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Funds stepping up on climate

CalPERS, CalSTRS are teaming with 150 business leaders

By Gilbert Chan - gchan@sacbee.com

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California pension fund leaders are going international with their climate change campaign, joining 150 corporate executives from around the globe in demanding mandatory curbs on greenhouse gas emissions.

The unprecedented call comes as international talks begin today in Indonesia to craft a new global climate change pact.

"Businesses are very, very concerned. It (climate change) has huge geopolitical consequences," said state Controller John Chiang, a trustee of the influential California Public Employees' Retirement System and California State Teachers' Retirement System. "All of that has implications to the financial markets."

Chiang and officials at CalPERS and CalSTRS have aligned themselves with some of the world's largest companies in a British-based petition drive calling for diplomats from more than 180 countries to take "strong, early action" during a United Nations climate change conference. The 12-day summit is aimed at developing a new treaty to replace the landmark Kyoto Protocol, which expires in 2012.

Britain's Prince Charles and his environmental group organized the push, endorsed by corporate and pension fund powerhouses with a market capitalization of nearly \$4 trillion. Supporters include GE International, Coca-Cola Co., Nike Inc., Barclays PLC, Royal Philips Electronics, Pacific Gas and Electric Co. and United Technologies Corp.

Their Bali communiqué warned that global warming threatens world economic growth and inaction will likely require steeper reduction in greenhouse gas emissions in the future.

In demanding "an urgent global response," the group called on political leaders to draft a legally binding United Nations accord that "will provide business with the certainty it needs to scale up global investment in low-carbon technologies."

Climate change has been a major focus of U.N. Secretary-General Ban Ki-moon. He has called on the United States and China, the world's largest emitters, to play a larger role in the issue.

The United States never ratified the Kyoto accord. China and other developing nations are exempt from the curbs. The White House and major U.S. business groups have argued that the U.N. pact could cost 5 million jobs.

But a study released Thursday by McKinsey & Co. and the Conference Board says the United States can lower emissions "at manageable costs to the economy if early action is taken." Those steps include constructing new clean-power plants and more energy-efficient homes and cars.

The Bush administration has opposed mandatory emission reductions and backed such measures as tougher fuel economy standards or rules to make it easier for companies to write off the cost of new equipment.

Others, though, say voluntary curbs are inadequate.

"The U.S. has been viewed the past six years as a laggard," Chiang said. "We need to have standards."

With combined assets of more than \$420 billion, CalPERS and CalSTRS have been among the nation's leading investor advocates on climate change. The two have pledged to pump millions into clean technology ventures and pressed automakers, energy producers and other public corporations to disclose the financial risks posed by climate change.

Last month, CalPERS and CalSTRS officials huddled in London with six other leading international funds to map out a possible global warming investment strategy.

Earlier this spring, the California funds joined other institutional investors to urge the White House and Congress to enact legislation to curb greenhouse gas emissions. Congress expects a vote soon.

More and more, Wall Street analysts and institutional investors are starting to factor in climate change to evaluate companies and how it will affect corporate bottom lines and future investment returns.

Some companies such as Google Inc. are taking heed. Just last week, the Internet giant announced it is investing millions into alternative energy such as wind and solar to meet its enormous electricity demands.

Google's move not only would save on the cost of electricity generated by coal-burning plants, but it could allow the Internet giant to bank carbon credits as state leaders consider implementing a trading system.

"It's not an issue of tree-hugging activists. This is a hard-core business issue," said Jack Ehnes, CalSTRS chief executive officer. Companies that fail to consider the impact of climate change on their operations, he said, "pose a risk and ultimately it's going to damage our portfolio."

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