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Short Selling and Responsible Investment

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Introduction

Despite its rapid growth, responsible investment is still marked by its origins in the long-only world of ethical investing.

Responsible investment is still often incorrectly thought to refer to a specific type of long-term, buy-and-hold, engagement-heavy equity investing. While such an approach might make sense in the long-only indexed world, in which portfolio turnover is low and investment managers ('managers') have little choice when it comes to the assets they hold, it is poorly suited to other segments of the investment management industry.

This perception has complicated the adoption of responsible investment in the alternative investment management industry. At its most basic, responsible investment simply refers to the formal integration of environmental, social, and governance factors into the investment decision. Such integration can take many shapes, and can be done for many reasons. While it can of course be driven by ethical concerns, it is also often driven by a desire to mitigate undesired investment risks, a desire to generate superior investment returns, or even a desire to reorient the flow of capital to certain industries and thus create an impact on the broader economy. While a manager practicing responsible investment may choose to accomplish those goals through long-term financing and engagement, there are other possible approaches. Responsible investment does not necessarily require a long holding period.

Confusion around this issue has led some to question whether short selling[1] is compatible with responsible investment. After all, short selling differs from traditional buy-and-hold strategies. However, if we return to some of the reasons why managers implement responsible investment, the utility of short selling becomes clear. Short selling can be an excellent tool for achieving two common goals of contemporary responsible investment: mitigating undesired ESG risks, and, when taken in aggregate, creating an economic impact by influencing the nature of capital flows through 'active' investing. Indeed, the Principles for Responsible Investment has recently acknowledged the potential utility of short selling when implementing responsible investment strategies.[2]

In order to demonstrate the link between short selling and responsible investment, this paper will use the example of environmental risks. Specifically, it will use the example of carbon footprinting to illustrate how investment managers could use short selling to limit their exposure to carbon risks and create positive impacts for the wider markets. Such risks have been chosen both because they represent a direct potential loss of value, and because they are more easily quantified than most social or governance risks (even though the latter have historically been common catalysts for short selling). This paper presents a simplified, theoretical discussion of how such risks could be hedged; it is not necessarily an endorsement of carbon footprinting. It also briefly outlines how short selling can have a positive effect on the wider markets, by raising awareness of carbon risks and encouraging issuers to limit their carbon emissions. Note that while this paper uses equity investing in its examples for the sake of simplicity, short selling for responsible investment purposes need not be restricted to equities, or even to individual issuers.

1 The phrase "short selling" is used in this paper to refer to the taking of a short position in a financial instrument whether by physical short selling, or by obtaining synthetic short exposure via derivatives or other financial instruments.
2 Principles for Responsible Investment, "Technical guide: ESG incorporation in hedge funds," May 2020. https://bit.ly/3eoN7tD

ESG Hedging

Carbon footprinting

The exercise of determining a portfolio's carbon footprint ('carbon footprinting') is becoming more common in the investment management industry. Initiatives such as the 2014 Montreal Carbon Pledge, as well as regulatory pressure in countries such as France, have fuelled the rise of carbon footprinting. Further, the Financial Stability Board's Task Force for Climate-related Financial Disclosures (TCFD) has recommended that investors report the carbon footprint associated with their investments. While most alternative investment managers do not yet appear to engage in carbon footprinting, there is reason to believe that the practice will become more common. The demand for carbon data seems to be increasing, and as institutional investors come under greater pressure to disclose their carbon footprints—or to set internal 'carbon budgets'—they may well expect their external managers to report their own footprints.[3] As such, managers may wish to acquaint themselves with the fundamentals of carbon footprinting.

Carbon footprinting is effectively an exercise in stock-taking. The process serves two main purposes: determining the extent to which a portfolio is funding harmful emissions, and providing a rough indication of that portfolio's potential exposure to the transition risks associated with climate change (be they regulatory, technological, physical, etc.). In the former case, a firm may determine its carbon footprint as a prelude to decreasing its funding of carbon emissions. The latter case, however, is slightly more complex. It is premised on the notion that carbon emissions are associated with future business risks, and thus constitute potential investment risks.

