

# **Carbon Intensity**

## **- a way to recognise climate change?**

---

**Dr Andrew Dlugolecki**  
**Andlug Consulting**

UNEP Fourth Workshop on the Environment  
for Export Credit Agencies  
SACE, Rome September 29-30 2004

**[andlug@hotmail.com](mailto:andlug@hotmail.com)**

# Overview

---

- **Trends in corporate reporting**
- **Need for broad approach on climate change**
- **Breakout group discussion**

# Corporate reporting on environment

---

## USA

**Government Accounting Office critical of SEC monitoring of environmental disclosure**

**AEP, Exim and others face actions relating to emissions or support for fossil fuel projects**

## UK

**Operating and Financial Review (OFR) will mandate social/environmental reporting for listed companies**

# Corporate reporting on carbon intensity

---

## Bank of America

- Assess and report on emissions from utilities and energy sector, to realise a 7% reduction in indirect emissions within that portfolio
- Commission an independent research paper on the risk of financing ghg-intensive industries

## Prudential plc

- Reports emissions of property investment portfolio
- Commissioned study on sustainability for it

# Bonn Conference on RE- Recommendations for ECA's

---

- **Changes to OECD arrangement**
  - **EU proposal in hand**
- **Disclosure on renewables**
  - **Insignificant until volume increases**
- **Other aspects of climate change**
  - **Silent, so need to look elsewhere**

# Strategy on Climate Change

---

- **World Bank- Extractive Industry Review**
  - Avoid coal, phase out oil
  - Support gas, renewables (20% pa growth target)
  - Promote efficiency projects, create focus, review 2005
- **Renewable Energy**
  - Bonn showed difficulty of finding RE projects
  - Need to record climate impacts of other activities

# Investor Network on Climate Risk

## -Guide to Climate Risk

---

- **Assessment**

Consult experts, assess risk, network on best practice

- **Disclosure**

Publish policy, disclose risks, account for emissions, talk to stakeholders

- **Solutions**

Devise strategy, invest in clean energy, support gov't

# Features of EU ETS

---

## Energy

Thermal

Oil refinery

Cokery

## Metals

Ores

Iron

Steel

## Minerals

Cement/Lime

Glass

Ceramics

## Other

Pulp

Paper

**CO<sub>2</sub> only**

**Penalties start at €40 per tonne, rising to €100**

# Logic for ECA Action

---

- **CSR**

**Strong trend to disclosure. Note, clean energy has many benefits aside from fewer ghg emissions**

- **Economic**

**Penalties in EU ETS are €40/tonne , rising to €100**

- **Liability**

**Even if suits fail, defending them is costly**

# Questions for discussion

---

- 1 Modify premium/cash flow projections?**
- 2 Report CO<sub>2</sub>/\$ ( carbon intensity) ?**
- 3 For energy sector only?**
- 4 Report other sustainability issues?**
- 5 Next steps?**

# Summary of Breakout Answers

---

**1 Not yet/ yes allow credits and debits**

**2 Yes at portfolio level** ( consider WBCSD/WRI method)

**3 No, prioritise flexibly**

**4 Later**

**5 Investigate together, seek to implement**