



## NEWS

**For Immediate Release**

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### **NEW STUDY CALCULATES CARBON EXPOSURE OF THE S&P 500**

***Financial Risk Varies Widely by Company;  
Earnings Could Fall From Less Than 1% to 117% Under Cap-and-Trade***

**NEW YORK, NY, June 2, 2009** – A new comprehensive analysis indicates that the financial risk to companies in the Standard & Poor's 500-Stock Index would vary greatly under a cap-and trade program requiring the purchase of carbon emission credits. The earnings of most companies would be relatively unaffected, but a few could face costs that could more than offset all their earnings. The analysis also finds that the greenhouse gas emissions from companies in the S&P 500 total more than all the car, truck, bus and aircraft emissions in the United States.

These findings are contained in a new report released today by the not-for-profit Investor Responsibility Research Center Institute and Trucost, a global provider of environmental data and analysis. "*Carbon Risks and Opportunities in the S&P 500*" analyzes the potential financial implications of applying a carbon price to global emissions for companies listed on the S&P 500. The analysis compares companies and sectors on absolute emissions and carbon intensity, as well the potential carbon costs relative to revenue and earnings before interest, tax, depreciation and amortization (EBITDA).

The research findings come as legislation moves through the U.S. Congress to combat climate change by reducing the amount of greenhouse gases emitted into the atmosphere from American power plants and industrial processes. Highlights of the report are as follows:

- Direct emissions in 2007 by the companies in the S&P 500 were some 2,173 million tons of carbon dioxide equivalents. This is more than the emissions caused by all cars, buses, trucks and aircraft in the U.S. Total emissions in 2007 – including emissions from first-level suppliers – totaled 4,307 million tons of carbon dioxide equivalents in 2007.

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- Carbon costs would total over \$92.8 billion if a market price of \$28.24 – Trucost’s estimate of the carbon market price in 2012 – were applied to each metric ton of emissions from companies in the S&P 500 and their direct suppliers such as electricity providers. This represents more than 1% of revenue from these companies, and some 5.5% of combined EBITDA.
- The Utilities sector is most carbon-intensive, emitting some 59% of operational greenhouse gases from companies in the S&P 500. This sector faces the highest financial exposure to carbon costs. If the 34 utilities analyzed in the study were to pay for each metric ton of emissions, carbon costs could reduce their combined earnings by 45%. Basic Resources is the second-most exposed sector, followed by the Food & Beverage, Chemicals and Oil & Gas.
- On a company-by-company basis, financial risk varies widely. Earnings could fall between less than 1% and 117% by company, if carbon costs were incurred. Carbon costs would amount to less than 1% of earnings for 203 companies analyzed, while 71 companies could see earnings fall by 10% or more. The greatest variation is in the most carbon-intensive sectors.

Carbon costs currently are not reflected on a company’s financial statements because there is no charge for emissions. However, the proposed cap-and-trade legislation under consideration by the U.S. Congress would make new carbon costs explicit. This adds urgency to the need for investors to consider developing a framework to consider climate change issues including: assessing material climate risks to returns; incorporating criteria on carbon disclosure and performance into active ownership practices; and developing the capacity to evaluate carbon exposure in stock selection analysis.

“The cost of carbon emissions has been passed to the public and not reflected in the financial statements of companies,” said Jon Lukomnik, program director of the IRRRC Institute, which commissioned the study. “The analysis makes clear that a cap-and-trade system is a real game changer. A number of companies will have to reform how they think about carbon emissions and the associated costs, or their bottom line will suffer greatly,” Lukomnik said.

He added, “The report suggests that some companies and investors could be caught off guard. Two-thirds of S&P 500 companies have inadequate greenhouse gas emissions disclosures. Investors would be wise to watch closely as the Congress continues its consideration of the American Clean Energy and Security Act of 2009. The legislation is considered highly complex, and could have profound, long-lasting impacts on company balance sheets.”

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“The findings reveal that there clearly will be winners and losers,” said Simon Thomas, chief executive of Trucost. “Companies that are more carbon efficient than sector peers across their own operations and supply chains stand to gain a competitive advantage. Now is the time for companies to begin measuring and reducing their carbon emissions to ensure they are well positioned to minimize the risk of climate change regulation. Already we are seeing increased interest from investors looking to reduce their own risk by positively selecting those companies with lower carbon emissions, and this is set to increase in the future,” Thomas said.

The 40-page study provides detailed data charts and graphs outlining breakdown of specific company and sector greenhouse gas emissions and financial liability. For example, chart ten on page 25 of the report lists the companies with the greatest financial carbon costs relative to revenue, and indicates carbon costs of between 12.8% and 42.8% of earnings.

The full report is available at [www.iircinstitute.org](http://www.iircinstitute.org) and [www.trucost.com](http://www.trucost.com). The report also is included in the Social Science Research Network Corporate Governance Network at <http://www.ssrn.com/cgn/index.html>.

#### **About The IIRC Institute**

The IIRC Institute is a not-for-profit organization headquartered in New York, N.Y that provides thought leadership at the intersection of corporate responsibility and the informational needs of investors. More information is available at [www.iircinstitute.org](http://www.iircinstitute.org).

#### **About Trucost**

Trucost is the world’s leading global provider of data and analysis on the carbon impacts of companies. Trucost helps investors, companies and governments understand how environmental issues will affect companies’ future earnings and values. More information is available at [www.trucost.com](http://www.trucost.com)

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