Under the 2015 Paris Agreement, signatory states, "recognizing the need for an effective and progressive response to the urgent threat of climate change," undertake to keep the rise in global temperature below two degrees Celsius above pre-industrial levels (and to make further efforts to keep it under one-and-a-half degrees).[4] In order to accomplish that goal, signatory states will need to curb the emission of greenhouse gasses (GHGs), and funnel capital towards sustainable forms of energy production. This can already be seen in countries such as Canada and France, which have both implemented taxes on carbon, or jurisdictions such as the State of California, which negotiated emission limits with American automobile manufacturers. Government policy responses to climate change may accelerate in the coming years—potentially drastically—as obligations under the Paris Agreement increase and the effects of climate change become more evident. The United Nations Principles for Responsible Investment (UN PRI) has christened this potential dynamic the 'Inevitable Policy Response.'[5]

These potential developments could create multiple investment risks. First, carbon taxes can cut into the profitability of companies with significant GHG emissions; they could even make some companies financially untenable. Faced with such a threat, the companies in question may choose to invest heavily in making their operations 'clean' (a key objective of carbon taxes). While such investments could improve the profitability of the companies in the medium to long term, in the short term they could well represent another drag on their profitability and balance sheets. There is also the risk of 'stranded assets.' These are assets possessed by companies that will not be fully exploited,

3 Among other major investors, CalPERS, Ontario Teachers' Pension Plan, and Norges Bank Investment Management all practice carbon footprinting. Some institutional investors have even gone so far as to set carbon footprints for their teams, and tie those budgets to remuneration.
4 United Nations, "Paris Agreement," December 2015, p. 1. https://bit.ly/2ZqsLf2
5 Principles for Responsible Investment, "What is the Inevitable Policy Response?," September 2019. https://bit.ly/2AYNQ7c

or that will need to be abandoned outright—for instance, offshore oil rigs. A recent study estimated that a climate scenario in which temperatures were limited to a one-and-a-half degree rise would create roughly $900 billion in stranded energy assets alone.[6]

However, while carbon footprinting can be a useful metric for identifying potential risks, it does have its limitations. To begin with, it is retrospective, and as such does not account for business models in transition: it measures how much carbon a company (or portfolio) has emitted, not how much it *will* emit. Two companies with the same historical carbon emissions will be assigned the same carbon footprint—and thus the same theoretical headline carbon risk—even if one company is implementing a plan to move away from carbon and the other is not. Carbon footprinting also does not account for factors such as a company's operating margins (a company with higher margins will, all else being equal, be more resistant to a price on carbon), a company's supply chain (see below), or other potential investment risks related to the physical manifestations of climate change. As such, while carbon footprinting can be a useful first step in determining a fund's carbon risk, it is not a holistic solution.[7] Carbon foot-printing should be used as an initial indicator, to be combined with other carbon metrics to build a more complete picture of where a company's (and a portfolio's) risks may lie.

Measuring carbon footprint

Arguably the most challenging stage in determining a fund's carbon footprint is the first: acquiring the necessary data. In order to determine a carbon footprint, a manager will need to know the GHG emissions of each asset in its portfolio. Specifically, it will need to know at least the 'Scope 1' and 'Scope 2' GHG emissions.[8] The former are those emissions directly created by a company's activities (for instance, the use of a company's fleet of vehicles). The latter are those emissions created by the electricity, steam, heat, or cooling a company consumes (for instance, the emissions created by the energy company that provides a company's offices with electricity).[9] Managers can attempt to gather GHG emission data directly from portfolio companies, from third-party data vendors, or from non-governmental organisations such as CDP.[10] Gathering such data for all but the largest of corporations can, however, be a significant challenge.

Once the requisite data has been acquired a firm can then calculate its total carbon footprint. There are multiple ways of doing so, each with their own strengths and weaknesses. To begin with, a firm would be well advised to normalise an asset's carbon emissions by creating a common denominator. Simply tallying gross carbon emissions may lead to an inaccurate picture of carbon exposure, as some companies and sectors will naturally produce more carbon than others. For instance, a large cap company is likely to have to have greater gross GHG emissions than a small one, but may well have smaller emissions relative to its size. The TCFD lists a series of common metrics; for the

6 Livesy, Alan, "Lex in depth: the $900bn cost of 'stranded energy assets," Financial Times, 3 February 2020. https://on.ft.com/2WfK7cE
7 Note that this paper uses a narrow understanding of the term 'carbon footprinting.' Some investors may use the term to refer to a complete examination and analysis of a portfolio's emissions.
8 These definitions were created by the Greenhouse Gas Protocol. See: http://ghgprotocol.org/
9 'Scope 3' emissions—emissions created by a company's entire value chain—are not generally included in carbon footprints, since they tend to be very difficult to obtain (especially those emissions created at several steps removed from the company in question). Such emissions can, however, be critical to understanding the true level of a company's carbon risk in many, if not most, industries.
10 In some jurisdictions certain types of companies are required to report their emissions.

purposes of this paper we will use weighted average carbon intensity, a widely used metric recommended by the TCFD.

