

BUSINESS LEADERS' COMMENTS ON CLIMATE CHANGE REGULATION AND DISCLOSURE

Business leaders increasingly recognize that regulation of greenhouse gas emissions is both necessary and inevitable. 90 percent of business leaders believe that government regulation in this area is imminent, and 67 percent believe it will take place within the next eight years.¹ Additionally, 93 percent consider climate change related risks when making investment decisions.² In another recent study, 28 percent of executives cited environmental concerns, including climate change, as one of the issues likely to have the greatest impact on shareholder value in the next five years, and 87 percent of global companies indicated that global warming represents commercial risks and/or opportunities.³

I. Investment Advisors on the Impact of Climate Change on Performance

- “Global warming is likely to prove (to be) one of those tectonic forces that — like globalization or the aging of populations — gradually but powerfully changes the economic landscape.”
– John Llewellyn, Senior Economic Policy Advisor, Lehman Brothers⁴
- “Energy security and climate change issues will not be resolved in the foreseeable future; instead these issues will only intensify going forward. . . . These changing dynamics present investment opportunities in companies that are better positioned around the regulations or offer competitive technology solutions. For investors, solutions to these challenges present a compelling investment opportunity.”
– Merrill Lynch Report, *Energy Security and Climate Change*⁵

¹ PEW CTR. ON GLOBAL CLIMATE CHANGE, *GETTING AHEAD OF THE CURVE: CORPORATE STRATEGIES THAT ADDRESS CLIMATE CHANGE 1* (2006), *available at* http://www.pewclimate.org/docUploads/Synthesis_Report_CorpStrategies.pdf.

² *Id.* at 55.

³ EDWARD M. KERSCHNER & MICHAEL GERAGHTY, CITIGROUP GLOBAL MARKETS, *CLIMATIC CONSEQUENCES 68* (2007), *available at* http://sefi.unep.org/fileadmin/media/sefi/docs/industry_reports/Citigroup_2007.pdf.

⁴ Adam Shell & Matt Krantz, *Global Warming a Hot Spot for Investors*, USA TODAY, Feb. 28, 2007, *available at* http://www.usatoday.com/money/markets/2007-02-28-global-warming_N.htm.

⁵ MERRILL LYNCH, *ENERGY SECURITY & CLIMATE CHANGE: INVESTING IN THE CLEAN CAR REVOLUTION 4* (2005), *available at* http://www.asria.org/ref/library/csrguidelines/lib/050616WRI_Report.pdf.

- “The pace of a firm’s adaptation to climate change and related policy is thus likely to prove to be another of the forces that will influence whether, over the next several years, any given firm survives and prospers; or withers and, quite possibly, dies.”
– Lehman Brothers Report, *The Business of Climate Change*⁶
- “[E]nvironmental regulation will play an increasingly larger role in business in the coming years [C]ompanies that are knowledgeable about the issues, and, therefore, well-prepared, will find it easier to maintain profitability as they will be in a much better position to bid for new projects and sustain their business under the new legislation. In turn, these companies may also be able to gain market share from businesses that are less prepared and compliant.”
– J.P. Morgan Report, *Air Pollution: Business Risk or Competitive Advantage*⁷
- “Climate change is widely recognized as the most significant environmental issue facing the global economy Investors need to understand how their investments are contributing to the problem, and also how they could be impacted by a changing climate.”
– Henderson Global Investors Report, *The Carbon 100*⁸
- “(Global warming) started out as an environmental issue, but it crossed over to become a quite fundamental financial and economic issue.”
– Nick Robbins, Head of Socially Responsible Investment Funds, Henderson Global Investors⁹
- “We see a number of catalysts that will create investment opportunities related to reducing greenhouse gases and mitigating exposure to climate change risk.”
– Peter Suozzo, Director of Sustainable Investment Research for North America, Citigroup¹⁰

⁶ JOHN LLEWELLYN, LEHMAN BROTHERS, *THE BUSINESS OF CLIMATE CHANGE: CHALLENGES AND OPPORTUNITIES 4* (2007), available at http://www.lehman.com/press/pdf_2007/TheBusinessOfClimateChange.pdf.

