Financing a low carbon energy future – the role of the investment and business

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18th November 2008

Towards a low carbon energy future
The Royal Society

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Agenda

- About Jupiter
- A Brief History of Socially Responsible Investment
- Trends towards financing a low carbon future
- Setting the context – a 20 year perspective
- Looking ahead
- Business and Investors call for action to deliver low carbon economy
- Concluding remarks
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About Jupiter

- Jupiter was established in its present form in 1985
- We are one of Europe's most successful and respected fund management houses
- We have won over 200 investment awards in recent years – a testament to our company-wide performance record
- Currently, we manage assets of £16.8 billion* and employ over 400 people including 45 Investment Professional
- Over 20 years of managing screened green and socially responsible investment funds

*Source: Jupiter 30.09.08

A brief history of SRI

Negative screening
Excluding companies

Positive screening
Focusing on companies providing solutions or minimising impact

Integration
Environmental, Social and Governance factors considered in mainstream portfolios

Include in investment analysis

Reflect in shareholder engagement activities

Evolution – from specialist screening to ESG integration
Choice depends on 'best interests' of all beneficiaries

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Why ESG is growing in importance

ESG – an investment process that considers the Environmental, Social and Governance consequences of investments

- Sustainability and climate – now mainstream in public awareness, media and business
- Response to issues such as climate change includes strengthening legislative and regulatory framework
- Increase in consumer pressure / NGO campaigns / stakeholder activism
- Growing corporate transparency on sustainability issues
- Regulation on disclosure of ESG investment policies
- Evidence of link between ESG and performance

ESG issues in mainstream investment decision-making

Trends in socially responsible investment – financing a low carbon future

Growth of UK retail ethical funds

- Ethical funds under management reached £5.9 billion by end 2007, (£5.0 billion, 2006). Total net retail sales for ethical funds for the whole of 2007 reached a record high of £473 million, increase of 3.5 times[1]

Growth of European SRI assets

- According to Eurosif research, total SRI assets under management in Europe has reached €2.7 trillion as of December 31, 2007, representing growth of 102% on a like for like basis over two years[2]

Growth in Cleantech venture capital

- The European Cleantech sector as a whole attracted €712m in venture capital in 2007, almost doubling the €317m invested in 2006[3]

Growth in global public/private funding of clean energy companies/assets

- The amount of new money invested in clean energy grew to US$117.2 billion last year, up 35 percent from US$86.5 billion in 2006[4]

1. www.investmentuk.org, 2. Eurosif SRI study 2008
3. The Library House Quarterly Briefing Q4 2007, 4. New Energy Finance

Importance of sustainability criteria in investment decisions

Carbon Disclosure Project

- Represents over 385 institutional investors with c. US$57 trillion of assets. Seeks disclosure of business risks/opportunities presented by climate change and greenhouse gas emissions data from over 7,000 companies

UN Principles of Responsible Investment

- Launched 2006, set of voluntary best-practice standards that asset owners and managers pledge to uphold to incorporate environmental, social and governance issues into their investment processes. At 1st May 2008, 360 signatories, including over 150 fund managers, representing c. US$14 trillion

