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NEWS

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Southern Co. Releases Climate Risk Report at Shareholder Urging

Seventh Major Electric Power Company to Prepare or Issue a Climate Risk Report due to Shareholder Resolutions

As a result of a shareholder resolution filed with the Southern Co., the Atlanta-based electric-power company released a report today analyzing the potential effects of climate change regulations on its operations. Shareholders were concerned that Southern's reliance on coal to generate electricity at its power plants could become problematic, because potential future policies restricting greenhouse gas emissions might put their investments at risk.

In 2003, the Tri-State Coalition for Responsible Investment and other investors, including the Connecticut State Treasury, filed a resolution asking Southern's board of directors to assess how the company was responding to rising regulatory, competitive and public pressure to significantly reduce carbon dioxide and other greenhouse gas emissions. In April 2004, the company agreed to prepare the report.

The report, one of seven that major electric power companies are preparing or have issued as a result of climate change shareholder resolutions filed during the past two years, reviews a range of current regulatory requirements and proposed national legislation, provides analysis for each, and discusses the various actions the company will take to reduce or offset its emissions. The company currently emits 135 million tons of CO_2 each year, second highest among all electric power companies in the U.S.

The report concluded that Southern's CO_2 emissions will rise from 145 million tons a year to between 160 million and 170 million tons a year by 2020 and that costs for reducing CO_2 emissions will be borne by customers, not by shareholders. It also projected that it will continue to rely on coal for 65 percent or more of its power generation through 2020, of which only 3 to 4 percent would come from coal-based Integrated Gasification Combined Cycle (IGCC) technology, which has lower emissions than standard coal-fired plants. The report also stated that further research and development of new technologies, including IGCC, needed to take place before implementation of a national commitment to reduce greenhouse gas emissions. In addition, the report made clear that Southern company supported a voluntary approach to reduce CO_2 emissions, rather than a regulatory mandate.

"The report demonstrates Southern's recognition of climate change as a serious business and financial issue, and the need to develop new technologies to reduce carbon emissions," said Connecticut State Treasurer Denise L. Nappier. "On the issue of mandatory carbon constraints, we urge the company to review the growing consensus that carbon controls could come sooner rather

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than later, and plan accordingly to protect the long-term value of the company. We look forward to addressing these crucial issues more fully."

"We appreciate the effort and thought that Southern put into the report, but we are troubled by the company's weak commitment to develop cleaner energy sources for meeting growing customer demand," said Sister Patricia Daly, OP, executive director of the Tri-State Coalition for Responsible Investment, a coalition of investors with the Interfaith Center on Corporate Responsibility (ICCR), which has been encouraging more climate risk disclosure from Southern and other U.S. companies in recent years. "Instead of proposing new nuclear plants which are financially risky, Southern should be showing more creativity and resolve in developing less-risky approaches such as renewable energy and demand-side management."

Mindy Lubber, president of Ceres, a national coalition of investors and environmental groups working on climate risk issues, said the Southern report shows a lack of willingness to see climate change as a near term issue that requires near term business solutions.

"Other major companies in the electric power sector, including Duke Energy, Cinergy and AEP, have recognized that greenhouse gases will likely be regulated in the not too distant future, and are even advocating for an end to the regulatory uncertainty." said Lubber. "Southern appears to assume that greenhouse gas emissions will not be restricted any time soon, and therefore, they are not proposing any actions to mitigate the fiscal ramifications of carbon emission regulations. The company deserves credit for preparing the report, but we're disappointed at their unwillingness to embrace market-based approaches which will spur innovations to reduce CO2 emissions."

Other filers of the resolution included the State of Connecticut, Office of the Treasurer, the Sisters of Charity of Saint Elizabeth, the Sisters of Saint Dominic of Caldwell, New Jersey, the Board of Pensions of the Evangelical Lutheran Church in America, the United Church Foundation, the Pension Boards, United Church of Christ, and the Benedictine Sisters.

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