



CARBON DISCLOSURE PROJECT

Facilitating a Rational Response to Climate Change

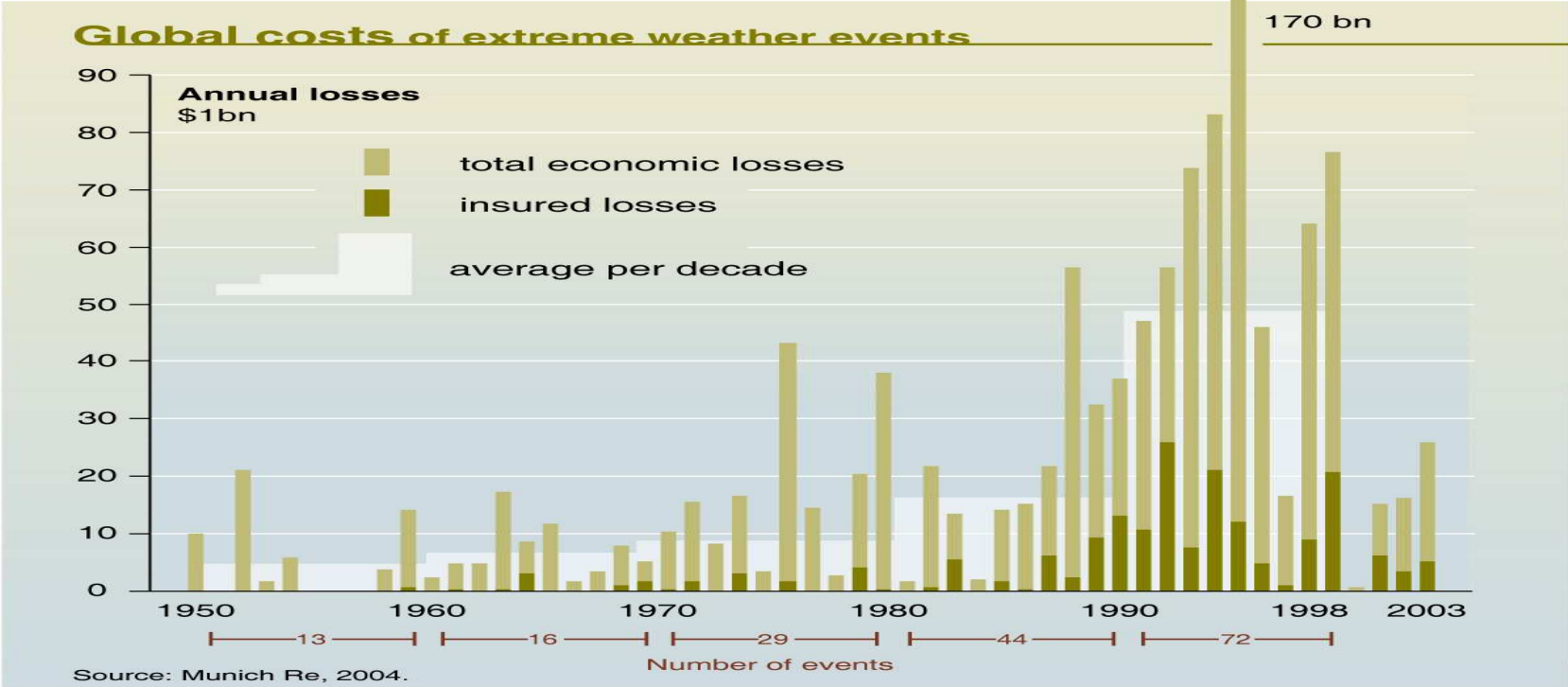
Paul Simpson – Chief Operating Officer
UNEPFI Side Event, COP, Bali, 11th December 2007