As its name implies, weighted average carbon intensity (WACI) is a portfolio-level metric that calculates the carbon intensity of each asset in a portfolio, and then weights that intensity by portfolio exposure. In order to determine the carbon intensity of a given asset, its emissions (generally expressed in tons of CO2) are divided by its revenue (generally expressed in USD millions).[11] The result is then multiplied by the quotient of the current value of the investment divided by the current value of the portfolio as whole. This calculation is done for every asset in the portfolio; the portfolio WACI is the sum of the products, expressed in tons CO2E/$million revenue. The formula for WACI can thus be expressed as:

$$\sum_i^n \left(\left(\frac{\text{Current value of investment}_i}{\text{Current portfolio value}} \right) * \left(\frac{\text{Issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{Issuer's \$M revenue}_i} \right) \right)$$

Note, however, that this formula was clearly designed with a long-only portfolio in mind. The formula does not account for any steps a firm takes to mitigate exposure to carbon risk. It is to such measures that we now turn.

Refining carbon risk

Without modification, the logic of traditional carbon footprinting appears odd when applied to a hedge fund. As discussed above, the most common forms of carbon footprinting are rough measures of a portfolio's exposure to potential carbon risks. To function properly in the alternative investment management space, however, such metrics will need to be amended to account for short positions.

In *Example 1*, a long-only asset manager has positions in two companies, one with a carbon intensity of 120 t CO2E/$m, and the other with a carbon intensity of 80 t CO2E/$m. Since both positions are 'long,' they both represent exposure to potential future carbon risks. To be specific, they represent the possibility that the positions in question could *lose value* due to a carbon tax or similar risk. Combining the two positions for a WACI of 100 t CO2E/$m theoretically indicates the possibility that the portfolio as a whole will lose value due to carbon risks.

11 Note that this approach can make the end result highly sensitive to a company's revenue, and can lead to misleading results for companies that have little revenue. See below.

Example 1: Gross Weighted Average Carbon Intensity

	Position Size ($m)	Portfolio weight ($\frac{\text{Current value of investment}}{\text{Current portfolio value}}$)	Asset emissions (tons CO2E)	Asset revenues ($m)	Carbon Intensity ($\frac{\text{Issuer's emissions}}{\text{Issuer's \$M revenue}}$)	Weighted Average Carbon Intensity
Long Position A	50	50%	12,000	100	120	
Long Position B	50	50%	8,00	10	80	
Portfolio						**100 t CO2E/$m**

Example 2: Long/Short Weighted Average Carbon Intensity

	Position Size ($m)	Portfolio weight ($\frac{\text{Current value of investment}}{\text{Current portfolio value}}$)	Asset emissions (tons CO2E)	Asset revenues ($m)	Carbon Intensity ($\frac{\text{Issuer's emissions}}{\text{Issuer's \$M revenue}}$)	Weighted Average Carbon Intensity
Long Position A	50	50%	12,000	100	120	
Long Position B	50	50%	800	10	80	
Long Portfolio						**100 t CO2E/$m**
Short Position A	40	50%	1,000	10	100	
Short Position B	40	50%	6,000	100	60	
Short Portfolio						**80 t CO2E/$m**

Matters become less clear, however, when we move to *Example 2*: an alternative investment manager. This manager has a long-biased long/short strategy, and holds four positions. The first two are long positions in a pair of companies with carbon intensities of 120 t CO2E/$m and 80 t CO2E/$m, respectively. The other two positions are short positions in two companies with carbon intensities of 100 t CO2E/$m and 60 t CO2E/$m, respectively. In the case of the long positions, the carbon intensities of both companies, and their combined WACI, clearly indicate potential loss of value. The short positions, however, represent something different. When a manager sells an asset short they are positioning themselves to profit if and when the value of that asset moves downwards.[12] As such, in the case of a short position, carbon risks are not necessarily undesirable. Should carbon risks materialise, and the value of the asset being shorted thus decrease, the manager would generate positive returns, rather than suffer losses. In other words, their short position would act as a hedge against carbon risks, lowering the fund's overall exposure to loss of value caused by carbon risk.[13]

