



ESG Investors Could Pour Cold Water on This Canadian Stock

Description

Investing against the grain can be an [enticing proposition](#) (we all want to be contrarian sometimes).

However, I think the long-term momentum behind the ESG trade is one that's likely to persist for a very long time. For investors looking at investing in growth today in the mining sector, I think the secular tailwinds behind ESG-focused investments are likely to remain strong.

Accordingly, companies like **Teck Resources** ([TSX:TECK.B](#))([NYSE:TECK](#)) may lag. Here's why.

Sustainable investing is the new trend

Environmental awareness has prompted one of the most significant changes in financial market trading of late. Indeed, the demand for ESG-oriented stocks has shot through the roof.

While institutional investors may have initially been reluctant to incorporate ESG/sustainable investing strategies into their portfolios, many firms now solely focus on ESG investing. Besides being a marketing opportunity for funds, these investments have turned out to be outperformers. It's a win-win for everybody.

Accordingly, companies that are positively correlated to supporting positive changes in areas of environmental concern are seeing a boost.

On the flip side, many investors are now staying away from "dirtier" companies that have a poor track record when it comes to the environment. Unfortunately, Teck has been grouped in with these companies.

Here's why.

Teck Coal has been in hot waters lately

Teck Coal, a subsidiary of Teck Resources, recently made headlines. Unfortunately for the company,

these headlines weren't positive.

Indeed, the company currently faces the largest penalty under Canada's new Fisheries Act. The firm is set to pay \$60 million in fines after it pleaded guilty to recent allegations Teck did not undertake proper due diligence in preventing coal mine waste from entering the Fording River.

Teck Coal purchased the Elk Valley mines in 2008. At the time, this seemed like a great investment and has been a profitable one for Teck thus far.

However, as B.C.'s provincial court heard, there were 2.2 billion cubic metres of selenium- and calcite-leaching rocks. The court says that the firm did not present a comprehensive plan to address its coal mine waste, despite being aware that these chemicals are harmful to the environment.

ESG investors are likely already well aware of the impact coal mining has on the environment. Indeed, if the shift away from such stocks continues, Teck could be a company with tonnes of negative momentum for a while.

Bottom line

The risk profile surrounding companies deemed to be "dirty" by the market is higher than ever before.

Accordingly, I'm on the sidelines with respect to Teck right now.

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1. Investing
2. Metals and Mining Stocks

POST TAG

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TICKERS GLOBAL

1. NYSE:TECK (Teck Resources Limited)
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