Table of Contents

Letter of Dismissal ................................................................. Page 1

Opening Remarks ................................................................. Page 2
November 24th, 2014

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Niagara College
Niagara-on-the-lake, ON-CAN

Dear Timothy Kaposy:

The attached report, requested by Timothy Kaposy on the the financial industries effect on the environment in class stated on 13/11/14 , describing the effect of industries on the environment. We believe you will find the results of this study in this report.

This study was designed to examine financial industries effects in areas in the environment:

1. History of finance and the environment within the Niagara Region
2. Financial industries current role in the environment in Niagara
3. Next steps for financial industries role in the environment

Primary research consisted of of interviews with 2 financial advisors. Secondary research sources included articles, online resources, books and government publications. Results of this research, discussed more fully in this report, how the environment is not an important sector on the financial benefits of industries.

I would be please to discuss this reports and its conclusions with you at your request. We appreciate you for working with us and guiding us to get this report done. Thank you.

Sincerely,

Arianna

Arianna, Spencer and Vinnet
Niagara College Students

BM: mef

Attachment
Opening Remarks

We are currently living in a period or a era where the environment is practically a part of everything we do. Which has impact in most of the Business Community. Some of these industries which are the main cause polluting Air, Natural resources, Water and open spaces are namely Transportation industry, Chemical industry, Mining industry, etc. This report explains the analysis of financial sector’s contribution towards the environment. In this report we get to know about how significant is the role of financial sector’s contribution towards the environment. Our Group has examined this situation to have a clear idea of how, why, & in what ways is this industry helping the environment which will be clear to the readers of this report once he/she has completed reading this report.

History of the Niagara Region and its relation to finance

The Beginning
The financial sector in the Niagara Region dates back as far as the late 1860’s (Niagara Region, 2014). These were times before the name “Niagara region” was coined. Back then only countries like lincoln and Welland existed. First people in Niagara goes as far back as 12’000 years ago while our Niagara Falls skyline consisted of spruce trees and tundra (info niagara, 2014). The woodland period which goes back from 300 years ago to 3000 years ago was the peak of the Iroquois culture. Agriculture such as beans and squash were abundant and the main source of food for the Iroquois (info niagara, 2014). As a result of this new found energy, the population boomed and many small villages littered what is now the Niagara Region. At this point we see that the relationship between the environment and one’s own self preservation
was very apparent. You were to live off the land and barter with your neighbor if you needed something you couldn't produce.

**European Influence**

European missionaries and explorers arrived on the scene at the beginning of the 17th century. Inter-tribal warfare broke out fueled by some of what the Europeans influence was such as converting natives and exchanging technology (info niagara, 2014). What is now the Niagara region was under a siege of war parting ways its previous methodology of being one with nature. With a now profound european influence the “new world” was in full swing.

**Post 1812**

Following the war of 1812 the region started to rebuild itself. Communities such as Queenston, and Niagara on the Lake became bustling with activity and Chippawa being the epicenter for the regions economic activity. This is in great part to distilleries and factories in the area (info niagara, 2014). By the 1820’s the first ferry service was established on the lower Niagara river. Infrastructure development was under way with a paved road being built between the ferry landing and the top of the hill, now known as clifton hill. Possibly one of Niagara’s biggest achievements was that of the Welland Canal. The first canal was completed by 1827 with the installment of 13 more bridges intercepting the gap of the Niagara river gorge. These were all completed by 1962 (info niagara, 2014). The kings highway linked Niagara on the Lake (first capital of upper canada) to Chippawa (info niagara, 2014). In 1854 the first steam engine run train came about and was relocated to what is now the town of Niagara Falls (info niagara, 2014). Following this Niagara Falls became a tourist destination in the 1820. Within 50 years the industry increased by 500% to become the region's dominant industry (info niagara, 2014).
**History repeats itself**

It has been shown that the Niagara Region has had a wild ride over the last 500 years. The tribal Iroquois had enjoyed peaceful harmony with mother nature. The prospect of progress from the Europeans sent the tribes into war over conflicting ideas. This irreversibly sent Niagara into a battle between contrasting views between industry and its effects on the environment. How does this relate to the finance industry? Well “progress” relies on one key variable being money. To make a dream a reality money is needed in the form of debt of equity financing which all falls under the finance industry. Niagara’s history has shown us that there has been a lack of knowledge and/or interest in preserving the environment with the intent of compromising the progress of society. Financing factories and distilleries in Chippawa in the early 1820’s for example which exclusively relied on “dirty fuel”. At the time the technology did not exist to diagnose the environmental ramifications nor did anyone seem interested. This in turn led up to Niagara’s reliance on fossil fuels. Banks, Investment banks, etc did not know or care about the environment pre 1970’s, it simply wanted sufficient return on investment (solo (interview), 2014).

