sonen capital

Social & Environmental impact investment management

Investing in Energy
Impact Framework

Energy production is the source of 66% of global greenhouse gas (GHG) emissions.[1] Reducing these emissions and achieving meaningful climate change depends on widespread adoption, by industry and consumers, of low carbon alternatives to fossil fuels. The role of public and private market investing and financing will be an instrumental part of the transition to a low carbon economy and reduced GHG emissions.

Sonen's Position

Sonen's energy impact framework targets two broad outcomes related to energy production, energy access and climate change:

Outcome One Reduced GHG and toxic emissions

Outcome Two Increased energy equity through an expanded global supply of renewable, affordable energy

Fossil Fuel Free

Sonen is pleased to announce that we expect all of our products to be Fossil Fuel Free during Q2 of this year, in alignment with the Carbon Tracker Initiative and Divest-Invest. As part of Sonen's 'Invest' initiative, thematic investing within these strategies focuses on energy efficiency, renewable energy, low carbon transportation infrastructure, waste management and water.

Outcome One

Reduced GHG and toxic emissions: Sonen's strategy to reduce GHG and toxic emissions are categorized in ***three*** high-impact issue areas: Efficiency, Infrastructure and Innovation

1) **Increase Energy Efficiency & Conservation:** Energy savings from efficiency have exceeded the output from any other single fuel source. Efficiency gains could reduce energy demand by 50% by 2035.[2]

Investment Strategies	Public Markets	Private Markets
» Invest in lower-carbon energy production alternatives across industries and sectors » Invest in the dissemination and development of basic interventions and technologies that provide incremental energy savings » Support widespread adoption of technologies that improve energy conservation and efficiency	» Innovation in design and distribution for industrial, residential and commercial energy meters, thermostats and monitoring devices » Technologies across industries that increase energy efficiency	» Renewables-based physical infrastructure » Development and distribution of energy-saving technologies

2) **Support Investment in Low-Carbon Infrastructure:** Rising demand for energy will require $US45 trillion in new infrastructure investment by 2030[3], revealing an enormous opportunity to build more efficient and less polluting energy systems that are not dependent on volatile energy prices.

Investment Strategies	Public Markets	Private Markets
» Invest in the expansion of the low-carbon energy grid and alternative energy » Expand large scale renewable energy power generation	» Energy efficient technologies (mainly commercial, industrial) » Renewables-based physical infrastructure, especially that which displaces spending on coal infrastructure	» Renewables-based physical infrastructure, especially that which displaces spending on coal infrastructure » Distributed energy solutions

3) **Invest in Innovation:** Innovations such as materials science and digitization carry significant potential to mitigate climate change across sectors, including renewable energy, improved energy efficiency, transportation, buildings, manufacturing and consumer goods. For example, 14 billion online electronic devices globally consume more electricity than Canada each year, wasting $US80 billion/year due to inefficient technology.[4, 5]

Investment Strategies	Public Markets	Private Markets
» Invest in emissions reductions technologies and increase availability and affordability of low-carbon solutions » Seek investments in technologies that help develop and use lower-carbon energy generation and use	» Technology savings that result from advances in energy storage, support a transition to the smart grid and connected home, or that support off-grid solutions. » Businesses that employ energy-saving or sustainable design whose widespread application results in scalable energy savings. » Technologies that result in commercial and residential energy savings.	» Technologies that increase energy savings across sectors or produce energy from alternative and renewable sources » Distributed energy solutions

Outcome Two

Increased Energy Equity through Expanded Global Supply of Renewable, Affordable Energy: The 'energy poor', or those without access to reliable, affordable energy, suffer significant economic disadvantages, including fewer opportunities to pursue income-generation, access to education and healthcare. Four million people/year die prematurely due to indoor air pollution and biomass combustion, with a disproportionate impact on women and girls.[6]

Source: http://www.e-agriculture.org/blog/womens-solar-power

Investment Strategies	Public Markets	Private Markets
» Reduce incidence of energy poverty through provision of low-carbon generation and energy distribution » Improve energy infrastructure to enable better social outcomes in education, economic productivity and basic welfare	» Financing centralized and distributed energy infrastructure in regions where availability varies or where power sources are currently "dirty" or carbon intensive	» Financing and distribution solutions that expand reach into underserved communities » Grid extension/expansion

Guidelines for Investing in Energy

The following guidelines provide a general outline of the areas in which Sonen will consider energy-related investments.

