JC: Well, good morning everybody. (Inaudible) thank you. Those who need to find a seat, please do so.

The first thing I should say is well done for being here. It seems quite encouraging to have such a full audience. I wonder whether we ought to have the Elton John song “I’m Still Standing” as a backing track for the morning’s proceedings.

But my name’s James Cameron. I’m the Chairman of the Carbon Disclosure Project and I’d like to welcome you to the 6th global forum of the Carbon Disclosure Project.

To start proceedings today, it’s my great pleasure to introduce our host Greg Fleming, President and Chief Operating Officer of Merrill Lynch. Greg is responsible for oversight of all Merrill’s operating businesses and related support services and he’s also spearheaded Merrill’s environmental initiative, which has made enormous and tangible progress over the past year.

He’s also been a strong personal supporter of CDP’s core mission of facilitating dialogue supported by quality data from which a rational response to client change will emerge.

So Greg, the floor is yours. Thank you very much.

APPLAUSE

GF: Thank you James. Good morning to everybody. It is nice to come to this year over year and see so many familiar faces out there. I think it’s a tangible demonstration of the progress that we’re making on these topics.

On behalf of all my colleagues at Merrill Lynch I’d like to welcome you to the launch of two CDP reports. The first consists of responses from 500 companies globally and the second consists of responses from the S&P 500.

As a founding member and global sponsor of CDP, we are very pleased to be able to host this gathering again this year. At Merrill Lynch we recognize the importance of the accurate reporting of carbon emissions.

As CDP puts it, the logic behind this effort is simple, and I quote: “Addressing the challenge of climate change depends on a dialogue between shareholders and corporations supported by high quality information” and that’s why we’re here this morning.
It’s gratifying to see that the response rates from both the S&P 500 and these 500 companies globally has never been higher. In the US and around the world large companies recognize the fact that the regulatory environment is rapidly changing.

The business case for environmental sustainability has never been more compelling. Even in the turbulent market investing in companies that are leaders in this field is a huge opportunity. Just one statistic from the Global 500 report speaks volumes.

In 2007 global investment in the green tech and clean tech space exceeded $150 billion. The vast majority of these funds invested in large scale alternative and renewable energy solutions including solar, biofuel and wind.

Our Merrill Lynch research has put a price tag on the coming transition to a low carbon economy at $20 trillion over the next 30 years—$20 trillion. So at Merrill Lynch we’re pushing ahead with our own environmental sustainability initiatives.

Three key areas—one, in response to a rapidly changing regulatory environment, the US is likely to follow the EU with cap and trade no matter who wins the election although with important differences in approach and philosophy, as representatives from both campaigns are going to discuss later this morning.

Two, reputational risk, which gets higher and higher every day, given the number of constituencies that are focusing on environmental sustainability; and three, at Merrill Lynch it always starts and ends with our clients, both institutional and global wealth management and they are overwhelmingly telling us they expect us to be leaders in the environmental sustainability area.

I held an environmental sustainability town hall for our employees just a couple weeks ago in this very room. And my central theme, what I kept saying over and over in the presentation, a mantra that I wanted them to hear, leadership in the environmental sustainability area is good business for Merrill Lynch. We intend to provide that leadership in the years ahead.

I want to close by reiterating the underlying thesis of the CDP, which we clearly are very supportive of. To provide effective solutions to the challenge of climate change, analytics and data, and these two reports provide a foundation for sound public policy and prudent decision making.

I think we have a terrific program today and I thank you again for being here.

APPLAUSE
JC: Thank you very much Greg. Thank you for so warmly welcoming us into your home. I wanted to begin with an obvious thanks really to Merrill themselves. They’ve been a tremendous friend to CDP for many years, really right back to the early days.

And they have an excellent team here that supports us including the technical people who make this event possible and enable us to broadcast over the wave. It’s a tremendous partnership and we’re very, very grateful for you, for the help we get from you.

I’d like also to communicate deep appreciation to PricewaterhouseCoopers, who are CDP’s global advisors, whose excellent reports provide a superb summary of the CDP responses this year.

Other important thanks must go to our very longstanding supporter, the Nathan Cummings Foundation, represented here to day by Lance Lindblom, to Rockefeller Philanthropy Advisors, who have been looking after us for many years and indeed they provided us with the philanthropic base for our business and our sponsors today, the launch sponsors, Cadbury, Dell, EMC, Juniper Networks and the Chicago Climate Exchange.

As Chairman of the CDP I’d like to pay a particular tribute to the CDP staff, whose tireless work makes this project happen. They really are very remarkable people and have had to make do with very little over many years. It’s gratifying that they have a little bit more in the way of resource now to get their work don.

I’m reminded of the catch phrase from the PGA golf tour, perhaps it’s the Ryder Cup result that I have in mind at the moment, that these guys are good. They really do a fantastic job in difficult circumstances. They’re flat out every day and we are all in their debt.

Much thanks too to the responding companies in that it’s their efforts that we are celebrating today. Their material provides the data from which we can build good, analytical understanding of what’s going on.

And ultimately our signatory investors who are in a very real sense, they are CDP, they are the project and they make all of this possible because it’s the power associated with their names, a very long list of them now, that makes the dialogue all that more significant.

One of the most distinguished representatives of that community is here today in the form of Jack Ehnes, CEO of CalSTRS, who incidentally with their sister fund
CalPERS, were the very first investor to support CDP expansion into a sector with the electric utilities report, which they continue to support in 2008. CalSTRS is leading the way in using the CDP system to better understand climate change risk and indeed the opportunities from their investment portfolio.

So what should we observe this year in particular? Certainly these are turbulent times. New alliances have been forged, not least in this institution, which moves forward in partnership now with the mighty Bank of America, and we wish you a happy and prosperous future together.

But there’s no doubt that in this week, of all weeks, it’s a good moment to understand what originally drove CDP, which is the better understanding of systemic risk.

We do need to know much more about how climate, both the physical consequences and the policy response to climate change, affects the way investors manage their portfolios, make choices and decide ultimately to realize value for their beneficiaries.

The Carbon Disclosure Project was formed eight years ago to provide sufficient data for a rational response to be made in the investment community and to provide some pressure upon the corporate world to better organize and manage their affairs to avoid systemic risk.

And indeed, CDP’s mission is to help reveal hidden risk and to highlight opportunity. We do now have plenty of examples of companies profiting out of the solutions to climate change.

We can also see that in difficult times it makes sense to have prudent regulation. The climate change issue, as I’ve said before on platforms, defines what government is for. But of course we need good regulation, good intervention, huge pressure now on governments to perform well as institutions.

So it’s not just that the must intervene but they must intervene well. They must create the right policy signals. How they respond will have a profound affect on how successful we are in managing climate change risk just as it will in managing financial risk.

And it has to be said, despite a very uncomfortable week for many, a crisis of confidence in the banking system can be resolved a lot more easily than the systemic problem with the biosphere.

If we have a collapse of the physical systems of the earth, we’ll be dealing with a much higher scale of risk and consequences for our societies that are far, far
more severe than ones we’re experiencing at the moment in finance and economics. And what we do know now is that there is value in reducing carbon. Emitting greenhouse gas is in many parts of the world a liability, one that can be measured and put on a balance sheet—for some companies anyway.

And we know that reducing emissions creates assets. so once we get the accounting right, and that’s a lot of work still to do, as President Clinton said at the CDP launch event last year, “We’ve got to keep score”.

If we you measure carbon well, properly value it, properly account for it, then clearly we can keep score. And we can keep score systematically in the day to day metrics of the investment business.

So putting all those things together, we think CDP this year has got some very good data for you. We think we’ve maintained momentum. In all the circumstances we’re even more relevant than we were last year.

And so it’s my very great pleasure to hand over to the CEO of CDP, Paul Dickinson.

APPLAUSE

PD: Good morning and sincere thanks to James, the Chair of CDP. And also the Chair of Climate Change Capital, an extraordinarily successful, fast growing new business.

It’s a great pleasure to be here again at Merrill Lynch and we have a very distinguished series of speakers ahead so my comments will be very short. An update on CDP and also an announcement, which we’re very excited about.

First of all, as secretary to the Climate Disclosure Standards board, we are helping to coordinate and focus the efforts of the big four accounting firms with their trade bodies to bring the scale required to take carbon disclosure to the next level.

CDP is making a major upgrade to our data systems and in fact we have a request for proposals on our website at the moment to become our global partner. Ad if anybody is interested we would welcome you to get in contact with us.

CDP has an enormous and fast growing supply chain project, announced here last year, with Wal-Mart and now with 30 major corporations from Boeing to
Hewlett Packard, from PepsiCo to Proctor & Gamble, all sending the Carbon Disclosure Project questions to their suppliers. That helps identify opportunities for emissions reductions and cost reductions and it also helps identify potential risks from business interruption, perhaps from extreme weather events through to forecasting the volatility of energy prices and their impact on business.

And this supply chain project has brought thousands of new companies into the CDP system and that’s very exciting.

We’ve launched a major new initiative on public procurement and we’re delighted that two senior UK cabinet ministers, Hilary Benn, and the foreign secretary David Miliband, have celebrated that the environment ministry and the foreign ministry of the UK are also now sending Carbon Disclosure Project questions to their suppliers.

And in fact, this work with government is not just in the UK but we’re very proud to continue to be supported and in partnership with the US federal government, the governments of five EU member states, Australia and recently the government of Japan.

29 major US cities including Las Vegas and New York are reporting their emissions to the Carbon Disclosure Project in our partnership with ICLEI. And indeed, it was very kind of Mayor Bloomberg to personally endorse our collaboration and we were very proud of that.

And that allows me to link to our announcement today. Could we have the slide please? It’s with great pleasure that I would like to announce today the CDP responses are not just available on the CDP website but they are also available across the entire Bloomberg network.

And we are now plugged we believe directly into the capital markets through the Bloomberg terminals. Please check CED, Carbon Emissions Data, on your terminal now.

Our partnership with Bloomberg, which this screen illustrates, will provide further tools for the analysis of this data. And people will be able to run emissions data against carbon prices, earnings per share, share prices, power prices and projected future carbon prices.

And as greenhouse gas regulatory systems grow in the United States and around the world, this data will become increasingly important. The financial community needs to understand what’s going to be happening at the bottom line
and through the Bloomberg professional service people can make those calculations today. So the markets are now well equipped to respond efficiently and effectively to climate change regulation and to the development of climate change policies. So let’s move on to talk about that. And I will hand back to James. Thank you.

APPLAUSE

JC: Thank you Paul. Now it’s my great pleasure to introduce James J. Mulva from ConocoPhillips. James is the CEO of that great company, a company very much in the midst of the industrial response to climate change in the energy sector, a company full of good ideas and significant investors in clean technology. The floor is yours Jim.

APPLAUSE

JJM: Good morning. Ladies and gentlemen, thank you. I must say that I find it somewhat ironic to be here today but also very encouraging. It was just really four years ago in 2004 that our company first participated in the Carbon Disclosure Project.

We discussed climate change risk to our company in our response to the CDP2 survey. Our submission at the time was only four pages long and it was not approved for public release. The climate change issue was relatively new for our company and we did not have as much data on our recent—we do though have a lot more information on our company, but when we had to merge companies several years ago we did have a lot of data.

So today, after six years of merger, what a world of difference. The intergovernmental panel on climate change has concluded that global warming is without question. The European Union Emissions Trading System is beginning Phase II. And both major US Presidential candidates are pledging to address climate change.

This year when we filed our questionnaire it was 19 pages long. We had far more data available, much of it it’s already released to the public. And the company’s CEO is serving as one of your featured speakers and I’m very pleased to be here. Attitudes have evolved and hopefully our company serves as a positive example.

Our company has taken a well defined position. We are very concerned about the potential impact of climate change. Last year we became the only US
integrated energy company to call for mandatory national framework to address greenhouse gas emissions.

So in keeping with these beliefs, we are making strides to manage our own emissions. This year we developed a comprehensive climate change plan with four action items.

First, building the organization capability in the form of processes, people, tools and technologies. Second, pursuing new opportunities in low or zero carbon businesses. Third, leveraging carbon trading and technology and proactively engaging externally.

We now regularly measure and forecast our emissions in our operating plans. We are improving the energy efficiency of our refining, conducting R&D on carbon capture and storage and we are producing renewable fuels. We were already a leading producer of natural gas, which is a clean burning and low in carbon. And we also belong to the US climate action partnership.

USCAP includes leading businesses, environmental groups that are concerned about climate change. It calls for strong national legislation that would slow, stop and then reverse the growth of US greenhouse gas emissions.

So we, like many other companies responding to the CDP survey, believe that current US climate policy is a key business uncertainty. This uncertainty must be resolved in order for this country and the world to move forward. For this reason, ConocoPhillips urges the incoming Presidential administration to work with Congress to pass effective legislation and further, to exercise world leadership in negotiating international climate agreements. But there is more.

We believe that the US cannot focus on climate change alone. We must also meet the challenge of improving our national security on energy. The tight oil market of early 2008 clearly demonstrates this need. As a result, the public agrees that the US needs more domestic production.

This is why a majority now supports environmentally responsible offshore drilling. The public would certainly reject any effort to address climate change if, as a consequence, it raised energy prices too far or too fast. At the same time, the public clearly wants action to address climate change.

So any effort to increase energy supplies would be similarly rejected unless carbon emissions were also addressed at the same time. So I give you an example of the interplay between these issues.
Any serious effort to reduce emissions would require greater use of natural gas to generate electricity. But to do this we would need expanded domestic access for exploration and drilling. We could not do the first without the second.