Imagine that a carbon tax was implemented that lowered the value of carbon-intensive assets across the board. In *Example 1*, the long-only manager would suffer losses on both of its positions. In *Example 2*, however, the alternative investment manager would only suffer losses on their long position. All things being equal, however, they would gain on their short position. Put another way, when a manager is asked for their market exposure, it would be illogical for them to combine the absolute values of both their long and short positions. The same logic should apply to carbon risk.

As such, rather than simply combine the gross WACI for both long and short positions—or ignore the short positions altogether—managers might opt to calculate and report the WACIs of their long and short portfolios separately and publish a net carbon exposure figure. When asked for its carbon footprint, the manager in *Example 2* would report a long portfolio of $100m with a WACI of 100 t CO2E/$m and a short portfolio of $80m with a WACI of 80 t CO2E/$m. The WACI of its long portfolio would represent the risk of losses from a given carbon scenario per million dollars invested; the WACI of its short portfolio, however, would represent the likelihood of generating positive returns from that same scenario per million dollars shorted. Together, weighted by the respective sizes of the long and the short books, the two WACIs would indicate the exposure of the fund as a whole.

In the example above, the WACI of the manager's long portfolio multiplied by the size of its long book outweighs that of its short portfolio multiplied by the size of its short book (10,000 tonnes of CO2 versus 6,400 tonnes—a net long exposure of 3,600 tonnes). As such, the fund is 'long carbon.' However, there is nothing stopping a manager from running a fund that is—theoretically—'carbon neutral' in terms of its carbon footprint.

Indeed, if a manager considered the risks attached to carbon great enough, it could even be net negative on carbon risks, and run a fund that is theoretically 'short carbon.'[14] Nor would such short selling need to be restricted to individual companies, or even equities. A manager could sell short an entire index if it deemed the carbon risk to a given industry

12 Note that this is not to say that a manager necessarily wants the price of that asset to decline.

13 As with all forms of carbon footprinting, this is predicated on the notion that all carbon emissions are vulnerable to the same risks. While this may be true in the case of, say, a carbon tax, it would not necessarily hold in all cases. For instance, two companies may have the same carbon intensities, but one may have a greater number of assets that cannot be recovered, etc.

14 Note that most long-only investment managers are implicitly taking the view that carbon risks are correctly priced, and are significantly 'long' carbon risk. In time this could be revealed to be a risky position.

great enough; it could even do the same for the sovereign debt or currency of a jurisdiction perceived as being over-reliant on carbon emissions.

Caveats

Of course, there are some caveats to the argument presented above. First, some investors may inquire as to the carbon footprint of a portfolio not just for the sake of gauging its carbon risk, but also to measure the degree to which it is funding carbon emissions. In such cases, it would likely not be appropriate to simply provide the long and short WACI scores. Managers would need a more accurate way of communicating the fact that they may be providing funding to carbon emissions with their long positions, while arguably increasing the cost of equity capital for other carbon emitters through their short positions. A more accurate model would account for such effects.

There is also the ever-present risk that any one metric will produce misleading results; WACI is no exception. As mentioned above, failing to account for Scope 3 emissions can often mean failing to account for the bulk of an asset's emissions, and carbon risks will materialise in different ways, even between assets with the same levels of carbon emissions. Further, a company with moderate carbon emissions but very few sales, or sales that are affected by a sharp local currency devaluation that would imply a decline in revenues when translated into US dollars, could have a potentially significant—or artificially increased—carbon intensity. Even a small short position in such a company could drastically increase a manager's headline 'short carbon' portfolio, and significantly offset the carbon emissions of their long portfolio. Clearly, this would not actually contribute to mitigating the carbon risk in the overall fund. As such, managers and their investors might choose to augment WACI with additional metrics.[15]

Managers that run both long-only and hedged funds could also face particular challenges. Managers are under increasing pressure to improve the ESG performance of their investee companies through rigorous engagement. Indeed, expectations around such active ownership are being written into regulation. Managers running both long and hedge funds may thus find themselves in the position of shorting an asset for its ESG characteristics in their hedge fund, while at the same time actively working to improve those ESG characteristics in their long fund. While managers will likely already have the necessary protocols in place to handle such scenarios, they may consider reviewing their policies in light of today's increased interest in engagement.

