



Carbon Disclosure Project IV:

Global trends in carbon disclosure

CDP at UNEP FI

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Carbon Disclosure Project 2006

Key Facts

- 225 investors with assets of \$31 trillion (30% of total)
- Information requested from 2,000 companies
- Over 940 companies answered the questions
- www.cdproject.net largest registry of corporate GHGs in the world
- 2006 expansion in US, Japan, UK, France, Germany, Canada, Brazil, Australia, Asia and Electric Utilities
- 11 reports being published
- Launch events all over the world
- CDP is now an established annual process
- CDP is where the corporate world report GHG emissions



Climate Change As An Investment Issue...

“There will be a large creation and re-distribution of shareholder value in the transition to a low carbon economy – there will be winners and losers at sector level and within sectors at company level.

The winners are more likely to be those businesses that take the time to understand and address this complex area.”

Tom Delay, Chief Executive, The Carbon Trust
Climate Change and Shareholder Value
March, 2006



Regulatory proposals proliferate

“Requires the Administrator of the Environmental Protection Agency (EPA) to establish a National Greenhouse Gas Database consisting of: (1) an inventory of GHG emissions by covered entities (specified entities that emit more than 10,000 metric tons of GHGs per year);.”

**HR759: Climate Stewardship Act of 2005 Sponsor: Gilchrest (R-Md.)
Official Title: A bill to provide for a program of scientific research on abrupt climate change, to accelerate the reduction of greenhouse gas emissions in the United States by establishing a market-driven system of greenhouse gas tradable allowances that will limit greenhouse gas emissions in the United States, reduce dependence upon foreign oil, and ensure benefits to consumers from the trading in such allowances, and for other purposes.**



1. Changes to the Carbon Landscape Since CDP3

Comments from Innovest Strategic Value Advisors

- Higher energy prices - \$70 per barrel rapidly changing the “rules of the game”
- Explosive growth in global carbon markets (World Bank estimates \$25 – 30 billion for 2006)
- Mercer; Freshfields reports redefine fiduciary responsibility – “give permission”
- Climate change litigation: U.S. Supreme Court hearing case on CO2 regulation
- California calls for 25% reduction in CO2 emissions by 2020
- California and Britain sign agreement to do cooperative research on new clean-energy technologies
- Continued growth in the clean tech sector



2. Key Findings from CDP4

- Highest-ever response rate: 72% overall; average of 85% in high-impact sectors.
- Emission intensity varies significantly, both among and within sectors.
- GHG reduction less costly than generally believed.
- Emissions levels of some industry competitors trending in opposite directions – potential for new winners and losers
- Significant gap (52%) between corporate awareness and *action*
- Investment houses have now joined the fray



3. What Have We Learned from Four Years of CDP?

- The global industrial restructuring towards a “low carbon” future has already begun

- Risks and opportunities are much more broadly –and unevenly—distributed than previously thought

- Climate risk has three dimensions, not just one! Analysis must consider:
 - risk;
 - risk management;
 - and market-driven upside opportunities

- While more & more investors and corporates are now paying attention, most are a long way from integrating the net climate exposure of their assets into actual investment strategies

- Both industrial companies and investors can make money from climate change – and some are already doing so!

4. Non Responders to CDP4 – the “Wall of Shame”

Companies that Failed to Respond or Declined to Participate In CDP4:	Country	Innovest Sector	Percentage of Total Common Shares Held by CDP4 Signatories
Sun Hung Kai Properties	Hong Kong	Real Estate Management & Development	48.89
Guidant	US	Health Care Equipment & Supplies	35.90
EOG Resources	US	Oil & Gas Exploration & Production	26.97
Fannie Mae	US	Banks - N. America	25.60
Banca Intesa	Italy	Banks - Europe	23.55
SLM	US	Diversified Financials - N. America	20.28
Cendant	US	Commercial Services & Supplies	19.89
Altria	US	Beverages & Tobacco	19.69
DirecTV	US	Broadcasting & Cable TV	18.82
XTO Energy	US	Oil & Gas Exploration & Production	18.74
First Data	US	IT Consulting & Services	15.37
Electronic Arts	US	Software	15.26
Allied Irish Banks	Ireland	Banks - UK & Ireland	15.07
Metlife	US	Insurance - N. America	14.94
Allstate	US	Insurance - N. America	14.37

