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The STOCK*take* {*our take on your stocks: a News Digest*}

SUSTAINABILITY SPECIAL

Red, White & Green: Labour's Sustainable Centrism?

It may feel like years since the shock July 4th UK election: in fact, a mere two months into Labour's first term, it is far too soon to see real change on the ground - yet Starmer and Reeves have been visibly decisive. Both have made their positions clear and these positions appear to be neither recognisably 'Left' nor 'Right' but rather a highly pragmatic middle path. This extends to Labour's 'green' policies.

The announcements around Tata Steel only days after the election were unsurprising yet also telling: a 'centrist' stance which supports decarbonisation but not at a pace that would cause widespread job loss without chance for retraining. This would seem to predict a similar attitude to the controversies around North Sea oil and gas and the damage to the Scottish economy of so-called cliff-edge decarbonisation.

The downside of centrist approaches is that they anger both sides of a debate simultaneously. For many, there is simply no more time for incremental decarbonisation and any attempt at 'transition' will be deemed a further excuse for 'delay'. (See also p.2. ***Is the US Green Economy in Retreat?).*** It is certainly infuriating to reflect on the fact that decades have already been wasted kicking the carbon can down the line.

Yet the Green Party's poor performance may suggest that the populace as a whole has mentally downgraded the importance of climate change in the face of Cost of Living concerns. The Greens may not be viable as a leadership party but their voice is important in Parliament and their failure cannot have been simply a matter of tactical voting: the electorate were led to believe Labour was a 'given' and indeed other 'minor' parties made significant gains.

Yet Labour's centrist approach is unlikely to win friends on the right of the debate. Penny Mordaunt (who ultimately lost her seat) claimed repeatedly that the proposed publicly owned GB Energy will not in fact produce any energy at all. Certainly there was a lack of clarity pre-election as to whether this body would be a direct energy producer, an investment vehicle or an advisory think tank (in fact it's closest to a seed incubator and 'investment influencer').

There *is* something a little 'wishy-washy' about Labour's report **'Make Britain a Clean Energy Superpower'.** There is much emphasis on creating 'green jobs' but the detail is rather trite, with an awful lot of references to plumbers, for example ('green plumbers' presumably). Yet there are surely only so many people who can or who wish to plumb? It's all a little vague. Who doesn't want energy security and green jobs? Yet if this is really so straightforward, one wonders why it hasn't been undertaken already. The reality must surely be far more complex.

There is also the question of '*what Green means'?* For example, wind farms are 'green' on the one hand, yet 'not green' if to build them affects biodiversity, and this ambivalence can be cynically co-opted to fit almost any agenda. As such Reeves/Rayner's push to build on Green Belt caused (predictable) outrage despite that the 'green' belt in question is far from green and contributes little by way of biodiversity or even natural beauty. Nonetheless any large-scale housebuilding programme – no matter how critical - will also have significant carbon impacts.

It will be fascinating to watch how Labour navigates these tricky green paths over the coming years.

Global Sustainable Finance & ESG

US Green Economy in Retreat?: Big Bank Backtracks & the Politicization of ESG; Australian banks accused of 'greenwashing' whilst EU remains steadfast. Plus … just how long is a 'Transition'…?

Worrying news for those with an interest in Sustainable Finance in the US: 4 major banks – Wells Fargo, JPMorgan Chase, Citi and Bank of America – chose earlier this year to retreat from the Equator Principles, *The Guardian* reported back in Spring. 'Industry guidelines for addressing social and environmental risks when funding mining and fossil fuel projects', the Equator Principles are 'bare minimum' guidelines, so it makes sense that Climate organizations are 'alarmed'.

This news came against a background in which – bafflingly, from a UK perspective – the term 'ESG' has apparently become the latest victim of the US so-called Culture Wars. An entirely inoffensive and politically neutral term both here and in the EU, in the States this has apparently become 'politicized' leaving pro-sustainability and pro-ethical firms frantically altering their language on marketing materials for fear of looking 'extreme'. (For more on the US phenomenon of 'greenhushing' from a UK perspective, visit our blog at https://www.susan-lawson.co.uk/blog.)

In addition claims are being made in the US that firms who agree to ESG-type targets may be entering into a form of 'coordinated behavior' and so in danger of breaching Antitrust laws, whilst controversy this year has also raged this year about new SEC edicts on climate reporting, with a coalition of Republican States moving to sue.

In such a climate it is little wonder that many are sensitive about the language they use to discuss sustainability. As with the UK, it will be interesting to see how ESG and the green agenda fare once the election is decided – with Harris v. Trump a clear-as-daylight representation of a divided America.

Yet politics is not the only reason for a linguistic rethink around sustainability. We note too a rise this year in the use of the term 'transition' – with Blackrock in the States, and Shell Energy in the UK amongst many other deploying the term.

Some see this as worrisome, suggesting a cynical agenda from Blackrock, say. However Blackrock's SRI credentials are solid – indeed they are clear leaders in Sustainable Finance and often a target of an anti-green agendas. In many ways, 'transition' is merely a more accurate term for what must now be done, since it takes into account the fact that we may have overestimated the pace of change that is realistically possible; it also reflects the need for overlap whilst one era is phased out and another phased in. (We saw in the UK what happened when the mining industry was 'disbanded' overnight. This time, of course, the politics are different: it's the Left, not the Right, that want a fast and furious closure of fossil fuel industries.)

