Corporate America warms to fight against global warming - USA...
WASHINGTON — Corporate leaders don't normally invite the federal government to raise their taxes. But that's exactly what Paul Anderson is doing.

Anderson, the chairman of Charlotte-based Duke Energy, wants the federal government to fight global warming by taxing companies based on the "greenhouse gases" they pump into the atmosphere — just the sort of big-government remedy the Bush administration says would hobble the economy.

For his efforts, Anderson has been excoriated by conservative talk radio host Rush Limbaugh and threatened with an "exorcism" by an industry peer.

But Anderson, 61, is no closet left-winger. He's a registered Republican, Bush backer and member of the president's Council of Advisors on Science and Technology. That such a Big Business stalwart is demanding federal action on climate change illustrates an unmistakable evolution in corporate thinking, motivated both by evidence that global warming already is affecting the economy and by the prospect of fat profits from new environment-friendly products.

"If we approach this rationally, it will not be disruptive to the economy and will not turn the world upside down and will, at the same time, address the problem," says Anderson.

Corporate America, which once regarded cries of "global warming" about as favorably as The Communist Manifesto, increasingly is embracing the need for reducing human contributions to the planet's rising temperatures. Forty companies — including Boeing, IBM, John Hancock and Whirlpool — have publicly endorsed the notion that climate change is real by joining a business council organized by the Pew Center on Global Climate Change.

Electric power companies are the single largest industrial emitter of carbon dioxide, the chief chemical culprit in "global warming." But Duke Energy on the East Coast, California's PG&E on the West Coast, and other utilities see mandatory federal emission caps as preferable to the current patchwork of state regulations they confront. A uniform national standard would eliminate costly uncertainties hanging over investment decisions on new multibillion-dollar power plants, they say.

It's not just power companies that are agitating for action. Institutional investors are demanding that companies disclose their financial exposure to future climate changes. Insurers are abandoning underwriting in coastal areas threatened by costly Hurricane Katrina clones, and companies such as General Electric and DuPont are gearing up to prosper from the transition to a carbon-constrained world. Last year, Goldman Sachs Chairman Henry Paulson, now Treasury secretary-designate, warned that the time needed to address climate change was running out.

"There's a sea change underway in American business," says Al Gore, the former vice president. "What's different in business audiences in the past year or so is a new and widespread receptivity, a keen awareness, an eagerness on the part of large numbers to find out how they can take a leadership position. And a recognition, too, that there are profits to be made."

Insurers may prove to be the canaries in the coal mine of climate change. As global temperatures rise, instances of severe weather — hurricanes, tornadoes, even hailstorms — are expected to become more intense and more damaging. Though no single event can be definitively linked to long-term warming of the atmosphere, Mother Nature is getting more costly for insurers.

Annual weather-related insured losses rose from $1 billion in the 1970s to an inflation-adjusted average $15 billion in the past decade, according to Ceres, a coalition of institutional investors and environmental groups. The group said soaring weather-related insurance claims, which it linked to the warming climate, are leading to higher premiums and greater coverage restrictions for policyholders. As private insurers flee vulnerable areas, state and local government "insurers of last resort" are being left with the bill, Ceres said.
After being battered by losses from four Florida hurricanes in 2004, Allstate last year refused to renew policies with 95,000 homeowners and 16,000 commercial property owners in the state.

"We are girding for the onslaught of the next hurricane season," Allstate CEO Ed Liddy said last month. "What's new is the intensity of this (storm) cycle could be a lot worse than things that we've seen before."

Well before climate change turns Iowa into oceanfront property, its financial impact on insurers could affect everything from building codes to land-use policy, says Tim Wagner, director of the Nebraska Department of Insurance, who chairs a National Association of Insurance Commissioners (NAIC) climate-change task force.

The panel was scheduled to kick off its deliberations last year at a September conference in New Orleans, which was washed out by Hurricane Katrina.

In Nebraska, several years of unusually severe hailstorms have prompted insurers to raise deductibles and encourage a shift to hail-resistant roofing — which costs about twice as much as a conventional asphalt roof.

The potential financial impact on insurers is so great that it threatens to paralyze policy-writing in the most vulnerable geographic areas. To ensure the industry has the financial resources to weather repeated catastrophic events, a federal reserve fund financed by a new tax on all insurance policies might be needed, Wagner says.

"Climate change is so big, it's very hard for the man-on-the-street to understand what's taking place. The plain truth of the matter is it's here and it's going to be costly," Wagner says.

**Search for answers**

A clear sign that climate concerns have moved into the financial mainstream is the growing activism of institutional shareholders. Over the past few years, investors have become increasingly worried about insufficient disclosure about the risks companies face from global warming. Under existing regulations, publicly traded companies are required to disclose any information that could have a "material" impact on their financial results. There are no additional requirements governing climate-change issues.

A changing climate threatens companies throughout the economy with costs from future regulations, the physical effects of a changing landscape, even the danger of massive lawsuits, such as the claims filed against tobacco companies. In 2004, eight states and New York City sued five power companies seeking to force them to cut carbon dioxide emissions. (Last year, a federal district judge dismissed the lawsuit, saying Congress, not the courts, should set environmental policy. The plaintiffs are appealing that decision.)

