

## ELECTRIC POWER RESOLUTION

### WHEREAS:

A 2004 report issued by the U.S. government's Climate Change Science Program indicated that carbon dioxide is the principal driver of climate change, and the burning of coal, natural gas and petroleum products account for three-quarters of human-caused additions to the atmosphere.

A 2004 Conference Board report declared that, "scientific consensus that the climate is changing is growing steadily stronger over time; Corporate boards will be increasingly expected to evaluate potential risks associated with climate change; and, the global economy will become less carbon-intensive over time...The real questions are what the pace of the transition will be and who will be the winners and losers."

U.S. power plants are responsible for nearly 40 percent of the country's carbon dioxide emissions, and 10 percent of global carbon dioxide emissions. Scientists estimate that about 160,000 people die yearly from side-effects of global warming ranging from malaria to malnutrition and the numbers could double by 2020.

A 2003 Department of Defense report outlined a plausible abrupt climate change scenario that "would challenge the United States national security in ways that should be considered immediately."

An August 2004 Business Week cover story noted that executives at AEP, Exelon and Xcel are preparing for mandatory carbon dioxide emissions constraints. Developments include: more than 90 countries ratifying the Kyoto Protocol; eleven Governors pledging to reduce emissions significantly; and renewable energy standards in sixteen states, indicating increasing support for non-polluting electricity sources. In October 2003, 43 U.S. Senators voted in favor of legislation to cap greenhouse gas emissions from a range of industrial sectors.

Recent reports by CERES, The Carbon Disclosure Project, InnoVest Strategic Value Advisors, and the Investor Responsibility Research Center demonstrate the growing financial risks of climate change for US corporations.

Attorneys general from eight states have filed a public nuisance lawsuit demanding that Cinergy, American Electric Power Co., Southern Co., Xcel Energy and Tennessee Valley Authority reduce carbon dioxide emissions 3 percent per year for the next 10 years.

The insurance company AXA estimates that 20 percent of global GDP is affected by climatic events and that, "climatic risk in numerous branches of industry is more important than the risk of interest rates or foreign exchange risk."

In 2004, AEP, Cinergy, TXU, and Southern Company agreed to issue comprehensive reports to shareholders about their financial exposure under potential emissions control scenarios. AEP stated that, "some initial mandatory reductions of greenhouse gas emissions are likely in the next decade, the economic impact of controlling greenhouse gas and other emissions thus depends on the company's ability to meet these goals... Management and the Board have a fiduciary duty to carefully assess and disclose to shareholders appropriate information on the company's environmental risk exposure."

**RESOLVED:** The shareholders request that a committee of independent directors of the Board assess how the company is responding to rising regulatory, competitive, and public pressure to significantly reduce carbon dioxide and other emissions and report to shareholders (at reasonable cost and omitting proprietary information) by September 1, 2005.