Of course there is a danger with this language if it is used to push back change indefinitely – how long is a 'transition'? How long is a piece of string? It remains infuriating, too, that we find ourselves talking about 'cliff edges' when we've known about the problem for decades. Nonetheless we must now work with the situation in which we find ourselves - and 'transition' may in fact be an accurate term.

Globally, SF and sustainability news is mixed. The EU remains steadfast and with robust regulations: 'Europe has so far largely resisted the anti-ESG tide, due to greater political and consumer support for greener products and a swathe of regulations that underpin the operations of the finance industry and companies in the real economy' according to Reuters reporting earlier this year.

More controversially, in Australia, a report by think tank Climate Energy Finance notes that of the Big 4 Australian banks - Bank of Australia (CBA), National Australia Bank (NAB), Westpac, and ANZ - together holding an SF target of $385 billion by 2030, only 7% is actually allocated to tackling and financing the transition, with the rest earmarked for 'green buildings' to meet basic energy efficiency regulations. Climate Energy Finance see this as problematic: according to the author of the CEF report, financial analyst Nishtha Aggarwal: '*the banks need to actively reorient their lending if they are to align their climate rhetoric with their capital flows ... Trumpeting climate action based on the low hanging fruit of financing minimally green-rated buildings is not enough*.'

Yet it must be borne in mind that basic energy efficiency across a country's entire building stock can still have a huge cumulative impact and in effect put market pressure on fossil fuel energy companies by dint of an overall reduction in energy usage – all without any of the difficult, politicized decisions and conversations that other approaches entail. As such, this strategy – while certainly far from ambitious - may still have its own wisdom.

World Bank Debt sits poorly within Climate Justice frameworks

Meanwhile the World Bank's climate finance reporting has also come under the spotlight this year regarding its accuracy, and questions have also been raised as to whether climate finance loans, aimed at lower-income countries, are really the just way forward. The World Bank has a target of 45% of annual financing to be classified as climate finance by financial year 2025. Yet critics contend that such loans merely burden these countries with substantial further debt, an approach which sits poorly within notions of climate justice.

Certainly it appears unjust that the very countries largely burdened with climate change effects – themselves caused by the Western world's greedy consumption of fossil fuels since the Industrial Revolution – must then be burdened with further debt to solve a problem they did not cause. There must surely be a more *financially* sustainable way forward and investment – including Impact Investing – may be one such win-win solution.

Does Further Shift to Offsetting Undermine Decarbonisation?

Finally, moves by the SBTi (Science Based Targets Initiative) to revise the Corporate Net-Zero Standard to allow companies to offset a higher proportion of emissions - in large part a result of corporate lobbying - sparked an internal row at the SBTi itself this year, with those in favor arguing that offsetting has its own benefits (for example biodiversity) whilst critics are crying 'greenwash'.

Far from an expert on offsetting, this nonetheless puts my greenwash alarm on high alert, and we've touched on the question of 'what Green means' on p.1, and how the biodiversity argument can potentially be used with ulterior motives. Certainly, the more you offset, the less you will bother to make genuine reductions, given avoiding these is the entire point of offsetting. However it should also be noted that not all Net Zero champions see offsetting as a problem (for example see Dieter Helm's stance discussed in the Think Piece on p.5).

All in all then it's something of a bleaker global picture than hoped for in sustainability and SF as we move into the latter part of 2024. Despite the EU as a stronghold and some strides made in the UK by Labour, a clear step back can be discerned globally.

Key Reads:

https://www.theguardian.com/business/2024/mar/05/us-banks-leave-esg-finance-climate-crisis

https://www.reuters.com/sustainability/sustainable-finance-reporting/europe-stands-firm-against-us-driven-esg-backlash-2024-04-12/

https://tasmaniantimes.com/2024/04/big-banks-greenwashing-their-sustainable-finance-target

https://www.brettonwoodsproject.org/2024/04/the-world-bank-and-climate-finance-success-story-or-a-new-era-of-green-structural-adjustment/

https://www.reuters.com/sustainability/sustainable-finance-reporting/analysis-offsets-row-net-zero-standards-body-sbti-exposes-schism-over-corporate-2024-04-22/

Dallas/Fort Worth Real Estate Continues to Perform in 2024 but Texas bristles at Green Clampdowns

DALLAS/ FORT WORTH SNAPSHOT

The Dallas / Fort Worth Real Estate market has maintained its leading position for a further year. In 2024, with new job creation ongoing and the subsequent in-migration of new residents with incomes above the US average. These factors have seen Multifamily continue to thrive, whilst small-scale and local or suburban Retail is also doing well despite an overall bleaker picture for Retail globally – especially where associated with new Multifamily developments. In fact suburban Retail bucking general trends is part of a broader picture in the US (read more about this Real Estate trend in our Blog Post *In Suburbia* at https://www.susan-lawson.co.uk/post/in-suburbia-continued-out-migration-from-us-cities-sees-local-investment-opportunities).

