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## **NEW CPRS BETTER FOR BUSINESS, BUT STILL HITS INVESTORS**

**Melbourne, Australia.** Research undertaken by carbon risk analytics firm RepuTex in conjunction with Arbor Partners, an independent provider of investment advice to institutional investors, suggests that despite new revisions to the Australian Federal Government's CPRS policy, the Australian market retains significant exposure to carbon risk - with approximately 3% of market value of the S&P ASX 200 at risk due to carbon trading.

The joint analysis measures the impact of likely revisions to the CPRS on S&P ASX 200 companies, including the pricing of permit costs, compensation, energy and supply chain cost increases.

The paper is the first in the Australian market to quantify potential liabilities to the revised CPRS on both a direct and indirect basis.

Key findings include:

- The revised CPRS will see an additional \$146m in subsidies flow to S&P ASX 200 companies annually over the period 2011 through 2022.
- Despite the amendments, the S&P ASX 200 retains significant exposure to carbon risk - approximately 3% of market value.
- Food & Staples Retailing, Energy, Transportation and Materials industries all face more than 4.5% of value at risk. Some companies within these industries face more than 20% value at risk.
- Notably, indirect carbon liabilities linked to increased supply chain and electricity costs outweigh the cost of carbon trading for S&P ASX 200 companies.

RepuTex Head of Carbon Research, Bahador Tari, notes that amendments to the CPRS will have a notable impact on S&P ASX 200 companies.

“The outcome for S&P ASX 200 companies is clearly a good one - annualised subsidies increase by \$146 million annually or a total of \$1.6 bn over the period of the scheme. Despite this, risk across the market remains high, with between 3% and 3.5% of value still at risk to carbon at a carbon price of between \$26 and \$35 starting in 2012.”

“Notably, while the market is aware of the direct impact of carbon trading, the impact of indirect factors such as electricity and supply chain liabilities actually outweigh all other costs. Across a ten year period, these indirect costs will total \$3.1bn, more than 60% of the S&P ASX 200's total carbon liability,” said Mr Tari.

Managing Director of Arbor Partners, Paul Newland, suggests that these costs must be better considered by investment professionals.

“The implications of this report and the data within demonstrates that carbon represents a risk that is material to returns and has potential to be ‘unseen’ from a measurement point of view. As carbon ultimately becomes more scarce, fund managers, superannuation funds, insurance companies and investment professionals, must carefully consider how this exposure will impact their investment performance and overall competitiveness.



“Carbon exposure is certainly a consideration in returns - the potential for developing strategies that capture opportunities from carbon and minimising risk is significant,” he said.

To view the full report, please go to [www.reputex.com.au](http://www.reputex.com.au) or [www.arborpartners.com.au](http://www.arborpartners.com.au)

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## **About Reputex**

[www.reputex.com.au](http://www.reputex.com.au)

RepuTex is the foremost provider of carbon risk analytics, specialising in the quantification and pricing of risk for companies and financial professionals globally.

Established in 1999, Reputex has developed proprietary models to measure corporate greenhouse gas (GHG) emissions, and the direct and indirect (supply chain, electricity) costs these represent. The company has research in the market for over 4,500 companies globally, creating the world's largest database of carbon emissions and risk analytics.

## **About Arbor Partners**

[www.arborpartners.com.au](http://www.arborpartners.com.au)

Arbor Partners is an independent advisory firm providing specialist expertise to institutional investors on long term investing with an emphasis on sustainability.

Arbor has extensive experience developing and applying sustainability practices as they relate to investing – including pension funds, funds management, investment banking and insurance. The Arbor Partners team brings together expertise across equity research, capital markets, funds management, carbon finance, insurance and investment banking and has a strong track record working with a range of small and large institutional investors from Australia, New Zealand, Europe, and the US.