At the end of the day, managers are unlikely to rely purely on environmental factors when choosing their short positions. Such factors would be considered along with a host of others when such decisions are made, and could be used to inform, for instance, pairs trades or other relative value strategies. Nonetheless, the example of carbon footprinting demonstrates how managers can use their unique investment abilities to accomplish a key goal of responsible investment: protecting against undesired ESG risks.

15 For instance, the portfolio's overall carbon intensity.

Short Selling for Impact

Incentivising transition

The potential effects of short selling extend beyond the individual manager. Staying with carbon risks, there is reason to believe that the use of short selling could help lower the overall carbon risks in the wider markets. At the firm level, short selling could allow a manager to hedge against the carbon risks in its portfolios. At the market level, meanwhile, such short selling could, if performed by enough market participants, increase the cost of capital for the targeted issuer,[16] thus incentivising that issuer to protect itself against carbon risks by actively transitioning its business model to be less carbon-intensive.

Such a dynamic can already be seen in long-only investment management. By divesting from a highly carbon-intensive company, or excluding it from a portfolio to begin with, long-only investment managers are actively signalling a negative view of that company's carbon risk. By taking such a position, the long-only managers are effectively incentivising the issuer to change its behaviour in order to gain investment, or else risk seeing its cost of capital increase in order to compensate for the perceived carbon risk.[17] In recent years there has been a growing trend in 'fossil-fuel -free' and low-carbon portfolios, which restrict exposure to carbon emissions.[18] [19] Should such portfolios become common enough—a possibility, given the systemic risk of climate change—a company with a high level of carbon emissions would have a strong incentive to change its business model. For instance, in order to attract investment without having to offer superlative returns, a thermal-coal-based utility company could have to transition to the use of clean or renewable energy.

Regulators are also exploring the potential external ESG impact of investment decisions. The European Union, for instance, has promulgated the notion of the 'principal adverse sustainable impact' (PASI) of an investment, which is to say the ESG impact the investment has on the wider world. Crucially, this concept is separate from the notion of an ESG risk to the investment itself. Under the proposed regulation, a firm would disclose the PASI of an investment by reporting on a series of metrics—including WACI. The implication is clear: by taking a long position in a carbon intensive asset, a manager is creating a negative ESG impact.

Creating an impact

The same logic can be applied to short selling. All else being equal, if short selling occurs on a sufficient scale it can increase the cost of capital for the targeted security's issuer. If taking a long position in an asset—decreasing the issuer's cost of capital—can collectively create an 'adverse' ESG impact, it stands to reason that taking a short position in the same asset—and thus *increasing* the issuer's cost of capital—can collectively create a positive ESG impact.[20]

To use a concrete example, take for instance the thermal-coal-based utility company mentioned above. Setting aside the question

16 There are various references in this paper to buying and selling activity respectively increasing or decreasing an issuer's cost of (equity) capital. The references to buying activity decreasing the cost of capital reflect the fact that significant buying interest (such that demand outweighs supply) will naturally lead to a rise in the issuer's share price, resulting it in needing to issuer fewer shares if it wishes to raise fresh capital via an equity issuance. Similarly, if there is significant selling interest (such that supply outweighs demand), this will normally depress the share price meaning that, if the issuer wishes to raise further capital by way of an equity issuance, it will need to issue a greater number of shares.

17 The issuer's executive team could also have a more prosaic incentive to prevent a slide in the price of its equity, given the importance thereof in contemporary executive remuneration plans.