Meanwhile leading realtors and developers in Dallas continue to show off impressive Energy Efficiency / Sustainability credentials, with for example Bradford MPT Partners' Meadow Park Tower, working with sustainability consultancy Longevity, achieving the top BREEAM rating. With younger demographics and urban professionals often particularly noted for the emphasis they place on green credentials, such accreditations are likely to be a critical marketing tool.

Nonetheless Texas is also amongst those Republican states who raised legal challenges against new standards (or impositions, dependent on your viewpoint) set by SEC around disclosure. This political backdrop – and the broader politicization in the States of Environmental, Social and Governance discussed elsewhere – does raise some interesting conundrums for Dallas Real Estate firms wanting to showcase 'green' accreditations such as BREEAM to potential buyers concerned with energy efficiency (and, for commercial Real Estate buyers, those concerned with their own sustainability credentials) whilst at the same time worrying that this may be construed as a *political position*. This may lead to the ironic situation of showcasing BREEAM ratings et al whilst simultaneously 'greenhushing' impressive ESG performance in general.

> *"This political backdrop – and the broader politicization in the States of Environmental, Social and Governance – raises interesting conundrums for Dallas Real Estate firms wanting to showcase 'green' accreditations"*

More, will the developers of largescale 'green' schemes seeking investment now struggle? SRI investment pipelines are already said to be drying up in the face of the 'Green Backlash'. This will be a shame. Let's hope that the thriving Dallas/Fort Worth Real Estate market is able to smooth over the disjunction between energy performance and politics as we edge towards 2025.

Key Resources:

https://www.bradford.com/bradford-mpt-partners-earns-top-sustainability-rating-for-meadow-park-tower-in-dallas/

https://www.crexi.com/insights/the-dallascommercial-real-estate-market

https://www.cushmanwakefield.com/en/unitedstates/insights/us-marketbeats/dallas-ft-worthmarketbeats
[https://www.realpage.com/analytics/december-2023- metro-employment-update/](https://www.realpage.com/analytics/december-2023-metro-employment-update/)

https://www.mdregroup.com/february-2024-commercial-real-estate-market-report-insights-fordallas-fort-worth-investors/

'Doughnut Economics' versus 'Net Zero': (Over)optimism v. Extreme Pessimism - but no Middle Path on Sustainability?

THINK PIECE

In view of the various retreats from and delays to the sustainability and decarbonisation agenda highlighted in this issue of **The STOCKtake***, a comparison between two key books on the subject proves alarming, with no middle path to Net Zero and Sustainability Goals.*

The authors of the books *Doughnut Economics* (2017) and *Net Zero* (2020) are both economists. They are also both coming from a 'pro-Net Zero' stance. Yet this is where the similarities end – indeed, it would be hard to find two more dissimilar approaches.

The clearest way to summarize the radical difference between Kate Raworth's *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist* and Dieter Helm's *Net Zero: How We Stop Causing Climate Change* is to say that Raworth is optimistic (arguably far too optimistic, about human nature at least) while Helm is pessimistic (so pessimistic, in fact, as to be almost dystopian), not only about human nature but about almost all current approaches.

Raworth's book isn't as narrowly focused on Net Zero as is Helm's and her concerns also include a broader ethical remit, similar to the UN's Sustainable Development Goals, including goals around wellbeing and equality as much as specific carbon and environment targets. Raworth outlines a model whereby we must live (and achieve economic growth) within 2 constraints – a lower (inner) and an upper (outer) constraint - thus forming the 'doughnut'. Below the lower boundary there is inequality and deprivation due to lack of economic growth; above the outer boundary there is damage to the environment in which we live.

Raworth, as an economist, is obviously pro-growth but *not at any cost*. She also believes that economics has become overly focused on GDP as a metric, and takes issue with a number of central economic tenets, making this as much a treatise on economics as a book about sustainability.

For example, she goes into great detail about the way in which, as economics, as a discipline, tried to become more like a science, via the use of diagrams, pseudo-scientific models and the notion of rational man, it became increasingly divorced from the actuality of how people (and therefore markets) behave. She also points out that much of this has been known for some time: as early as the 1970s, for example, it was realised that 'the foundations of equilibrium theory didn't hold up' but, according to Raworth, 'the implications … were so devastating for the rest of the theory that the disproof seems to have been hidden, ignored or brushed aside'.

Raworth argues that as economics has shifted to a theoretical pseudo-science obsessed with only one primary target – GDP growth – it has moved away from an originally goal-oriented stance: how best to do economics for the broader good. She also refutes all the arguments that suggest that growth's temporary downsides always inevitably 'even out'.

Why does the history of economic thinking matter, and what does it have to do with sustainability? Because policy decisions are still being made today on basic assumptions that, according to Raworth at least, are fundamentally incorrect. And whilst Raworth covers a lot of complex and interwoven territory, her bottom line point is that we cannot simply continue to pursue economic growth if this is undermining the actual environment we inhabit and within which we must live. In addition, she truly believes that humankind, far from the cold, self-interested, rational actor of economics, is instead collaborative and cooperative. Raworth firmly believes that we will ultimately do the right thing for the planet. This, sadly, is where for me the book's thesis is somewhat less convincing.