⁷ JP MORGAN, *AIR POLLUTION: BUSINESS RISK OR COMPETITIVE ADVANTAGE* (2007), available at <http://www.jpmorgan.com/pages/jpmorgan/investbk/solutions/research/climatechange>.

⁸ HENDERSON GLOBAL INVESTORS, *THE CARBON 100* at 3 (2005), available at http://www.henderson.com/global_includes/pdf/sri/SRICarbon100Report.pdf.

⁹ Joanna Glasner, *Investors Bet on Global Warming*, WIRED, Nov. 22, 2005, available at <http://www.wired.com/techbiz/startups/news/2005/11/69370>.

¹⁰ Jody Yen, *Global Warming Goes to Wall Street*, FORBES.COM, Jun. 20, 2006, available at http://www.forbes.com/businessinthebeltway/2006/06/19/green-business-investing-cz_jy_0619sf.html.

- “Any insurance company that is not focusing on climate change and related possible damage is not being realistic in looking at their future profitability. As an investor, a lack of disclosure always troubles me.”
– Richard Moore, North Carolina State Treasurer¹¹
- “Shareholders must understand actions taken to manage GHG and climate risks.”
– Bob Page, Vice President of Sustainable Development, TransAlta¹²
- “[C]limate change is on the agenda for governments, regulators, consumers and businesses and this is creating some major risks, but also opportunities.”
–Mike Scott, *Financial Services – Banking on Climate Change’s Consequences*¹³

II. Climate Change Is a Business Reality

<p>“Companies should take action now to define their global climate-related strategy, set GHG reduction goals and implement GHG reduction activities, not just for environmental reasons, but also for competitive advantage.”</p> <p>– Ron Meissen, Senior Director of Environment, Health and Safety Engineering at Baxter International¹⁴</p>	<p>“Companies are becoming increasingly aware that climate is closely tied to profits.”</p> <p>– Felix Carabello, Director of Alternative Investment Products, Chicago Mercantile Exchange¹⁵</p>
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- “To me, [climate change] is the defining business issue of our generation.”
– David Crane, Chief Executive Officer, NGR Energy¹⁶

¹¹ EVAN MILLS & EUGENE LECOMTE, CERES, FROM RISK TO OPPORTUNITY: HOW INSURERS CAN PROACTIVELY AND PROFITABLY MANAGE CLIMATE CHANGE 29 (2006), available at <http://www.ceres.org/pub/publication.php?pid=0>.

¹² PEW CTR. ON GLOBAL CLIMATE CHANGE, *supra* note 1, at 55.

¹³ Mike Scott, *Financial Services – Banking on Climate Change’s Consequences*, CLIMATE CHANGE CORP.COM, June 18, 2007, <http://www.climatechangecorp.com/content.asp?ContentID=4852>.

¹⁴ PEW CTR. ON GLOBAL CLIMATE CHANGE, *supra* note 1, at 6.

¹⁵ Shell & Krantz, *supra* note 4.

- “[A]s many companies have already learned, acting on [climate change] is simply good business. Reducing our use of energy reduces costs. Inviting our employees to be active on this issue helps us recruit and retain the world's best. For us, as a media company-- this is a chance to deepen our relationships with our viewers, readers, and web users. The [climate] initiative we are launching today will involve every business, every function. It's not only for our facilities managers or our fleet directors-- it's about how we recruit new employees, how we develop relationships with advertisers and how we design movie sets. This is about changing the DNA of our business to re-imagine how we look at energy.”
– Rupert Murdoch, Chairman and CEO, News Corporation¹⁷
- “By conserving energy, we not only help the environment, but also our bottom line, as greater energy efficiency means lower costs. By investing in renewable energy, we displace some of our electricity demand during the times of day when it is most expensive, while helping green industries grow and reducing the cost of these emerging technologies. And by creating web-based products and services, we connect individuals like you with information that helps raise environmental awareness or avoids the need for you taking that trip to the store or sending that paper in the mail.”
– Google statement on climate change¹⁸
- “Climate change is shaping global markets and global consumer attitudes. There will be winners and losers. Companies who seize the opportunities, who adopt environmental, social and governance policies and who evolve, innovate and respond to these challenges are likely to be the pioneers and industry leaders of the 21st century.”
– Achim Steiner, Executive Director, UNEP¹⁹

