

This is a printer friendly version of the article. To print, please use your browser **Print** function.

---

February 13, 2008

## Three Major Banks Sign The Carbon Principles

*by Anne Moore Odell*

With the help of environmental groups and power companies, Citi, JPMorgan Chase and Morgan Stanley outline carbon risk management for banks.

SocialFunds.com -- If banks are serious about managing their carbon footprints, they must go beyond simply greening up their own companies' use of electricity to examining the projects they help finance. Three of the largest US banks have created a carbon risk management protocol for their investment portfolios with the drafting of The Carbon Principles.

At the beginning of February, [Morgan Stanley](#), [JPMorgan Chase](#), and [Citi](#) signed The Carbon Principles, which lays out guidelines for climate change risk management and the financing of building new electricity power plants. The financial institutions conceived the Principles with input from power companies, including American Electric Power, CMS Energy, DTE Energy, NRG Energy, PSEG, Sempra and Southern Company, and the non-governmental organizations, [Environmental Defense](#) and the [Natural Resources Defense Council](#).

"A rational set of carbon principles to help guide energy investment strategy is vital to our nation's energy and economic future," said Michael G. Morris, Chairman, President and Chief Executive Officer of American Electric Power. "Recognizing that energy efficiency, renewables, cleaner fossil technologies and other diverse solutions all have significant roles in addressing climate challenges while maintaining economic and energy security establishes a framework for making the best decisions regarding our nation's energy future."

David Crane, President and Chief Executive Officer of NRG Energy added, "Given the capital intensive nature of this challenge, we welcome these carbon principles as a sign that America's leading financial institutions are ready to support a massive increase of investment in clean energy solutions. With the support of both Wall Street and public policymakers in Washington, the American power industry can lead the way in achieving the dramatic GHG reductions that are critical to the health of both our economy and our planet."

The banks to address carbon risks around the construction of new coal burning power plants also created an Enhanced Diligence framework attached to The Carbon Principles. The Enhanced Diligence framework evaluates the carbon risks associated with heavy carbon producing plants, mainly coal plants, by looking at the potential risks of future carbon litigation, carbon storage, etc.

The three Carbon Principles embraced by the banks are energy efficiency; renewable and low carbon distributed energy technologies; and conventional and advanced generation. Under conventional and advanced generation, the Principles include natural gas, coal and nuclear power. A footnote to the Principles reads, "It is recognized that nuclear plants carry a host of risks that financial institutions must consider, but which are outside the scope of these principles."

Although consumers need affordable energy, the Principles do not try to dictate to power companies how power should be generated. Instead, the Principles and Enhanced Diligence factor the risks of higher carbon emitting methods. The

Principles also include methods that look at carbon mitigation factors as well.

The Carbon Principles are the first time that US banks have come together to construct guidelines for investing in new electricity generating plants and the greenhouse gases (GHG) emitted during power production. The three original signatories invite other organizations and banks to sign onto The Carbon Principles.

"The Carbon Principles are just the latest step JPMorgan has taken to address environmental risk," Brian Marchiony, spokesman for JPMorgan, told SocialFunds.com. "In addition to implementing our own Environmental Policy, which includes reducing our own carbon footprint, we have produced in-depth research on climate change, built out our environmental trading operations, and invested our own money into alternative energy such as wind power and solar projects."

The Rainforest Action Network (RAN) has been working with banks for years to address their investment portfolios with regard to climate change. Rebecca Tarbotton, RAN's Director of the Global Finance Campaign told SocialFunds.com that The Carbon Principles are a step in the right direction: "The Carbon Principles are an indication that banks recognize a need to take responsibility for their financial portfolios. These Principles are a bellwether of what's to come."

Tarbotton continued, "It is important to remember this is just the banks doing their jobs. It's a forward movement, but you have to remember these are just principles, not policies."

RAN pointed out that the three banks are not required to actually follow the Principles and haven't actually committed to reduce the emissions from power plants that they are currently financing. Tarbotton also noted that the Enhanced Diligence only refers to the consideration of coal plants built in the US and doesn't address at all coal burning power plants outside of this country.

RAN plans to continue their work with banks to address climate change across sectors including coal extraction, transportation, etc.

The three banks are betting on a sure thing with The Carbon Principles. Federal legislation favoring carbon cap-and-trade programs is currently in front of both the US House and Senate. The Carbon Principles dovetail into what is probably going to happen during the next Congress to support carbon risk management.

©2007 SRI World Group, Inc. All Rights Reserved.

[Order reprints](#) | [Send it to a friend](#) | [Print it](#) | [Save it](#)

### Related Articles

- [Are Banks Getting Caught With Their Umbrellas Down?](#)
- [ABN Amro: Honored for its Global Sustainability Work and Called Out for Its Climate Change Finance](#)
- [Banking on the Future: The Two Biggest US Banks To Dedicate Billions to Halting Climate Change](#)
- [New Bond Index Focuses on Climate Change](#)
- [Rainforest Action Network Seeks to Stem Flow of Financing to TXU Coal Project](#)
- [TXU Shareowners File Three Resolutions Questioning Wisdom of Pulverized Coal Plants](#)
- [World Resources Institute and Citigroup Team Up to Report on Solutions to Climate Change](#)

[Top](#)

---

[Home](#) | [Individual Investors](#) | [Institutional Investors](#) | [Financial Professionals](#) | [Media Center](#)  
[Do your own Research](#) | [Work with a Professional](#) | [News](#) | [Learning Center](#)  
[home](#) | [about](#) | [search](#) | [register](#) | [login](#) | [contact](#)

© 1998-2007 SRI World Group, Inc. All Rights Reserved.

[Terms of Use](#) | [Privacy Statement](#) | [Reprint Policy](#) | [OneReport™ Network](#)