Raworth argues that most of the research proving that humans are out for their own interest has been undertaken with specific groups of people who don't necessarily reflect the full picture. The difficulty is that her very own references already begin to undermine this belief. For example, she states that 'People's sense of reciprocity appears to co-evolve with their economy's structure' and the examples she gives of higher reciprocity still ultimately boil down to personal gain – people are more generous with people *where they are more dependent on them*. This surely isn't the 'good of people's hearts' as much as a personal survival tactic.

She also points out that 'doing the right thing' goes out of the window, even to the point of ignoring price signals (here she refers to Ormerod), when they are 'drowned out by far stronger network effects, thanks to social norms and expectations of what others in the network are doing'. Haworth openly acknowledges these less than optimistic factors but then doesn't always relate them back to her own ideas.

As but one fairly mundane example, she mentions (quite casually) the idea that people could be persuaded to use public transport and ditch cars. Yet this didn't even happen post-Pandemic when it became clear that very many of life's tasks might be achieved without even leaving the house - why?

Because driving is not merely a practical or economic issue (the cost of running a car is certainly far higher than jumping on a bus, say). It is also (certainly in the UK outside of London) an issue of social status (if you want a promotion in the regions, I'd suggest not being seen standing at a bus stop which, far from perceived as an admirable attempt at sustainability, is perceived wholly through the lens of status). The 'social norms' and the desire for status and associated gain for most people outweigh ethical concerns: Raworth acknowledges this when she refers to Ormerod. Yet she still believes we are largely community minded and seems to look for the positive even when her own references suggest the opposite.

This is commendable – the danger is surely that if ethical and environmental concerns are ultimately for most people perceived as a *luxury*, at the first sign of trouble – for example, a Cost of Living Crisis - the green agenda is *destined* to take second place to day-to-day survival. And this household concern is then passed on to Governments. If Government green policy is going to cost struggling households right here, right now, it will simply be ditched or deferred. Wouldn't it better to acknowledge this, rather than pin hopes on a communality that may be precarious?

In addition, what Government is ever likely to come out and say that they don't see GDP Growth as their priority – even if they wanted to? The disastrous Truss Budget proved that Governments *cannot simply do or say what they want to*. They cannot do or say things that will horrify the markets. Those making policy are not free to 'join the movement'.

If the answer to 'living within our climate means' is a radical rethinking of growth, but this is impossible unless financial markets themselves believe in Doughnut Economics, and this ultimately comes down to investors, who will only 'do the right thing' so long as this has minimal personal implications, Raworth's Happy Doughnut – as much as I want to believe it - feels at times more like a Vicious Circle. I for one don't have the answer to breaking out of it.

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If Raworth's book may be a little *too* optimistic, I've rarely come across a book as harsh or as bleak as Helm's later work *Net Zero* (interestingly his book makes no reference to Raworth's at all in his Bibliography, which presumably reflects the esteem in which he holds her cheerful view of the world).

If Raworth offers a perhaps overly sweetened doughnut, Helm pretty much says 'let them eat climate disaster'. *Net Zero* makes for thoroughly depressing reading, not least because the author holds out his own approach as *the only one possible to prevent catastrophe,* yet it is such an extreme approach that it is hard for the reader to see it ever happening. In fact his view on human nature is so pessimistic that if one extrapolates his book to its ultimate conclusion, there really is no hope at all.

Critically, unlike Raworth and others arguing for corporations to 'internalise the externalities' (i.e. cover the true cost of the pollution they cause or the carbon they use), Helm completely rejects the notion that business would (or even should) take on this cost. Friedmannian in the extreme, for the author 'business is the purpose of business' and we the consumers are, in fact, the cause of these externalities. As such it is we who should pay the true 'carbon cost' of what we buy - or rather, admit that we *cannot* pay, because most of us simply cannot afford the true (planetary) cost of our lifestyles.

Very few other approaches are possible for Helm. He is big on CCS (carbon capture and sequestration as far as it can go, and seems to have no issues with carbon offsetting *per se* (as do many others who perceive this as yet another way of deferring decarbonisation, see also p.3).

Yet a central theme of Helm's thinking is that pretty much *any* method is pointless if undertaken unilaterally - if one country unilaterally reduces (or offsets) emissions, another coal-hungry country, say, will simply increase emissions in turn (in his view). Indeed this lack of belief in any form of unilateral action allows him to dismiss and take apart almost every other decarbonisation endeavour that has so far been undertaken.

He is absolutely scathing on Europe, for example, rubbishing summit after summit as futile. Germany, in particular, he states, achieved nothing other than boosting the production of solar panels in China, an industry itself run on highly polluting coal, ultimately increasing overall global emissions and pollution.

The UK's efforts to be an exemplar country are *also* futile for Helm because, again, reducing emissions unilaterally either backfires, by necessitating higher imports from economies not undertaking similar efforts, or else is *actively exploited* by other countries increasing emissions, despite signing up to unenforceable agreements (which he believes are cynically undertaken). In addition, for Helm, the 'exemplar' argument is mythical if no actual IP is being produced (and an exemplar that increases global emissions is, in his view, not an exemplar).

