



## **Q2 Letter - Three Weddings and a Funeral**

Four events in Q2 said much about the environmental economy:

### **Wedding #1 - The Power Couple**

In early May, French oil giant Total, embracing fossil fuel realities, purchased advanced battery manufacturer SAFT. SAFT's grid-level lithium ion storage technology can pair with Total's earlier purchase of US solar-panel maker SunPower Corp. Total has pledged to invest \$500 million a year in renewables and joins other fossil producers investing in renewables like BP, Shell, Statoil, Energie SA and Saudi Aramco. Of course the real threat to oil producers is not renewable electricity generation but the improving economics of electric car batteries.

### **Wedding #2 - The Cousins Get Married**

In mid-June, Elon Musk CEO of Tesla Motors proposed a \$2.8 billion all-stock acquisition of Solar City flaunting reasonable corporate governance in the face of shareholders. The complex web of relationships among Tesla board members and companies controlled by Musk or his family members is outrageous. The fact that not a month earlier, Musk personally sold half a billion worth of shares in Tesla reeks of self-dealing. Companies with disruptive technologies should control - not inflate - hype and arrogance, as backlash is sure to follow.

### **Wedding #3 - The Polygamous Arrangement**

At the so-called Three Amigos summit in late June, Messrs. Trudeau, Obama and Pena Nieto committed to a continent-wide goal of 50 per cent clean energy sources by 2025. This one seems a bit Richard and Liz - all hot and steamy at first but unlikely to last. The goal is one sided to begin with as Canada's electricity is already 80% emission free. And Mexico's favorite US presidential candidate (whose name we don't mention) is certain to annul this agreement if he ever reaches office. Investors are best to ignore these aspirational emissions announcements and focus instead on existing business fundamentals.

### **The Funeral - Siemens Kills Its English Turbine Plant**

The day after the Brexit vote, Siemens, now the largest wind turbine manufacturer in the world, killed plans for a massive turbine factory in Hull, Yorkshire. The plant would have created 1,000 jobs and 10,000 more in supply chain related businesses. The environmental economy is a *global* business opportunity - isolationism will only limit a countries ability to participate.