 he
said:

“All power to the Soviets
and electrification of the
country”

What we can do to win

- Communicate the risk of a big blackout hitting large parts of Northern Europe
- Use social media