

**2005 Institutional Investor Summit on Climate Risk
United Nations
Tuesday, May 10, 2005
12 PM**

Good afternoon. I'd like to welcome you all to New York City. It is a pleasure to be here with you for this incredibly important discussion. I would like to thank Tim Wirth and the United Nations Foundation for hosting this event, and Mindy Lubber and the entire CERES staff for helping to put it together. We would not be here today without the hard work of CERES not just in the last few months, but since its inception 16 years ago.

I would also like to acknowledge the leadership role that my good friend Denise Nappier has taken with regard to the issues we are discussing today. In her capacity of Treasurer of the State of Connecticut, she has played a crucial role as a shareholder activist in the area of climate change. In addition, not only is Denise is the moderator of this panel, but she is co-host of today's summit along with Tim Wirth. It is a role with which she is familiar, because she co-hosted the first summit on this issue with Senator Wirth here at the UN in November 2003.

Here on the shores of the East River, in the capital of the world, the United Nations has been the site of some of the defining debates of the most urgent issues of both the last century and this one.

It is appropriate that we are gathered here for the discussion we are now having.

It is nearly impossible to overstate the centrality of global warming and climate change to the future of humanity. As we all know, after years of debate, the scientific community has arrived at the conclusion that global warming is in fact a reality. So much so that the Pentagon concluded in an October 2003 white paper

that “there is substantial evidence that significant global warming will occur during the 21st century.¹”

The report went on to note that “the risk of abrupt climate change ... should be elevated beyond a scientific debate to a U.S. national security concern.”

If global warming is deemed a threat to national security by the Pentagon, it certainly qualifies as a risk for the companies in which we invest ... and for us as investors.

That is why as fiduciaries for billions of dollars of public pension fund assets the members of the Investor Network on Climate Risk are confronting the fact that climate change has serious and far-reaching implications for our investments.

In fact, global warming will likely result in billions and billions of dollars in losses for public companies, according to a 2002 report².

Indeed, according to the U.S. Department of Energy, between 1986 and 2001, the world suffered nearly 1 trillion dollars of economic losses due to “natural disasters”, roughly three-quarters of which were directly weather and climate-related.³

In the year 2000 extreme weather events resulting from changes in the climate caused 100 billion dollars worth of damage to the public and private sectors.

¹ An Abrupt Climate Change Scenario and its Implications for U.S. National Security, by Peter Schwartz and Doug Randall, October 2003

² The Environmental Fiduciary: The Case for Incorporating Environmental Factors into Investment Management Policies, by Susannah Blake Goodman, Jonas Kron, MSEL, JD and Tim Little. The Rose Foundation for Communities and the Environment

³ Value at Risk: Climate Change and the Future of Governance, CERES/Innovest, April 2002

It is plain to all of us that the risks to our investments are real, and they are growing. They range from unexpected drops in earnings due to fines, penalties, and cleanup costs following violation of environmental laws ... to increased costs due to changes in environmental regulation ... to greater-than-expected costs due to understated or undisclosed liabilities.

As a result, we firmly believe that assessing climate change is now an essential aspect of intelligent investing ... for global warming and climate change will have a significant impact on the world's entire economic eco-system. It will produce shifts in the global economic landscape. For investors, those changes hold both risks and opportunities.

As the City's Comptroller, I serve as a Trustee to four of the five City public pension funds and am chief investment advisor to all five Funds.

The New York City retirement systems and their trustees oversee more than 88 billion dollars in assets, making them collectively one of the largest institutional investors in the nation.

My predecessors and I have embraced the responsibilities that come with that role. We have long championed the vigorous exercise of shareholder rights to ensure effective corporate governance and corporate social responsibility.

Indeed, Comptroller Harrison J. Goldin helped found CERES in 1989, and a New York City Comptroller has served on its board since its inception. I am proud to have maintained that tradition.

With that in mind, in recent years we have focused on climate change issues in several shareholder resolutions we have filed.

In 2004, Reliant Energy agreed to issue comprehensive reports to shareholders about their financial exposure under potential emissions control scenarios. This year, Progress Energy has agreed to a request sponsored by Boston Common Asset Management and co-sponsored by the New York City Employees Retirement System that it set up a committee of independent directors to assess how the company is responding to rising regulatory, competitive and public pressure to significantly reduce carbon dioxide and other emissions... and then report to shareholders. We filed similar resolutions with Apache Corporation and Dominion Resources Inc.

Indeed, over the past several years, the institutional investor community as a whole has begun to recognize the risks that global warming and climate change pose for invested assets.

As a result, we have taken a crucial step forward by using our collective clout to push for change.

About a year-and-a-half ago, CERES spearheaded the first investor summit on Climate Risk here at the UN. That meeting gathered together institutional investors representing more than 1 trillion dollars in assets.

As a result of that meeting, trustees from 10 U.S. pension funds, myself included, formed the Investor Network on Climate Risk and issued a 10-point call for action.