Financial services companies - Innovest scoring

- Credit Suisse 90
- Deutsche Bank 70
- Fortis 80
- ING Groep NV 80
- Mediobanca -
- UBS 90
- American Express Company 20
- Bank of New York 40
- Capital One Financial -
- Charles Schwab Corp. -
- Citigroup Inc 80
- Goldman Sachs 50
- JP Morgan Chase 70
- Lehman Brothers -
- Moody's -
- National Australia Bank Limited 70
- Merrill Lynch And Company Inc 65
- State Street 60
- Power Financial Corp. -
- Morgan Stanley 65
- Allied Irish Banks PLC -
- Bank Of Ireland 45
- Barclays 85
- HBOS 80
- HSBC 95
- Lloyds TSB Group PLC 65
- Royal Bank Of Scotland Group PLC 55
- Standard Chartered PLC 60
- Saudi British Bank 20
- Westpac Banking Corp. 90
- Mitsui Financial Group -
- Sumitomo -

Financial services companies - Innovest scoring

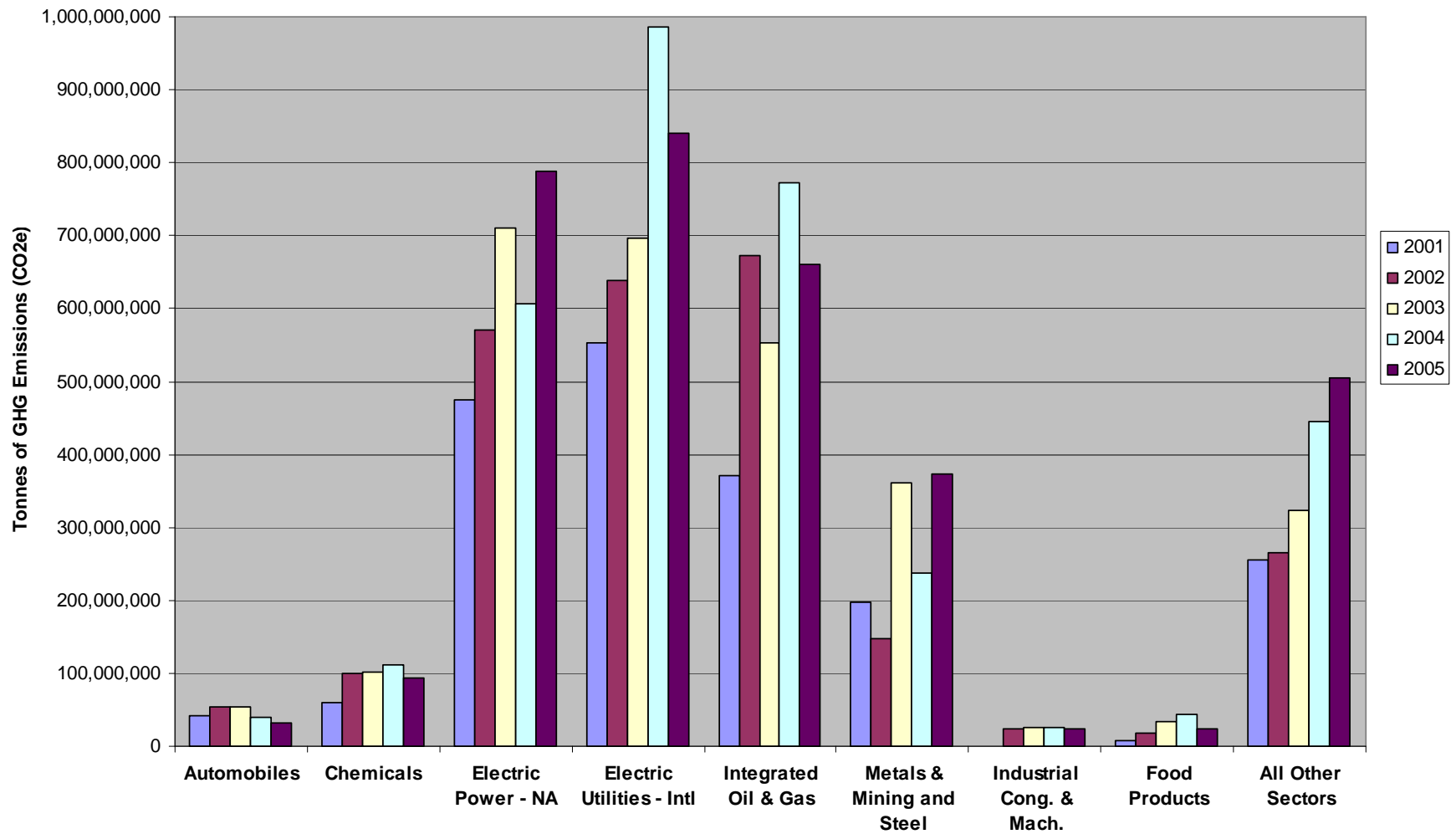
- ABN Amro Holding 85
- Banca Intesa -
- Banco Popular -
- Espanol 30
- BBVA 30
- BNP Paribas 75
- Commerzbank 50
- Credit Agricole 50
- Danske Bank 10
- Dexia 65
- DnB NOR 30
- FirstRand Limited 35
- KBC Groupe 30
- Nordea Bank -
- San Paolo IMI 45
- Rossii -
- Central Hispano 40
- Santander -
- Sberbank -
- Societe Generale 70
- Standard Bank Group -
- Svenska Handelsbanken 35
- Unicredit Group 75
- Al Rajhi Banking & Investment -
- ANZ Banking Group 90
- BOC Hong Kong Holdings Limited -
- DBS Group Holdings DP -
- Commonwealth Bank Of Australia -
- Hang Seng Bank Ltd 45
- Kookmin Bank -
- Mitsubishi UFJ Financial 50
- Mizuho Financial Group 50



