

Green values, green business

There's a growing consensus that environmental goals will drive future profits

By Joanne Sommers

Andrew Heintzman comes across as a typical financial entrepreneur, with an avid interest in economic and political trends, an eye for detail and a lot of drive.

But he is unlike his peers in the investing field in one significant way. Based on a personal commitment to environmental values, the investments in his firm's portfolios are restricted to companies that are developing environmental goods and services. Assets under management at the company, Toronto-based, **Investeco Capital Corp.** remain modest at about \$45 million, but Heintzman believes the time has come for green companies.

Referring to more than a decade of personal reflection about environmental change and how it can be accelerated, Heintzman says: "I wanted to focus on the intersection of ecology and commerce. I felt it was going to be a great business to be in because the problems are so significant that we really need new companies."

Like Heintzman, who also volunteers his time to environmental non-profits, many financial advisors are making environmental concerns a priority. While some pursue their goals through business ventures, many more donate their time, energy and skills to green causes. And more and more often, it seems, the private passions that have driven the environmental movement for decades are now spilling over into mainstream business ventures.

Heintzman, for instance, has managed to translate his personal convictions into a profitable investment business. But it didn't happen overnight. Heintzman found himself looking for new opportunities in the late 1990s, after *Shift*, the culture and technology magazine he co-founded with Evan Solomon in 1991, was sold. He linked up with Michael de Pencier, his mentor and a long-time magazine founder and publisher who sold his own publishing company in 2002. De Pencier also has a wide green streak, and has been a past chairman of the **World Wildlife Fund Canada**. "Neither of us had been in financial services but we were entrepreneurs enough to think that we could figure out a way to put it together," Heintzman recalls.

When they surveyed the investing landscape, the two decided a new approach was needed. "We saw the funds that were calling themselves 'green' but, for the most part, held banks and resources companies," Heintzman says. "They were using a corporate social responsibility approach, looking for companies with environmental concerns."

Heintzman and de Pencier thought they saw a better way — a sectoral approach that involves looking at the environment as an accumulation of different sectors. In 2003, Investeco was born. It now consists of two businesses: Investeco Capital Corp., a private-equity firm, invests in private Canadian green companies in sectors such as agriculture, solar and biofuels; a fund created by subsidiary **Investeco Financial Corp.** invests in publicly listed securities with mostly international holdings in Europe and the U.S.; about 20% of its investments are Canadian. Returns for those investments were 27% for the 12 months ended Jan. 31, 2010, outpacing the MSCI all country world index's gain of 18.3% for the same period.

Heintzman also volunteers several hours a month at non-profits with green objectives. One, **Sustainable Prosperity**, has built a network of high-profile Canadians from a wide range of sectors and across the political spectrum. (The steering committee includes Preston Manning.) Sustainable Prosperity is dedicated to influencing public- and private-sector policies that affect the environment. Says Heintzman: "A lot of this comes back to public awareness. The more people engage in these issues, the more accepting they will be of the kinds of solutions that are required."

Heintzman is one of a small but growing group of Canadian entrepreneurs who are working to translate personal convictions into a new business credo, one founded on the idea that green products and services are as potentially profitable — if not more so — than conventional business models. Gary Thompson is another. A Canadian geologist with extensive experience in the oil and gas sector, Thompson began researching the energy market in the 1980s and soon realized that North America was heavily reliant on coal for electricity generation. "I thought, 'There has to be a better way'," he recalls.

That led Thompson to create Sierra Geothermal Power Corp., a Vancouver-based company that is developing geothermal power, an endless source of clean energy that taps the heat of Earth's core. The company's portfolio of geothermal projects in Nevada and California now has a combined total estimated capacity of more than 500

megawatts.

Thompson and Heintzman, whose professional lives are an outgrowth of their personal commitment to the environment, embody the quality most essential for success in a green entrepreneur: passion. "For green entrepreneurs, passion is key," says Karel Samsom, a specialist in environmental and sustainable entrepreneurship in Burlington, Vt., and author of *Spirit of Entrepreneurship*. "Entrepreneurs are much closer to their own values than people involved in big business. Those imbued with this kind of spirit have the imagination to rebuild the value chain and inspire their customers in the process."

That's a thought that seems to inspire financial advisors and others in the financial services sector when it comes to helping the planet. More and more often, working for the environment is not something these new-style environmentalists get to only after the lights at the office are turned off. The conviction that motivates them to spend their own time working to slow climate change, preserve habitats or reduce the wasteful use of resources is something that runs through their working lives as well.

Indeed, the line between doing good and doing well is starting to melt away. The largest clean-energy/technology companies traded on the Toronto Stock Exchange dramatically outperformed the overall equities markets in 2009, according to **Hoggan & Associates**, a Vancouver-based communications firm that specializes in the CE/T sector.

The Hoggan 20-10 Clean Company List shows that the average value gain of the 20 largest CE/T companies traded on the TSX was 75% in 2009, compared with an average gain of 31% for the TSX composite index. The average value gain of the 10 largest CE/T companies traded on the TSX Venture Exchange was 161%, compared with a 91% average gain for the TSXV composite index.

The best of these CE/T companies have received investor support because they demonstrate increasing operating revenues from renewable energy projects or from sales of technology, says Hoggan & Associates executive vice president Shafiq Jamal: "Investors are not interested in pie-in-the-sky ideas. They are interested in companies that can fill the huge need for commercial alternatives to fossil fuels and energy waste."

It also helps to have "first mover's" advantage, such as that enjoyed by LGC Skyrota Wind Energy. This Vancouver-based firm, a leader in the development and maintenance of clean-energy wind turbines, bases its operations in Northern Ireland, where it is the only company to offer turbine gearbox refurbishment services, says Skyrota CEO Thomas Braun: "We have a fast turnaround time, a competitive price, and we can reproduce any gear that has worn out or broken."

Skyrota's market cap is \$5 million. The firm had revenue of about \$3 million for the year ended Sept. 30, 2009, and projects an increase of about 50% for 2010.

Companies such as Sierra Geothermal and Skyrota aren't just growing on the basis of individual initiative. Sweeping new legislation emerging in several countries, including the U.S., China and many European states, is also driving the shift; globally, more than 250 climate-change regulations have been enacted since mid-2008. In Canada, Ontario has launched the most comprehensive and generous set of feed-in tariffs in North America, which guarantee fixed, above-market prices for 20 years for sellers of electricity produced from the sun, wind, water and biomass.

When it comes to greening the environment, the personal is becoming far more than the political. It's also translating into critical new boosts for business --- and the global economy. **IE**