Climate Change – An Investment Issue

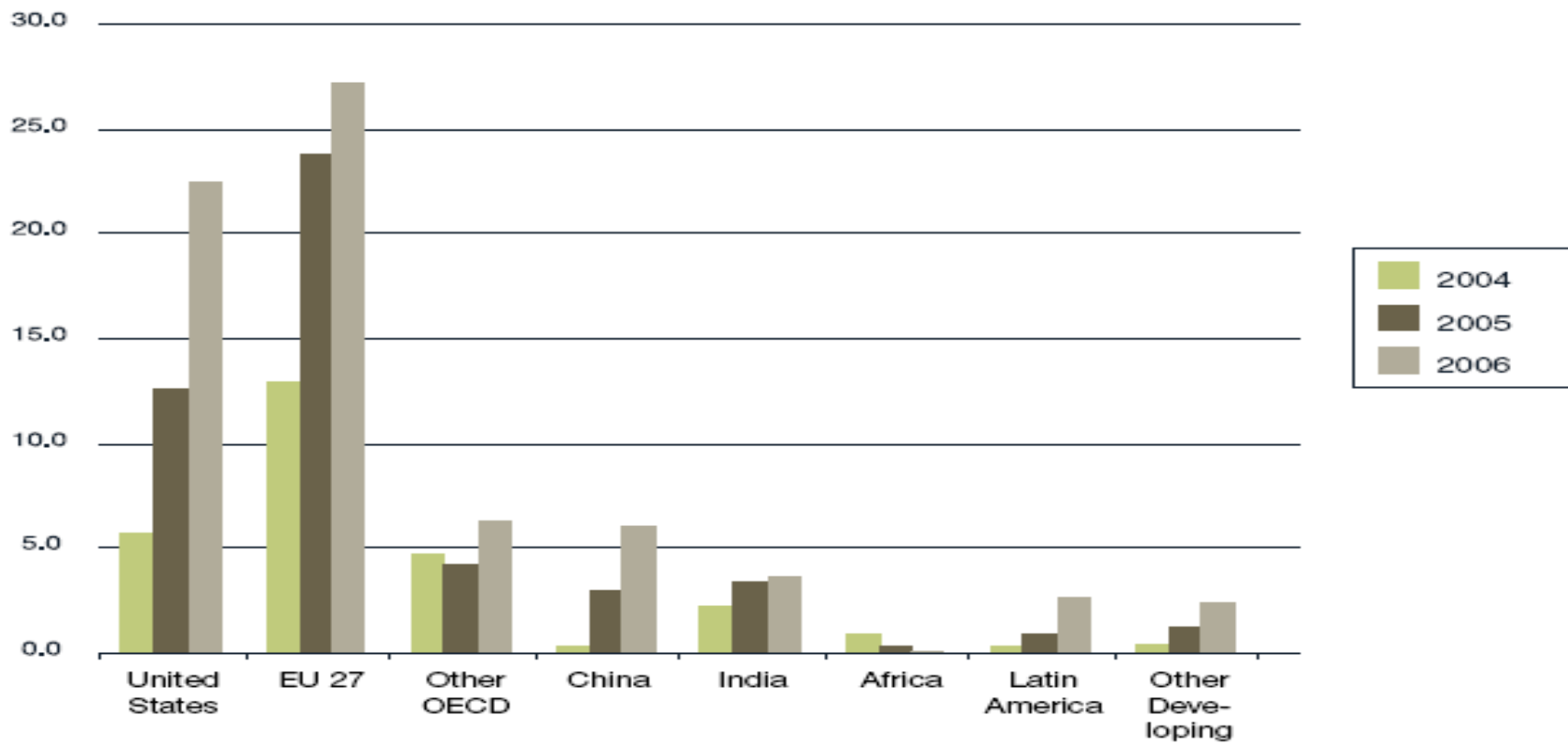
- Significant risks and opportunities from:
 - Taxation and regulation
 - Changes in weather patterns
 - Technological innovations
 - Shifts in consumer attitude and demand
- There will be winners and losers in the transition to a low carbon economy
- Investors need information to determine how companies will be affected.

Costs of Climate Change



Investment Opportunities

Worldwide Investment in Clean Energy (US\$ billions)



Source: New Energy Finance



Carbon Disclosure Project (CDP) Background

- CDP Mission: To facilitate a dialogue between investors and corporations supported by quality information from which a rational response to climate change will emerge
- CDP provides a coordinating secretariat for institutional investor collaboration
- CDP is a not for profit organisation, independent with US charitable status 501(c)3, application to be UK charity



The Carbon Disclosure Project (CDP)

