

**(Article for the Jakarta Globe – 12 November 2012 issue)**

## **MONEY WISE**

### **CLIMATE CHANGE – HOW IT COULD AFFECT OUR POCKETS**

Just days after the biggest ever storm to hit New York, a storm which apart from causing death and destruction, closed down Wall Street, cut off power to millions and shut down the city's subway system for the first time in its 100 years' plus history, is there anyone out there who still believes climate change is not happening?

#### ***Is there anything we can do to stop it?***

Given that carbon emissions are clearly part of the problem we could make individual contributions such as switching from cars to public transport. Not so easy if you live in a city like Jakarta where nothing seems capable of stopping the avalanche of private cars and motorcycles entering the scene. In China, barely one person in 50 owns a car. But their ambition is to be on a par with the US, where one in two owns a vehicle. Singapore alone sets an example to the world by making car ownership prohibitively expensive and by providing a public transport system so efficient that few have need for a private vehicle. If only we had a world government on a par with that of Singapore.

There have been numerous global conferences on climate change. Unfortunately the outcome has been little more than hot air as each country has its own agenda so only limited progress has been made. Maybe a few more big storms, floods and droughts will persuade politicians to act in unison.

#### ***Should we be changing our financial planning strategies?***

As individuals we are not going to be able to reverse the trend overnight. But we can at least anticipate the personal effects of climate change and take practical and financial steps to mitigate the effects.

Practical measures would include ensuring we are prepared for floods and other disasters by being adequately stocked with non-perishable foods, drinking water and emergency items like torches and candles. The conditions we witnessed in New York a few days ago could easily be repeated in Jakarta in coming weeks.

Financial measures would include checking if we have adequate insurance, both personal in terms of life and medical cover and also general insurance to cover our homes and cars. Be sure to check whether your insurance includes flood damage.

Make sure you have adequate cash reserves to carry you through any emergencies, be they climate related or not. If you are an expatriate you should keep funds not just locally but also in your home country or in an offshore bank. The accounts should be easily accessible by credit or debit card or via Internet Banking.

Whether man-made or a natural phenomenon, climate change is clearly happening and one of its effects will be to create shortages of food, drinking water and other natural resources. This in turn will inevitably lead to higher prices. Saving more for the future, particularly for retirement, will become even more important.

### ***Are there investment opportunities?***

Every cloud has a silver lining and for those who can afford them there are indeed opportunities which could help to offset the higher cost of living. Until the world embraces greener forms of energy – the problem is they are generally too expensive today – the demand for oil and related products will keep rising. Consequently, investing in oil and energy companies or funds is bound to be a good long term play if you can live with periodic downturns when falling demand depresses prices.

Not only is climate change leading already to shortages of certain foodstuffs but the insatiable demand for energy is persuading many farmers and even governments to convert crops once destined for the table into biofuels. This too offers opportunities by identifying companies that invest in this area or by investing indirectly via managed funds into forestry or agribusiness. Expect volatility though in the short term. Like energy it should be seen as a long term strategy.

Interestingly, a fund was launched five years ago that embraces the theme of climate change by investing in companies that are likely to benefit from efforts to accommodate or limit the impact. It has ironically lost money since launch

although in the past 12 months it has returned 14%, which perhaps indicates that the world is at last waking up to reality.

Investing in the climate change theme is an area for serious investors to consider but it should not constitute too big a portion of a portfolio. Like gold, it should be seen as a hedge or insurance against possible troubled times. If all goes well and the world economies and markets thrive it could still be a profitable investment and at worst you will have paid a small premium.

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