¹⁶ John Donnelly, *Unlikely Allies Advance Global Warming Policy*, BOSTON GLOBE, Aug. 22, 2007, available at http://www.boston.com/news/nation/washington/articles/2007/08/22/unlikely_allies_advance_global_warming_policy/.

¹⁷ Rupert Murdoch, Chairman and Chief Executive Officer, News Corp., Remarks at Hudson Theatre, New York City (May 9, 2007), available at http://www.newscorp.com/energy/full_speech.html.

¹⁸ Google, A Clean Energy Future @ Google, <http://www.google.com/corporate/green/energy/>. Google has committed to going carbon neutral by 2008.

¹⁹ Press Release, World Bus. Council for Sustainable Dev., Business Leaders Call for Climate Action (July 6, 2007), available at <http://www.wbcsd.ch/plugins/DocSearch/details.asp?type=DocDet&ObjectId=MjU0MTQ>.

- “As a major global reinsurer, Swiss Re is committed to taking a leading role in the climate debate. We identified climate change as an emerging risk some 20 years ago, and the concern has since evolved into an important component of the company’s long-term risk management strategy. Our actions are based on the premise that it is in the interest of our shareholders, clients and employees, the wider stakeholder community and society in general to tackle this issue Climate change has been designated a Swiss Re Top Topic, which means that it is recognized as an issue of Group-wide strategic importance.”
– Swiss Re statement on climate change²⁰
- “Climate change is probably one of the best examples of where long-term risk planning is essential to mitigate some potentially irreversible long-term effects.”
– Brian Storms, CEO, Marsh, Inc.²¹
- “Our shareholders wanted to better understand the opportunities and risks that the climate change issue represented to their investment in Exelon, so we added a Global Climate Change Section to our 2004 10-K.”
– Helen Howes, Vice President of Environment, Health and Safety, Exelon²²
- “We have long identified climate change as a serious environmental issue, and shareholders are increasingly asking about the risks as well as the opportunities associated with it.”
– Bill Ford, Chairman and CEO, Ford Motor Company²³
- “The larger challenge that we face is, are we somehow in a period in which global warming is for real and we never have a cold January again. That’s the single biggest risk to our industry.”
– Aubrey McClendon, CEO, Chesapeake Energy²⁴

²⁰ Swiss Re, Our Position and Objectives, http://www.swissre.com/pws/about%20us/knowledge_expertise/top%20topics/our%20position%20and%20objectives.html?contentIDR=c21767004561734fb900fb2ee2bd2155&useDefaultText=0&useDefaultDesc=0.

²¹ PEW CTR. ON GLOBAL CLIMATE CHANGE, CLIMATE CHANGE 101: BUSINESS SOLUTIONS 1 (2006), available at http://www.pewclimate.org/docUploads/1114_BusinessFinal.pdf.

²² PEW CTR. ON GLOBAL CLIMATE CHANGE, *supra* note 1, at 54.

²³ Nat’l Envtl. Trust, U.S. Business Leaders on Global Warming, http://www.net.org/warming/docs/Business_Leadership_Quotes.pdf.