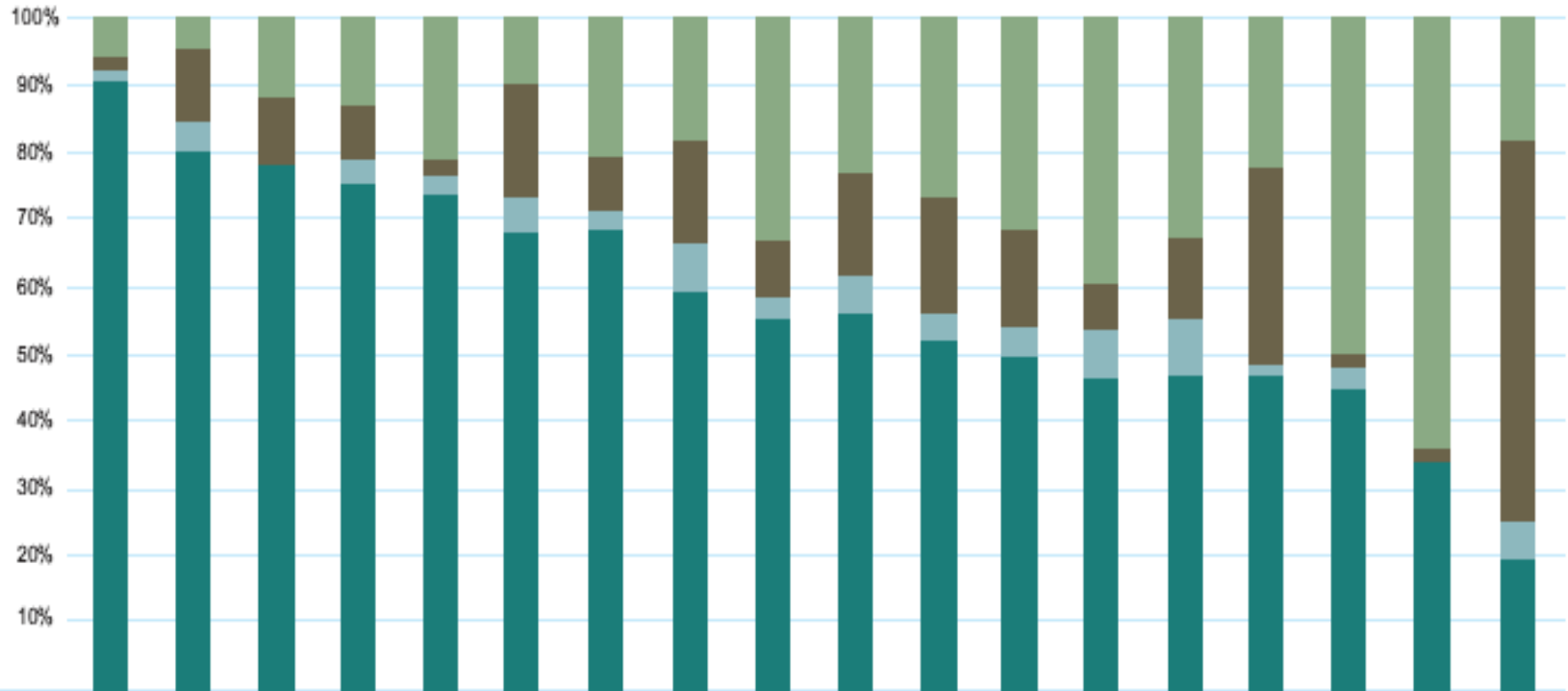
- **315 investors with assets of \$41 trillion**
- **Information requested from 2,400 companies**
- **1,300 companies answered the questions**
- **www.cdproject.net - largest registry of corporate GHGs**
- **2006/2007 expansions in US, Japan, UK, France, Germany, Canada, Brazil, India, Australia, Asia, South Africa**
- **Global launches with high profile speakers**
- **CDP is now an established annual process**
- **CDP is where the corporate world reports GHG emissions**



Rising Awareness in the Financial Services Sector

- CDP1 2003 35 signatory investors \$4.5 trillion
- CDP2 2004 95 signatory investors \$10.3 trillion
- CDP3 2005 155 signatory investors \$21 trillion
- CDP4 2006 255 signatory investors \$31 trillion
- CDP5 2007 315 signatory investors \$41 trillion