**Research Analysis**

The finance industry in Niagara can be broken into multiple segments. These would include public and private banks, investment banks, and private investors. The role of these institutions in Niagara is paramount as they provide start up capital and financing to businesses of all industries. This in turn means that these institutions controls what initiatives and businesses are allowed into the region. Their goal is to make money and have well developed and prosperous businesses in the region to keep the area busy and have more income. Additionally, When these businesses become big and have large income flow it motivates more business owners to start new projects in the area that will require financing that will lead to larger numbers of loans. Whereas, a large portion of the financial sector triggers revenue from loans which will acquire value as interest and later down in the business cycle benefits from the vestments.
**Reputation**

Financiers often engage in eco-friendly projects to help boost their brand status. For example, the Sheraton on the falls has recently updated many of its facilities with eco-friendly materials. This would include energy smart light bulbs, energy efficient appliances, and performance audits to ensure eco standards are being met (Sheraton, 2014). As a result, Sheraton on the falls has experienced a boost in hotel bookings and trust in the brand. This plays into the finance industry because the Sheraton is involved in many financing deals with banks to help fund its new initiatives. If the financing bank did not think that this was a lucrative investment than it would'nt get involved with the Sheraton (Menechella (interview), 2014). Manulife securities (Niagara Falls Branch) runs an annual golf tournament dedicated to raising money for Wells of Hope (Howe (interview), 2014). This of course is not only done to give back to the community, but to increase the status of the firms brand. “Alling yourself to a developed, popular social cause will add value to your brand and show your customer base that you are in tune with what's going on”. (Howe (interview), 2014). The reputation of any business in Niagara is something that takes years to build and something that the finance industry clearly values. There may be no direct dollar amount attached to it, but there is certainly an affect on sales.

**Tax Incentives**

There is a cornucopia of tax breaks for those who are environmentally friendly. Charities like wells of hope offer a charitable receipt to those individuals and businesses who donate money to them. The finance industry in many cases take advantage of these initiatives. Not only will it help boost their brand status, but will grant them a tax break. Besides conventional methods like this, there are hundreds of government programs designed to engage businesses (like in the financial sector) to get eco-friendly. Many of these can be found under the ecological gifts program. There has been $716 million donated out to help businesses decrease the ecological footprint. The financial sector takes advantage of these in many ways. It plays a
role in whether they will give out a loan/investment to someone, and most importantly it affects their bottom line. (CRA, 2014).

Lucrative business opportunities

Due to the publics interest in creating a sustainable environment many of the financial sectors companies have decided to capitalize it. One prime example of this is the invoking of green mutual funds. These are funds designed to produce competitive returns while keeping their money allocated to environmentally friendly companies. Many financiers around the Niagara region such as Manulife securities, sun life financial, and Meridian credit union are offering these to environmentally inclined clients. This is a prime example of how investment firms are helping to fund eco friendly projects. Without this type of capital many of these ventures would not exist.

How does this affect Niagara? Well, many Niagara investors have allocated some of their portfolio into these green mutual funds, while some companies within the region have been funded by these funds. These have a profound impact on the community. This type of economic stimulus within the environmental industry has created many jobs and ultimately has helped reduce our environmental impact.

Green energy saves money for businesses.

Throughout Ontario, particularly in the Niagara region companies have taken the advantage of a big opportunity by installing solar modules. That took place when the Niagara Windpower Inc. received a contract from Ontario Power Authority to supply electricity for the next 25
years. The system can be installed on top of your roof and angled 35 degrees to the sun for the capture of maximum energy. This is very reasonable for business because it makes you feel better about your effort trying to protect the environment for the future, it has zero risk and little to no maintenance. (Niagara, 2011)

**Negative effects on the environment related to the financial sector**

Until now this report has composed primarily of information regarding why and what positive effects the financial sector has done for the environment. While the financial sector has done a lot for supporting the environment they have also supported many initiatives where the environment has been damaged. In fact, it is has been estimated that one shovel full of dioxin could kill all aquatic life in lake Ontario in just 5 years (Niagara Frontier, 1995). This was illustrated in the areas largest environmental disaster the “Love Canal” incident of 1972. From 1947 to 1952 the Hooker chemical plant used the love canal as a dumping ground for chemicals. This caused extreme long lasting damage to its immediate environment (NYT, 2014). Niagara Falls receives in excess of 12 million visitors a year (Niagara Parks, 2014). This obviously has its environmental downside due to the extra consumption and CO2 emissions from this extra traffic. The financial sector plays major roles in this by being a large financial contributor in one shape or another, to attracting tourists and putting out the money to encourage this tourism. This is not to say we do not welcome tourism but only to say that until more affordable eco friendly products reach the masses, the environment is going to take back seat.
to economic growth. This is something that the financial industry believes in (Solo (Interview), 2014). Playing a more direct role, local banks and investment firms seek to provide the best rate of return for themselves or clients. This is there first and foremost priority. Investments made in Whirlpool Jet Boat tours have been under high controversy. Residents raise concerns over the erosion damage, wildlife misplacement, and pollution into the Niagara river (workboat, 2010). As per an anonymous source, financing for the expansion came from Meridian credit union. Going back to what is the underlying theme of this report, rate of return and economic development take precedence over environmental concerns.

**Conclusion**
The financial sector in Niagara clearly pulls the strings. Very few businesses can start without start up capital in the form of equity or debt financing. Those in the Niagara region with control over large sums of money are the ones calling the shots. If these financiers do not think they can get an adequate return on their investment they simply won't give them the money. Financiers measure things in dollar amounts. Little consideration is given to the environment friendly initiatives unless it produces a sufficient return and/or can help the firms brand (solo, 2014). Going forward however, we believe that the Niagara region will continue to increase its stake in the environment due to the growing population giving their business solely to environmentally considerate firms. As long as the environment continues to be a lucrative industry, Niagara's financiers will continue to fund these ventures.
Citation


Useful links


http://www.niagaracanada.com/LinkClick.aspx?fileticket=%2FQBDlkBWx9M%3D&tabid=534