So the climate change and energy security issues must resolve together through coordinated policies. The public is ready and individual states are already taking action.

In order to avoid conflicting state regulations the new administration and the Congress must set aside partisan politics and really get down to business. This is not going to be easy, which is where our Carbon Disclosure Project plays a real vital and significant role.

Through your efforts to collect and communicate information, companies like ourselves better understand the risk and the opportunities associated with climate change. Investors can then make much better decisions and hopefully politicians can craft better policy.

Now, moving to policy, ConocoPhillips is an energy company with a global presence. Of the nearly 40 countries in which we operate, some now have greenhouse gas regulation already in place; in others, regulations are imminent.

We have important operations in the Arctic, which is experiencing the impact of warming temperatures. And as we go about providing the energy that powers modern life, we consume energy ourselves. So we’re not strangers to either the risk or the opportunities associated with climate change. And obviously, we have a vested interested in helping achieve global energy security. We believe that our industry must be involved in the effort to find solutions to both of these challenges. We believe that we can do so through several steps.

First, developing new conventional and unconventional energy resources; second, utilizing our expertise to develop carbon capture and storage technology and third, leveraging our international business and trading experience in the emerging global greenhouse emissions industry.

We also believe that the US has a special role to play in the international arena but it first needs really well founded policies. So turning to climate change, US policy should be aligned with what we call the four Es—environmental integrity, efficiency, effectiveness and equity.

It should meet the long term objective established in Article 2 of the United Nations Framework Convention on Climate Change. This calls for stabilizing
greenhouse gas concentrations at a level that would accomplish really two goals: the first, preventing dangerous interference with the climate system, and second, enabling economic development to proceed in a sustainable manner.

Make no mistake—that we’re talking about fundamental changes to the energy system that drives our world economy and our standard of living. So it’s very important, already indicated this morning, we must do this right.

A US climate policy must be efficient in order to minimize costs for both the businesses and to the consumers. This is why we support a federal program. We recognize the important role that state initiatives play, particularly in the areas of building codes, urban planning and education.

But again, we oppose a patchwork, state by state approach to this important subject. We also believe that an overlay of competing or conflicting regulations such as separate standards for renewable and low carbon fuels would be too costly and maybe even unworkable.

So the policy must establish a transparent and relatively stable value for carbon. That value must be sufficient to change behavior in order to achieve the emissions targets.

The policy must promote new technological solutions without picking winners and losers. And it should contain look back provisions so adjustments can be made in response to the changing conditions. And finally, the policy must be transparent and equitable.

It should not unduly burden any group of consumers, region of the country or industrial sector. It should also protect industries exposed to competition from unregulated countries. That’s necessary to avoid disadvantaging domestic industry and to prevent emissions leakage from industries that may move offshore.

Ultimately, equity requires global participation and a link to an international system of climate programs.

Now, moving to energy policy, the US needs a sound comprehensive approach that should incorporate four principles; the first, energy supply diversity, greater energy efficiency, technological innovation and sound environmental stewardship.

So I’ll explain starting with supply diversity. Due to the rising population, economic prosperity in the world, the world clearly needs more energy in the
future in all forms. So this includes alternative and renewable sources—solar, wind, geothermal power, biofuels and others.

But there is, to borrow a phrase, inconvenient truth. The world will also need more fossil fuels as well as more nuclear power. The alternatives and renewables cannot come online fast enough to replace these sources, not for decades to come. They’re important but they’re not going to replace the sources we have today.

So the US Energy Policy should of course stimulate development of all forms of alternative and renewable sources including some that have not yet even been invented. But it must recognize the essential role of oil, natural gas and open to new onshore and offshore areas for development and should facilitate permitting and construction of energy infrastructure.

The policy should encourage the environmental responsible development of unconventional fossil fuels. Now, this includes oil sands, oil shale, natural gas hydrates. These are abundant and they’re located within our borders or very nearby. They represent hundreds of years of energy potential.

For example, the Canadian oil sands could provide 20% of the US oil supply by the year 2020. But some oppose development due to the carbon, the current carbon intensity of oil sands development. We believe that the best course is to proceed while continuing very significant intensive R&D to reduce that carbon footprint.

The policy’s second tenet must be improving, going from energy security, to improving energy efficiency.
Since the 1970s—this is very interesting—the US has doubled its economic output per unit of energy consumed. But we must and we can do more. Currently gasoline demand is down 3%. That’s the first, the first meaningful decline in years.

Total distance driven fell by 12.5 billion miles in June of this year compared to a year ago, sales of hybrid cars booming and business is raising its efficiency. Government can drive continuous improvement through public education and by enacting rising efficiency standards throughout every aspect of our economy. This offers the dual benefit of improving energy security while reducing carbon emissions.

Third, the energy policy should promote innovation, technology, by encouraging research and development. Enormous corporate investments are already
underway but we also need public investments in technologies that cannot be logically funded by industry, such as nuclear fusion or fuel cells.

So the government can encourage investment by granting incentives and not by taxing away financial returns of energy companies. Government can also enhance national research capabilities through much greater educational support.

And fourth, we must achieve these priorities while serving as good environmental stewards by protecting air, water quality and preserving the land. At the same time, industry must be willing to invest in the cleaner forms of energy.

At ConocoPhillips, we have dramatically increased our capital spending to more than $15 billion this year and we primarily concentrate on our core businesses. but we’re very active in terms of wrapping up each year our technology spend for research and development programs in renewable and alternative energy.

So we, we’re a very large refiner so we’re a large blender of ethanol and we produce renewable diesel fuel. So we’re researching the next generation of biofuels and developing new materials for batteries that are used for electric cars. And we’re also considering investments in many other areas of energy sources.

So we’re committed to doing our part. So in summary, the world clearly faces very serious significant challenges on both climate change and energy security. There are potential solutions available, that is if we can rally public support, political will and build consensus for action.

If we fail our country, we’ll be stuck in a worsening situation. We will become ever more dependent on foreign sources of supply, we’ll remain subject to wild gyrations in energy prices and we will only be able to sit around and watch as the climate changes around us.

So we must help show the way. So thank you very much for inviting me to your conference and for listening to comments that I made here this morning.

APPLAUSE

JC: Thank you Jim. Our next speaker is Jack Ehnes who’s the CEO of CalSTRS, a huge source of investment and also a source of inspiration to many. We were discussing earlier outside the important connection that Jack has to make between the political realm and the investment world and keep a lot of constituencies happy all the time and it’s not an easy job. But you’ll hear from Jack now. Thank you.
APPLAUSE

JE: Thank you. Good to be with you. We’ve been a big supporter of this project but it’s my first time with you, today for the launch so, it’s nice to be here with you. Also, I just, actually I’m going to call out Brian Rice there (inaudible) Brian raise your hand there, out there. He’s right back there.

Just so, Brian’s part of our green team at CalSTRS so if there’s some things you want to chat about after my presentation or things that we’re working on, Brian can help you understand some of those as I will as well.

So let me start a little bit here with you and chat about what we’re doing at CalSTRS. I appreciate the opportunity today to speak with people who share a common understanding; taking care of the environment is also taking care of the world’s economy.

Despite the unrelenting bad economic news of late, we can’t be distracted by short term concerns at the expense of meaningful action to mitigate the long term impact of greenhouse gas emissions.

I’m honored to be here today with you to give you the investor perspective. Coming from the second largest public pension plan in the United States, I think you know, who the other one might be, I speak for the 813,000 teachers and retirees who really rely on CalSTRS for almost all of their retirement security.

In addition to being with CalSTRS, I’ve had the privilege of chairing the board at the Council of Institutional Investors for over the past three years, which I just left this year.

Today we celebrate the important service provided by the Carbon Disclosure Project. This event is aptly billed “A Global Launch”. It’ll take global action to address the very real risks of climate change through greenhouse gas emissions; risks to the planet’s environment and risk to the planet’s financial marketplace.

We know that famous quote by Archimedes: “Give me a lever long enough and a fulcrum on which to place it and I shall move the world”. It’s a tall order moving the world. But I agree with that ancient Greek mathematician—with the right tools it can be done. And when it comes to mitigating client change risks it must be done.

We, in this room, all of us here, we are part of that lever and certainly we rely as part of our fulcrum on the CDP reports that are being unveiled today with you.
Let me share with you first what CalSTRS is doing concerning sustainable investments and then I’ll explain the valuable role that CDP plays in our portfolio management.

CalSTRS has long understood the potential impact of climate change on long term investment value. More than five years ago the CalSTRS board called for integrated strategy to manage the risks and create opportunities from climate change and other global sustainability issues.

As part of this comprehensive strategy, which we call aptly the green initiative, CalSTRS currently has almost $1 billion at work in environmentally focused investments across various asset classes.

We’re investing in a wide range of projects including renewable energy assets, clean technology development and energy efficient office buildings. And if any of you have a chance to come to Sacramento we’ll be moving into our own green building for CalSTRS next June.

One of our most recent green initiatives investments is a $50 million investment in a Mumbai based real estate fund. We’re helping to develop a gold lead office complex in Chennai, India that will be a model for the region.

All the green initiatives at CalSTRS have the same return expectations and strenuous risk requirements as our core investment program. We maintain high standards for all our investments, no matter the social good that may come from them.

Fortunately by now the scientific data is irrefutable. Carbon emissions present very real economic risks but on sound fiduciary reasons therefore the CalSTRS board can fully justify using our portfolio as leverage in tackling climate change.

For the second year in the road or board has made climate risk management its signature issue in our corporate governance program. We’re working hard to move our portfolio companies toward climate risk awareness and management.

CDP data is essential for our corporate governance engagement to boost long term value of the Teachers Pension Fund. Our use of the data follows closely the best practices described in the 2000 Investor Research Report, targets companies and market sectors for efficient use of resources.

We depend on the credible, solid CDP data for voting our proxies and as a screen for our performance based focus list that we do each year. And we use the data beyond these basics.
This last year we sent letters to many of the companies that had not responded to the CDP survey. We advised them of the importance of risk management and requested that they reconsider their decision to not respond. We intend to gather additional data to determine which of these non responders is most appropriate for further engagement.

CDP data is used not just for climate risk management concerns. We also engage companies on such corporate governance issues as diversity on corporate boards, on director independence and other threats to the value of our holdings. CDP data is reviewed prior to meeting with companies on any issue to ensure that the discussion covers climate risk if warranted.

For example, last month we met with Exxon Mobil to maintain communication dialogue with them on several governance issues including climate change. In preparation for this meeting with Exxon, we used the convenient CDP web based data center core to view the company’s most recent response to the CDP.

In December we joined other investors in engagement with Southern Company. We shareholders disagreed with the company’s CDP report response, discounting the link between climate change and extreme weather.

The company said it would consider our viewpoint on causation and the data played a very important role in having positive results from that engagement. The data enabled us to know where the company stood on the issue and we were able to voice our concerns.

One area of clear progress is the growing use of climate related shareholder resolutions. I strongly believe this is an important tool for investors to use as an engagement strategy. And again, CDP data is essential to CalSTRS as we develop and execute our shareholder resolutions.

This past proxy season we joined in a major climate shareholder campaign that was coordinated by CERES. Our two resolutions that were sponsored by CalSTRS requested reports on greenhouse gas emissions from the gas line company ONEOAK and the power generation company Dynegy.

Dynegy chose to agree to do a report and we then ultimately withdrew that resolution. However, in the case of ONEOAK, we proceeded with the resolution on the proxy and they gained a 33% approval rate. We’d call that a success, given that the average approval rate has been around 17% in the past.
And we’ve gained the attention of ONEOAK management about the importance of studying its greenhouse gas emissions. ONEOAK has included now climate risk management on its website and will be doing so in its annual report. The company continues to express commitment to the spirit of the shareholder resolution.

Leveraging on this year’s positive outcomes, we set a goal for this year of filing between 4 and 5 climate risk related shareholder resolutions during the coming proxy season. These filings will come as a result of our efforts with the CDP and with CERES.

So let me conclude by further underscoring the value CalSTRS puts on the CDP data. In addition to using the data in our investment decisions, we’ve chosen to support the project where we can.

CalSTRS has been both a signatory to and a member of the project for several years. We have staff on the strategy committee and we expect to participate in events and promote the efforts of this organization.

As you heard in the introduction, CalSTRS will also sponsor the 2008 electric utilities report. Risk metrics will author the report and it’s expected to be unveiled next March.

This report will provide important emissions data on the marketplace’s most carbon intensive sector. The detail and depth of knowledge in the report will provide great benefit to the investment community, researchers, policy makers and other interested parties. The 2008 report will join a growing library of essential data that investors rely on for their investment decisions.

I congratulate CDP on its success; as others will tell you here today, the CDP has risen from modest beginnings in 2002 to a truly dramatic increase in project members and corporate response rate.

Attitudes and awareness are obviously shifting. And they need to. Despite what Archimedes said about the, needing the right tools, it does take more to move the world.

I’m encouraged by the outstanding growth by CDP and agree with the famous songwriter/humanitarian Harry Chapin. He said, “We all have the potential to move the world and the world’s ready to be moved”.

Thank you very much.
APPLAUSE

JC: Thank you very much Jack. Now, as it happened, Dennis Nally is stuck in traffic, a modern transportation problem that we all understand, but he will be very ably replaced by his colleague Fred Cohen who’s a partner at PwC and leader of their sustainability practice. So he’s in a very good position to take over and make the next presentation for us. Fred…

APPLAUSE

FC: Thank you James. It’s a great opportunity to come and address you although I didn’t expect to do that (laughing). On behalf of PricewaterhouseCoopers, it’s a privilege to be part of the CDP. We’ve enjoyed working with everyone and very pleased with the results. So it’s an honor to share with you the results from our work.