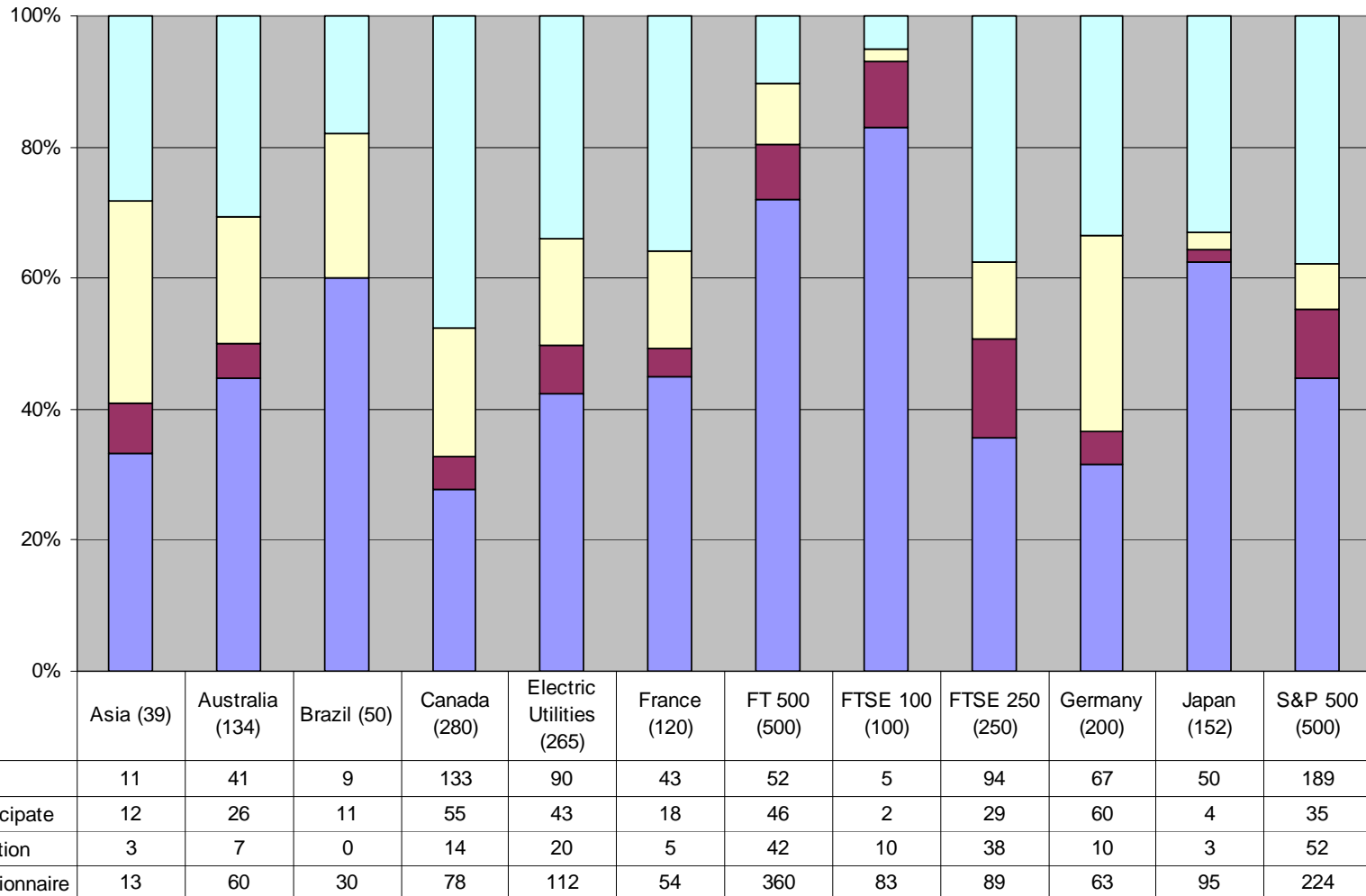
5. Some VERY Promising Recent Signs . . .