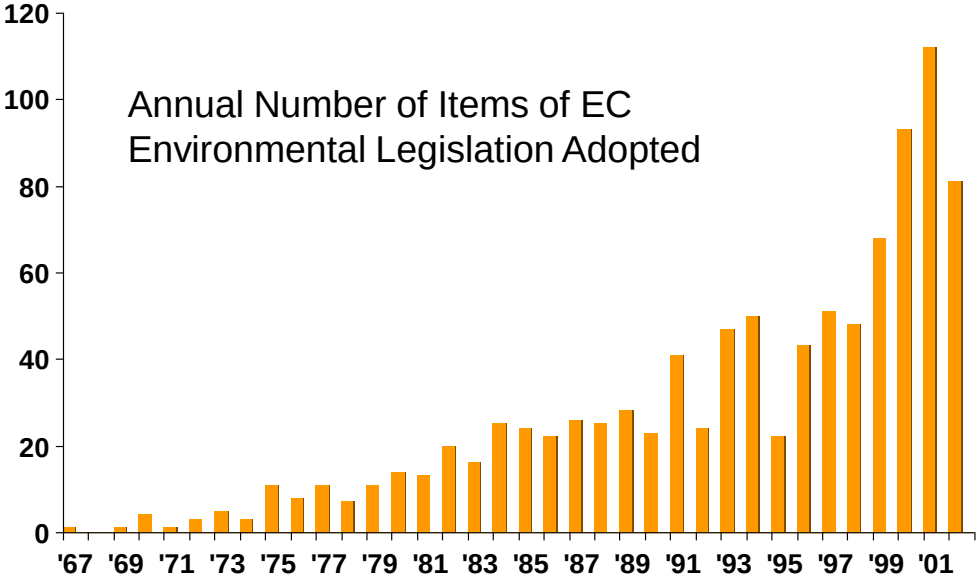
P8

- Led by University of Cambridge Programme for Industry and the Prince of Wales's Business & the Environment Programme. Involves some of the world's largest public pension funds – c. US$2 trillion assets. Unique role of public pension funds – long-term focus, exposed to the economic and human health consequences of climate change

Setting the context – a 20 year perspective

Over 20 years of managing screened green and socially responsible investment funds

- Significant growth opportunities in:
  - legislation and government support
  - corporate commitments
  - longer-term consumer purchasing trends



Source : Manual of Environmental Policy 05/03

Long-term performance from environmental solutions

Over £620m* FUM in Green & SRI Portfolios

Product evolution – from negative screens to performance-driven green-themed approach

Fund	Aim	Focus
Jupiter Ecology	Global growth	Six green investment themes (85% of portfolio) Companies actively managing environmental & social impacts (15% of portfolio)** Full range of negative screens
Jupiter Climate Change Solutions (SICAV)	Global growth	Six green investment themes (100% of portfolio)**

*Source: Jupiter 30.09.08
**This is a typical breakdown of the fund but depending on the manager's view this could vary.

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Green investment themes

Clean Energy

Stand alone power and back-up systems based on wind, solar, flywheels, batteries and fuel cells; biofuels; insulation materials; energy efficiency technologies

Water Management

Water and wastewater services including sewerage and treatment infrastructure; new technology-based solutions

Environmental Services

Companies directly benefiting from increased environmental and climate change legislation, including environmental and emissions trading consultancies

Jupiter Green and SRI Funds

Sustainable Living

Healthy lifestyle sector including carbon offsets, sustainable farming practices and organic foods

Green Transport

Integrated public transport systems; vehicle emissions and energy efficiency control technologies

Waste Management

Waste reduction and associated technologies; recycling and resource management; recycled materials

Long-term performance from environmental solutions

The Performance Evidence

Well established and respected SRI team

- Running green and SRI funds for over 20 years
- Team of 7 specialist fund managers and analysts

	6 months %	1 year %	3 years %	5 years %	Since Launch* %
Jupiter Ecology Fund	**-4.94**	**-13.59**	**28.23**	**80.96**	**384.55**
FTSE World Index	-7.42	-15.09	5.10	40.81	NA
Global Growth Sector Rank	10 / 196	20 / 188	2 / 154	6 / 138	4 / 11
Quartile Rank	1	1	1	1	2

Excellent performance compared to mainstream funds and other SRI products

*Fund launch date: 01.04.88 – earliest available date 29.04.88
Source: Financial Express 2008, Bid-Bid, Basic Rate Tax, Net Income Reinvested to 30.09.08
Past performance should not be seen as a guide to future performance

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Lord Nicholas Stern comments on the current financial turbulence

"What I hear you cry will be the difference of these turbulent times? Won't everybody be thinking of something else?

One thing we have learned – If we ignore risk and the build up of risk for a long time we will be punished.

This thing has been in the cooker, this financial turbulence, for 10, 15, 20 years – you can date it in various different kinds of ways. And what happens if you ignore a problem for 10,15, 20 years, if you ignore the risks inherent in your activity for 10, 15, 20 years. You get in the kind of deep trouble, and it is deep trouble, that we are in now.

But we are in risk of a recession, a few % points of output for a few years. The risks that we face in climate change are losses which are much bigger than that for a much more extended period of time. And if we wait for 10,15, 20 years for climate change, our position will be much more difficult that if we acted now."

Lord Nicholas Stern, 6 October 2008

http://www.lse.ac.uk/resources/podcasts/publicLecturesAndEvents.htm

Looking ahead

"Your employees, your colleagues, your board, your investors, your customers are all soon going to place a much higher value – and the markets will soon place a much higher value – on an assessment of how much you are a part of the solution to these issues."