With 'Peak Fossil Fuels' also a myth in his view, the author thus takes apart and dismisses virtually every effort or approach other than his own which (with some nods to CCS) is that **the consumer must pay**.

How realistic is Helm's vision? Imagine a UK, say, in which all prices reflect true carbon prices. Is the average consumer really going to knuckle under to what would feel – at least for a time - like wartime rationing? What of the companies and corporations – budget 'fast fashion' importers, say – who must now charge 'true carbon price'? They will not lose profit to 'externalities', true – but would surely instead lose the vast majority of their customers (in the case of 'fast fashion' the industry would in fact collapse, since almost all who purchase budget fashion clothing do so precisely because they cannot afford to shop elsewhere). Coming from an economist, I am surprised by a proposed solution which would almost By definition involve the closure of very many businesses – and the loss of jobs that this would entail. Perhaps I am missing something. Certainly I'm not an economist myself.

Nonetheless according to Helm this is the only way forward and if it is not accepted then, as he writes more than once, 'we fry'. This is a stark message indeed and, if true, makes the vast majority of sustainability endeavours pointless – it is Helm's way or the 'fryway' it seems.

It is difficult to know what to make of such a book. The author writes with such a degree of unshakeable certainty that, for the non-expert reader not in a position to fact-check every item from the author's own extensive research, it is hard to question his opinions – which read very much as facts.

But can Helm really be correct that the entirety of Europe – including the German and UK government – alongside innumerable global institutions, forums and experts, and also including Kate Raworth, *are all wrong*? Too, can he really be correct that entire industries, whose customer demographic is by definition largely not well-heeled, would rather give up business altogether than work to find ways to pay their own polluting costs, or ways to not pollute in the first place? Helm's picture is extraordinary.

Still it's certainly a book – and a stance – that won't be forgotten in a hurry. And I do agree that we, as individuals, also look at our own carbon footprint, even if he is a little evangelical for my taste.

For the sake of the planet as well as my own ability to get out of bed in the morning, I hope that Helm is incorrect in his conclusions. I also hope we will see a middle path begin to emerge between Raworth's bouncy optimism and Helm's ominous nihilism.

Bibliography:

Helm, Dieter, *Net Zero, How we Stop Causing Climate Change, Dieter Helm*, William Collins {HarperCollins*Publishers*), 2020

Raworth, Kate, *Doughnut Economics: Seven Ways to Think Like a 21st-Century Economist*, Penguin Books, 2017

SPOTLIGHT ON MALAWI

Opportunity, Impact, Sustainability: Unveiling the Warm Heart of Africa's Untapped Potential

***by* Vanessa Banda**

Located at the heart of southeastern Africa, Malawi is a country full of possibility. With a reputation for being one of the friendliest nations in the world, the kindness of Malawian people has earned it the nickname 'The Warm Heart of Africa'. It also boasts immense natural beauty and a global tourism scene that is already booming. However, few are aware that it may also hold investment potential: competitive but overshadowed by its neighboring countries, Malawi is home to rich terrains and vast resources, and may be a secret gem waiting for daring investors, or investor-developers. Those who have strong interests in SRI and Impact Investing, and who are not risk-averse, could do well to take a closer look at what Malawi has to offer.

Challenges & Opportunities

Is Malawi a land of opportunity or a land of risk? The answer, for the curious investor, is a complex mix of both. Malawi offers fertile terrain, a diverse climate, a Government eager to develop the agriculture sector, and other potential opportunities in sectors as diverse as tourism and green energy.

Yet transparency and corruption have been matters of concern for investors in the past - and perhaps remain so today. In 2013 Malawi's reputation was nearly destroyed in a major corruption case referred to as the Cashgate scandal, with audited accounts showing that millions had been fraudulently paid out. More than 70 people were detained, leaving the Government shaken and scaring away international help and investment.

More recently, the Satar issue centered on the dropped case against the now Late Vice President Saulos Chilima (who died in a plane crash in Chikangawa, Mzuzu), who was arrested in late 2022 on bribery allegations. Although prosecutors recently dismissed the charges, such issues have anti-corruption advocates concerned and despite that strides have been made in combating corruption, Transparency International's Corruption Perception Index 2023 still showed a low score of 29 out of 180.

In addition the Malawian economy has undergone many ups and downs over the past three years. Importation was severely affected by foreign exchange scarcity, leading to a sharp increase in inflation and the devaluation of the Kwacha. 2023 witnessed the Kwacha depreciating at a mind-blowing 44% against the US dollar and in 2024 went down to MK2,222 per British pound. With inflation as high as 33.70% in July 2024, according to Trading Economics, long-term planning remains problematic - a vicious cycle created by the need for Malawi to borrow domestically in order tackle budget deficits.

Technology has also disappointed: according to the Global Innovation Index, Malawi ranked 107th in 2021, up from 118th in 2019. Yet looking around today, there seems little improvement in the sector and limited investment, with knock-on effects for Malawi's productivity and skills. For instance, there remains low utilization of raw resources, especially in agriculture, leading to spoilage and waste.