²⁴ Audio recording: 2006 OGIS West Investment Symposium, held by the Indep. Petroleum Ass’n of Am. (Oct. 3, 2006), available at <http://www.investorcalendar.com/IC/CEPage.asp?ID=108780&CID=>

- “Shell was one of the first energy companies to acknowledge the threat of climate change and to call for action by governments, industries and energy users”
– John Hofmeister, U.S. Country Chair and President, Shell Oil Company²⁵

III. Legislation to Mitigate Climate Change Is Inevitable

<p>“The dam is broken It’s inevitable that the federal government will have to come out and set a level playing field throughout the country.” – Chris Walker, Head of Greenhouse Gas Risk Solutions Unit, Swiss Re²⁶</p>	<p>“The growing consensus is that national domestic regulation is a matter of when, not if.” – Paul Hanrahan, President and CEO, AES Corporation²⁷</p>
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- “[G]overnment mandates will be required.”
– Yolanda Pagano, Director of Climate Strategy and Programs, Exelon²⁸
- “Congress has changed, people realize something is coming down the pike in terms of federal legislation”
– Douglas Fisher, utilities analyst, AG Edwards & Sons²⁹
- “[W]e must include all voices to ensure that energy policies lower emissions and sustain global economic development.”
– Jim Owens, Chairman and CEO, Caterpillar Inc.³⁰

²⁵ U.S. Climate Action Partnership (USCAP), USCAP Statements, <http://www.us-cap.org/media/quotes.asp>.

²⁶ Nat’l Env’tl. Trust, *supra* note 23.

²⁷ Press Release, AES, AES Outlines Support for National Instead of Regional CO₂ Cap and Trade Legislation (Jan. 17, 2007), *available at* <http://newsroom.aes.com/phoenix.zhtml?c=202639&p=irol-newsArticle&ID=951301&highlight=>.

²⁸ PEW CTR. ON GLOBAL CLIMATE CHANGE, *supra* note 1, at 47.

²⁹ David R. Baker & Zachary Coile et al., *Lobbying Effort Signals Corporate Climate Change*, S.F. CHRON., Jan. 23, 2007, *available at* <http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/01/23/CEOCLIMATE.TMP>.

³⁰ USCAP, *supra* note 25.

- “We see a global system of emissions trading as inevitable.”
 - Steve Lennon, Chair, Environment and Energy Commission, International Chamber of Commerce³¹
- “Technologies will emerge when CO₂ has a price signal, and that market signal will be created by regulation.”
 - Kevin Leahy, Managing Director of Climate Policy, Cinergy³²

IV. Climate Change Must Be Addressed

<p>“We know we must address climate change [T]here is no other option.”</p> <p>– Alain Belda, Chairman and CEO, Alcoa³³</p> <p>“The unique challenge of climate change is that it requires action now”</p> <p>– Jeffrey Sterba, Chairman, President and CEO, PNM Resources³⁴</p>	<p>“Climate change is a serious issue that has to be addressed through concrete action.”</p> <p>– Chad Holliday, Chairman and CEO, DuPont³⁵</p>
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- “It is critical that business, government and non-governmental organizations come together to develop efficient and effective approaches to addressing environmental impacts of greenhouse gas emissions and our mutual energy future.”
 - Indra K. Nooyi, Chairman and CEO, PepsiCo³⁶
- “[C]limate change is a serious problem that must be addressed.”
 - Martin Sullivan, President and CEO, AIG³⁷

³¹ Nat’l Envtl. Trust, *supra* note 23.

³² PEW CTR. ON GLOBAL CLIMATE CHANGE, *supra* note 1, at 47.

³³ USCAP, *supra* note 25.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

- “GM is very pleased to join USCAP in proactively addressing the concerns posed by climate change.”
 - Rick Wagoner, Chairman and CEO, General Motors Corp.³⁸
- “Climate change is real and the most urgent environmental issue our society faces.”
 - Andrew Liveris, Chairman and CEO, The Dow Chemical Company³⁹
- “We support the goal of reducing greenhouse gas emissions to mitigate the expected adverse effects of climate change.”
 - William C. Weldon, Chairman and CEO, Johnson & Johnson⁴⁰
- “[A]ction to address these emissions sooner rather than later will lower the costs and difficulties of mitigation and innovation.”
 - Robert Lane, Chairman and CEO, Deere & Company⁴¹
- “[T]he sooner we act the better it will be for our environment, customers and the economy.”
 - Jim Rogers, Chairman, President and CEO, Duke Energy⁴²
- “[W]e are committed to tackling the challenge of global climate change.”
 - George Nolen, President and CEO, Siemens Corporation.⁴³
- “We believe climate change is one of the most significant environmental challenges of the 21st century [V]oluntary action alone cannot solve the climate change problem.”
 - Goldman Sachs Environmental Policy Framework⁴⁴
- “No other country bears a greater responsibility – or possesses a greater capacity – to lead the global response on this issue.”
 - Peter A. Darbee, Chairman of the Board, CEO and President, PG&E Corporation⁴⁵