Al Gore

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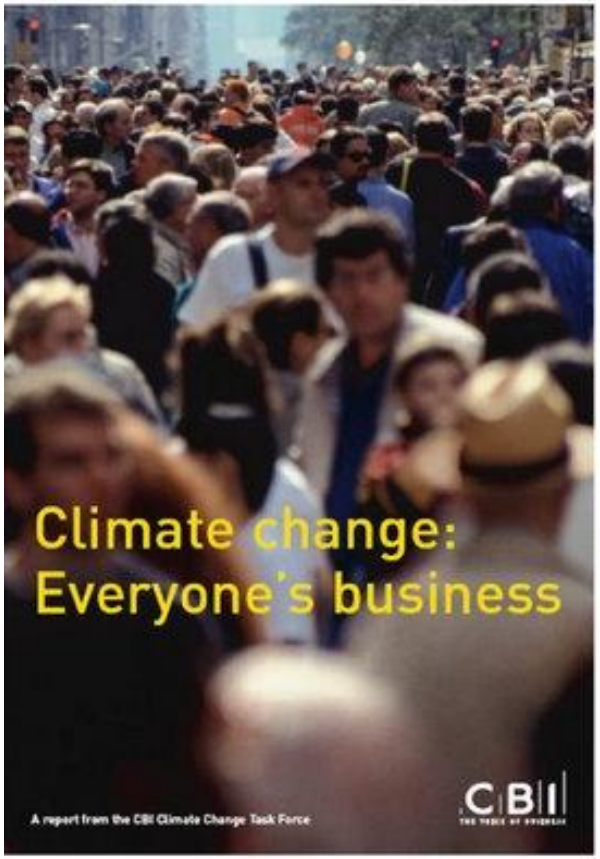
The Bali Communiqué on Climate Change


Climate change:
Everyone's business
A report from the CBI Climate Change Task Force
CBI

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B&Q
Barclaycard
British Gas
LONDON
MORE TH>N®
YOUR M&S
national express
O2
sky
TESCO

Together.com
Welcome to Together.com
466,663

Together we can
&
Together.com

MORE TH>N®
WE DO MORE

Free
Energy efficient
light bulbs
11-13 January
London
B&Q stores

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Business calls for action to deliver low carbon economy

Powerful business group calls for cross-party effort to deliver a low carbon economy

"Decisive action will stimulate economic activity"

The Prince of Wales's UK Corporate Leaders Group on Climate Change, 19th September 2008

Key recommendations

- "incremental change will not do" and "there will need to be significant investment in major infrastructure projects in order to achieve year on year reductions in emissions"
- the UK adopt a 'working assumption' that a legally-binding deal will be signed by all countries at the UN Framework Convention on Climate Change negotiations in Copenhagen next year
- "urgent cross-party effort to develop a comprehensive package of policy measures to change every major sector of the economy"
- "Government and business must now work together to demonstrate real change on the ground by delivering the new projects and practices that are needed to create a low climate risk economy"

http://www.cpi.cam.ac.uk/programmes/energy_and_climate_change/clgcc/letter_to_uk_party_leaders.aspx

Business calls for action to deliver low carbon economy

"We now urgently need cross-party effort to develop a comprehensive package of policy measures to change every major sector of the economy"

The Prince of Wales's UK Corporate Leaders Group on Climate Change, 19th September 2008

Key elements of the package

- Measures to deliver a robust carbon market
- Support for low-carbon technologies and products
- Energy efficiency standards
- Forward Procurement Commitments
- Consumers
- Adaptation

http://www.cpi.cam.ac.uk/programmes/energy_and_climate_change/clgcc/letter_to_uk_party_leaders.aspx

Investors call for action to deliver low carbon economy

Largest Group Ever of World Investors warns a new Global Climate Deal must be "strong and binding" to unlock a low carbon future

- over 135 investors with more than US$6 trillion in assets signed the statement, 11th November 2008

Investor Statement on a Global Agreement on Climate Change

IIGCC

Investor Network on CLIMATE RISK

Investor Group on Climate Change

Key recommendations

- Clear, credible long-term policy signals are critical for investors to integrate climate change considerations into their decision-making processes and to support investment flows into a low-carbon economy and into measures for adaptation.
- A timely post 2012 climate change agreement involving all countries and containing appropriate long- and medium-term emission reduction targets is essential to supporting investor confidence.
- The global agreement must facilitate and encourage strong national action plans in order for us to help meet the climate challenge.

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Investors call for action to deliver low carbon economy

"Currently, the level of integration is hampered by policy uncertainty and short time horizons on policy. A strong global agreement will underpin investor confidence in the direction that regional and national climate policy will take and will support investors in their engagement with companies."