This year’s reports represent the 6th of its kind globally and the 3rd here in the US. The global report includes 383 companies and the S&P 500 includes responses from 321 companies.

Perhaps more importantly, they provide valuable snapshots to their other companies as well as to investors of what companies are doing globally to reduce their emissions.

The Global 500 report comprising the world’s 500 largest FTSE global equity index series shows emissions reducing trends despite the changing makeup of companies reporting.

The findings of both reports show a clear trend that carbon reduction is becoming a key component of business strategy. And long term international investors see that too.

As this year’s participation rates affirm, managing carbon is as much about the health of our planet as it is the health of a company’s reputation and bottom line. That’s today, but tomorrow I think we all recognize that the stakes of managing carbon are likely to be far greater.

Outside the United States, carbon trading is an established reality. With a value of over $66 billion a year, this new commodity market can no longer be ignored. The EU Emission Trading System, which has been a key driver of the growth of compliance markets has operated since 2005 and now stands as the largest multinational emissions trading program in the world.
Here in the US, it’s not hard to imagine a day when carbon in this country could be regulated and monetized on a national basis. Many say that such a future is little more than an election away, regardless of which party finds itself in power. The appetite for legislation has been wetted.

Looking to the future, analysts predict that the enormity of the carbon market will be staggering. By 2020, one energy and environmental forecaster estimates the global market could be well over $3 trillion US dollars. In the words of venture capitalist John Doerr, climate change is the largest economic opportunity of the 21st century.

All of this underscores the importance of the Carbon Disclosure Project. Companies and investors who foresee the importance of transparency and disclosure now will be better prepared to compete in tomorrow’s increasingly constrained carbon economy. By voluntarily reporting and reducing emissions today, we are affirming that climate change is not so much a threat to avoid but an opportunity to seize.

At PwC we are pleased to help businesses not only improve their disclosure, but also with ways to reduce carbon emissions and realize the efficiencies and the opportunities that come with it.

The demand for reporting of non financial data, like carbon, is steadily growing. As such, it is important that mainstream stakeholders will increasingly want insurance that the information is disclosed fully and accurately.

At PwC we are familiar with that demand and when it comes to financial data we’ve built a business developing, delivering, trusted information. With financial data our clients expect and the market demands reliable, credible, verifiable reporting.

On the issue of carbon, the world still expects no less. And we see an opportunity to apply our expertise to meet that demand. We also see an opportunity to put our money where our mouth is.

As an accounting firm we wouldn’t expect clients to place their faith in us if our own books weren’t balanced. Similarly, we don’t expect to earn businesses’ trust if we don’t take actions on our own.

Therefore, we are pleased to announce a significant new corporate responsibility commitment at PwC in the US. Following a thorough analysis of our firm’s carbon footprint, we have set our own carbon reduction goals. PwC plans a 20%
greenhouse gas emission reduction by 2012, compared to our 2007 emissions levels.

How will we do this? First, as an organization of 31,000 people, we need to put incentives in place to change behavior, not only of our people but of our clients as well.

The actions our people engage in every day have a big impact on our emissions. We need to encourage better habits involving, for example, business travel and commuting among all of our people. We will also need to reengineer our buildings and offices to ensure more efficient use of all resources.

I’ve talked a lot about what the future holds for carbon and what carbon holds for our future. But we can really, we cannot really map our way to the future without a clear understanding of where we are today. That is what the CDP reports are about. In a sense, it’s our own GPS for where we are in our carbon reduction journey.

So briefly I’d like to share with you some of the distinct themes that came from both the Global 500 and the S&P 500 reports this year.

First, let’s begin with the Global 500 report. Though the makeup of the Global 500 has changed over the past year, the response rate has remained constant. This year saw an overall response rate of 77%, which is consistent with the record level achieved in CDP5 and is particularly impressive when viewed in the context of deteriorating economic conditions in many countries.

It clearly shows that climate change is not a fair-weather issue and reaffirms the strategic importance it plays to investors today.

Second, economic pressures have driven the shift and the makeup of the Global 500 over the past 12 months. High energy and commodity prices have boosted oil and gas, raw material and mining sector representation. Carbon intensive industries now represent 44% of the Global 500 companies, up from 40% last year.

Third, American and European companies set the pace in response rates and BRIC countries responses varied widely. Responses from the US and Europe were 82% and 83% respectively.

Brazil clearly led the BRIC field with an 86% response rate, followed by a participation rate of 15% for Chinese companies and 14% for Indian companies. No Russian companies completed the response for the CDP6 request.
Fourth, companies are becoming more attuned to the importance, quality and credibility of data and information they disclose. The majority of companies that report emissions want external assurance of their emission data. 59% of the companies stated they had or planned to have their numbers externally verified.

Let’s turn now to the S&P 500 report. First, today, more companies are reporting to CDP. Of the 500 S&P companies invited to complete this year’s CDP information request, 64%, or 321 companies, responded.

Two years ago, when the US CDP report first started, the response rate was only 47%. Not only did more companies respond this year but more companies responded more candidly.

Second, more companies are disclosing greenhouse gas emissions. The number of respondents reporting actual greenhouse gas emissions rose to 228, or 73%, up from 65% in the prior year.

Moreover, companies aren’t just looking at curbing their direct emissions; they’re also working to gauge their indirect impact by looking at the emissions of their supply chain partners and their employees.

Third, companies view climate change as a growing enterprise risk. It is no surprise that companies see climate change as a risk, but today they are going to step further by factoring it into their enterprise risk and corporate planning models.

What’s more, companies are describing these risks in more personalized and less generic terms. For example, retailers are facing shifting consumer demands, driven by changing weather patterns. This creates challenges to stock stores with the right clothes and the right quantities of clothes.

Another example, the financial services sector reported indirect risk from its investment in industries like manufacturing and energy that are more directly exposed to climate change risk.

Fourth, companies are creating mechanisms for climate change governance. This year the number of companies of reporting that they employ a board or executive level officer with overall responsibility for climate change management rose to 65%. That’s up from just half of the companies last year.
As perhaps a further indication of where we’re going, 30% of respondents say they forged a connection between employee incentives and climate change goals.

And fifth, as I mentioned earlier, companies increasingly see the opportunity that carbon brings. The CDP Project found that companies were almost as likely to call climate change an opportunity as they were a risk to the bottom line. In fact, 71% of the companies cited climate change as a commercial opportunity compared to 81% that viewed it as a risk.

As each of these findings highlight, in two years time we’ve climbed to a much better place. Gradually we are making the transition to an economy where carbon is being increasingly constrained.

All of this is promising, but I challenge you to find a single respondent who would say “we can’t do it better”. We can do it better. We begin by ensuring that we are moving forward, we don’t confuse awareness with action. Despite the fact that 81% of the respondents view climate change as a risk, only 102 respondents have greenhouse gas emission reduction targets in place. Awareness is a positive step but action is needed to transform risk into opportunity.

What can be done? Long term climate change affects needs to be integrated into current capital allocation and investment decisions. As they plan for the long term, companies and investors must be able to factor climate change into their resource considerations.

We should be able to predict how a temperature increase of 1 degree Celsius will affect the timing or financial parameters of a given project. But today, we really can’t. Only through increased reporting will we amass the data to understand how changing conditions affect business performance.

Lastly, good emissions disclosure practices and emissions reduction progress must be rewarded. Key stakeholders must clearly articulate incentives and penalties to encourage business to address climate change risk.

The real reward for participation will come when CDP’s 365 investors increasingly make investment decisions that factor in climate change targets and governance. These are tough challenges but I have no doubt American business is ready to meet them. By leveraging innovation with openness, discipline and creativity, business can stand ready to seize one of the largest commercial opportunities of the 21st century. Thank you very much.
APPLAUSE

JC: Thank you very much Fred. Thank you so much for stepping in and I understand that Dennis has made it through the UN roadblocks and is now available to join our panel. So that's what we're going to do now if Paul and Jack and Jim and Dennis could make their way over there and sit themselves down then I will, I'll lead our panel discussions.

OK, well, you've had some material now to hold in your heads and hopefully some time to think of good questions to ask—details about the report, some of the themes that have been introduced to you, questions about law and policy and regulation, alongside issues of financial priority, technological innovation, how we're going to use the data to make better informed decisions, better calculations of risk, find good opportunity for investment.

Who would like to lead off with a question for the panel? There'll be, a microphone will come round to you…yep…right down here…

MAN: Just, well…

JC: Introduce yourself first…

MAN: Steve Vederman; one small comment rather than a question. The term non financial information has been sug—the CDP material was in our last presentation mentioned as sort of non financial. And I think that presents a significant problem in our own language.

If we're saying it represents risks and opportunities, it is financial information. And I think we have to start changing our language from extra financial to, you know, intangible or what have you. It's very tangible.

JC: Jack…

JE: Yeah, actually that's a great comment. I actually want to underscore that for people that work on my side of the house, on the pension side. At CalSTRS, and actually it started when we started looking particularly at emerging markets and many of the political issues that we were confronting around some of our investments in emerging markets, that we needed to have a much, first of all, a much broader vision of what we needed to be looking at.

And if any of you are interested, we actually ended up identifying what we call 20 risk factors which we've kind of memorialized now in our investment philosophy. And we did mark them initially by being economic and non economic, even
though the bottom line was obvious. The only reason we were identifying these was in fact to obviously enrich the value of the portfolio.

But I agree with you, that actually we immediately met them with questions as, are these primary versus secondary indicators because the primary were more classical investment metrics and the secondary might have dealt with the rule of contracts and other issues in countries that have a non traditional quality about them.

So the language is very important. And in fact, if we’re going to move this down the continuum we have to be much more direct in the relationship to that. So I think that’s very true since there are still many in the investment side that see it as a secondary issue. Very fair comment.

DMN: From my standpoint, just to chime in on that—first of all, I apologize for being late, it takes, it’s almost amazing how long it can take to get from midtown down to downtown in today’s world but, so I apologize for that.

But I guess from my perspective I think it is a very fair comment. I think what was referenced was more and along the lines of equating this type of information to what’s been referred to as traditional financial information.

And I think we’ve got have a mind set that starts to say, as we move forward in a whole number of broader areas, all of this type of information is going to be relevant in the future and we need to get past those traditional, historical nomenclatures, if you will, if this is going to make sense. So that’s a very fair comment, I agree with that.

JC: Of course, if public policy introduces a value that can be captured in investment strategy, it also delivers the public good of reducing greenhouse gas emissions, for example. And it’s much easier to see how, how the language can be transformed into one of sustained economic analysis rather than have it as a peripheral matter.

Jack, do you want to comment?

JE: Yeah, actually, just one other thought occurred to me about that very issue, again, is that where there is debate or we are challenged in our role in running a pension plan, is it rather, are we sticking to our fiduciary responsibility in what we’re doing, obviously, that we say that word over and over and over again to the extent that we’re careless in our language.
We absolutely do open ourselves up to those arguments around the edges. And it’s, so some of that has been self inflicted wounds. I guess I’d have to say buy not being more strategic about what we’re doing with our analysis because that still is the debate clearly among institutional investors.

**JC:** Paul, did you want to…

**PD:** Just to say that we’re going to have a great debate soon about legislation so, sometimes we call it soon to be financial data.

**JC:** The lady here with blonde hair, just a mike, just behind you there…

**WOMAN:** Hi, could the panel—Lucille Pilling, New York University, teach corporate social responsibility, also CSR strategist. Could you, could the panel address a little more about the incentives for alternative energy?

**JC:** Jim, do you want to lead off there?

**JJM:** Well, in terms of incentives, certain really exotic or new forms of technology that need to be developed, it helps on the research of doing that, but generally we don’t look toward incentives in our company or our industry to motivate us developing alternatives renewables to new forms of energy.

And we don’t look to, necessarily to incentives in terms of how we can approach such things as sequester, capturing and sequestering CO2. So what’s most important really to us is that we understand the consistency of whatever the rules and regulations are.

We want—we don’t want them to be changing all the time. And in some cases we need to have them better defined so that when we make our decision to take action, spend money on research and development and make investments that we know what the rules are going to be.

But we don’t look to incentives necessarily as a primary factor for us to give us the incentives to be looking at new forms of energy or how to approach the issues of lowering the intensity of carbon emissions, greenhouse gas emissions, and then ultimately working toward a plan that we actually reduce them.

**JC:** Dennis, any views about incentives (inaudible)?

**DMN:** I think that’s well said. The only thing I would add is I think a lot of institutional investors are getting much more involved in the public policy piece beyond just our investment strategy, class strategy.
So we have been involved in coalitions with CERES particularly around some of the issues being considered by Congress right now around incentives in the industry and writing favorable letters of support and trying to be active in that area.

JC: Well, we have had some difficult experience in many parts of the world with short lived incentives that you can't invest around. And indeed even with the carbon pricing that we have now in place in Europe, we would be in a much better position if we had longer and we had greater length to the system.

We have—it’s reasonable today, but it would be better if it were clearer, that the incentives for emissions reductions would have, you know, longer length to them.

But we also have, we also have a great deal of renewable energy incentive in many economies that is driving investors investments, particularly in large scale wind, to some extent solar in place like Germany and Italy now too where once it connects through to capital expenditure in building stock you start to see a neat connection between the technology and the application of the technology. So there’s no doubt that there’s a global enterprise in incentive creation going on around clean energy and a certain amount of regulatory competition that is healthy I think.