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ *Id.*

⁴¹ *Id.*

⁴² *Id.*

⁴³ *Id.*

⁴⁴ GOLDMAN SACHS, GOLDMAN SACHS ENVIRONMENTAL POLICY FRAMEWORK 1 (undated), *available at* http://www2.goldmansachs.com/our_firm/our_culture/corporate_citizenship/environmental_policy_framework/docs/EnvironmentalPolicyFramework.pdf.

⁴⁵ USCAP, *supra* note 25.

- “We don’t have a lot more time to deal with climate change”
– Henry Paulson, then-Chairman, Goldman Sachs⁴⁶
- “BHP Billiton has recognized that our company, as well as society generally, must make real behavioral changes and accelerate technological progress if we are to achieve a meaningful reduction in energy use and greenhouse gas emissions.”
– Chip Goodyear, CEO, BHP Billiton⁴⁷
- “We have to deal with greenhouse gases. From Shell's point of view, the debate is over. When 98 percent of scientists agree, who is Shell to say, ‘Let's debate the science’?”
– John Hofmeister, President, Shell Oil Co.⁴⁸
- “We support urgent but informed action to stabilize greenhouse gas (GHG) concentrations by achieving sustainable long-term emission reductions at the lowest possible cost.”⁴⁹
– BP P.L.C. position on climate change
- “Climate change poses clear, catastrophic threats. We may not agree on the extent, but we certainly can't afford the risk of inaction.”
– Rupert Murdoch, Chairman and Chief Executive Officer, News Corporation⁵⁰
- “In the distribution of possible future outcomes of global warming, there is a significant tail representing very serious consequences. It is the prudent approach – a common practice in insurance and issues of financial stability – which requires us to take action today to mitigate global warming and to adapt to its consequences.”
– Jacques Aigrain, Chief Executive Office, Swiss Re⁵¹

⁴⁶ Env'tl. & Energy Study Institute, *First Meeting of Parties to Kyoto Protocol Underway in Montreal*, CLIMATE CHANGE NEWS, Dec. 2, 2005,

<http://www.eesi.org/publications/Newsletters/CCNews/12.2.05%20CCNews.htm>.

⁴⁷ BHP Billiton, Ltd., *BHP Billiton Launches Revised Climate Change Policy*, CSRWIRE, June 19, 2007, available at <http://www.csrwire.com/News/8939.html>.

⁴⁸ Steven Mufson & Juliet Eilperin, *Energy Firms Come to Terms with Climate Change*, WASH. POST, Nov. 25, 2006, available at <http://www.washingtonpost.com/wp-dyn/content/article/2006/11/24/AR2006112401361.html>.

⁴⁹ BP, *Climate Change - Our Position*,

<http://www.bp.com/sectiongenericarticle.do?categoryId=9015582&contentId=7028604>.

⁵⁰ Murdoch, *supra* note 17.

⁵¹ Swiss Re, *supra* note 20.

V. Federal Legislation Concerning Climate Change Is Desirable

Thirty-three U.S. businesses and environmental groups have joined together to form the U.S. Climate Action Partnership, that have come together “to call on the federal government to enact legislation requiring significant reductions of greenhouse gas emissions.”⁵² The joint statement pledges that the corporations will “work with the President, the Congress and all other stakeholders to enact an environmentally effective, economically sustainable, and fair climate change program consistent with our principles at the earliest practicable date”⁵³ and recommends “mandatory” regulations “to reduce greenhouse gas emissions.”⁵⁴

