Climate & Energy Initiatives: The U.S. Perspective

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Overview

- Key Drivers in U.S.
  - Climate Policy
  - Energy Policy
  - Investors and Business
- What banks can do
U.S. Climate Policy

- President Bush State of the Union:
  - Acknowledged the threat of global warming
  - 20% reduction in gasoline usage in 10 years
  - Mileage increase for cars, SUVs, and pickups to 34 mpg by 2017
  - 35 billion gallons of renewable and “alternative” fuels by 2017

- Carbon cap and trade proposals proliferating

- State governments are leading policy development
Climate Bills in the 110th Congress

Comparison of Economy-wide Climate Change Proposals in 110th Congress 1990-2050

- Business As Usual
- Bingaman-Specter draft (With Price Cap)
- Bingaman-Specter draft (No Price Cap)
- Kerry-Snowe
- Olver-Gilchrest
- Sanders-Boxer Waxman
- McCain-Lieberman

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Dotted lines indicate extrapolations of Energy Information Administration projections
Modified: May 10, 2007
States with GHG Emission Targets

- In the absence of national leadership, states are taking the lead
- CA = a key leader
- FL, HI, IL, MN, NJ, OR, WA all passed laws in 2007

Source: Pew 2007
Twelve states (green) have adopted California’s auto emissions tailpipe standard; five more (yellow) are considering joining.

Source: www.greencarcongress.com, as of April 2007
States with Climate Action Plans

- States taking action to reduce their contribution to climate change

Source: Pew, September 2007
Energy Policy a Key Driver

- Clean energy policies will be a stronger short-term driver than climate
  - High and volatile energy prices
  - National security
  - Economic opportunities
- Clean energy policies are proliferating
  - Renewable electricity
  - Renewable fuels
  - Energy efficiency in buildings and cars
- States driving new policies
## Congressional Energy Bills

<table>
<thead>
<tr>
<th></th>
<th>HOUSE</th>
<th>SENATE</th>
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<tbody>
<tr>
<td><strong>RPS</strong></td>
<td>15% by 2020 (up to 4% can be from efficiency)</td>
<td>None</td>
</tr>
<tr>
<td><strong>Tax title</strong></td>
<td>Repeals ~$16 billion in oil industry tax breaks to pay for RE &amp; EE credits, including extending the PTC</td>
<td>None</td>
</tr>
<tr>
<td><strong>Fuel efficiency</strong></td>
<td>None</td>
<td>35 mpg by 2020</td>
</tr>
<tr>
<td><strong>RFS</strong></td>
<td>None</td>
<td>36 billion gallons by 2022, with specific increases each year between 2008 and 2022</td>
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Renewable Portfolio Standards

Source: Pew, August 2007
Transforming Electric Power

- Wasteful electricity use in buildings is biggest source of greenhouse gases
- Utility rules are wrong
- Today’s Profits
  - Power companies make money building more power plants and selling more electricity
  - Only new production is in the rate base
- Tomorrow’s Profits
  - Power companies will make money helping customers save electricity and selling less electricity
  - Put efficiency investments in the rate base
Energy Efficiency Resource Standards

Energy efficiency standards for power companies

California: Integrating Climate & Energy

- Global Warming Cap and Trade system
  - 1990 levels by 2020
  - Enforceable statewide trading cap starting in 2012
- Auto tailpipe standards
  - 30% reduction in emissions by 2014
- Low carbon fuel standard
  - 10% reduction of carbon intensity by 2020
- Renewable Portfolio Standard
  - 20% by 2018
- Stronger electricity energy efficiency standard
  - 1% of sales per year now, more to come
Driver of the Debate: Business

- Climate and energy leadership
  - Business wants certainty
  - Active shareholder movement
  - High carbon investment viewed as risky
    - Coal-fired power plants
    - Tar sands
    - Oil Shale
  - New focus on economic opportunities
  - Strong policy statements and engagement
65 investors and businesses worth more than $4 trillion call for:

- National climate policy reduce GHG emissions 60-90% below 1990 levels by 2050
- Realign energy and transportation policy to stimulate investment in clean technology
- SEC guidance on climate disclosure

For a complete list of companies, see www.ceres.org
Beyond green products: What banks can do

- Revamp carbon finance policies
  - Investment portfolio carbon cap - Bank of America
  - Beware high carbon investments

- Support clean energy and climate policy
  - Changing utility rules for efficiency/renewables
  - Building and auto efficiency standards
  - Put a price on carbon
  - 60-80% reductions by 2050

- Promote consumer benefits to all
Summary

- Climate policy is moving forward
- Clean energy policy will move faster
- Investors and Business are engaging in and driving climate and energy debate
- Banks can step up policy engagement and develop policies to limit climate risky investments
For more information

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