DMN: Yeah, I was just going to say, I think it also gets back to, you know, how you actually look at this whole issue. For example, if you approach this as being a critical business issue, a critical business challenge, it starts to take on a whole different perspective in terms of how you think in terms of the risk associated with all this.

What does that mean in terms of how you manage that risk, how you think about it from an opportunistic standpoint. And therefore, if you look at it in the context that this is a legitimate business challenge that companies need to be focused on, the incentive piece of it is not as critical as trying to build that in to everything that you’re trying to do in terms of how you manage the business itself.

JC: Just down the front here…well done, (inaudible) thank you…

MAN: Hi, (inaudible) from Innovest. I wanted to ask, on the one hand there’s been so much progress and we’ve been involved in CDP from the start and it’s wonderful that there has been so much progress. On the other hand, the actions significantly lag the science, so my question is do you see any events or external pressure that could move everything we’re doing much faster?
So I’d make a quick analogy to the financial sector. The financial sector, when things are really breaking down, dramatic action happens. Is there anything that would cause that more dramatic action to happen and have us catch up to where the scientists think we should be?

**JC:** Jim, you want to start off?

**JJM:** Well, I think…

**JC:** Go ahead, I’ll just come, I’ll come down the whole panel…

**JJM:** I would to some extent disagree with your premise, that significant action. In terms of legislative approaches to addressing greenhouse gas emissions, whether we’re going to have legislation in 2009, 2010, the facts are, is that people are formulating their minds yesterday and today. They’re not going to formulate their minds in 2010. It’s being done right now.

So there’s a real sense of urgency that everyone in all constituencies should be involved in the formulation of this, that when it’s ultimately passed. Now, I go to our own company. We recognize that the importance of addressing greenhouse gas emissions so, but we really applaud and like about CDP is that it certainly has accelerated the importance and then the transparency of just what is our carbon footprint.

And then we start evaluating, this is, if we’re going to be in business and be an energy provider then we need be building into our plans, our current operating plans and our footprint, as well as our new investments, how are we going to address this?

So then we build this into our operating and our capital plans and the outgrowth of this is not be waiting for what might be coming tomorrow, is we know that it’s important for us transparency-wise to be communicating in the future and I, you know, future I mean months or within the next 12 months.

What we intend to do about that carbon footprint and how we intend to address greenhouse gas emissions on the capital spending that we’re going to have going forward.

So even though we’re not, it’s a proactive approach but the train’s leaving the station, people are formulating their views and we need to participate whether it appears that legislative action’s taking place or something’s being announced, I think we’re not unlike other companies and other institutions. We are actively working this today.
JC: Jack?

JE: Yeah, I'd say there's several leverage points. On the political side, obviously we'll hear in a few minutes but I think it's fair to say we've got two candidates that have a strong openness to the issues that have to take place from a public policy perspective, but even apart from the Presidential side, you've got several state efforts, our own state, in California, and then in the Northeast, that are not holding back for anything.

And unless we want to see the United States run on the California standard, clearly people are going to have to act quickly to catch up with what's, is happening on those state bases and I think particularly the business side will clearly not be comfortable with a patchwork system in any regulatory environment and hopefully there'll be a better convergence of the political and the business side just from all these very strong state actions.

And the other piece I guess I would highlight is, you know, I guess I'd have to say that the events that have taken place over this past year and most recently, you know, investment people are pretty traditional people in many ways. And I guess I sense that there's probably a deeper reflection going on around all the short term-ism and constraints that we've placed on our thinking that has led us astray in many of our strategies. And I guess there probably is a silver lining, the dialect I guess if you want to say, of what's happened here and that will probably lead those in the business side to be much more supportive of moving quicker.

JC: Paul?

PD: I think that's a great question and you know, CDP's achieved a great deal with investor authority and now there's the purchasing authority and we talk about government and government legislation.

But there's one power above all of those. And that's the consumer who votes, you know, every day with their dollars for the world that they want to move into. Now they can turn the economy on a dime if they want to.

And you know, last year we saw, we talked about people buying Toyota Prius cars, that's a consumer thing maybe, we have great companies like Cisco who are coming forward saying, "OK, we can help big companies travel less" and they're making a real business out of their teleconferencing.
When you get that convergence of a powerful business growing, solving a problem, there’s no limit to how fast that can move.

DMN: Yeah, I actually think the path that we’re going down today, which is more transparency enhanced disclosure around all of these issues, I actually think is a real catalyst for moving all of this forward.

I think you’re beginning to see through more active participation in CDP in terms of the participation rates, which is all positive. That’s an up tick from what we’ve seen in the past.

I think you’re starting to see a lot better disclosures being made in the reports themselves, in terms of how different companies are really approaching these issues and challenges.

And I think to the extent that we keep going down that path, building in more accountability for actually getting things done, the metrics around, you know, what’s being accomplished, I think that in itself will continue to keep a spotlight on this important topic for us in the near term.

JC: You make a very good point. We still haven’t really set the system so that it matches with the scientific advice that we’re getting. So most recent example would be the Australian announcement that they would set their domestic emissions trading system at a 550 parts per million objective, whereas if you spent anytime recently with Jim Hanson or any of those who are working with him, he would tell you that 350 parts per million is probably what we should be aiming at and we’re already well past it.

So we don’t have a good fit between good quality, properly researched, peer reviewed scientific analysis on the one hand and either a policy or an investment response. And we know that as human beings we’re much better at dealing with immediate crises, things that are right in front of us, danger right in front of us. And we don’t do nearly as well as a species with danger approaching slowly from afar.

So there’s definitely work to be done to make a better fit but we have the materials to do that and ultimately it’s a question of political will.

There’s a question here…sorry, I missed—there’s one over there too, I’ve got you…

MAN: Lance Lindblom from the Nathan Cummings Foundation. One of the drivers of this has been shareholder actions and shareholder resolutions. A
number of us that have been in charge of endowments or pension funds do have several pension advisors, investment funds that we invest in that A) have positions that they support management no matter what in those resolutions or B) they have default positions that they support managements or C) they talk the talk but they don’t walk the walk and then when you look at their de facto voting records they’re 100% against these resolutions. What should we do about that?

JC: Jack, I think that’s one for you…

JE: Well, one of the best things that’s happened is no doubt the transparency of our voting records, that, when that change took place. For all of us now to do that analysis and just to see how passive the voting’s been by major investors it’s, I think it’s been a shock actually to many of us.

You know, I am proud of our system, not just because through regulation those votes are public but we actually have a website that shows you how we vote on everything all the time. So, and I know a number of other pension plans have taken that step.

You know, it was interesting though because when that be—when we started to look carefully at those records, those voting records aren’t of distant parties, they’re actually of our business partners, that they’re, are external money managers for us. So that has been an uncomfortable development I guess I’d have to say in our governance discussions with our business partners. And I can at least speak, I can speak definitely on our behalf because I’ve engaged in some of those discussions just being, just how surprised I was at some of the voting patterns for key partners that we do business with.

So I think it’s very fair to say, I think we are starting to absolutely make those phone calls and question why those votes are taking place in that manner going forward.

We’re seeing some movement, you know, it would be very hard for some of those brand companies to engage in some of the shareholder resolutions, the raw activism I think that we feel that is a, an important tool. But there’s no question, it’s inexcusable for the voting patterns that we’re seeing on record.

And the press needs to work harder at it. That has not been something the media’s done a very good job, frankly, to understanding and seeing some of the contradictions that go on in that area.
WOMAN: Hi, my name is Stacy Albower. I'm here from UNDP so I guess I come from a different perspective from most of you. But a few people have mentioned the IPCC report and it has come up in the report also that effects are expected to be felt a lot more in the developing countries that are least likely to adapt and be able to adapt to these problems with climate change.

And I was wondering if you in the private sector and the panelist if you guys ever really consider the options for investing in projects that also have positive development effects? And if you have looked into the, the effects there?

In addition to that, we at UNDP are also going to be hosting a climate change and gender financing meeting coming up in November and we are looking for ways to involve the private sector and their ideas.

So, for me, if any of you have any ideas or anything that you could suggest, I would be happy to talk to you after, afterwards.

JC: Thank you. I've got some views I could add if I switch hats for a (inaudible) climate change capital but if you, any other comments on…no? Paul (inaudible)...

PD: The only comment I'd make, I mean, stating the obvious and repeating what you've said, but it's absolutely true that the impacts of climate change, you know, are being felt by us all and will be felt by us all but, you know, the ability to respond and to preserve your existence is very much dependent upon your economic strength, your economic power.

But as a member of our advisory group pointed out some time ago, people whose lives are being disturbed by climate change impacts won't stay where they are. They'll move. So we may have all kinds of migration issues that need to be addressed one way or the other. Of course, the best thing to do is to give people the economic ability to deal with the problem.

JC: (inaudible) briefly from the point of view of climate change capital, we do see a necessary connection between environment development and dealing with a climate change problem, which means investing in mitigation globally so that you use the instruments we have got, the code of protocol being the best example, to enable clean development investment in the developing world and certainly happening.
We’d like it to be a much bigger system than it is at the moment but it’s, there’s a lot of (inaudible) for making capital flow into emission reductions in the developing world, capital that wouldn’t otherwise go there. But equally we need to spend a lot more time finding ways investing in adaptation in enabling the developing world to cope and much of that is going to happen in the agricultural sector in the sustainable management of land and we see the tremendous opportunity there.

Although, you, one has to accept that in many parts of the world investing in land is difficult especially for an external investor and property rights are not well defined or enforced, the legal systems are not that good, for an external investor to have the confidence to invest.

So there are a lot of development issues, capacity building and institutional questions that need to be resolved before there’s any chance of sizable capital flows happening to deal with adaptation in the most vulnerable countries.

But certainly a place to look closely and where there will be opportunity if you are prepared to have risk spread, perhaps with the engagement of multilateral institutions.

JC: Yeah, sorry, missed you in the front here…hang on, wait for a mike to come to you and then introduce yourself…

WOMAN: Hello, Joyce (inaudible) at Rockefeller & Company. and actually I think I asked that question last year so I’m going to bring it up again and actually I am going to address it to the gentleman from CalSTRS.

What we’ve seen in the past week is that the fixed income markets are actually much more important than the equity markets in terms of moving the world and in terms of risk. And as Paul will tell you, I have been after CDP to push on the bond market and on the fixed income markets.

So the question to you is, be—owning a lot of bonds, are you using some of that information in terms of looking at the risks that are hiding in your bond portfolios, which actually could kill you more than your equity portfolio?

JE: That’s a—

JC: That’s a hell of a question…

WOMAN: (inaudible)
JE: Yeah, that's a great question. I wasn't here last year to field your question so that's, that's great. And you know, again, I don't, we often get referred to websites but for your question I would refer you to our website, only because twice a year we do a report that's on our website of all of the activities in this space, that we do across all asset classes and specifically in the fixed income piece we've done some highlights for that area.

So I would say of the, you know, of the spectrum of our portfolio managers that we have, there was, if you look at the change over the last six years there was no doubt that the initial activity took place among our corporate government staff and our private equity staff.

That was clearly where our initial thinking was strongest. We've certainly now brought into the, the real estate part of our portfolios since we have such large holdings throughout the world, and now, the fixed income staff also now is represented as part of that green team and is absolutely starting to being that data in.

So I think, I think you're on the cusp of seeing that change in that area as well. I'm among the staff. And that's kind of what I—apart from what we're doing in the, outside in the external world, what I'm watching is really among our internal team and how their thinking is changing and getting steeped in this area.

One thing that we've done differently at CalSTRS, and I think that's why it works better to your issue, is we don't have a person or a group that's the sustainability part of the investment staff.

The responsibilities that we're talking about here are embedded in the portfolio managed of our various assets including fixed income. So they're accountable for the activity in here. And it's very easy if it's one off to kind of separate that out and deal with that person or that section on a, just a recurring basis.

But I think be integrating it basically into their accountability in the fixed income staff or the equity staff, you're getting much more attention to the issue. So, yeah, I am starting to see that attention, for sure.

JC: Paul, any comments on future directions of CDP and whether we should particularly focus on bond and bond holders and…

PD: Well, rather than give a kind of complicated summary of where we are, rather to say that we are probably I think in the midst now of the CDP7 development and the CDP documentation is on our website and, you know, we are the result of so much excellent advice that's been donated to us.
Please look at what CDP is proposing to ask in 2009 and advise us of what we should do ideally by suggesting the exact wording.

**JC:** That’s quite a good invitation.

**WOMAN:** Yes, Arianne Van Buren from CERES and the Investor Network on Climate Risk. Apropos of the bind discussion, some state treasurers who are trustees of the public finds in this country but also have fixed, largely fixed income portfolios of their own, have taken a new approach led by the state of Florida of assessing the managers of their bind portfolios by which corporations they pick to have the bonds in.

And the, you know, the theoretical and cutting edge question would be how to go beyond that but the assessment of the bond managers has been taken either from the question of how do you, of assessing the bond managers themselves and the other approach that I mentioned is assessing the choices that they make.

And they’ve used a corporate governance and climate change index to rank the managers by which companies they select. So that was announced last week by the Florida CFO.

**JC:** Interesting. Any comments on that? No?

**JC:** Your question’s…

**PD:** Could I, James, could I…

**JC:** Yeah, go ahead Paul.

**PD:** Could I ask a question of the panel? It’s one that I always like to ask and that is, what gives you most confidence and optimism about the future and also what most worries you with regard to the business response to climate change?