Energy Sub-Sector	Exclusion	Limited Exposure	Support Best Practices in their Industry
Production: Exploration and Production » Traditional oil and gas companies » Carbon intensive energy sources	✓		
Production: Equipment & Services » Companies that provide various oilfield services including safety equipment and water purification technology; or that manufacture various equipment and technology used in exploration and distribution		✓	✓
Production: Refining and Marketing » Companies that market and retail petroleum products to the end user, but may have limited exposure to refining and purifying raw natural gas.	✓	✓	
Infrastructure/Distribution/Transportation » Fuel and technology alternatives with a relatively lower-carbon intensity (i.e. natural gas). » Transport and storage (i.e. midstream) via pipelines for natural gas that are demonstrably helping the transition to a lower-carbon economy in specific geographies.		✓	
Utilities – Distribution » Utilities whose power generation and distribution originates from lower-carbon sources of energy (natural gas, renewables, etc.). » Utilities that are actively reducing the carbon intensity of power generation.			✓
Utilities – Generation » Utilities whose power generation and distribution originates from lower-carbon sources of energy (natural gas, renewables, etc.). » Utilities that are actively reducing the carbon intensity of power generation. » Exposure to nuclear energy operators (specifically large-scale utilities).			✓

Endnotes

1. New Climate Economy Report, 2014. Chapter 4 Energy.
2. Bank of America Merrill Lynch, September 2014. Thematic Investing, The Efficiency Frontier – Energy Efficiency Primer.
3. New Climate Economy Report, 2014. Chapter 4 Energy.
4. International Energy Agency, 2015. More Data Less Energy.
5. IEA More Data, Less Energy Press Release, July 2014.
6. World Health Organization, 2014. Indoor Air Pollution and Health Fact Sheet.

Important Disclosure

THIS DOCUMENT IS PROVIDED FOR INFORMATIONAL AND/OR EDUCATIONAL PURPOSES ONLY. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE CONSIDERED INVESTMENT ADVICE AND IS NOT INTENDED TO SUBSTITUTE FOR THE EXERCISE OF PROFESSIONAL JUDGMENT. READERS OF THIS REPORT ACKNOWLEDGE BY RECEIPT HEREOF THAT SONEN CAPITAL LLC ("SONEN CAPITAL") HAS NOT MADE A DETERMINATION AS TO WHETHER OR NOT ANY RECOMMENDATION, INVESTMENT, SECURITY, OR STRATEGY DESCRIBED HEREIN IS SUITABLE OR APPROPRIATE FOR THE READERS' INVESTMENT OBJECTIVES AND FINANCIAL SITUATION. ANY REFERENCE TO A PARTICULAR INVESTMENT, PORTFOLIO OR SECURITY CONTAINED IN THIS REPORT DOES NOT CONSTITUTE A RECOMMENDATION BY SONEN CAPITAL TO BUY, SELL OR HOLD SUCH INVESTMENT OR SECURITY, NOR CAN IT BE DEEMED TO CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SUCH INVESTMENT OR SECURITY.

THE INFORMATION HEREIN HAS BEEN PROVIDED BY A NUMBER OF SOURCES THAT SONEN CAPITAL CONSIDERS RELIABLE, BUT WHICH SONEN CAPITAL HAS NOT INDEPENDENTLY VERIFIED. THEREFORE, NOTHING CONTAINED HEREIN SHALL CONSTITUTE ANY REPRESENTATION OR WARRANTY AND NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY SONEN CAPITAL AS TO THE ACCURACY, RELIABILITY OR COMPLETENESS OF ANY INFORMATION SUPPLIED HEREIN. BEFORE RELYING ON THIS INFORMATION, SONEN CAPITAL ADVISES READERS TO PERFORM INDEPENDENT VERIFICATION OF THE DATA AND CONDUCT THEIR OWN ANALYSES HERETO WITH APPROPRIATE ADVISORS. PAST PERFORMANCE IS NEITHER INDICATIVE, NOR A GUARANTEE, OF FUTURE RESULTS.

CERTAIN ANALYSES CONTAINED HEREIN ARE BASED ON A NUMBER OF ASSUMPTIONS WHICH, IF ALTERED, COULD MATERIALLY AFFECT THE CONCLUSIONS REACHED IN THIS REPORT. SONEN CAPITAL RESERVES ITSELF THE RIGHT TO CHANGE ANY OPINIONS EXPRESSED, OR ASSUMPTIONS MADE, HEREIN WITHOUT NOTICE. THIS DOCUMENT HAS BEEN PREPARED AND ISSUED BY SONEN CAPITAL LLC, A REGISTERED INVESTMENT ADVISER. ANY REDISTRIBUTION OR REPRODUCTION IN WHOLE OR IN PART OF THIS DOCUMENT IS STRICTLY PROHIBITED WITHOUT THE PRIOR WRITTEN CONSENT OF SONEN CAPITAL.

ALL INVESTMENTS CARRY A RISK OF LOSS, INCLUDING LOSS OF PRINCIPAL.

50 Osgood Place
Suite 320
San Francisco, CA 94133
USA

info@sonencapital.com
+1.415.534.4444

For more information, visit
www.sonencapital.com