

June 2, 2014

President Barack Obama

The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

RE: Support for Proposed Carbon Pollution Standards for Existing Sources

Dear President Obama:

We, the undersigned investors with over \$800 billion in combined assets under management, strongly support the creation of carbon pollution standards for new and existing power plants. We applaud the Environmental Protection Agency (EPA) for releasing proposed rules, which offer a critical next step in reducing the impacts of climate change and catalyzing the burgeoning clean energy economy.

We are particularly pleased that the EPA's proposed rule for existing sources will allow states to utilize a number of strategies to comply with the rule. We invest across many sectors of the economy and are excited about an approach that goes beyond improvements at power plants. We are also encouraged that the proposed rule will allow states to build on the successful renewable energy and energy efficiency policies already in place around the country.

The new standards reflect what forward-looking investors already know: climate change poses real financial risks and substantial economic opportunities and we must act now. With Congress's failure to act, the EPA's proposed rule is all the more urgent and necessary to tackle this challenge.

From our positions as fiduciaries, the need to reduce carbon pollution is particularly important. Analysts are predicting that climate change (and related policy uncertainty) could add as much as 10 percent to portfolio-wide risk in the next two decades, putting trillions of dollars of institutional investors' assets at risk.¹ In order to manage this risk, we, as investors, are seeking long-term policies that provide businesses the certainty needed to transition to a clean energy economy.

As you know, electric power plants are the single largest source of carbon pollution in the United States. Despite this impact, there are currently no federal limits on the amount of carbon pollution power plants can emit. The Carbon Pollution Standards will be key to reducing this significant source of emissions. Luckily, evidence shows that emissions reductions can be met without long-term economic harm. However, care must be taken to ensure a just transition for impacted workers and communities.

Reducing pollution and becoming more energy efficient yields substantial benefits to the economy and businesses, outweighing the costs of pollution reduction. In the EPA's most recent analysis, benefits of the Clean Air Act outweighed costs by a ratio of 4-to-1 between 1990 and 2010.² By providing flexibility to the states, businesses and investors can continue to reap benefits. As your administration is aware, there are already policies in place around the country, such as utility energy efficiency programs, that are

¹ See analysis by Mercer, *Climate Change Scenarios - Implications for Strategic Asset Allocation* (2011), available at: <http://www.mercer.com/articles/1406410>

² See EPA's analysis of benefits and costs of the Clean Air Act, available at: <http://www.epa.gov/oar/sect812/index.html>

reducing emissions and spurring economic growth. These policies can and should be scaled up to meet emissions standards for existing power plants.

Members of the Investor Network on Climate Risk have called for federal action to regulate greenhouse gases in several letters to Congress and the Administration. Last year, investors wrote to support the new source rules and urged the EPA to finalize those rules. Again, we encourage your administration to finalize both the new and existing source rules, as outlined in your Climate Action Plan.

To remain viable and competitive, the electric power sector must invest in cleaner technologies and more efficient resources—investments that have the potential to create jobs and grow the economy. In the United States, especially in the absence of climate legislation, EPA carbon pollution standards for new and existing power plants represent the best opportunity to limit the risks of climate change.

Sincerely,

American Pension Funds, State Treasurers, and Foundations

The California State Teachers Retirement System (CalSTRS)
The Christopher Reynolds Foundation
The Connecticut State Treasurer's Office
The Jessie Smith Noyes Foundation
The Maryland State Treasurer's Office
The New York City Comptroller's Office
The New York State Comptroller's Office
The SEIU Master Trust

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The Sisters of Charity of Cincinnati Corporate Responsibility Committee
The Sisters of Charity of New York
The Sisters of Charity of Saint Elizabeth
The Sisters of Charity of the Blessed Virgin Mary
The Sisters of Providence - Mother Joseph Province
The Sisters of St. Dominic of Caldwell, NJ
The Sisters of St. Joseph of Orange
The Sisters of St. Joseph of Springfield
The Xaverian Brothers
Tri-State Coalition for Responsible Investment
The Unitarian Universalist Association
The Ursuline Sisters of Tildonk, U.S. Province
Wespath Investment Management

CC: Gina McCarthy, Administrator, Environmental Protection Agency
Senate Majority Leader Harry Reid
Senate Minority Leader Mitch McConnell
House Speaker John Boehner
House Minority Leader Nancy Pelosi