INDOSFINANCIAL
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ESG INSIGHT
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INDOS is proud to provide a range of services for clients who incorporate environmental, social and governance (ESG) considerations into their investment businesses. Our monthly newsletter 'ESG Insight' will provide you with the latest news and views on ESG, helping you to stay on top of developments in this increasing area of focus.

BP forecasts $17.5bn write-down

BP has released a briefing to investors and journalists stating they will be revising their long term price assumptions for fossil fuel prices as well as related infrastructure. The write-down is the largest since the Deep Water Horizon disaster which led to a $32bn hit to the company's assets.

Bernard Looney who started as CEO in 2020

The International Energy Agency (IEA) stated they were renewing their 2020 outlook to reflect 1m fewer barrels of demand per day. The negative oil outlook was observed by Carbon Tracker, a think tank, which warned the market value for fossil fuels is likely to collapse by 2/3 in an ongoing recession. This is as the demand of fossil fuel-intensive industries such as transport, travel and energy changes to react to severe demand shocks. BP said that it expects it will now set its long term price assumptions for crude, gas and carbon to 2050, reflecting their carbon neutral outlook.

BP's chief executive Bernard Looney said the decisions were "difficult" but were "rooted in BP's net-zero ambition and reaffirmed by the pandemic". BP is generally seen to be the first mover to adapt to a future where governments and industries need less oil. However, it is also a business based decision as the oil already discovered is enough to push past the carbon budget. The write-down surprisingly did not dampen the company raising $12bn of debt with equity-like features during June, taking advantage of hot corporate credit markets to fortify its balance sheet.

UK quietly pushes for pension climate rules

The UK government is moving forward with a controversial pensions bill which would provide more power to the pension regulator in order to force closer adherence to limit climate change.

The bill is in the House of Lords with the sponsor, Baroness Stedman-Scott, pushing for the amendment which would:

- require pension fund trustees to take into account different ways in which the climate might change, and different steps that might be taken because of climate change.
- leave space for mandatory consideration for the Paris Agreement in future pension regulations. This cannot currently be implemented as it would lead to a mass divestment in fossil fuels from pensions.

Explainers

Today, more people than ever are pushing for climate change mitigation, that is ways to minimise the impact of a warming planet. Here at INDOS, we spend a lot of time reading, discussing and debating the benefits of these with our clients and internally. With some very popular mitigation schemes such as reforestation, plastic collection and improving ocean health proffering benefits for investors and the planet we have collated the following videos to explain the topics.

Tree planting to save the world

A couple of months ago there was a large focus on how planting trees across an area the size of India could create a carbon sink large enough to prevent future warming. This easily accessible video explains why these headlines were not completely accurate and is a good indicator of why a healthy scepticism is useful in ESG.

Ocean health

With alternative diets becoming increasingly popular many are moving away from meat to fish. Unfortunately, fish stocks have already been under immense pressure with the majority of fish caught illegally. The Economist asks experts to understand what could $1bn do to aid ocean recovery?

UK brings Foreign Office and Aid under same roof

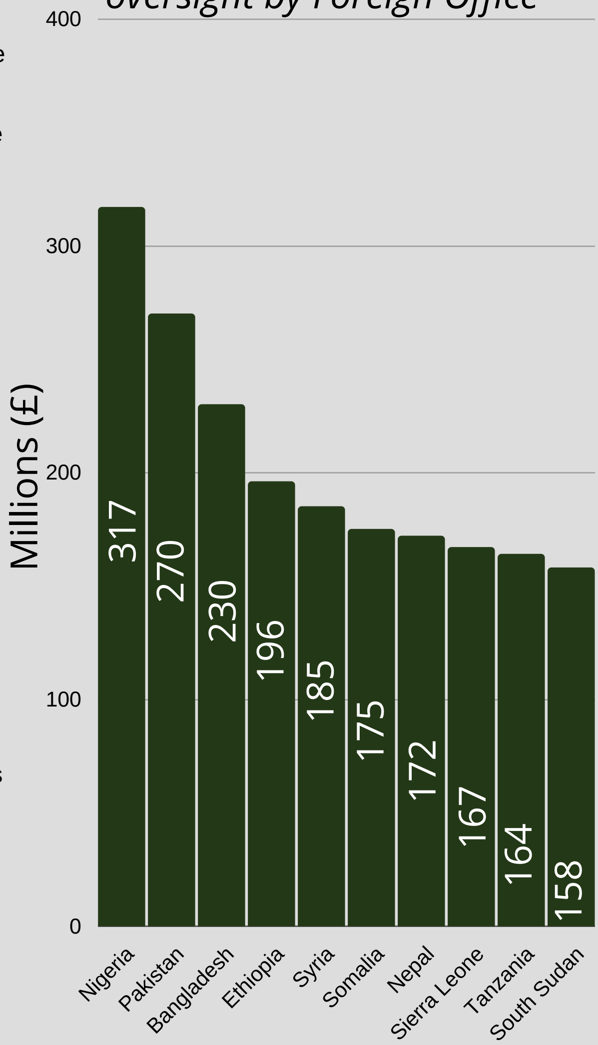
On 17 June, PM Boris Johnson announced that the Department for International Development would merge with the Foreign and Commonwealth office before the autumn budget. The move is important because of the size of DFID. Its budget of £15bn dwarfs the FCO budget of £633m. It also makes the UK the 3rd largest foreign aid supporter in the world and it realigns two departments which have been separated for 23 years.

Johnson has wanted to remerge the two departments for a while and in the February reshuffle, all junior staff were jointly overseen by the two departments.The new mega department, named "Foreign Commonwealth and Development Office", would "unite our aid and our diplomacy and bring them together in our international effort" according to Johnson's speech.

The news has attracted critics from many in the charity sector who believe the merger will lead to less going to less diplomatically significant countries and more to trading partners. Currently, a large percentage of the budget goes towards East African countries for disaster relief and health.

This has been echoed by those in the climate change field, as well as past PM's David Cameron, Gordon Brown and Tony Blair as a large portion of the budget also helps developing counties adapt and mitigate impacts of climate change.This is likely to be true and unfortunately, it comes at a time where East African nations are facing fresh impacts from climate change in the form of a barrage of unusual cyclones.

Aid budgets may change with oversight by Foreign Office



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