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Environmentally friendly investments becoming ever more popular today

By Bill Toland, Pittsburgh Post-Gazette

Apparently it's not enough to buy fluorescent light bulbs anymore. These days, your retirement investments ought to be environmentally friendly, too. And while one individual's $500 investment in a green fund might not reduce global carbon levels appreciably, state treasuries across the country could if they divert part of their trillions in investment capacity toward the planet's most responsible stewards.

And they're starting to.

With that much financial muscle behind the effort, says Pennsylvania Treasurer Robin L. Wiessmann, "green investing" soon could go mainstream as institutional investors incorporate environmental and geopolitical factors into the investing equation.

Because climatic and environmental issues are claiming international importance, green investment strategies have grown in popularity the past few years -- even though, as a school of thought, you can arguably trace this all the way back to the Quakers, who have a history of mixing money and morals.

Pennsylvania began testing these waters this month, when Ms. Wiessmann, on the dais at the Philadelphia Stock Exchange, announced that the state would be investing $15 million in publicly traded funds that hold stock in companies that either deal directly with energy and environmental issues, or have been recognized for their Earth-friendly business practices.

It's part of the state's new "Keystone Green Investment Strategy." The second component is direct investing, perhaps $50 million, in publicly held, yet-unidentified green energy companies based in Pennsylvania.

From Philadelphia, Ms. Wiessmann was off to New York for the United Nations' "Investors Summit on Climate Risk," the third such summit since 2003. State treasurers, city comptrollers and financial service firms convened to talk about the latest investing trend.

There are dozens of investment firms that have at least one green portfolio, even though the majority of the portfolios didn't exist even two years ago, according to the San Francisco Chronicle.

"There's much more of a groundswell," said Ms. Wiessmann. Focusing the clout of institutional investors is "a great way to propel" green energy firms.

It's sexy, but is it safe?

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Others aren't so partisan, but still wonder if the investment houses aren't engaging in a bit of "greenwashing" -- exaggerating the environmental bona fides of their largest holdings in an effort to cash in on the "social investment" trend. Indeed, some funds are thin on solar and alternative energy companies, and are rounded out by, say, the Chipotle burrito company (because it tries to buy local ingredients) or Hewlett-Packard (because it's a "best-in-breed" company, greener than its competitors).

Pennsylvania has split its initial $15 million among three well-known green funds -- PowerShares WilderHill, an exchange traded fund; Winslow Green Growth, a mutual fund; and Green Century Balanced Fund. Green Century's fund, managed by Bank of New York Mellon, includes Microsoft Corp., Xerox and Allentown's Air Products & Chemicals, plus two other Pennsylvania companies. WilderHill, as of this month, held stock in more than 40 companies, most of them directly involved in green energy (Nova Biosource Fuels, Pacific Ethanol, First Solar Inc., FuelCell energy Inc. and more).

Winslow Green Growth invests in clean energy as well as companies that promote active, healthful lifestyles -- Whole Foods Market Inc. and Life Time

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But, as with any investment portfolio that zeroes in on one market sector, some of these funds have the potential for volatility. Generally, funds that invest in larger, best-in-breed companies would have more built-in stability than a portfolio made up entirely of green firms.

The risk could be reduced, though, with more variety, both in terms of the number of companies that qualify as green investments, and the number of firms offering such portfolios. And that could happen, says Ms. Wiessmann, if institutional investors get serious about considering qualitative factors, not just earnings per share, as part of an investment philosophy.

The treasurers and comptrollers at the UN summit, for example, brought a combined $1.75 trillion to the table.

The goal, Ms. Wiessmann said, is to get companies to realize that the biggest investors will work "climatic factors and energy factors into all of our business decision-making."