- Spectacular growth in cleantech, with “A-List” players – Kleiner Perkins, DFJ, Vinod Khoshla
- Carbon trading funds: 50 funds; \$6.4 billion AUM
- Climate Change Capital - \$800M+ in a *single* carbon fund; investors include ABP, PGGM, Centrica
- Next frontier – the *public* markets

5. Trends in emissions . . .

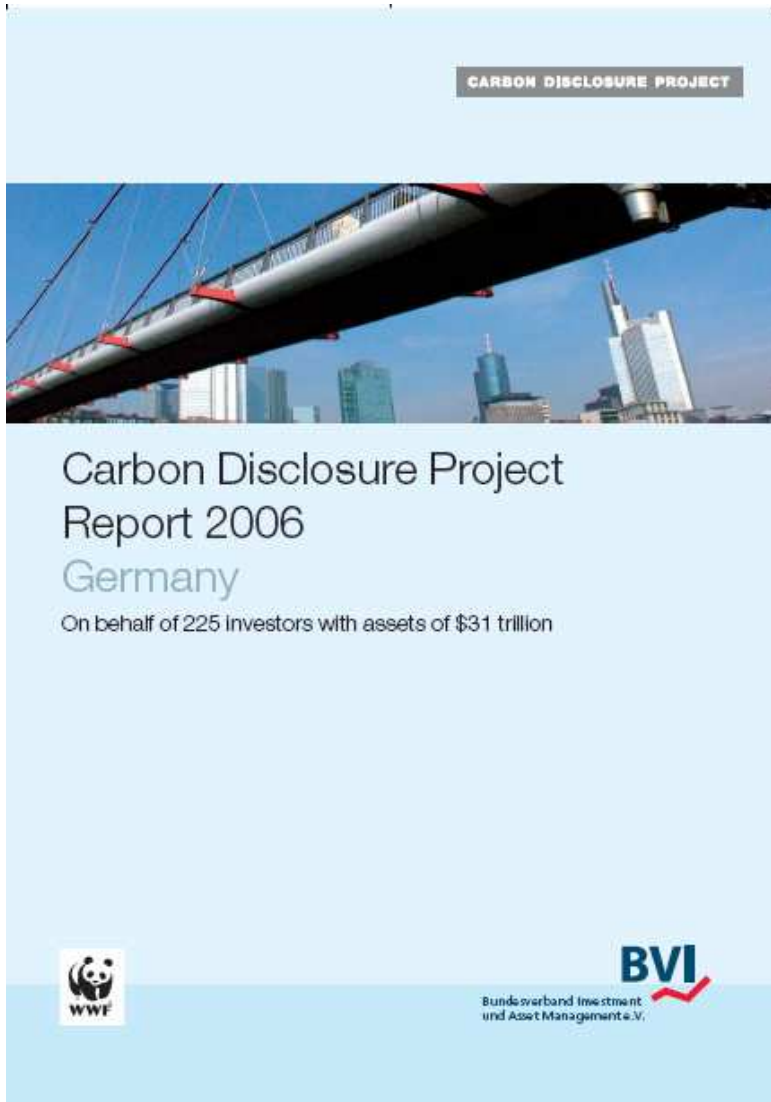


5. Response rate by country . . .





6. CDP 4 – Example of country reports: German 200 by market cap


CARBON DISCLOSURE PROJECT




Carbon Disclosure Project
Report 2006
Germany

On behalf of 225 investors with assets of \$31 trillion

 
Bundesverband Investment
und Asset Management e.V.

 Die
Bundeskanzlerin

Berlin, 22. September 2006



Foreword
to the first German Report of the Carbon Disclosure Project


Climate change is one of the greatest challenges of the 21st century. We already notice the consequences of global warming such as more extreme temperatures, more severe weather and melting glaciers. The main cause of global warming is the huge, worldwide increasing emission of carbon dioxide. Resolute action is needed.

We are all called upon to make a contribution – governments and business and industry, but also individuals. Initial steps have been taken, which, however, are by no means sufficient. We need a new worldwide consensus on how we can restrict the effects of global warming to a tolerable level. This issue is high on the international political agenda, not only within the UN framework but also at meetings of G8 States and in the dialogue between industrial and developing countries.

Global climate-protection policy will only be successful, however, when it is supported by business and industry. Here, the capital market is of great importance, and it is extremely important for investors to take account of climate change in their decision-making. This contributes to enhanced public perception of both the risks and the chances of climate protection.