**JC:** Jim?

**JJM:** Well, the, I’m optimistic that there’s little doubt that a great deal of progress is made in terms of information, transparency and that the world at large is going to address this issue; in other words, the state of California or the United States or Australia or the European Union, wherever, this is going to get addressed. So that’s the positive side. And information will get better.
The worry and the threat or the concern—this is a complex, difficult subject. And we’re not going to get it perfect but we’ve got to work awfully, awfully hard to try to get it right and recognize that we’re going to have to give and take some.

Everyone can’t get exactly what they want. And we won’t get it right and when we don’t quite get it right we need to recognize that we should make some changes and adapt. It’s going to be such a complex subject and we’ve got to do things in a way that’s fair, there’s compromise, it’s transparent, not create winners and losers.

But I, what’s heartening is I think we’re well beyond, the question, is the little question about the science. That’s well behind us; we made a lot of progress in that regard, you know, we’re moving forward. The issue is that we should not strive for a certain piece of legislation that is going to be the silver bullet that solves everything because it’s so complex.

**JC:** Jack?

**JE:** Sure. Well, we’d love for Sacramento to become the national capital but (laughter) unlikely, but I will say for—and I’m sure a lot of you spend time in our state—I think you do see the changes happening in California among public policy makers.

And the considerable directiveness that’s taking place, not just around passing laws but actually now developing strong standards, regulations, that will greatly impact the state.
It’s not without controversy. Once the big push came through round legislation, the devil and the detail issue of course comes to bear and that’s the debate that we’re in now, is getting that detail correct around the regulatory standards.

But there’s no doubt about it, I think there’s enough success already on the table that it shows you that the momentum is certainly heading in the right direction and I, that gives me a lot of comfort from what we’ve done in the last 24 months in California.

On the pause side, I guess it’s the obvious. It’s, there’s a lot of competing priorities and, and for the country. And it isn’t just this; it is about healthcare, it is about the economy and there’s about four or five big ticket items that are going to be in the lap of the incoming President.

And there are stakeholders around all those issues. And so that’s why hopefully we’re here together to build that strong stakeholder activity, so that we make sure that this is the first in line.
JC: Dennis, what give you optimism and a certain amount of fear?

DMN: Well, on the positive side, I think it’s been well said, I think we have made a lot of progress with transparency, acknowledgment on the issues, on the challenges that there and I think that’s all moving forward and at least pointed in the right direction.

On the pause side I would say, you know, as a country we’re really good at dealing with the short term. And right now we all know, we’ve got a lot of short term challenges here that I think it’s going to make it very challenging to keep, you know, this topic, you know, at the top of the priority list in terms of what we collectively need to focus on.

And you know, whether it’s what we’re dealing with today with the credit markets or maybe even middle, maybe in terms of the challenges that we’re going to have to deal with, some of the domestic policy issues that are going to have to be put on the table, I think that’s the biggest one that really gives me pause in terms of, how do you effectively deal with some very significant challenging issues that are going to be competing for time and energy and resources and regulation or legislation and how does that really fit in the overall agenda that we collectively need to be focused on?

And I think it’s going to be an interesting, call it next 6 months, 12 months, you know, as that works its way through the system if you will.

JC: Dennis let me carry on that a bit further because that was a conversation we had last night at the British Consul General’s residence. And one of the ways the issue was addressed was through increased public expenditure in infrastructure, the infrastructure that we need in order to make this big transformation to a lower carbon economy.

But clearly, if you have a treasury drained somewhat by dealing with the short term difficulties that we have in the financial markets, that puts huge pressure on budgets, especially in those economies that are most affected by the credit crunch and where there are very high levels of emissions, per capita anyway.

So I wonder whether you could just roll this on another stage to the, what’s the combination between public finance and private finance to make infrastructure investments? And maybe even picking up some of the bond issues too because we are familiar with bond issuances for public purposes. Maybe there’s some innovation there that we could pursue.
Dennis, do you want to go—

DMN: Well, I think there’s no question. I think there’s a huge opportunity here in the private sector to do much more. In fact, some would actually argue that this may be, as you look at (you know) the next 20 to 25 years, this could be one of the best investment areas that the private sector should in fact be pursuing because of the public sector’s inability to really deal with this challenge, given, you know, the financial crisis, the financial implications or everything that’s on the late.

So I think when you look at this, I look at it as a real opportunity for the private sector to really have some big impact here in terms of ultimately what, how this problem’s going to be addressed and solved.

JC: Jack, can you see large scale infrastructure investment being attractive to the kind of institutions that you, you’re familiar with?

JE: Yeah, first of all, a number of us including our own system are developing infrastructure policies to set some parameters around that, so there’s no doubt the policy work is being done on that right now.

But from a pure investment attractiveness perspective, it is the type of investment that fits well with the long term perspective of a pension fund and is the, has the very nature of something that we would be looking in.

And given our own alignment with government, obviously we have a greater closeness I guess you’d say to some of the government’s needs and understanding of those things.

So I would expect a great number of the public pension plans in the US to be starting to look at allocations in that area. Absolutely.

JC: Jim?

JMJ: Well, I think other panelists have indicated that priorities and the challenges that face our country and the world, from the political challenges to healthcare to education to now the financial crisis and all that have to be dealt with.

And it seems to me that then we will hear from the competing Presidential campaigns, most will say that the Presidents can pick two or three things but not four or five or six things to, you know, really get done.
It seems to me though there are two things given all these competing things that we need to emphasize. And that is energy efficiency. I mean, in everything we do, if energy efficiency is the lowest cost, best thing we can do for energy security as well as for greenhouse gas emissions, so it’s kind of a very low cost way, it, we really need to push energy efficiency.

And the other thing is, we need technology. And if you look at the amount of money that the federal government put towards really new technology it’s miniscule.

So in the context of the total approach of the long term, and it doesn’t mean the federal government has to do it, but we should put a lot of money to research and use our universities and our education side and give the incentive that we should really be pushing technology.

In it’s, in the scope of the federal budget and all, it’s not a lot of money. But, I mean, you could, well the 10, 20, 40 times the amount of money and you wouldn’t see it in the national budget but it would have quite an impact in terms of what could be done technology-wise.

JC: Fair point.

Another question…right in the back there…can you see…

WOMAN: Hi, thanks. Jules Miller from Ernst & Young. Just wanted to ask you about the Scope 3 emissions and, you know, still there’s under 25% reporting on their Scope 3 emissions. How important is that, how good’s the data right now and how important, is it in an investment decision?

JC: Paul, do you want that or do you want…

PD: Well, I’ll (inaudible) an introductory comment. I mean, we, Scope 1 we know is the fossils fuels you burn and Scope 2 is the electricity you buy and Scope 3 is everything else and everything else is a big and complicated thing.

The leadership that’s been shown by companies partnering with us on supply chain is giving them an indication in that direction. We’re seeing some great work being done on product use and disposal but it’s a big new mountain to climb.

JC: I think the supply chain work is the one to really look at for the best examples at the moment, isn’t it? Where a huge effort has been put in to
Carbon Disclosure Project Forum  
9/22/08  
James Cameron, Gregory J. Fleming, Paul Dickinson, James J. Mulva, 
Jack Ehnes, Fred Cohen, Dennis M. Nally, 
Alan Murray, Dan Esty, Doug Holtz-Eakin

understanding the connections between each of the suppliers and following carbon through the entire chain. Very compelling work.

PD: And just the evolution of accounting standards around this. This is an area which is fiendishly complicated and, you know, it’s a huge body of work and there are so many people involved with it and it’s a very exciting time.

WOMAN: Yes, hi. I wonder if we could go back for a second to talk about the regulators and getting their attention now, which is the hardest time. I wonder if you have any plans for perhaps approaching them in some specific way. Are there people in the Congress now who you feel will come to this cause or put it at the forefront?

JC: Do you mean approach them as an investment industry or through…

WOMAN: No, no, I want to go back to setting the standards, you know, getting that cap, that national cap for emissions…

JC: Right, OK, it’s probably…

WOMAN: It seems to be the, the underlying support for everything, doesn’t it?

JC: Well, those who, here on the stage perhaps understand how US cap has had significant influence and there are others of course arguing. ConocoPhillips has done it for mandatory regulation and some kind of cap below which trading can take place.

JJM: Well, as I said earl—a few moments ago, that it’s a very difficult, complex subject but we’ve always believed, what we have liked about US cap is that it’s made up of all industry, representative of industry as well as NGOs and to some extent the academic institutions and a belief that really the best approach is going to, should be a proactive approach by this community versus looking to the political side process to determine how best to address this issue.

Because we are the ones, this is the group, US cap is a good representation, is the group that’s going to have to really live with it and do it. And it’s a group that has, if it can really go to the next step, and so has a great deal of influence and the political side process will listen and say “Can you live with this? Can you work with this?” because this is the proactive approach.
So I think US cap, (inaudible) in a few months, probably early next year, we’re quite involved in it, is going to be very proactive in addressing all the different forms and models of legislation, proposed legislation, that are on the table.

But I think US cap is going to be a real catalyst and have a lot of influence in what ultimately is decided and passed legislatively. So it’s a, it’s been a good experience and I think everyone that’s involved in it would say that.

JC: Jack?

JE: Just a, a slightly different piece of this, apart from the cap issue on the regulatory front, your other, to the other piece of your question. You know, we’ve had, at least twice now investors have come to the SEC on, requesting that they take a much deeper look at the disclosure requirements for financial statements.

And we’ve been unsuccessful. We’ve been very disappointed in the reception we’ve had at the SEC over the past year on this particular issue. So, and I think the report, again, shows how meager some of those disclosures have been in the SEC filings.

So from our agenda, we certainly expect, now that they’re receding the membership of the SEC to come back to the SEC and again press this issue very strongly.

JC: I think there’s a really critical temporal dimension to all of these discussions on a cap in the states. Because clearly if the US could make progress rapidly before the end of 2009 when the rest of the world gathers in Copenhagen for the key negotiations that will lead to the success set to the Kyoto Protocol, then the rest of the world has confidence that we’re going to be able to have a common enterprise in solving this problem and there will not be a large gap given that Europe already has a cap and other parts of the world are already experiencing real constraints on their emissions.

So that the timing of the legislative process is critical and worrisome in some respect that it may not be ready at the right moment and we’re going to have to cope with that in the multilateral negotiations.

But I think if negotiators can see quite close at hand the progress that we’ve heard about from our panelists and we are about to hear about from our discussants, we have a decent chance at getting a global agreement that would stick and then the value for carbon will be established at a much higher level and a much bigger scale.
Carbon Disclosure Project Forum  
9/22/08  
James Cameron, Gregory J. Fleming, Paul Dickinson, James J. Mulva,  
Jack Ehnes, Fred Cohen, Dennis M. Nally,  
Alan Murray, Dan Esty, Doug Holtz-Eakin

So, unless there are any more burning questions to ask of our very fine panel, I think we’ll move on to that debate between the sides in the two campaigns with policy legislation as a theme no doubt.

So let me thank you all very much for your very (inaudible)…  
APPLAUSE

JC: Now, for the next session we’re going to have a moderator-facilitator from the Wall Street Journal, Alan Murray. Thank you very much Alan for stepping in here. Clearly the Wall Street Journal is a vital media outlet and a key place for this debate to take place.

And I’ll leave it to Alan to introduce his debaters. Over to you Alan.

AM: Thank you very much and thank all of you. I should make clear at the outset, I am from the news side of the Wall Street Journal (laughter) I don’t have a published position on these issues and I don’t have a published position on these candidates.

I’m not even sure I have a private position on these candidates looking forward to the debate on Friday but you get an early preview of that debate with the two gentlemen we have here this morning.

Dan Esty, representing the Obama campaign; he is the author of the book Green to Gold, which he has already started distributing here—there it is—available on Amazon, right Dan, OK, at the business opportunities, available for, in the environmental movement.
And Doug Holtz-Eakin, with the (laughing) he said author of nothing but I don’t buy it—he’s with the McCain campaign, a man who, Doug is man who I’ve admired throughout his career for showing one of the same tendencies that Senator McCain has, which is a willingness to speak his mind even when it gets him in trouble.

So we appreciate having both of them here this morning. The interesting thing about this issue of course, or these two candidates, is that both of them have acknowledged the important nature of global warming, both of them have endorsed a cap and trade system.

Some minor differences at the top level, I think senator Obama has said 80% reductions by 2050, Senator McCain has said 60% reductions by 2050, but since we, none of us have a clue what’s going to happen in 2050, that’s really not a huge difference.
So I guess what I’d like to do to start out and Dan, I will start with you since you’ve been waiting longer, Doug was pushing the time limits here, start out with you Dan and give us, in two minutes, why it is that your candidates answer is the better answer and your candidate would be the better one to deal with this issue?

DE: Well, thank you Alan and let me just say a big “thank you” as well to the Carbon Disclosure Project, a great deal of congratulations are due. Paul, James, this is a great day and I think it’s very exciting to see a move to a more data driven approach to environmental protection.

One of the things we know, a very fundamental thing about solving environmental issues generally, climate change in particular, is that we’re going to need to bring people together.

We’re going to need to overcome past divides, divides between environmental types and the business world, divides across party lines in the United States, divides, deep divides between the United States and the rest of the world and I think getting some facts on the table in the Carbon Disclosure Project reports here today help us do that, is going to be very helpful.

And it’s going to be very helpful in doing the other absolutely critical thing that we need to do to move forward on this issue. And you heard bits and pieces of it this morning but I want to put it front and center.

And it’s to move to an innovation oriented approach to environmental protection and to put innovation at the center means that we’re going to really spur on technology development, fresh thinking across the board, not only in goods but in services. And I think this is where the Obama plan really stands out.

