

Healthy Solutions for the Low Carbon Economy

Washington, DC Meeting
July 22, 2008

Amy Davidsen

Director of Environmental Affairs

Office of Environmental Affairs

Environmental and Social Risk Policy

- Based upon Equator Principles
- Forestry and Biodiversity policies

Climate Change Initiatives

- Committed to reducing threat of climate change in partnership with our clients and through responsible management of our facilities
- Public Policy: Recognize need for a market-based federal policy to reduce GHG emissions and reduce uncertainty for investors

3. Internal Footprint

- Building an internal culture of resource efficiency and environmental awareness

4. Strategic Partnerships

- Partner with external stakeholders and environmental organizations to understand science and key areas of environmental impact

Addressing Climate Change



Investments and advisory in alternative energy

- Invested \$1.74bn in wind and solar energy transactions.
- The firm has investments in over 43 wind, solar projects which span 17 states, representing 4,259 MWh of capacity and enough energy to power approximately 1.22 million average size U.S. homes.
- Recently played a key role in the \$266 million long-term financing of ACCIONA Energy's Nevada Solar One power facility, the largest solar plant built in last 17 years.



Environmental Markets

- Dedicated global team provides carbon advisory and risk management services to clients, spanning the compliance, pre-compliance and voluntary markets.



Addressing Climate Change

Corporate Research: Committed to providing our clients with investment research that explores business risks and opportunities related to climate change. Examples of published research are available at jpmorgan.com/climatechange:

- **Watching Water - A Guide to evaluating corporate risks in a thirsty world - April 1, 2008**
- **JPMorgan Renewable Energy Day - Feb 6, 2008**
- **Tackling Greener Auto Regulations: OEM Use Multi-Pronged Approach - Dec 11, 2007**
- **All you ever wanted to know about Carbon Trading Vol 4 - Apr 2, 2007**

Global Environmental, Social and Governance (ESG) Research Team -

- **Integrates detailed analysis of macro-environmental, social and corporate governance factors within corporate coverage universe**

Reducing Our Internal Footprint

Goal to reduce global GHG emissions by 20% by 2012 using 2005 as baseline

- Reductions achieved through:
 - Energy efficiency projects
 - Purchase of renewable energy credits (green energy)

- Projects currently underway
 - Seeking LEED platinum certification for the renovation of world HQ
 - Piloting green and LEED certified branches throughout country

Reduce paper consumption

- through online banking incentives
- offer only 100% recycled content copier paper
- revising paper procurement options

Hybrid car service option for NYC region

Dining services use biodegradable products

- Sustainable Seafood thru Seafood Watch; Rainforest Alliance coffee; filtered water

Greening the JPMorgan Chase Corporate Challenge globally

A Groundbreaking Collaborative Effort



Current Adopters



Industry Advisors



Environmental Advisors



What Are The Carbon Principles?

The Carbon Principles are a common set of beliefs that a balanced portfolio approach is needed in the power industry to meet future needs

This balanced portfolio includes:

- **Energy Efficiency**
 - The best way to limit CO2 emissions is to not produce them
- **Renewable and low-carbon energy technologies**
 - Renewable energy and low-carbon energy technologies help meet electricity needs while also leveraging American technology and creating jobs
- **Conventional and advanced generation**
 - Conventional or advanced generating facilities will be needed to meet demand, including power from natural gas, coal and nuclear technologies

When a client has selected a coal-fired power plant as the best supply options for its customers, the Carbon Principles banks will apply the Enhanced Diligence Process to assess the potential carbon related risks of that investment as part of our overall diligence procedures

When do the Principles apply?

What plants will be covered by the Carbon Principles?

- All new construction or expansions of coal-fired power plants with a net increase greater than 200MW
- Built by investor-owned entities, public or private
- Located in the United States.
- It does not apply to non-coal plants, municipal or co-op owned plants at the current time, or plants less than 200MW
- This would cover approximately 70% of planned new MWs of coal generation in the United States

In which situations will the adopting financial institutions apply the Enhanced Diligence?

- When leading a Project Financing with known use of proceeds
- When leading a Corporate Financing where the borrower has represented that they have a coal plant under construction or will begin construction within the next six months

When will the adopting financial institutions start implementing this process?

- Within six months of adopting the Carbon Principles

What is the Enhanced Diligence Process?

The Enhanced Diligence Process is meant to supplement the due diligence a financial institution would normally engage in during a financing. It is meant to probe deeper into the risks surrounding future carbon policy and evaluate the extent to which these risks have been considered and/or mitigated during the planning stage

The Enhanced Due Diligence Process does **NOT**:

- pre-suppose an outcome,
- judge a company's supply choice,
- mandate specific carbon price hurdles, policy assumptions, or technology choices

The Enhanced Due Diligence Process does:

- Provide lenders with a process by which to evaluate a proposed financing against a range of potential carbon emissions policy assumptions and expected costs
- Assess the economic viability of proposed financings under a range of carbon price scenarios
- Encourage consideration of assumptions that err on the side of caution until more clarity around anticipated carbon policies becomes available
- Examine the strategies of the project sponsor to mitigate these carbon related risks
- Promote a discussion around a company's overall supply strategy, including energy efficiency and renewable efforts where applicable

All Documents are available at: carbonprinciples.org

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THE CARBON PRINCIPLES

A Roadmap for Banks and U.S. Power Producers to Reduce the Regulatory and Financial Risks Associated with Greenhouse Gas Emissions

Carbon Principles Banks

Bank of America
citi
CREDIT SUISSE
JPMorgan Chase
Morgan Stanley

Adopt the Carbon Principles

sustainable finance

The **Carbon Principles** provide a consistent approach for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects. The Principles and the accompanying **Enhanced Environmental Diligence Process** strive to create industry best practice for evaluating options to meet the electric power needs of the United States in an environmentally responsible and cost effective manner in an uncertain policy environment.

Learn more about the background and purpose of the Carbon Principles.

Key Documents

[The Carbon Principles](#) [Enhanced Diligence Process](#) [Press Release](#)
[Statement of Intent](#) [Frequently Asked Questions](#) [CP Presentation](#)

CP in the News

- Wells Fargo Adopts Carbon Principles
July 2008 - Wells Fargo Press Release
- Credit Suisse to Adopt the Carbon Principles
June 2008 - Credit Suisse Press Release
- Bank of America Announces Adoption of the Carbon Principles

Industry Advisors

- [American Electric Power](#)
- [CMS Energy](#)
- [DTE Energy](#)
- [NRG Energy](#)
- [PSEG](#)
- [Sempra Energy](#)
- [Southern Company](#)

NGO Advisors

- [Environmental Defense](#)
- [NRDC \(Natural Resources Defense Council\)](#)
- [Ceres](#)

Announcements

To listen to a recording of the May 1st teleconference on the Carbon Principles, please [click here...](#)

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