Underinvestment and the sense of instability combine to create a climate of uncertainty and risk for investors, perpetuating the problem. However, there may be light at the end of tunnel with the Government's audacious 'Malawi Vision 2063' plan, which aims at eliminating corruption while increasing economic expansion. 'Malawi Vision 2063' provides a clear roadmap for the country's future. The Malawi Stock Exchange (MSE), regulated by the Reserve Bank of Malawi, offers a platform for investing in local companies and, with a number of key sectors looking to future development, any opportunities found here could also have strong ethical and impact credentials.

Key Opportunities & Sectors: Where Might you Sink Your Roots?

Agriculture & Food Production: Pressing Challenges but Promising Potential

Agriculture is the backbone of Malawi's economy, contributing substantially to both domestic production and export earnings. It generates over a quarter of the country's total economic output and over 80% of its export revenue and, according to the JICA, the sector employs 64% of the country's workforce and 'contributes to food and nutrition security'. Leading subsectors in agriculture include tobacco, tea, coffee, crop farming, livestock production, horticulture, fisheries and aquaculture, irrigation and agro-processing.

Yet the agriculture sector in Malawi performs below its potential, despite the possibility of increased productivity and output, largely because animal products are produced and consumed in very small quantities and because agriculture primarily depends on rain-fed crop production / subsistence farming. Yet precipitation trends are increasingly uncertain as a result of climate change, with frequent and more intense droughts as well as excessive downpours leading to flooding resulting in crop loss.

For instance, Cyclone Freddy, a record-breaking storm in terms of strength, length, and resurgence, tore through Malawi in March 2023, leaving entire villages submerged, displacing over 1.5 million people and leaving many homeless, and over 500,000 people were left in dire need of food assistance. The destruction of crops and agricultural land worsened Malawi's existing food insecurity situation, pushing millions towards hunger, with the Malawian government declaring a state of disaster in 14 severely affected districts. As a result, the country continuously faces food shortages at the national and household levels. Malawi has also been hit by other agricultural problems, including fall armyworm attacks in the recent past, which significantly affected the production of maize. (1)

Alongside susceptibility to adverse weather events, other obstacles include limited adoption of agricultural technologies and inadequate land, water, and soil management, low levels of mechanization and technical labor skills and restricted access to financing facilities. (2)

Could Weapons in the Fight for Food Security also be Opportunities?

Nonetheless development and investment - both internal and external – is in a position to create immense positive impact in Malawi. For example, the food production sector in Malawi is an open opportunity: the country is expanding into macadamia nuts, pigeon peas, and paprika., horticulture, agro-processing, sugar, soybean, cow peas, pork, honey, integrated cotton development, cassava, and mushroom cultivation (as well as aquaculture and livestock). Yet the majority of Malawian agriculture is still currently rain-fed, making crops precarious. Irrigation technologies are therefore an enormous opportunity here, as a result of the country's goal to reduce its dependency on rain-fed agriculture.

Drip irrigation and other modern irrigation systems can free farmers from the tyranny of rain and also increase yields yet – while it is difficult to find a definitive list of all irrigation development or irrigation tech companies in Malawi – the only well-noted company is AROHA Irrigation and Water Supply (offering irrigation equipment, civil engineering services, and supplies for storing equipment) and the country mostly relies on traditional farming methods. As such there may be significant opportunity for the introduction of, and investment into, new companies here to drive the development of the country.

Similarly there are potential opportunities in companies that offer or install such systems, as well as in the construction and building of improved storage facilities and processing plants and protecting crops from losses after harvesting. For instance, Malawi's ambitious Mega farms programme was launched by the Government in August 2023, aiming to revolutionize agriculture with large-scale commercial ventures. These farms target a minimum of 175,000 hectares by 2028, potentially boosting food security and generating foreign income through exports with improved technology practices and focusing more on irrigation. In addition, research into drought-resistant and high-yielding crops would create harvests that are future-proof and might be supported by investments within development institutions or seed companies.

Achieving these agricultural objectives will require internal measures - such as improved bank lending terms to farmers, ongoing government initiatives and other potential solutions including increased liberalization of the market system, with less government control and more freedom for private businesses to buy and sell crops; the development of rural marketing infrastructure and agricultural market information systems that provide farmers and other players with data on prices, supply, demand, and other factors to help them make better decisions given challenges such as price swings and limited infrastructure; the establishment of commodity exchanges, and a more organized marketplace for agricultural products with features including price discovery and risk management.

It will also require internal Malawian investment and entrepreneurship - private Malawian-owned firms. Yet there is also a huge role to potentially be played here by external foreign investment, which might include direct investments from agricultural corporations and international research institutions. With such weapons in place Malawi can not only conquer food insecurity and create a brighter future.

Meat Production in Malawi

Alongside agriculture, there are also opportunities in Malawi's meat production industries. Malawi's cattle population has decreased from over 1 million in the 1980s to the approximately 780,000 currently according to the Food and Agriculture Organization. This decline is attributed to factors including disease, limited access to veterinary services, feed shortages or poor feed quality as a result of drought or lack of resources, and difficulties with knowledge of breeding techniques. The FAO also reports that animal husbandry practices need improvement.