Barack Obama has been very clear on his support for action on climate change, has put forward a thoughtful, detailed plan and has been consistent in his understanding that regulation is needed generally where market failures are a risk.

And we have seen in the economic setting over the last week, what happens if good regulations are not in place. James spoke this morning about the critical role of good regulation in the climate change arena. We know that if you don’t have right regulations you don’t get the right price signals and you risk not just mispriced resources but real economic inefficiency, lost social welfare and in the case of climate change, real environmental degradation.

So I think what we see with the Obama plan is a broad based portfolio of incentives to draw the private sector into this really critical need of helping us
move towards solutions. And I think that is fundamental and it begins with a price signal around the cap and trade system.

And again, as Alan has mentioned, the Obama plan is clearer, sharper and a more dramatic signal to the world that we need to move to a clean energy future. And I think the American public is ready for this.

They’re ready for it not only because of the very serious energy crisis we face, the prices that we’re being burdened with and the need to really overcome the structural imbalance between supply and demand in the energy markets that we, again, heard about this morning.

But I think there’s also a recognition that it’s time to get out of a dependence on fossil fuels and the geo strategic pressure that puts us on in the Middle East and in other places that are unstable: Russia, Kazakhstan, Nigeria, Venezuela.

And I think all of that we can do with the right set or regulatory structures and someone who can bring the world together, domestically and ultimately internationally to make it happen.

AM: So Dan, when you say the central difference is the focus on innovation, are you talking about primarily the $150 billion that Senator Obama said he’ll spend to incentivize alternative energy sources?

DE: No, that’s one piece of a package. I think what everyone who’s looked hard at this issue knows and I’ve spent a lot of time on it since negotiating the 1992 Framework Convention on Climate Change with James, it needs to have a portfolio of efforts, a portfolio of incentives.

The first and most important is the cap and trade system. That’s the real…

AM: Both, but both candidates support the cap and trade system…

DE: If you look at the details there are some important differences, both in the long term signal and in the willingness to auction permits which is really how you make people pay for the harm they’re causing. It’s a major shift in how we think about environmental protection, where we’re going to have people pay for the harm they cause.

And that creates the incentive for people that can provide solutions to come into the market and help others solve their problems, help others not have to pay because they’re no longer polluting.
AM: So the plan to auction off the initial allocations is the central or a central distinction in your mind?

DE: I think it’s an important distinction but let’s also look at the list of other elements that are in the Obama plan that are not part of a McCain plan. Renewable portfolio standards to really provide a clear signal to the electricity generation markets about the need to think about new sources of power.

I think you’ve got standards for appliances that Obama’s put forward. McCain has opposed. I think if you look at the need to rethink how we use public utility regulation at the state level, again, Obama’s focused on that. McCain is not.

So there’s a whole series of places where Obama has broadly thought through the incentives needed to reshape our market and move us to a clean energy future.

AM: Doug?

DHE: Oh, well, I want to also say thank you for the chance to be here and congratulate the organizers for their fine efforts. As I think this group knows, this is an unusual election in that in the United States both candidates have stressed the importance of addressing global warming and both candidates have put forward cap and trade plans as centerpieces of any effort to take on that problem.

So one of the things that will be true today is that Dan and I will have a lot of shared objectives, I think a lot of shared understanding about the, you know, the geopolitical challenges that are facing the United States given our reliance on imported oil.

There’s no great disagreement about that. That won’t get in the way of a good squabble but it’ll simply force us to focus on some other things. And there I think there are some important issues.

I mean, first I would like to just make it very clear to this group that, you know, Senator McCain has been since 2003 a leader in the effort to move climate change legislation through the US Senate and through the Congress in general.

He has not yet been successful, he and Senator Lieberman have introduced their bill in three successive Congresses and one of the advantages that gives him is that when he goes to present his policy, it’s been focus group tested among the harshest critics, many of them in our party, that a climate change legislation could face and it gives us I think a balance between the environmental objectives
and the economic growth and innovation incentives that’s missing in the Obama plan.

And one of the differences is, in fact, the auctions. Those auctions in McCain’s plan do not start out at 100% but only ramp up over time.

We think the flexibility at the startup, the use of allocations to mitigate the transitions costs for those firms that may not be able to pass costs forward in their world markets or have long life capital stocks and other investments that they need to acknowledge, those allocations are a transition tool and to take them out of the hands of the policy but through 100% auctions is something the Senator is not in favor of doing.

We also have a more generous commitment to purchase things from outside the traded system, get reductions out of the agricultural sector, and that allows us to in a low cost way move more quickly into the cap and trade regime as well.

So I think of one of the, the key differences in the nuts and bolts of the policies as the balancing between the genuine warming objectives and the economic incentives as well.

And then I’d say the other major difference that we’ve seen between the two is, is simply, what is the role of nuclear power in this? this, we all know that, in the end, global warming is—addressing global warming is about innovation and new technologies.
But there is one zero emissions technology that’s out there right now that we can take advantage of and Senator McCain believes we should take advantage of it in an aggressive way. And his commitment to build 45 nuclear power plants between now and 2030 is one part of his Lexington Project and a, quote, “all of the above” approach to moving toward a cleaner energy portfolio.

It’s received lots of discussion. We can have more today but it seems to me that that’s a, you know, on the paper, a big difference between the two. And then I’ll close with what I think is the advantage Senator McCain will bring in addressing this global problem.

It will ultimately be successfully addressed only through some sort of global solution. He is the United States politician recognized on the world stage as making a commitment to address global warming.

We need to send a strong signal to our partners that we’re doing this. We need to send a strong signal to people like China, that they need to have faith that the US will take its steps in addressing this problem.
Senator McCain has a track record of doing that. With all due respect to Senator Obama, he’s voted for McCain’s bill and talked a lot on the campaign trail. They’re not quite comparable on their records.

AM: Dan, what about nuclear power? I mean, it is the one energy source out there that doesn’t contribute to the global warming and widespread use in other parts of the world. How can you be serious about global warming and not be serious about nuclear power?

DE: So let’s step back. We heard this morning several times that the need to innovate—the need to innovate—needs to be very broad. And it needs to be on a level playing field. So it’s ironic that we have the Democratic candidate saying “Let’s level the playing field. Let nuclear compete along with everything else, but let’s not torque the choice toward nuclear.”

And so we have Senator McCain, who favors incentives for old energy; favors oil drilling, you saw that in the Republican Convention, that was the centerpiece of the game plan going forward.

And we know that that really can’t get us where we need to go. And a big commitment to nuclear power which could involve expenditures of up to $300 billion that may or may not be the right path forward.

So I think if you want to look seriously, you’ve got to ask who has both a plan to really move us on to a new track, and who has got the temperament and the kind of personality that can bring people together?

And I think here you’ve got a clear distinction where you’ve got Barack Obama who is able to bring people together, he’s got the world waiting to work with him, the world sees John McCain as more of the Bush Administration.

Same story on Iraq, same story on taxes, same story on so many of the economic issues…

AM: But let me keep you at the nuclear power issue for just a second longer. I don’t really completely understand what you’re saying there. You’re saying Barack Obama favors nuclear power, he’s just not in favor of any sort of government subsidies or help?

DE: What he has said very clearly is that nuclear power needs to be part of our game plan going forward, part of a diverse energy portfolio, but that we shouldn’t torque the choice, we shouldn’t have the government picking the winners in terms of our energy future. Nuclear power may be a bigger part or a smaller part…
AM: Doesn’t $150 billion in subsidies for renewable energy torque the choice?

DE: I know. I think what you’ve got is a recognition that there are real market failures when it comes to some of these new technologies. Market failures because the risks are big or the payoffs are long term or the commercialization challenges are great.

And I think at a commitment of $15 billion per year as part of a balanced effort to create incentives to move us towards new energy and on to the future I think that’s a reasonable part of a package.

AM: (inaudible) my head is spinning now. We heard from the earlier panel that the government shouldn’t get involved in picking winners and losers. But it seems like both campaigns have a series of proposals that do get into that, get precisely into that business.

Senator McCain has been a lifelong opponent of corporate welfare but aren’t we talking about an awful lot of corporate welfare here?

DHE: There is no question that Senator McCain’s approach to this issue and the related ones involves government shaping the path to the future. So, you know, I will speak on behalf of, you know, the McCain campaign and I will confess Dan, I still don’t know what you guys believe on nuclear power. I’ve been on like nine of these panels; everybody tells a different story, so I’m going to ask another question when we’re done.

But here’s the way McCain views this. I mean, top level architecture is the cap and trade, that’s the long run price signal to move away from carbon based energy sources.

Within that, his recognition is that we have a tremendous national security exposure to imported oil and that we need to stop sending $500 odd billion a year to people who do not share American values and in some cases are financing those who would harm us.

That dictates aggressively trying to move us away from driving and in particular on oil. And in McCain’s comprehensive plan there’s a $5000 refundable tailpipe credit. If you drive a car with zero carbon coming out of the tailpipe, you get the credit for the purchase, the credit scales down to the point where it’s zero if you buy a conventional gasoline powered auto of the type that’s on the road today.
He favors accelerating research into batteries so that we will, in the end, see people driving on cleaner cars, plugging in hybrids, battery powered electric vehicles, and that will require comparable efforts in the electricity area. He's got a proposal for a permanent tax credit on a level playing field among the renewables and an aggressive (inaudible) on nuclear power.

John McCain thinks that, given the technology is here, given that we know we cannot be financing those who want to harm us, we should drive off nuclear power on our roads.

So that's not exactly a free market approach. It's a recognition that we have multiple goals here and he's pushing it.

AM: And Dan, what's wrong with that approach?

DE: Well, I think what you see is a tactical effort here to suddenly become a new John McCain who thinks regulation is not so bad, after a career of attacking regulation left, right and center.

And frankly, you know, you can paint stripes on a cat but you cannot turn it into a tiger. And I think we've got here a real attempt to give us a new John McCain. And frankly, you know, if he cares about this issue and really is committees to the leadership that Doug is telling us, why in December 2007 did he fail to show up at the senate for the critical vote on renewable energy incentives?

It was a one vote margin. John McCain's vote made all the difference. Why did he not even come to support his own climate change legislation and he tells us now he's not even sure he would vote for that, the Warner-Lieberman bill? Why has he given us a vice presidential choice whose attitude on environment generally is extremely far to the side and his particular thoughts on climate change leave George Bush looking mainstream?

I think we've got a real question here about the depth and seriousness of the commitment and you've got to ask the question, who is really in a position to drive us to the future, who is going to move us forward?

And one last thought. Doug raised the Lexington project. I happen to be from Concord, Massachusetts. And so I want to tell you what happened on the Lexington green on the 19th of April in 1775.

The minutemen showed up, the British rolled in, the British fired and the minutemen turned and ran until they were regrouping at Concord to really start
the revolution. So the Lexington Project is a metaphor for not having a plan and showing up without your chamber loaded.

LAUGHTER

**AM:** Let’s not get too deep into the Revolutionary War. But…

**DE:** Just repeating some history. We’ve learned what happens if you don’t have people…

**AM:** Doug—well known in Concord, I’m sure—Doug, but how about the questions? How about the specific questions that he raised about Senator McCain’s positions?

**DHE:** Well, look, I admire the talking points, the cynical campaign that’s being run that basically is dedicated to the notion that we’re going to distort a man’s record. I mean…

LAUGHTER

**AM:** Are you done?

**DHE:** I’m getting the chance to talk. John McCain’s been a leader in this area since 2003. That’s indisputable. John McCain has fought for higher CAFÉ standards in cars, John McCain has proposed regulation of tobacco by the FDA, John McCain has at other times proposed to lessen regulation, where he thought that the market was better equipped to take care of it.

This cynical attempt to somehow paint him as a ritual deregulator when he’s in fact been both for and against regulation, has been chairman of the Commerce Committee, and dealt with numerous regulatory issues in telecommunications, transportation, sometimes up, sometimes down. That’s the record. And that’s all there is to it.

On the particulars of renewable energy tax credits, you know, this is an example of Washington at its worst. You give people a one or two year tax credit; that’s not an economic incentive in a long lived investment decision. That’s a payoff from a campaign contribution and then you hold them on for another contribution and you do it for another one or two years extenders.

That’s what’s wrong with the way we do policy in Washington and he’s opposed to that. He wants to have a permanent credit, he wants to have it be level across the alternative renewables, that’s the piece of his project on the renewable
energy and, you know, we believe that it, far from being the centerpiece of his energy strategy, the acknowledgement that fossil fuels are part of the energy equation for the near term is what I believe every consensus expert would say.

That the United States has access to those fossil fuels and might not want to import them is part of his commitment to lessening an exposure that we think is unhealthy. And in particular, natural gas, where it is a far less internationally traded commodity than is oil, it makes sense to look at the domestic production equation.

So that’s what his policies are. Those are the things he’s running for as President.

AM: Gentlemen, let’s take a step back from the campaign rhetoric because whether you go with the McCain plan or the Obama plan, you were talking about the biggest new regulatory program that this country has seen, the most extensive regulatory program this country’s seen probably since wage and price controls. I can’t think of anything else that touches as many sectors of the economy as a carbon cap and trade system.

Now we’ve just had a pretty interesting 10 days in this country. The US government socialized the mortgage finance sector, basically took over the biggest insurance company in the world, extended deposit insurance which was a Great Depression era, New Deal reform, to a huge new industry, the money market industry, and we’re now debating a $700 billion bailout in the US Congress.