Regional Variations in Responses



Sample (number of companies)	FTSE 100 (100)	Brazil 60 (57)	Switzer- land 50 (50)	Global FT500 (500)	Japan 150 (151)	Nordic 125 (125)	South Africa 40 (38)	UK FTSE 250 (250)	France 120 (120)	USA S&P 500 (500)	Germany 200 (200)	Aust/NZ 150 (141)	Electric Utility 240 (240)	Transport 100 (100)	Canada 200 (194)	Italy 40 (40)	India 110 (110)	Asia 80 (77)
No Response	6	2	6	62	32	12	8	47	40	117	54	45	95	33	43	20	70	14
Declined to Participate	2	7	5	39	4	21	3	37	10	76	35	20	16	12	58	1	2	44
Provided Information	1	1	0	16	3	6	1	18	3	25	7	6	16	8	2	1	0	4
Answered Questionnaire	91	47	39	383	112	84	26	148	67	282	104	70	113	47	91	18	38	15
% Answered Questionnaire	91	82	78	77	74	68	68	59	56	56	52	50	47	47	47	45	35	19



CDP Key Findings 2007 (FT500 Companies)

- **FT500 Report by Innovest Strategic Value Advisors**
- **Highest response rate ever – 77% answered questionnaire**
 - **North America leads growth in emissions disclosure**
- **Improved carbon accounting; more robust responses - 79% disclosed GHG data**
- **80% see risks from climate change**
- **82% see opportunities**
- **76% implemented emissions reductions programs**
- **46% strategies for emissions trading**

Wide variations in risk exposure – between *and* within sectors



Costs of Climate Change

- €0.01 increase per KWh results in €58 million costs for some industrial sites - BASF
- EUETS will put estimated additional €6 per ton on steel - Posco
- Land and property values will fall when insurance becomes unavailable
- Disruption to supply caused by storms cost one company \$227 million
- One large financial institution says climate risks bigger than Interest rates or FX risks - AXA



How Investors are Using CDP Data

- Qualitative check - “High Quality resource for checking companies attitudes to emissions“ Merrill Lynch.
- Engagement
- Shareholder resolutions
- Sell side research
- New Investment products
 - **Indexes**
 - **Focus on certain technologies or asset classes**



How Investors are Using CDP Data

- Domini - 2006 filed resolutions with Apache, Anadarko and Devon Energy to publicly report about climate change
- Calvert – 2007 filed resolutions with Hartford Financial and Prudential Financial for climate change reports
- All then agreed to report through CDP and the resolutions were withdrawn.



Investors addressing Climate Change

➤ Increasing number of sell side broker reports:

- ❑ Citigroup – Climatic Consequences
- ❑ Lehman Brothers – The Business of Climate Change II
- ❑ Merrill Lynch – Combating Climate Change

➤ New investment products:

- ❑ Schroders - Global Climate Change Fund
- ❑ HSBC Climate Change Index
- ❑ CalPERS / CalSTRS – Green Wave Initiative

Schroders – Global Climate Change Fund

- New fund offering investors exposure to companies involved in mitigation of, or adaptation to the effects of climate change on a globally diversified basis.
- Portfolio of 50 to 80 stocks aiming to provide long term out performance of the MSCI world index.

Mitigation	Solution
	Energy Efficiency
	Shift from High-Carbon to Low-Carbon fuels
	Renewable Technology
	Carbon Capture & Sequestration

Industries Impacted
Autos, Electronic & Electrical Equipment, Industrial Engineering, Materials
Natural Gas, Nuclear, Materials
Wind, Solar, Hydro, Tidal, Geothermal, Fuel Cells, Biofuels
Oil & Gas, Industrial Engineering, Forestry

Adaptation	Effects
	Agriculture
	Forestry
	Water Resources
	Coastal
Ecosystems	

Industries Affected
Biotechnology, Beverages, Food Producers
Forestry & Paper
Food Producers, Biotechnology, Beverages. Real Estate, Construction
Construction & Materials, Travel & Leisure
Oil & Gas Equipment and Services, Travel & Leisure, Utilities



Conclusion

- Investors have a key role to play and need better information to incorporate climate change into investment decisions.
- Time for investors to really integrate climate considerations across their whole business.
- Need to identify winners and losers from climate change and the transition to a low carbon economy.
- CDP hosts the largest registry of corporate GHGs in the world at www.cdproject.net



Thank you

Carbon Disclosure Project

www.cdproject.net

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