Specifically, we demanded tough new steps by the Securities and Exchange Commission, corporate boards and Wall Street firms to increase corporate disclosure of the risks posed by climate change to investors. As a direct result of this Summit meeting, my office as well as several other large institutional investors wrote to SEC Chairman William Donaldson asking that he personally participate in this process.

Since the first summit, the members of the INCR have also leveraged our clout as investors to persuade more than a dozen Fortune 500 companies, each in sectors with significant greenhouse gas emissions, to boost their actions and disclosure about climate risks ... and steps to mitigate those risks.

We have filed a record number of climate change shareholder resolutions with North American companies ... Many of those resolutions received a great deal of support from shareholders.

And since November 2003, the number of investors active in the Investor Network on Climate Risk has quadrupled, rising from 10 participants to 45 today. The total assets represented by INCR have risen from 600 billion dollars to 2.7 trillion dollars.

Through our efforts and others, the corporate sector is slowly awakening to the risks of climate change. The New York City Employees Retirement System and the New York City Teachers Retirement System are signatories to a group called the Carbon Disclosure Project, which includes 143 institutional investors representing more than 20 trillion dollars in assets under management. In 2004, the CDP conducted a survey of Fortune 500 companies. According to this report, 45 percent of those companies surveyed believe climate change represents either a risk or an opportunity. And yet many other of those companies surveyed remain behind the curve. Only one firm, for example, cited the CEO as being responsible for managing the issue.

We must do more to get the attention of senior management ... and I call on those institutional investors who have yet to join the Investor Network on Climate Risk to do so.

These are some of the steps we have taken to foment change in the companies we already own.

I believe the next step in our efforts is to actively invest in vehicles geared toward emerging environmental technologies such as renewable energy.

For just as there is investment risk in climate change, there is investment opportunity. One of these opportunities lies in the emergence of “clean” technology. There is little doubt that investing in clean technology has yet to catch up to the science that has made that technology possible. To accelerate the investment that these technologies require, institutional investors should begin to explore the opportunities that exist across all asset classes.

The fact is that some in the investment community remain skeptical that businesses can create shareholder value while shifting toward the use of clean technology.

We must continue to educate ourselves regarding the investment opportunities this shift represents. Indeed, as fiduciaries, it is absolutely imperative that we do so.

There are some promising signs. Since 2002, for example, some 3.5 billion dollars have been invested in clean technology⁴.

In addition, the State of California has played a key role in encouraging investment in this area. Both CalPERS and CalSTRS have embraced the “Green Wave” environmental investment initiative. Under this program, the two funds will commit up to 1.5 billion dollars to clean energy investments. I’m sure Jack Ehnes of CalSTRS will be speaking regarding this innovative initiative.

As I’m sure many of know, the Clean Energy States Alliance is a group of twelve states, including New York, which has established funds to promote renewable energy and clean energy technologies. The group expects to have about 3.5 billion dollars collectively for clean energy technology over the next decade.

⁴ CleanTech Venture Network LLC, March 16, 2005 press release

The available evidence suggests that an investment in clean technology will pay off. The median investment return for initial public offerings in this asset class between 1994 and 2002 was 5.3 times invested capital⁵.

Opportunities in other asset classes are emerging as well. For example, my office has begun to explore ways in which we can invest in environmentally friendly real estate vehicles.

There is no doubt that the development of high performance buildings is crucial to reducing the emission of green-house gases.

As many of you know, conventional buildings consume more than two-thirds of all electricity and 39 percent of all energy, and emit as much green house gases as cars.

Green buildings, by contrast, can reduce energy consumption by significant amounts. The State of California, for example, has found that high performance buildings can reduce energy use by as much as 28 percent⁶.

Here in New York, the Solaire in Battery Park City is projected to reduce energy consumption by 67 percent, at peak use.

Equally important is the fact that investments in energy-efficient real estate produce solid returns. According to Innovest Strategic Value Advisors, real estate firms with above-average energy management performance achieve superior stock market and financial performance to those firms with below-average energy management performance⁷.

⁵ “Cleantech Venture Investment – Patterns & Performance” February 25, 2004, CleanTech Venture Network LLC

⁶ The Costs and Financial Benefits of Green Buildings: A Report to California’s Sustainable Building Task Force – October 2003. By Greg Kats, principal of energy consulting firm Capital E

⁷ Energy Management & Investor Returns: The Real Estate Sector, October 2002, Innovest Strategic Advisors

My office is committed to exploring these opportunities and others, but the fact is that we are still in the early stages of exploring all the investment possibilities that climate change presents.

It won't happen overnight, but we have begun to take the next steps.

That is why today's conference is so important. I can think of no better way to educate ourselves than by sharing our knowledge about this incredibly important issue.

Once again, I would like to thank Tim Wirth, the UN Foundation, Denise Nappier, Mindy Lubber, CERES, and the INCR for hosting us here today, and I look forward to taking your questions.

Thank you.