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Press Release



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RWE - Assessing Corporate Value at Risk from Carbon Price

Berlin/Germany and Zurich/Switzerland - German power producer RWE could lose up to 17% of its value if its business strategies fail to take into account climate change policies, environment group WWF and the independent and leading Sustainability Investment Manager SAM Group said today.

A new report *Carbonizing Valuation* by SAM Group and WWF shows why corporate value is at risk in a future with stricter laws restricting carbon emissions. The report assesses German utility RWE by modelling cash flows from a selection of RWE's power plants. The authors demonstrate the significance of carbon exposure on the value of the company: if RWE treats carbon emissions as Business-As-Usual it could lose up to 17% of its net-equity value.

"In a world where carbon emissions will become expensive, utilities need to keep an eye on the long-term value of their company," says Bjørn Tore Urdal of SAM Group. "Just a few days ago the European Commission rejected nine out of ten National Allocation Plans (NAP) for the next phase of the EU Emission Trading System; this illustrates that in the long term the carbon price is going to climb high and those companies and investors need to take note."

Climate Change presents a unique challenge for businesses: it is the greatest and widest-ranging market failure ever seen, according to the Stern Review on the economics of climate change, published in October 2006 by the UK government. "This market failure presents huge risks for corporations worldwide," says Matthias Kopp, project manager at WWF Germany. "But correcting it can bring equally big opportunities for the ones who wake up early."

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Notes to the editor:

Overall, the European Commission has cut 7% from proposed national allocation plans, driven almost entirely by cuts required in the German NAP. Cutting the German cap to 453 million tonnes of CO₂ (m tCO₂) was more significant than anyone had anticipated. More significantly, in its decision the European Commission did reject all special provisions and made it clear that future regulation will mean scarcity of emissions allowances in line with reduction requirements.

This study will be presented in a joined launch event with the "Carbon Disclosure Project Report 2006 on Utilities" end of January 2007 at HSBC, London.

To request a free copy and/ or an invitation to the launch in January 2007, please send an email to: info@sam-group.com or kopp@wwf.de

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