However, given what we now know about the enormous carbon footprint of cattle farming – and in particular the image of vast cattle ranches and their massive contribution to climate change, these may not be the only solution. In fact, Malawi's real animal production stars are much smaller, with goats and poultry doing well on account of their resourcefulness and, since they require less space and feed, perfectly suited to smaller farms and smallholdings – an inherently more sustainable and localized approach. In addition given the popularity of goat meat and chicken in Malawi there is a ready market, and since both animals reproduce at a champion rate — goats with multiple kids, hens with clutches of eggs – this also means quicker growth and faster profits. Finally, these adaptable animals also deal with heat and droughts better than cattle.

How might investment capitalize on small animal production and smallholder farmers in Malawi? Smallholder farmers need empowering - with better breeding stock, feed production, veterinary services, and training. Sustainability is the focus, and at the center of this is disease prevention, waste management, and water conservation. And although profitability of goat farming in Malawi has been found to require efficiency improvements, it nonetheless plays a significant role in achieving Sustainable Development Goals. (3)

Beyond the Fields: Manufacturing & Mining

Whilst agro-processing forms a large part of the manufacturing sector, most agriculture crops spoil due to their nature, so that Malawi as a country is also learning to invest in production of raw materials to products, with textiles and construction materials also growing areas within manufacturing. Leveraging local raw materials in this way can reduce imports and create further employment opportunities.

Malawi in addition has several minerals with economic potential, including uranium, phosphates (apatite), bauxite, kaolinitic, coal, kyanite, limestones, rare earths (including strontianite and monazite), graphite, sulfides (pyrite and pyrrhotite), titanium minerals, and vermiculite, the majority of which have previously been assessed by private businesses or the Ministry of Mining (via the Geological Survey Department). Yet according to the International Trade Administration, to date 'only phosphate, coal, limestone, uranium, iron ore, rock aggregate, and precious stones have been exploited'. (4) A number of planned rare earth and niobium projects are planned to begin operations within the next two years.

Sustainability: Clean / Green Energy Projects

Although gas and oil exploration in Lake Malawi has been considered, Malawi is not ready to undergo such processes due to limited resources and, with Lake Malawi also being the largest source of fish, the project has been put on hold. In light of Malawi's current focus on more sustainable energy sources this may in any case be for the best: Malawi is actively seeking ways to transition towards a more sustainable future, and green energy projects are playing a significant role, with the first large-scale solar plant of 20 MW, Golomoti Solar Plant, having the potential to power 34,000 homes. This forms just one piece in the puzzle for mini-grids to serve over 1 million people in remote areas by 2030.

Hydropower, currently the 'workhorse' with more than 90 percent share of the grid, is being responsibly harnessed by smaller plants. Another clean solution is the biogas from waste, especially for rural communities, where this could bring health benefits through reducing reliance on polluting firewood. These innovative projects give a flavor of how serious Malawi is about the future of sustainable energy.

The Tourism Sector: Appreciating & Sustainably Capitalizing on Malawi's Natural Beauty

Finally, the tourism sector in Malawi holds great potential. The country has stunning natural and cultural attractions including wildlife, forest reserves and cultural heritage, and boasts Mulanje Mountain, the third highest mountain in Africa and - Malawi's real gem - Lake Malawi itself, the third largest freshwater lake in Africa. As it works to recover from the damage caused by COVID-19 and continue in its important role, the tourism industry in Malawi is going above and beyond to ensure the well-being of its visitors. The industry is vital to the country's economy and provides employment and community projects for a large number of local Malawians, in addition to aiding in the conservation of the nation's natural riches.

Nonetheless Malawi's tourism scene is far from being fully tapped and remains wide open for sustainable investment. For example Lake Malawi supports world-class diving and snorkeling amidst over 1,000 different fish species, yet the potential for ecological tourism is far from developed, while each of 5 national parks also offer opportunities, for example eco-lodge developments and sustainable resorts to accommodate responsible tourists - luxury tented camps, perhaps, next to Majete Wildlife Reserve, or eco-lodges overlooking the stunning view of Likhuta Valley in Nyika National Park.

The rich cultural heritage of Malawi, its historic tribal sites, traditions and handsome arts and crafts also offer opportunities, including for real estate developers and entrepreneurs, in the development of Cultural Centres, perhaps, or of community-based tourism ventures - homestays in rural villages, for example, that can deepen visitor experience, provide cultural interchange, and spread the economic benefits of tourism to local communities. Envision the development opportunities in a traditional dance performance venue, or an artisan market shopping area – these might be undertaken via Malawi-based development and investment, external foreign investment, or novel collaborations.

With such scenic beauty, diverse experiences, and rich culture, Malawi displays great potential for a tourism explosion and investment can play a part in this journey, helping provide the infrastructure and experiences that will make Malawi an even more memorable destination. While tourist arrivals were hit by the pandemic, previously numbers were well in excess of 978,000 visitors, an indication of the potential. Yet according to the NPC, there has historically been an inadequate investment in the hotel sector – surely a fact of interest to global real estate developers.