Investor Statement on a Global Agreement on Climate Change, 11th November 2008

Key elements of the package

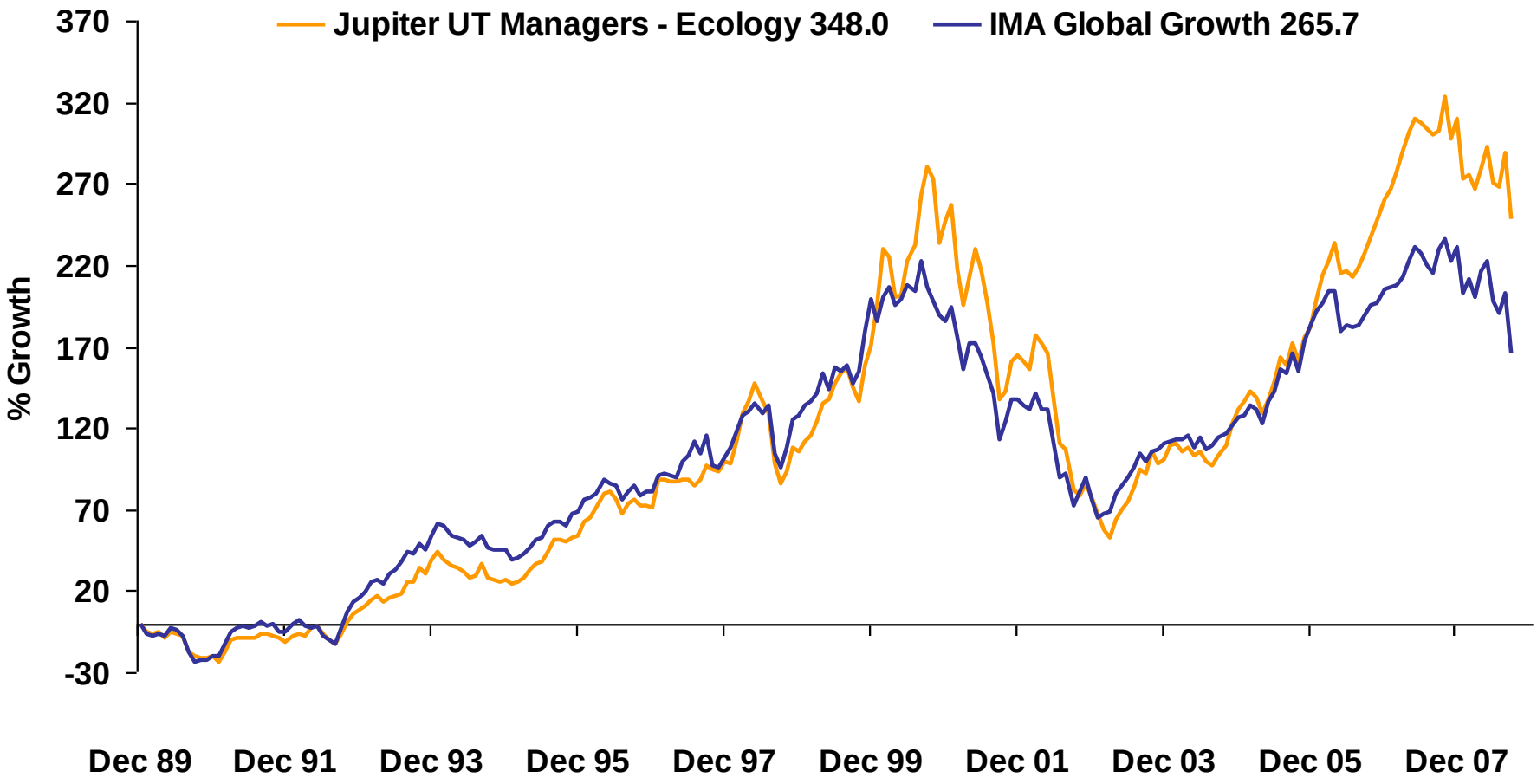
- A Global Target
  - Targets for Developed Countries
  - A Role for Developing Countries
- An Expanded Carbon Market
- Greater Scale and Reform of CDM Mechanism
- Technology
- Support for Measures to Reverse Deforestation and Support Afforestation
- Support for Adaptation to the Unavoidable Physical Impacts of Climate Change

Concluding remarks

- Climate change needs an urgent response
- Concerted action now makes economic sense
- Shift to a low-carbon economy will create significant investment opportunities
- Business and investors need a clear signal of where policy is going
- Governments should set credible long-term goals consistent with business cycles

Appendix

Long-term experience



Source: Financial Express, Bid-Bid, Net Total Return, Income reinvested, GBP, 29.12.89 to 30.09.08

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7th October 2008

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