At what point—at any point—do you say, you know, maybe this is enough government intervention for the moment. We should take a breather. Dan…

DE: Well, I think what you’ve got is a recognition and, again, we heard it from several people this morning, that we have to be in this game for the long term. The goal is to get the price signals right, is to make people pay for the harms they cause. We can do this in a revenue neutral fashion.

What we can do is, moving forward, make people pay for their greenhouse gas emissions and ensure that other taxes are rolled down. And I think we can…

AM: Well, you can do it in a revenue neutral fashion but can you do it without imposing some costs? I mean, this is not that different from a tax, right?

DE: You know Alan, you’re a good enough economist to know that just because we pick up an issue doesn’t mean it’s going to burden the economy. I think what we’ve got here is a clear opportunity to set a different incentive structure in place.
So that, yes, there will be some changes. There will be some people who are winners going forward, who wouldn’t have otherwise been, and there will be some losers going forward, who are used to the status quo and were getting success based on a certain set of price signals. And when we change them, there will be change.

AM: Is there anything that could happen that would make you say, you know, maybe this isn’t the best time to impose such a far reaching regulatory program?

If, for instance, Senator Obama were to assume office and we were in the middle of a serious recession, which doesn’t seem out of the question, if oil prices were to stay high, perhaps go higher, at some point would you say maybe this isn’t, and Jim Mulva made the point earlier that a President can take on two or three priorities, not four or five, maybe this isn’t in the top two or three.

DE: So let me say, I think one of the things that you notice about Barack Obama is an enormous sense of practicality, willingness to work with others, bring people together, find ways forward.

And I am certain that Barack Obama on the 20th of January will step up with a clear focus on the most critical issues in front of him and he’ll have a short term agenda and it probably will include addressing the deep economic crisis that the last eight years have left us with.

But I think there will be a time, and it may not be on the first day or the first week, where he will be able to bring a focus to climate change and frankly a broader focus on the need to protect the environment that has been broadly neglected over the last eight years.

AM: And Doug, what about you? As you say, Senator McCain has not been a knee jerk deregulator but he certainly has been skeptical of regulation. At a time when the government intervention in the economy is advancing on so many fronts, what would it take to make you go to him and say, “You know, this may not be the best time to do something this intrusive to the American economy”?

DHE: Well, I think there are two answers to that. I mean, the first answer is that, you know, on the policy level, this is an enormous benefit to getting this right on a global scale and that’s why you do it.

And the time scale is such that the sort of fears of great economic harm are always, you know, I think generated by presuming somehow this was, you know, installed overnight, which is far from the reality.
I mean, so, you know, there’s tremendous benefits of doing it, it’s a long (inaudible) benefit and it, the policy will have to be put in place over a long period of time. We will, I think we should stipulate this day, get it wrong at the beginning. There’s no question about that.

And we will have to revisit the implementation again and again. And I think we will need a commitment, a bipartisan commitment, to go back and review the quality of the execution of the initial policy regardless. The main political obstacle—the main obstacle to starting next year will be political I guess, is the key insight. If you look at the international timetables, it’s imperative that you hit the ground running if you’re going to mesh up domestic action with international action.

What would get in the way of being able to pick this up early? Well, Senator McCain has campaigned with energy at the centerpiece of his concerns and this is part of the energy equation, certainly the most important initiative over the long haul so it’s not hard for him to make the case we need to bring this up.

What will get in the way is the capacity of a Congress to digest big policy issues. And there I think the fact that we will have to be undertaking a reform of our financial system to get some 21st century regulation has really caused some concern on the ability to move on both, in a timely fashion up until the sort of real big moves in the past several weeks. I think that was not quite as…

DE: Alan, can I just—having disagreed at several points, I want to agree with Doug on two points. I think it’s absolutely right that we need to go into this with a spirit of appreciation for the complexity of the challenge and the need to learn as we go. And I think that’s very clear.

So I think that is important and I also think bipartisanship is going to be critical. One of the things that I would say is that Barack Obama has campaigned with a clear eye, not only on the demands of the election but also on what is required for governance beyond.

I think if you look at his choice of vice president, he’s chosen someone who is prepared to be that person that can really A) step in if it’s needed, if the President’s not available and second, will take the president aside and say, “Look, a mistake has been made; you’ve got to do something different”.

And I really think that that is critical. And as we look and Doug, a third point, is that the international negotiations, which have to move in parallel with our own domestic process, are going to be extremely difficult.
I've been a climate change negotiator. I've talked to the Chinese. I know how hard it's going to be to move them. And yet, I promise you, the US Congress and Doug and I probably agree on this, will not support action unless we engage the developing world, China and India in particular.

We're going to have to reinsert into these negotiations the only principle on which international cooperation has ever been successfully founded, that of common but differentiated responsibility; common meaning every country steps up and signs on for real commitments. Differentiated responsibility meaning those vary in how tough the standard of reductions will be.

The US and Europe will have to bring down emissions from current levels, bring it down considerably between now and 2050. Other countries like China and India will have to reduce the growth rate of the trajectory they're on. So rather than having emissions grow 60% in China over the next decade, they'll have to bring it down to 30 or 20% growth.

And we are going to have to do a very difficult job of moving back and forth between a complex domestic situation and an equally challenging international one.

DHE: I actually concur with that assessment on the way the domestic and international pieces have to evolve and there's no doubt about that and we've thought a lot about how to be effective in that regard.

I do want to, you know, take this opportunity to share with the group that, you know, I've briefed and traveled with Governor Palin extensively and obviously her views on climate change attract a lot of attention.

I think the characterization that has been pushed in the media is the extreme characterization that somehow she doesn't believe in this at all and that's not right. She's certainly concerned about what's happened in Alaska.

She's started a sub Cabinet to deal with the impact of warming on the Alaskan wildlife and way of life in fact. And she's committed to supporting the Senator's cap and trade policy without equivocation.

AM: I'm going to open it up in just a second to questions from the audience but before I do I want to go back to this issue of how you allocate the initial polluting rights under a cap and trade system.
Dan, your candidate is in favor, you said, of a 100% auction of those rights. That falls particularly hard on parts of the country that have relied on coal powered electricity production.

Again, it amounts to a pretty sizable tax I would assume on people who, I assume that those costs would be passed on. Why is that the right way to do it?

DE: So I think what we’ve got got is a starting principle. It’s a principle that underlies, by the way, all successful environmental efforts, not only in our country, but everywhere, of making polluters pay for the harms they cause, so a principle that we’re going to have people, to use the economist’s language, internalize externalities and pay for the harms.

That’s the starting principle, that’s why you commit to a 100% auction and that is the clearest way to get the price signals that we need to change behavior in place.

Now I think Barack Obama has again recognized that there’s going to be a political process here. He’s signaled that he is flexible. He wants to move forward in a way that brings people together.

And frankly, I can tell you I worked on the Clean Air Act of 1990 which is the blast big environmental legislation that we put through in this country; you can’t win on an issue of this magnitude if you win on a 51-49 vote or 52-48.

You’ve got to bring 70, 80% of the American people with you and frankly that part of the Congress. And I think that is going to require both attention to flexibility…

MAN: (inaudible)

DE: We did—in the Clean Air Act we started with principles and then we moved as it was required to get people to come together. And in fact one of the lessons here is that by working across the aisle, by working flexibly, by having an ability to think through the big picture and stay focused on the long term goal but being willing to shift as required to being people together in terms of a political coalition, you can actually get things done and change the country.

It doesn’t work as we know if you’ve got a very angry 49 vote minority who spends all of the next year or two or three trying to undermine the very legislation that was just adopted.

AM: Doug, you’re an economist. As a matter of economic efficiency, the auction is the right answer, right?
DHE: No. I mean, the price signal is the cap and that’s indisputable. The auction’s about the distribution of resources in the society and not auctioning is technically the same as auctioning and handing the resources right back to the firm.

And so, rather than do that, because anything that passes through Washington often never gets seen again, the idea is to provide those implicit resources to firms to make the economic transition.

Now in a world where cash flows don’t matter, if you could borrow and lend (inaudible) freely, and only present values and balance sheets were the driving economic force, it wouldn’t matter. But cash flows do matter and when businesses face the cash flow demands to pay for the auctions, it’s going to squeeze other aspects of their operations.

We just want to acknowledge that at the front end and move toward 100% auctions so that there’s A) a genuinely better economic transitions because growth is our friend in the climate change debate.

If we’re growing rapidly, we’re going to install new technologies more quickly and easily, we’re not going to retrofit old things as much, it’ll be less costly to address global warning and politically it is an imperative that these things be balanced in the way that will both get through the Senate but also through the House of Representatives, where we have never had a vote on a climate change bill in the history of the United States.

DE: Well, let me just agree that transitions do matter and I think a, it’s a good thing that both candidates are signaling that they want to be flexible because it’s going to take a lot of work to move this through the House and the Senate.

I think on the Barack Obama side you see a commitment to a transition that’s particularly focused on helping every day Americans pay what are going to be higher energy prices in some cases; support for low income people, weatherizing their houses, insuring that people get a middle class tax rebate so that if they’re facing higher prices at the pump they have a way to cushion that.

And I think this is going to be a real question of where you devote your cushioning resources, where you devote your transition resources. And Doug is correct, that the choice not to auction is a choice to in effect give the permits to the incumbent polluters.
And I think starting with that premise is a mistake. I think we start with the opposite and see if we have to move from there to establish a political consensus.

**AM:** So we’re talk—just quickly before we (inaudible)…

**DHE:** So does it mean you’re not committed to 100% auctions?

**DE:** We’re committed…

**DHE:** I just want to know where you are…

**DE:** We’re committed to 100% auctions but we’re committed equally to flexibility to get the job done.

**AM:** and just quickly before we open it up, we have a lot of people in this room who represent companies who are trying to figure out how, as a matter of corporate policy, they deal with these issues.

We’ve been talking about regulation, about compulsory changes, what is the role of private corporations in dealing with the climate change issue Doug?

**DHE:** Given the incentives that will be put in place, if there’s a successful piece of legislation, they will then do all of the hard work. They will find the new technologies, they will install them, they will respond to these incentives and it will be at the heart of any success that the United States and the globe sees.

**AM:** Dan, this is your book, right?

**DE:** This is my book. It’s absolutely what I’ve been arguing for a good bit of time now, and that is that the critical point of leverage for societal environmental progress is the private sector, is engaging all of those companies in thinking about how to provide not only solutions to their own energy challenges, how to bring down their own emissions, ensure that their own prices are not rising, but for those who are capable of it, and we see lots of evidence of this across the country, stepping up and becoming environmental goods and services providers and solving their customers’ problems.

And I think the clearest set of incentives around that will get the entrepreneurial talent across our country motivated, will move the venture capital in this direction; already we’ve seen a huge shift in that regard over the last number of years, $150 billion we’ve heard this morning moving in this direction.
And frankly, that’s the key, let me just finish one thought, the key to a new energy future here is really getting us off the other game that we’ve been playing of trying to get more oil into the marketplace.

We’ve got to realize that the supply-demand picture can’t be fixed by the oil game. And what Saudi Arabia is to oil, America is to innovation and technology development. This is where we want to bet our future.

So let’s get ourselves moving in that direction with the right set of incentives and that’s how we’ll get the breakthroughs that eventually provide a reassertion of supply and demand in those energy markets with new alternative source of energy as the key.

DHE: Can I get a point of clarification? Given that that’s your position, why then do you guys have a government green venture capital fund? Why is the government (inaudible) venture capital?

DE: Because there are (inaudible) there—look, it’s a small part of the package; $15 billion a year. And there are market failures in the innovation marketplace. Every one in this room knows that. Not every good idea gets funded, gets put forward and particularly a lot of new ideas don’t make it over the hurdle to commercialization.

So there’s a long record here of needing to have a little bit of support at the right moments and in the right places to ensure that those breakthrough technologies actually come into people’s hands and change the energy picture we’re facing.

AM: Alright, let me ask you both along those lines because you’ve both suggested very interestingly that there is a decent chance that the government is going to have other priorities on its plate come January.

If the public sector gets tied up in other priorities dealing with a recession, dealing with the fallout of this financial crisis, perhaps dealing with healthcare, which will be made that much worse by the economic problems that come along with a recession, can the private sector deal with this problem alone? Dan…

DE: No, it cannot. You really do need a partnership here. And as much as I support having the private sector take the laboring oar and really be the one to drive the innovation process, this doesn’t mean the government can go home.

It means the government has to structure the incentives in the marketplace that engage those entrepreneurs, those inventors, those creative spirits across the country and frankly, across the world, which is why at the same time as we’re developing a domestic strategy we want to make sure that the same framework
of incentives is going global. So we can get the people in India, in China, who’ve
got technologies to bring to bear, helping to provide solutions as well.

DHE: It, the problem’s global in scope, the solution has to be global in scope and
that’s beyond the really the realistic expectations of the private sector.

AM: OK, let’s open it up for questions. Who has the microphones? Right here…

MAN: My name’s (inaudible) from Edelman and formerly with the European
Commission’s environment agency. Two questions really; the first question, in
light of the fact that global carbon regulation and carbon as a commodity’s
originated from the Kyoto Protocol, can you just clarify your positions for
December 2009 in Copenhagen in the renegotiation of the Kyoto Protocol?

And my second question is, on the talk of the federal cap and trade in the US,
what sort of issues do you see with the infrastructure? What sort of problems do
you see with the infrastructure of bringing in a federal cap and trade?

AM: Those to both?

