

Climate & Shareholder Value

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Climate & Shareholder Value

- **Since 2003, a steady rise in review and action**
- ***Climate Disclosure Project (CDP) – Report 2007***
 - **315 institutional signatories worldwide, assets of \$41 T (www.cdproject.net)**
 - **annual Qs since 2003 on response to climate challenges**
 - ***Financial Times Global 500***

Climate & Shareholder Value

- ***CERES – Corporate Governance and Climate Change: Making the Connection (www.ceres.org)***
- **established in 1989, directs the *Investor Network on Climate Risk***
- **more than 50 US institutional investors, assets > \$5 T**
- **9/07 petition to SEC – require publicly traded companies to assess and fully disclose financial risks from climate change**

Climate & Shareholder Value

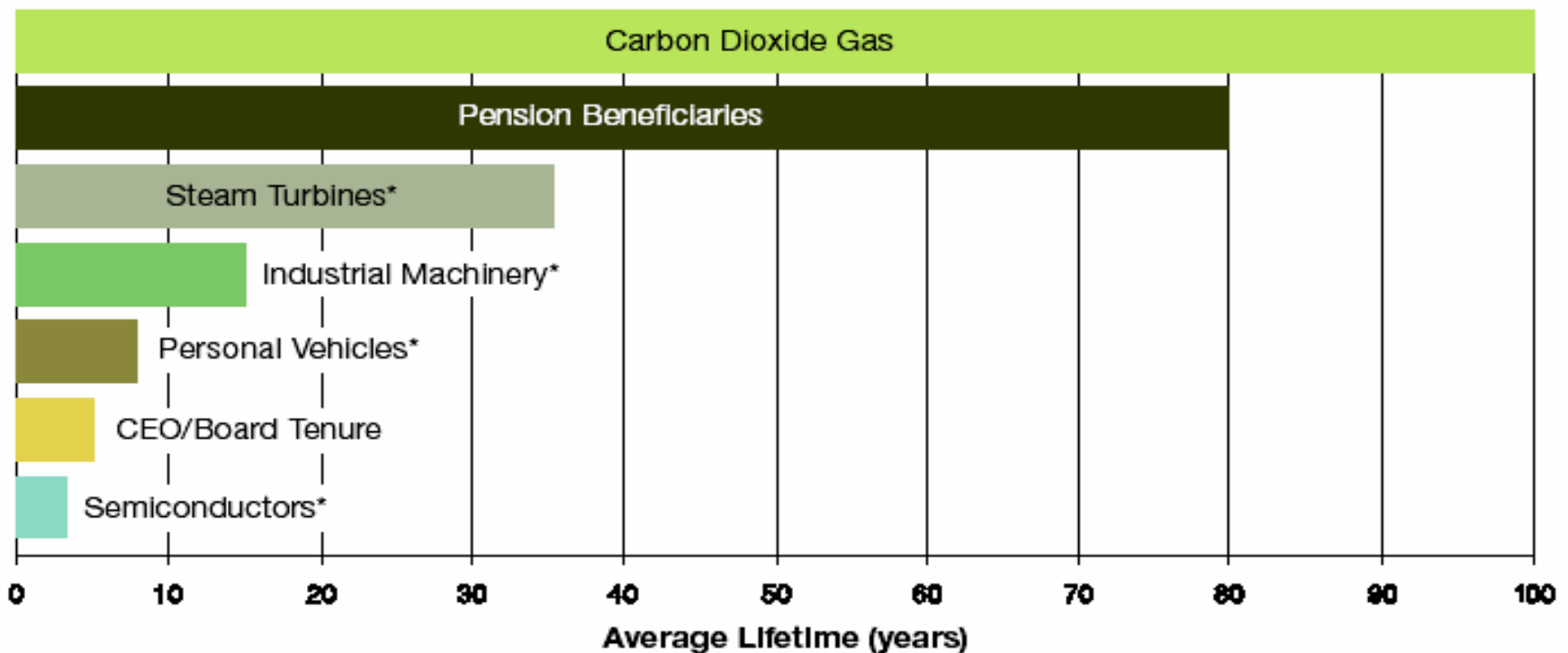
- **Or, as JP Morgan analysts advise: “*Until you know everything, you know nothing.*”**
- ***CDP Report 2007***
 - ***results from Global FT 500, S & P 500***
 - **FT 500: 77% response rate, vs 47% in 2003**
 - **Triple the shareholder resolutions**
 - **79% consider CC has commercial risk**
 - **82% see opportunity**

Climate and Shareholder Value

- **S & P 500 – separate survey and analysis**
 - **56% responded, vs 77% FT 500**
 - **29% implementing GHG targets and timelines vs 79% FT 500**
 - **but 36 % are trading emissions**
 - **8% are factoring C pricing into capex decisions**
 - **big increase in US response since 2005**
- **Several of the highest ranked firms are in the room today**

Governance Gap

Capital Life Cycles vs. Natural Life Cycles



*Source for capital cycles: U.S. Department of Commerce, Bureau of Economic Analysis

Adaptive Carbon Strategy

- **Carbon market constraints and high energy prices (= ?) financial liability , drive action**
- **Carbon a commodity, allows profit from emissions**
- **Affords a large family of strategies and opportunities**

Adaptive Carbon Strategy

- energy efficiency, - consumption = avoided emissions = + financial performance**
- new operational and capital deployment techniques**
- innovation – raw materials, equipment – improve C efficiency**
- new consumer products, markets**
- invert – capture and store, reuse, offset emissions and generate revenue**

Investor Evaluation

- **Strong practices are building in carbon financial analysis**
- **eg, UBS-Innovest, JP Morgan, Societe Generale; inside many firms**
- ***Carbon Risk Exposure Assessment Model***
www.commodities.sgcib.com
 - **carbon intensity for different industry sectors, detailed technologies**
 - **parameters: pretax cash flow, changing carbon price, C emission rights, cost increases to end customers**
 - **adapted from Carnegie-Mellon Green Design Institute**

C.R.E.A.M.

