Resource and Environment Group

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Newsletter

INSIDE THIS ISSUE:

Please contact us:

- If you have any suggestions for articles for future newsletters or would like to comment on this one
- If you would like to offer to help
- If you have any comments on any matter related to resource and environment

Resource and Environment Group — Progress, but much to do

This issue contains reports on two successful events held this Autumn and the exciting projects planned for the future. However, we need more help, particularly from experienced actuaries in all practice areas. Please make contact and do what you can, when you can!

We are listing below email addresses for the REG managing committee. It would be great to hear your views and suggestions. You can also contact Craig Ajimuda (craig.ajimuda@actuaries.org.uk) who is communities leader for the Profession. Since our last newsletter, Agrotosh Mookerjee has stood back from the committee following his secondment to work on micro-insurance in Bangladesh. We welcome new additions Simon Jones and Tracey Zalk:

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REG NEWS

STOP PRESS

As this newsletter is going to press, the Profession has agreed a strategy to help integrate resource and environmental issues into all areas of actuarial work. Further details will be available shortly.

NETWORKING EVENING: OPPORTUNITIES FOR ACTUARIES

For those who did not make it, we had a very successful networking evening at Staple Inn on 13 September, discussing the opportunities for actuaries being created by environmental issues. Some 60 actuaries and students attended with representatives from the major consultancies, insurers and universities. Chaired by Marjorie Ngwenya, we had speakers on energy consulting, general insurance pricing, sustainable investment and green finance. Copies of their slides can be downloaded from:
http://www.actuaries.org.uk/communities/communities/resource-and-environment-interest-group

A report on the evening is also included in The Actuary magazine:
http://www.theactuary.com/actuary/news/2121081/climate-change-event-focuses-opportunities-actuaries

LITERATURE REVIEW LAUNCH

Our 2011 Literature Review - Climate Change and Resource depletion: The Challenges for Actuaries, was presented at Staple Inn on 17 October. President Elect Philip Scott introduced Jeremy Leggett, who spoke on the potential impact of an energy crunch, and Dr Aled Jones, who described the research he will be undertaking on behalf of the Profession into "Limits to Growth". The Review itself was introduced by the editors (and of course REG members) Nico Aspinall and Hugh McNeill. These presentations created a powerful impact and the 76 attendees then enjoyed a stimulating discussion, fortified by drinks and an excellent meal! Again, the Literature Review can be downloaded from the Profession's website. It is a comprehensive document, as 21 papers are reviewed, so pick out those subjects which are of particular interest:
http://www.actuaries.org.uk/research-and-resources/documents/climate-change-and-resource-depletion-challenges-actuaries-review-l

"LIMITS TO GROWTH" RESEARCH AGREED

The Profession has agreed terms for a major research project into "limits to growth" being conducted by a team led by Dr Aled Jones, Director of the Global Sustainability Institute at Anglia Ruskin University in Cambridge. Most REG members will be aware that a controversial book of this title was published in 1972, based on research commissioned by the Club of Rome, and updated by some of the original authors at various times since. Although widely criticised by traditional economists and others, many of its conclusions seem to have been borne out in practice. Wikipedia has an excellent summary.

The scope of the Profession's research is potentially vast but the intention is of course to focus on the financial implications for actuaries and report back next year. The initial briefing document can be downloaded from:
http://www.actuaries.org.uk/research-and-resources/documents/effects-limits-growth-financial-markets-and-consequential-impacts-a

SUSTAINABLE INVESTMENT

In this newsletter we are focussing on investment, not least because it is perhaps the area of actuarial involvement which is already most affected by REG issues. This is illustrated by some recent press announcements:

11 July 2011 - a report from "Forum for the Future" on overcoming the barriers to long-term thinking in financial markets (http://www.forumforthefuture.org/sites/default/files/project/downloads/long-term-thinking-fpf-summary-july-11.pdf).

14 July 2011 – a report from the Carbon Tracker initiative entitled, "Unburnable Carbon – Are the world's financial markets carrying a carbon bubble?". This involved research into the quantity of carbon implicitly contained in the balance sheet reserves of fossil fuel suppliers and comparing this to the maximum amount of carbon which should be released in order to have a reasonable expectation of containing global warming to less than 2 degrees centigrade. (http://www.carbontracker.org/carbonbubble).

Investment is perhaps the area of actuarial involvement which is already most affected by REG issues

1 September 2011 - A global consortium of pension asset managers including USS, APG and PGGM has convinced the world's largest property managers to disclose detailed data on the environmental performance of their funds for the first time. More than 340 property funds and companies responded to the call for action by the GRESB Foundation, which is backed by US$1.7 trillion in institutional capital, to disclose information on environmental management and performance.

3 October 2011 - A report from EUROSIF (European Sustainable Investment Forum) on sustainable investment practices by pension funds across Europe (http://www.eurosif.org/research/corporate-pension-funds)

19 October 2011 - Global investors managing over US$20 trillion call for governments, in a detailed statement, to develop and implement domestic and international policies to help combat climate change, so providing the framework in which private sector investment can play a critical role. This statement was supported by the Institutional Investors Group on Climate Change, based in Europe, the Investor Network on Climate Risk, based in North America, and the Investor Group on Climate Change, based in Australasia.

27 October 2011 – FTSE launched a pan-EU carbon index primarily for use by pension funds. It is a carbon-risk tilted version of the FTSE All Share Index using data generated from corporate carbon disclosures.

7 November 2011 – Russell Investments appoints Sustainalytics to provide stock-level environmental, social and governance information to support analysis of its funds and client portfolios.

Gone are the days, if they ever existed, when an investment consultant could advise on the appointment of investment managers without "opening the tin". For example: what are the investment processes, how do they take account of systemic risks arising from resource depletion, measures to combat climate change and other environmental risks? Do they examine the business sustainability in terms of human resource practices and governance worldwide?

These questions derive from a hard-headed investment approach intended to maximise long term returns, subject to an acceptable degree of risk, rather than a commitment to a "green agenda" as such. The terminology has perhaps caused some ambiguities in the past: ESG issues (environmental, social and governance) and SRI (socially responsible investment) have tended to be used interchangeably and somewhat loosely. Some investors may have wider social objectives but they cannot drive investment subject to fiduciary responsibilities. But all long term investors can, and should, take proper account of long term risks and opportunities. Two of the papers included in our Literature Review deal with these issues.

CLIMATE CHANGE TARGETS

Despite the scepticism emanating from some quarters, US scientists are clear on climate change risks. If you have not yet seen it, there is an update on the assessments in the Stern Report produced by the US National Research Council. The whole report is over 200 pages but there is a concise summary at:

http://dels.nas.edu/resources/static-assets/materials-based-on-reports/reports-in-brief/Stabilization-Targets-Final.pdf

It states that emission reductions larger than about 80% are required to stabilise CO_2 concentrations, discusses the range of possible temperature rises, and notes that temperature may continue to rise for centuries even if concentrations are stabilised.

Visit the webpage (still being updated):

http://www.actuaries.org.uk/members/pages/resource-and-environment-member-interest-group