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Reduce Your Risk – Part 1

If you've been following the news or your investment portfolio these past months you are already well aware that the economy has entered a period of decline unseen since the Great Depression.

And on another front, new scientific research is ringing alarm bells that climate change is progressing much faster than previously predicted. The ice caps are melting at an increased rate, and global temperatures are rising faster than expected. Experts are now fast-forwarding their estimates of how quickly we must shift away from fossil fuel. The intricate dance between the environment and the economy has never been clearer – we must make a fundamental transformation in the most important part of our economies, shifting away from fossil fuel and onto something else.

What does this mean for us? These economic and environmental realities should prompt us to reduce our risk and exposure on both fronts - to volatile credit markets and fluctuating energy markets. So what can you do to reduce your environmental and financial risks? This is the first of a two part series. Today's column focuses on risk associated with the big decisions in our lives; and next week's column will look at risk stemming from lifestyle decisions we make everyday.

Transportation

If you are considering buying a new or used car, it is time to downsize not upsize. At the very least, ensure the new car you choose has better fuel economy than your current vehicle. The choices are many, and to help you sort it all out I recommend Natural Resource Canada's Office of Energy Efficiency website at www.oe.nrcan.gc.ca (click on the little car). This site ranks and compares cars based on both fuel economy and greenhouse gas emissions.

The following rule is a good one: buy the vehicle you need 90 percent of the time; not the vehicle you need 10 percent of the time. For instance, if 90 percent of the time you are driving your family of 4 around town, perhaps a minivan for 7 might not be the most efficient choice. If visitors come and you need a bigger vehicle, just rent a van for those few times a year.

Housing

If you are in the market for a new home or are building, buck the trend to buy or build 'big' and choose something smaller, well-built and/or with the potential to renovate for energy efficiency. This choice will most likely cost you less and reduce your mortgage commitment, but will also ensure your long-term energy costs are lower too. Remember we are in a time of 'double threat' when it comes to housing – economic and interest rate volatility; as well as rising energy costs.

Again, the same rule applies to houses as with vehicles: buy the house you need 90 percent of the time, not 10 percent of the time (i.e. for when you have overnight guests or a big annual party).

Energy

If you are in the process of replacing your heating system consider choosing one that is more efficient and less fossil fuel based. Do some research on your eco-friendly options: natural gas; geo-thermal; solar; wood or pellets; or a combination of any of these. This will reduce your reliance on fossil fuel generated heat from electric or oil, which expels more greenhouse gases than the options provided above. Again, the best resource to use as a starting point is www.oee.nrcan.gc.ca (click on the little house).

Living within your means is not a new concept, but begs repeating for all of us. Along with the obvious financial benefits, living within your means has environmental benefits too. A reasonably sized and energy efficient house means a reasonably sized mortgage and manageable monthly costs for heating and lighting. A fuel-efficient car may not necessarily mean lower monthly payments, but will definitely mean lower fuel costs each month, and most likely a higher resale value in the future.

The environmental benefit of these decisions is a smaller carbon footprint (fewer greenhouse gas emissions). And on the financial side, you will lower your monthly costs, reduce debt, and have more income available for saving and investing for uncertain times ahead.

Unfortunately, neither scientists nor economists can fully predict the future impacts of the climate change and economic crises in our midst. But if we take some measured steps now to 'insulate' our lives from the effects down the road we will be better prepared to ride out the gathering storm.

Sonya Hull is a local consultant and Project Manager for Fredericton's Green Matters greenhouse gas reduction campaign (and an Economist only when necessary!). If you have topics you would like the Green Matters writers to cover in this column, please e-mail us at greenmatters@fredericton.ca.