A recent Mercer Investment Consulting survey of 183 institutional investors found that 44% thought climate change was "very" or "somewhat important" in economic terms. An additional 14% said it would become important within five years.

1. In February, a London-based investor coalition called the Carbon Disclosure Project sent its fourth annual request for information on greenhouse-gas emissions to 1,800 of the largest publicly traded companies in the world. A total of 211 institutional investors with a collective $31 trillion under management signed the letter up from the 35 investors representing $4.5 trillion worth of capital who signed the first report.

Among the U.S. signatories: Merrill Lynch, Franklin Templeton, Dreyfus, State Street Global Advisors, New York state and city employee pension funds, and the state treasurers of Maine, Vermont and Oregon.

The nation's largest public pension fund, the $182 billion California Public Employees' Retirement System (Calpers), also signed and has backed shareholder resolutions at Ford Motor and General Motors. "Our focus is to get companies to expand and to improve the disclosure and transparency of environmental data," says Dennis Johnson, Calpers' senior portfolio manager for corporate governance.

Johnson says the pension fund doesn't plan to sell any of its holdings to force greater disclosure, preferring instead to work with the companies in which it owns shares.

Each year, about 30 corporations confront shareholder resolutions seeking greater disclosure of the potential impact of climate change, according to Mindy Lubbers of Ceres. The past two years, climate change has been the leading source of non-financial shareholder resolutions, according to Gary Guzy of Marsh & McLennan.
In April, a Ceres-backed shareholder resolution requiring Dominion Resources, a Richmond, Va.-based utility, to report on its exposure to climate change was defeated with 22.5% of the votes. But that was almost three times the 8% support a similar measure garnered at last year’s annual meeting.

Dominion’s management opposed the resolutions, arguing that its environmental officer regularly updated its board and that information on its policies was available to shareholders on the company website. The past two years, more than one dozen electric power companies have issued such reports, according to Ceres.

**A very good thing**

The Bush administration stirred global controversy by refusing in 2001 to sign the 1997 Kyoto treaty, which would have required the U.S. to sharply reduce carbon dioxide emissions by 2010.

President Bush has repeatedly insisted that mandatory emissions curbs like those contained in the treaty would cost the U.S. economy too much. “I walked away from Kyoto because it would have damaged the American economy, it would have destroyed the American economy, it was a lousy deal for the American economy,” he said in a July interview with British TV network ITV.

Government and private estimates of the annual cost to the $13 trillion U.S. economy of implementing the Kyoto restrictions range from $125 billion to $400 billion.

Yet, the leaders of major U.S. corporations such as General Electric and DuPont say addressing climate change offers the technology-rich USA a chance to make — not lose — big money.

One year ago, Jeff Immelt, GE’s chief executive, unveiled a plan to cut his company’s greenhouse-gas emissions by more than 40% by 2012. At the same time, Immelt said GE would double its annual revenue from a broad portfolio of environmentally sound products to $20 billion by 2010.

GE identified an opportunity to boost profit by concentrating on environmental technologies after customers in many industries and many countries began demanding help meeting tougher regulations, says Lorraine Bolsinger, the executive in charge of GE’s Ecomagination initiative. "I don't see the downside. I know folks say there will be some kind of economic tax. ... I'm not sure anyone who worries about that has done the full analysis," adds Bolsinger.

At DuPont, a previous brush with environmental controversy shaped an early embrace of the climate-change issue. In the late 1980s, the company came under pressure to stop producing chemicals called chlorofluorocarbons, which were blamed for depleting the ozone layer. In 1988, DuPont agreed to do so. That experience helped shape DuPont’s response to calls for action to combat climate change, says Linda Fisher, the company’s vice president of environment, health and safety. DuPont set its first goal for reducing greenhouse gases in 1991. By 2003, it had trimmed its emissions by 72%.

Along the way, it racked up savings of $3 billion through energy conservation. Example: In plants in Alabama, Tennessee and Missouri, DuPont is replacing natural gas with methane from landfills in its industrial boilers. Elsewhere, the company redesigned scores of industrial processes to squeeze efficiencies from every step of chemicals manufacturing.

"What started as an effort to address our carbon footprint has turned out to be financially a very good thing," says Fisher.

This fall, DuPont expects to start using corn to produce a chemical called PDO, which is used to make clothing. The Loudon, Tenn., plant will use 40% less energy than traditional oil-based processes, the company says. The resulting reduction in greenhouse-gas emissions is equivalent to removing 22,000 cars from the roads.

**The inevitable**

Executives say such examples are representative of the environmental gains that could be achieved throughout the economy — if there were federal action. With Europe and Japan having embraced Kyoto, many business leaders in the United States say it is inevitable that the U.S. will eventually adopt similar emission limits. The Senate last year approved a non-binding resolution that called for such action.

The choice for business, they say, is between trying to block the inevitable or trying to shape whatever climate-change
policy the government ultimately adopts. The financial stakes are enormous: The wrong policy, no matter how well-intentioned, could cripple the economy in a quest for environmental improvement.

"If we get out and shape it, we can craft a result that works for us and moderates the (economic) impact," says Peter Darbee, CEO of PG&E. "One can always say, 'We won't do it until everybody does it.' But leadership isn't about waiting for everybody to agree. ... Leadership is about doing the right thing and doing it early."

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