<p>“[T]he time has come to act – to take steps as a nation to reduce the carbon intensity of our economy . . . any actions must be mandatory, economy-wide and federal in scope.”</p> <p>– Paul Anderson, CEO, Duke Energy Corp.⁵⁵</p>	<p>“We need a uniform and predictable system. . . . It needs to be a federal system.”</p> <p>– Ken Cohen, Vice-President of Public Affairs, Exxon Mobil⁵⁶</p>
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- “[State level regulation] would be a huge misdirection of resources and much less would be achieved if we are subjected to a balkanized set of standards from 50 different sources.”
- Tom Catania, Vice President of Government Relations, Whirlpool⁵⁷

⁵² U.S. Climate Action Partnership (USCAP), <http://www.us-cap.org>. Members of USCAP include Alcan Inc., Alcoa, American International Group, Inc. (AIG), Boston Scientific Corporation, BP, America Inc., Caterpillar Inc., Chrysler LLC, ConocoPhillips, Deere & Company, The Dow Chemical Company, Duke Energy, DuPont, Environmental Defense, Exelon Corporation, Ford Motor Company, FPL Group, Inc., General Electric, General Motors Corp., Johnson & Johnson, Marsh, Inc., National Wildlife Federation, Natural Resources Defense Council, The Nature Conservancy, NRG Energy, Inc., PepsiCo, Pew Center on Global Climate Change, PG&E Corporation, PNM Resources, Rio Tinto, Shell, Siemens Corporation, World Resources Institute, Xerox Corporation.

⁵³ U.S. CLIMATE ACTION PARTNERSHIP, A CALL FOR ACTION 11 (2007), available at <http://www.us-cap.org/USCAPCallForAction.pdf>.

⁵⁴ USCAP, *supra* note 25.

⁵⁵ Nat’l Envtl. Trust, *supra* note 23.

⁵⁶ *Everybody’s Green Now: How America’s Big Companies Got Environmentalism*, ECONOMIST, May 31, 2007, available at http://www.economist.com/surveys/PrinterFriendly.cfm?story_id=9217982.

⁵⁷ PEW CTR. ON GLOBAL CLIMATE CHANGE, *supra* note 1, at 50.

- “[W]e support [the] goal of a mandatory national regulatory framework.”
– James J. Mulva, Chairman and CEO, ConocoPhillips⁵⁸
- “We must . . . create energy policy that is integrated, coherent and clear. . . .”
– Jeffrey Immelt, Chairman of the Board and CEO, General Electric⁵⁹
- “It is in the interest of society and business to reduce the uncertainty and increase the predictability of policy frameworks and market conditions around the issue of climate change.”
– Bill Ford, CEO, Ford Motor Co.⁶⁰
- “Alcan is . . . committed to bringing about legislative action on climate change.”
– Richard B. Evans, President and CEO, Alcan, Inc.⁶¹
- “The sooner we act, the more options we have for solutions, the less costly they will be and the fewer uncertainties we will face with the climate.”
–Peter A. Darbee, Chairman of the Board, CEO and President, PG&E Corporation⁶²
- “Give us a date, tell us how much we need to cut, give us the flexibility to meet the goals, and we’ll get it done.”
– Wayne H. Brunetti, CEO and Chairman, Xcel Energy⁶³
- “[W]e will campaign for public policies designed to cut emissions to the levels required to keep our climate system stable. We support energy efficiency standards that accelerate the deployment of energy-efficient technologies throughout the world, specific targets to increase renewable energy supplies on the grid, public support for research and development aimed at developing and commercializing low-carbon technologies, and mandatory emissions limits that put a price on carbon.”
– Google statement on climate change⁶⁴

⁵⁸ USCAP, *supra* note 25.

⁵⁹ *Id.*

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² David R. Baker & Zachary Coile, *Lobbying Effort Signals Corporate Climate Change*, S. F. CHRON., Jan 23, 2007, at D1, available at <http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/01/23/BUGO0NN3EC1.DTL&feed=rss.news>

⁶³ PEW CTR. ON GLOBAL CLIMATE CHANGE, *supra* note 21, at 7.

⁶⁴ Google, *supra* note 18.