MAN: To both, yes, please…

DHE: Well, certainly, if Senator McCain is so fortunate as to be elected, he will
not yet be President in December of 2009, he will certainly send a delegation.
He sent a delegation as a Senator always to the international meetings and
would be very interested…

AM: (inaudible) December 2009…

OVERLAPPING CONVERSATION

DE: We’re hoping he won’t be President December 2009 but…

MAN: had the wrong December…

DE: somebody—a new President will be there.
DHE: Yes, a new President will be there and we will certainly be completely
supportive of the international process and there’s no question about that. My
mistake on the month, sorry.

On the issue of the infrastructure, let me—the United States is now in a, sort of in
a very, very bad position due to the failure of leadership in the past eight years in
this topic. We have states that have been forced to take the initiative in the absence of federal progress.

We now have as a result, costly and uncoordinated efforts that would be best replaced by a single nationwide regime. We have extant laws for most, particularly the Endangered Species Act, where by listing the polar bear as threatened we have now enabled every fish and wildlife employee to have a say in carbon emissions in the United States. That’s the least advantageous way to pursue this problem.

So I think there’s an enormous amount of sort of regulatory infrastructure that has to be cleaned up as well as the stuff that we would have to get right in doing the cap and trade.

AM: Dan…

DE: So I think the Obama campaign’s looking to a beyond Kyoto treaty and the goal of course is December 2009. but let’s be honest—that’s a tight timetable for a new administration and I think it’s going to require an extraordinary bipartisan effort domestically to get us in a position to conclude an agreement on that timeframe.

And in terms of building the infrastructure of the cap and trade program, I think there are a lot of lessons to build on. The European Union has provided us with some important starting points, including what not to do frankly in important regards.

And that includes miscalculating the number of permits that go out into the system, that includes failing to have a certification and verification process in place so that we know that carbon offsets are real, that there’s an authenticity to them.

But having said that, I think we all owe Europe a debt of gratitude for having started the process and shown some of the pitfalls. Likewise I think we have a lot to learn from California, where Governor Schwarzenegger has stepped up to this challenge unequivocally and with great courage.

And frankly in the Northeast, the regional greenhouse gas initiative, which is kicking into effect this week, provides us a very important starting point. An important starting point around the methodology for understanding who’s emitting, which again, the Carbon Disclosure Project helps us with but I think more broadly understanding what it’s going to take to actually make a market approach work in this regard.
MAN: Yes, my name is Quintus Jett from the Tuck School of Business at Dartmouth College. As someone who does study in management, I’m wondering about the parties that each candidate is operating from, from the perspective of, I mean, it just seems to me like it’s a very, you know, trustworthy candidates but on both sides, each party has a reason to be maybe a little bit untrustworthy.

I mean, in that one party seems to be, there’s a concern about constraining business and not appreciating the value of business and on the other side there’s a party that, at least on this issue, doesn’t really seem to believe that climate change is happening.

So I was just wondering if each could comment about that connection between the candidate and, yeah, and the party position (inaudible).

AM: That’s a great, that’s a great question. Dan, let’s start with you. I mean, you sense some of that when you’re talking about nuclear power. I mean, you have very strong constituencies in the Democratic Party that are against nuclear power, you know, strong, that are against frankly carbon based fuels altogether, as well as deeply skeptical about the ability of the private sector to do much of anything.

How do you deal with those extreme constituencies?

DE: So Alan, so let’s take that apart. I think there are obviously broad constituencies within the Democratic Party and I think if you look at the Obama game plan it represents a new Democratic party that is much more focused on understanding the importance of engaging the private sector.

And in fact, if you look at the advisors that Obama has drawn in, it includes an extraordinary number of business people, it includes Warren Buffet, it includes Paul Volcker. I mean, you’re getting people who you wouldn’t have thought might be with a traditional democrat.

But Barack Obama is not a traditional democrat. He’s a better, forward looking kind of perspective that I think really is different. And you know, I think it’s a fair question. I think there are issues of trust on both sides.

And frankly I think in this regard there are issues but they’re not equal in terms of the level of skepticism that needs to be brought to bear. So just let me tee this up.
The Republican Party had a candidate in the year 2000 that promised us to address climate change. Six weeks later, taking the knees out from under his EPA administrator, the President changed directions and walked away from the Kyoto Protocol. That is a pretty deep hole for the republicans to dig out of.

AM: Doug…

DHE: It’s actually worse than that Dan, so let me be clear about the obstacles that we face and that the ones that senator McCain has taken on over the many years in this issue.

This administration leaves behind a legacy where people do not believe that the science it outs out is actually sound science. And Senator McCain has studied the science, he held the hearings on climate change, he’s convinced about warming and he needs not only to educate the Republican Party about the science and quite frankly the American people, where this isn't like Europe…

AM: And his vice presidential candidate?
DHE: I don’t think he has much to worry about there but I mean we have some serious problems with educating the American people, having them understand the scope and nature of this problem. It is not widely understood and accepted outside the beltway, that’s for sure,

And he has to repair the party’s image, as a party committed to making decisions on sound science, displaying the science as found by the research community funded by the federal government and that’s not a legacy that he should have had to repair but it is one that he will now do.

AM: Other questions? There’s one way in the back…

MAN: Hi there, Alex (inaudible) from BlackRock in London. As an outside observer, it’s clearly very encouraging to expect cap and trade in carbon dioxide to come in the United States but what kind of confidence can we have that it doesn’t go the same way as the cap and trade system in socks and knocks and that we get bogged down in roadblocks and obstacles to successful trading over the long term?

DE: Well, let me say in terms of the Clean Air Act of 1990 program for regulating acid rain precursors, there’s been extraordinary success. The market was set up, the estimates that were done in advance of how much it would cost, what the economic burden would be, proved to be entirely wrong.
I was at the EPA at that time. Industry told us $1500 a ton to take sulfur dioxide out of the system. My EPA team said $750 a ton. And in fact, the first trades came in at $300 a ton and the price went down to $200 and ultimately $100 a ton.

So we see the power of market mechanisms to work, to spur innovation, to change people’s thinking and frankly I think the signal from that experience with socks and knocks, from the Clean Air Act of 1990, is extraordinary.

I spent thousands of hours understanding and debating with people where those emissions reductions would come from and no one highlighted the critical change that would allow us to bring down emissions in much lower cost. And it was a railroad deregulation.

But that was a fact that no one had talked about. So we’re going to spur new thinking when we get the price signals right.

AM: No disagreement on that point…

DHE: No, actually, I was at the White House for the Clean Air Act (inaudible) it’s a phenomenal program and I would be hesitant to characterize that as a failure in any way.

AM: I would think the European experience is more of a warning signal…

DHE: But I think Dan had the right—we’ve learned a lot from the European experience and knowing what the baseline is, measuring offsets and if, you know, making sure they’re real.

I mean, look, there’s, there is a, the ability now to do this better based on the fact that they were courageous enough to lead and we were not. We get the advantage of doing this in light of that experience.

That doesn’t mean, and I think the question’s on the mark, that you can guarantee the political resolution going forward. You know, Senator McCain will be President at most eight years and he’s a very steadfast—we use that word—individual once he’s made up his mind to do something and that, I can promise you that commitment.

Past that we have to build I think through the education efforts, through the international efforts, and through the demonstration that this is a benefit to Americans, not the ogre that it’s sometimes been painted, that we should pursue this all the way to 2015 and beyond.
A couple more questions? Right here…and then there’s one back there, right…

MAN: excuse me, Steve Vederman. We’ve talked about the corporate support for this. Jim Mulva spoke of that. Let’s talk for a moment about the corporate, the corporations that will not be supporting these things, who put a lot of money into the campaigns and put a lot of money into Congress even more so.

I’ve been a share owner of Exxon for a period of time. I’ve filed resolutions both on a renewable energy policy and there have been resolutions on setting a cap on their emissions. 30, 405 of the vote, no change and it’s not likely to occur in their present administration so I’d like to hear a little bit about that.

And a second question, we talk of nuclear as a clean fuel. It’s clean in terms of carbon emissions but let’s talk about the sighting of the plants and the disposal of the waste because this is a real issue, it’s not likely to be in the backyards of anybody in this room.

And having worked with the environmental justice groups and things like this, this is a real issue and we’ve got to address that and I’d like to know how your campaigns are going to address them.

AM: Who wants to take that on first?

DHE: Well, I can talk a little bit about the spent fuel issue because the Senator’s been pretty clear that he believes that the Yucca Mountain storage facility is one that will be safe and that we ought to use, that there are clear political obstacles to putting the waste there.

But we can, based on the experience of countries around the globe, transport the waste safely, store it safely and he also believes that we should revisit the then President Carter’s decision to ban reprocessing spent fuel in the United States.

He does not view the United States as a proliferation threat and that this would be a sensible step for us to take in moving forward with a more broad use of nuclear power.

AM: Alright, on your first question, I would just say as a journalist who spent 25 years covering Washington, I would be very careful about taking at face value the public statements from corporations, dividing the ones who are for the cap and trade system and the ones who are against the cap and trade system.
There’s clearly a game going on now where people are joining the process saying they’re for a cap and trade system so they can have a seat at the table when all the rally important decisions are made, which is how you allocate initial polluting rights, how you define, how you…so it’s not going to be a—the scoreboard is not going to be transparent here.

DE: So Alan, one other—one other thing I just want to add is that I think, you know, in some ways your fear is being addressed by the changing nature of the world, the transparency that allows us to see who’s coming down on which side. The Carbon Disclosure Project is helping us realize who’s digging in, who’s taking the issue seriously.

And frankly I’m actually more excited about the capacity of the people in this room and the people on Wall Street to come behind these carbon disclosure analyses and really think about carbon exposure as a factor in which companies are going to make money going forward.

AM: see, that advertisement for the Carbon Disclosure Project would be the perfect place to end except that I promised this woman in the back a question. LAUGHTER

WOMAN: Hi, my name is Katie (inaudible), I’m with AIG’s office of environment and climate change. I’m confused about Senator McCain’s position on CAFE standards. I’ve heard him claim that he supports stronger CAFE standards but his voting record would suggest otherwise. Could you clarify that please?

DHE: Senator McCain? Sorry, I was…

WOMAN: Senator McCain’s, yes…

AM: Yeah, no, we were just saying we’re glad to have the government represented here today. Thank you very much. Sorry…

LAUGHTER

Go ahead…

DHE: as usual, with a sitting senator having cast many votes, you know, you get these procedural voted which in case is he apposed the final outcome that he favored. And that’s the reality.

The most important ones were in, you know, early in—forgive me if I get the dates wrong—2002, 2003, he was working extensively across the aisle to do
CAFE standards and then had someone, you know, put in a substitute bill that didn’t quite match the specs that he wanted and he voted against it.

And there’s no question about that, a lot of, that vote’s been ballyhooed quite a bit during the campaign. But that was about getting the bill he wanted, which he favored, for higher CAFE standards and we finally have them.

AM: Thank you both very much. Thank all of you. Can I turn it back over? Thank you.

APPLAUSE

JC: Well, thank you very much Alan, thank you debaters; that was very entertaining and informative. Thank you all for coming today to be present at the 6th global launch of the Carbon Disclosure Project.

We’ve had a fascinating morning’s discussion. We hope that you will agree with us that the Carbon Disclosure Project brings to you some good quality information and the structure, the dialogue that will be valuable to you as investors. We think you’ll have better insights into the critical relationship between policy, finance and technology and that we’ve heard many times discussed this morning.

We understand that there are many paradoxes, many conflicts in understanding the complexity of the climate change issue but that we still need to work hard at creating simple messages for people to understand so that they can act whether they be voters or fund managers deciding how to allocate their resources.

I think we’ve identified for you that there is systemic risk to be concerned about but significant opportunity, opportunity at scale, to be confident in.

We’ve established that regulation is absolutely essential but that there is much hard work to be done in designing it correctly so that the capital flows are made without damaging our economic opportunities and finding a way of crafting the right language for enabling public policy makers to communicate to the investment community how it is they going to intervene and indeed when they’re going to intervene.

Because one of the other factors we’ve come across many times today is the critical temporal dimension of this issue.

Perhaps one subject we haven’t gone into too much but is lying behind many of the interventions is that where capital is these days is not necessarily where it
was when we started this process six years ago. We do not have a shortage of capital in the world to deal with the climate change issue.

Even the very large numbers you heard presented earlier today, perhaps somewhere between $20 and $40 trillion worth of investment required to deliver our energy needs over the next 50 years in a manner which best fits the scientific analysis that we have and therefore achieve at a low carbon economy over the next 50 years.

We have capital resources to make those kinds of investments over that time period. But much of it is in the hands of sovereign wealth funds, of governments who are making these investments, many of whom are oil rich governments and the international negotiations that we've heard about also many times today, do not properly reflect that reality.

So the structural dynamics of the climate negotiations still see the world divided up between developed and developing in a very crude and unrealistic way and do not take account of the fact that there are very large amounts of capital available in the so called developing world, which we will need to flow into the solutions to climate change.

So in conclusion, we thing we've got some pretty big Archimedean levers to pull, to take Jack’s phrase. We think that we are much more aware now of the issue. And my colleagues at CDP have always said to each other, let alone to the outside world, that they see their ultimate client as the polar ice caps and we know that that client is in some trouble and is sending us messages that help is required.

So perhaps, as Dan said, the people in this room represent a very strong feeling of hope that we have, that it’s possible to connect good public policy, good sensible rational investment strategies with good data and better understanding of the complexity of the climate change problem so that collectively we will be able to get to grips with it in the timeframe that is required.

So thank you very much for coming. We'll now break and (inaudible).