I am very glad that the Federal Association of Investment and Asset Management and the World Wide Fund For Nature have enabled the first German Report of the Carbon Disclosure Project to be published. The aim of this project is to gradually improve information on CO₂ emissions and climate strategies as well as to initiate long-term plans for the future.

I wish the Carbon Disclosure Project success with its further efforts both in Germany and worldwide.



Dr. Angela Merkel



7. Global trends in carbon disclosure

- Expansion of CDP continues
- CDP offices in London, New York, Tokyo, Paris and Stockholm.
- CDP5 expansion including India and South Africa
- Focus on quality of data and comparability
- Development of a single response database



8. Collaboration on Carbon Disclosure

- Participation in Climate Risk Disclosure Initiative (CRDI)
- Closer alignment with GRI
- CDP working with IIGCC, UNEP FI, IGCC
- CDP today is financially supported by National Governments including:
 - US
 - UK
 - France
 - Sweden
- CDP partnerships with CalPERS, CalSTRS, AXA and ABN AMRO
- We all need to work urgently with global accounting firms on:
Generally Accepted Carbon Accounting Principles (GACAP)



9. Global trends...

IIGCC Investor Statement on Climate Change

“Incorporate climate change considerations into our processes for the appointment, evaluation and compensation of our asset managers.”

“Engage with the companies in which we invest to ensure that they are minimising the risks and maximising the opportunities presented by climate change and climate policy. We will also encourage these companies to improve their governance and disclosure of climate risks and opportunities.”

“Use our individual and collective influence to encourage governments to adopt policies that provide incentives to reduce greenhouse gas emissions and to encourage appropriate responses to the physical and societal impacts of climate change.”

- **CDP Secretariat would like to discuss these objectives with CDP Signatory investors.**



Many thanks

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