18 Fossil fuel divestment began in the US in academic institutions led by students in 2011 but now span many countries around the world. In their 2018 report Arabella Advisors state that 1,000 institutional investors with $6.245 trillion in assets have committed to divest from fossil fuels, up from $52 billion in 2018. See: https://bit.ly/3iT2o9z

19 A trend that arguably constitutes a carbon risk in and of itself.

20 Such impacts will, of course, only materialise if the action in question is taken by enough market participants. A single investor is unlikely to create a measurable impact acting on its own, unless the investor is exceptionally large or provides new information to the markets.

of engagement and looking at it from a purely financial perspective, there seems to be a growing consensus that if enough market participants took a long position in such a company it would create an adverse ESG impact. In taking a long position in the company, investors would effectively be rewarding it for its practices by lowering its cost of capital, and rewarding its management to the extent that they participate in a long-term incentive plan. At best, such an action would not encourage the company to change its ESG practices; at worst it could disincentivise the company and its management from doing so. The opposite, however, is also true. By taking short positions in the company, investors could, collectively, increase its cost of capital and negatively impact the value of management's interests under the company's executive incentive plan, thus encouraging the company and its management to change their practices. This could create a positive ESG impact, as the company may transition to clean energy, thus lowering the overall carbon emissions in the market. Crucially, such impacts may often be the positive side-effect of investment decisions taken for other reasons. For instance, a manager may choose to sell short a company in order to hedge against the carbon risks in its portfolio; in doing so the manager could contribute to creating a positive ESG impact. While the effect might not be discernible at the individual position level, it could be potentially significant if aggregate short positioning were to increase materially.[21]

This process would be even more pronounced in the case of public short selling campaigns. While the majority of short selling strategies are implemented discreetly, with managers often opting to stay below applicable public disclosure thresholds, this investment approach seeks to generate returns from forensic research and findings that may not be priced properly by the market. This form of short selling is highly resource-intensive, and the managers that practice it often unearth information that was either unknown or overlooked by the wider markets.[22] Indeed, public short selling campaigns have already been triggered by ESG concerns such as questionable issuer governance, poor employee safety practices, environmental issues and even alleged human rights abuses. In the case of carbon risk, it is easy to imagine a scenario in which a manager practicing active short selling discovers that an issuer's carbon emissions have been understated, and publishes its findings. This information would help other market participants protect themselves against the carbon risks in that issuer. This, of course, would also increase that issuer's cost of capital, providing a strong incentive for it to limit its carbon emissions (and to report them accurately).

21 The need for collective action further complicates the question of measuring a manager's impact. Gauging the impact of a single manager's decision to sell short an asset is exceptionally difficult, especially since any attempt to do so also needs to reckon with the fact that the manager will eventually have to cover their short and buy the asset back—thus providing demand for the asset at a critical moment.

22 Kelley, Eric and Paul Tetlock, "Retail Short Selling and Stock Prices," Columbia Business School Research 13, issue 70, August 2016. https://bit.ly/3aPZtd4

Conclusion

Short selling is clearly compatible with responsible investment. Short selling can be an effective tool by which to accomplish two key goals of responsible investment: mitigating undesired ESG risks and creating positive market impact. By selling short carbon-intensive issuers, for instance, a manager can mitigate the carbon risks in its fund, while simultaneously contributing to a positive ESG impact by raising the cost of capital for the issuers being sold short. Short selling also provides a means by which managers can be rewarded for uncovering carbon and other ESG risks which may be inappropriately priced.

In order to properly reflect their investment activities, managers may wish to calculate and report the ESG attributes of their long and short portfolios separately—for instance, their respective WACIs. In doing so managers may be able to give their investors a clearer picture of both the ESG risks their investments face, and the ESG impacts those same investments are creating.

As responsible investment matures, there may soon be a greater demand for strategies that use short selling. Data providers and regulators may wish to adjust accordingly. At the time of writing, no major ESG data provider accounts for short positions in a systematic manner when calculating ESG scores for a fund. Indeed, some data providers simply ignore short positions when doing so. In order to provide a more accurate picture, data providers may wish to consider calculating and reporting the ESG scores of a manager's long and short positions separately.

Regulators, meanwhile, may consider how short selling can be integrated into the emerging field of responsible investment regulation. The proposed EU regulation on the adverse impact of investments mentioned above, for instance, does not offer any means by which managers can report the impact of their short positions (or indeed even the existence of such positions). Doing so would ease the implementation of responsible investment outside of the long-only investment industry, and help unlock an effective tool for furthering the goals of responsible investment.

The usefulness of short selling when implementing responsible investment is being increasingly recognised. In time, with adequate regulatory support and sound market practice, short selling may be seen not only as a useful tool for responsible investment, but an invaluable one.