Win-Lose or Win-Win for Development & Investment in Malawi?

Is Malawi then a land of risk or a land of opportunity? It is both. Enormous resources, a developing agricultural sector and stunning natural beauty put Malawi in a strong position for the future. Yes, corruption and weather instability are real challenges but with strides toward transparency and a focus on sustainable solutions, Malawi is surely ripe with potential. From modernizing irrigation to ecotourism lodges lining the banks of Lake Malawi, investment has the ability to power Malawi's rise, while the considerations of SRI and Impact Investing aim to ensure benefits also trickle down to communities. For those willing to take a risk it may be time to ditch clichéd perceptions and take a closer look at 'the warm heart of Africa' - a potential treasure trove of yet to be discovered opportunity.

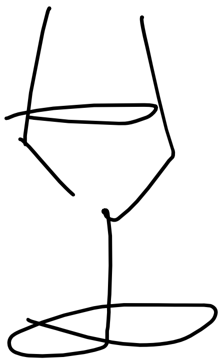
NOTES

(1) 'For example, during the 2019–20 season, the hectarage attacked by fall armyworm increased from over 227,000 ha to approximately 296,000 ha in the 2020–21 season. This fall armyworm infestation percentage is significantly higher than the 5,300 hectares and 0 hectares NAIP baseline mark and target, respectively', JICA

(2) https://www.jica.go.jp/malawi/english/activities/c8h0vm00004bpzlh-att/agriculture.pdf

(3) Profit inefficiency of goat farming in Malawi: A Bayesian approach, Chifundo Nyakwawa, Assa Mulagha-Maganga, Julius H. Mangisoni, Lilongwe University of Agriculture and Natural Resources

(4) https://www.trade.gov/country-commercial-guides/malawi-mining-and-minerals



Unlikely combination of regenerative farming and AI may help challenged US wine industry

I don't often get to combine two of my greatest loves – wine and architecture - and this is hardly a happy occasion for it, but *The Wine Spectator* reports that the renowned winery architect Howard Backen has died at the age of 88. Backen was well-known in Napa valley for what is termed 'the Wine Country Look' and, as well as designing multiple wineries, was a winner of the Presidents Medal and also an architect to the stars.

Whilst I was unfamiliar with Backen until I read this news, and indeed unfamiliar with the 'wine country look', being based in the UK where we are not exactly known for our wine (although the burgeoning 'English Sparkling Wine' industry has some genuinely exquisite wines - though the sector needs a better 'appellation'), his work is certainly striking in its unusual marriage of low-key respect for the landscape and the luxe glamour and comfort that Backen's tasting rooms evoke, despite their humble and sustainable materials.

Interestingly, despite creating 'a look' – and we know that 'looks' tend to be used indiscriminately in interiors regardless of their relevance – Backen was at pains to point out how contextually sensitive was his work to its specific environment. His work in Napa Valley therefore only looked that way *because of the Napa Valley climate and landscape*. Such then is the irony of design trends that they are taken out of context - both literally and metaphorically.

Backen & Backen will continue under the leadership of his wife and family.

In other wine news, the US wine industry is reported as turning to an unlikely combination of regenerative farming and AI in the face of ongoing industry concerns including labor shortages and poor demand (presumably in part caused by global cost of living concerns), alongside rising grape prices. Whilst regenerative farming is being explored to enable better soil health, AI is also being utilized for its benefits within vineyard management. This unusual combination of traditional practices and future-forward tech aims to create a more sustainable industry – both actually and financially.

As Sotheby's expands into Asset-Backed Securities, New York art fairs this year turned their back on 'corporate influence'

The contrast between 'art as asset' and the artworld itself never ceases to amaze and amuse me. According to Barron's, Sotheby's Financial Services arm this year entered the securities market – an industry first. Offering $700 million in securities backed by art-secured loans, this pushes their total funding capacity to $2 billion and builds on on their strong position in the $34 billion global art-secured lending sector. The deal, according to Barron's, includes 89 loans secured by 2,484 works of fine art and collectibles and is being touted as a landmark in asset-backed securities.

At the same time in New York art fairs – for the most part now corporate affairs – including experimental fairs *That '70s Show* and *Esther*, have turned their back on the corporate world to emphasize instead 'community building' and to facilitate the discovery of emerging talent. The battle between art as asset and art as anti-asset will ever rage. Warhol will no doubt be chuckling in his grave.

Key Reads:

https://www.winespectator.com/articles/napa-wine-country-architect-howard-backen-dies

https://globalnews.ca/video/10353577/wine-growers-ns-weighs-in-on-commercial-winery-support-program

https://winenews.it/en/wine-markets-want-to-start-up-again-but-caution-prevails-is-the-sentiment-at-prowein-2024_520389/

https://www.winebusiness.com/wbm/article/284938

https://www.barrons.com/articles/sothebys-sale-of-700-million-in-securities-reflects-art-loan-performance-strengths-ffd1e724

https://hyperallergic.com/910753/in-nyc-two-new-alternative-art-shows-combat-fair-fatigue/

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