



**CINERGY<sup>®</sup>**  
**Climate Change Strategy**  
**Development**

**Climate Leaders Partners Meeting**

Washington, D.C.

January 13-14, 2004



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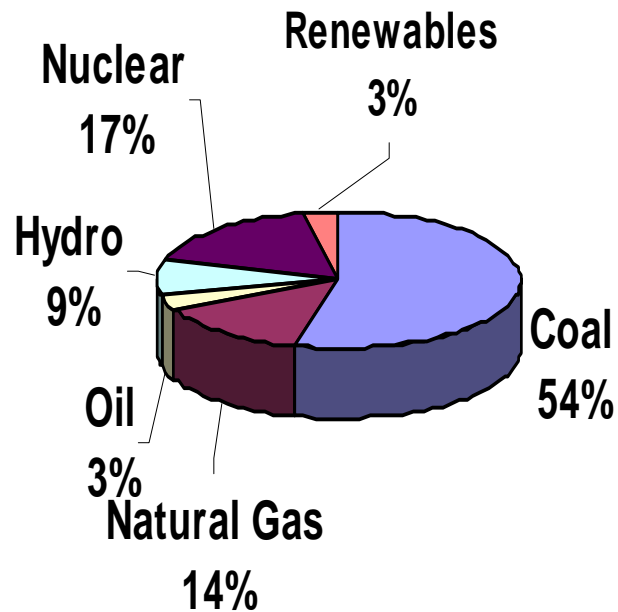
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# Cinergy Corp.

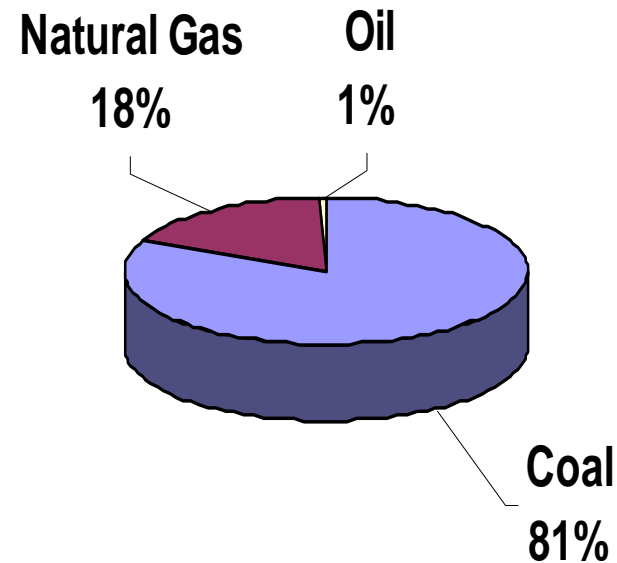
- **Public utility holding company based in Cincinnati, OH.**
- **Serve approximately 1.5 million retail electric and 5000,000 retail natural gas customers domestically.**
- **Own or operate nearly 21,000 megawatts of electric generation and combined heat and power projects in the U.S.**
- **13,000+ megawatts comprise our core system of 14 base-load and 7 peaking stations located in OH, IN, and KY.**
  - **7,200 megawatts regulated.**
  - **5,500 megawatts non-regulated.**

# Energy Generation by Fuel

## U.S. Generation by Fuel



## Cinergy Generation by Fuel



# Development of a Cinergy GHG Goal

- **Top down**

- Develop a clear definition of success and present to the CEO.
- Path forward:
  - Reinforce commitment to sustainability principles (DOW Jones Sustainability Index).
  - Define a specific commitment to GHG emissions.
  - Develop a measurement and tracking system.
  - Report progress to the public.

# Development of a Cinergy GHG Goal (cont.)

- **CEO communicates to direct reports**
  - **Direct reports assign someone to a task force**
  - **Task force assigns working groups**
    - Development of alternative goals
    - Analysis and modeling of the goals
    - Communication and input with line departments
    - Select a goal
    - Report to Task Force
  - **Task Force recommendation to CEO and his direct reports.**
- **Corporate adoption of GHG goal**

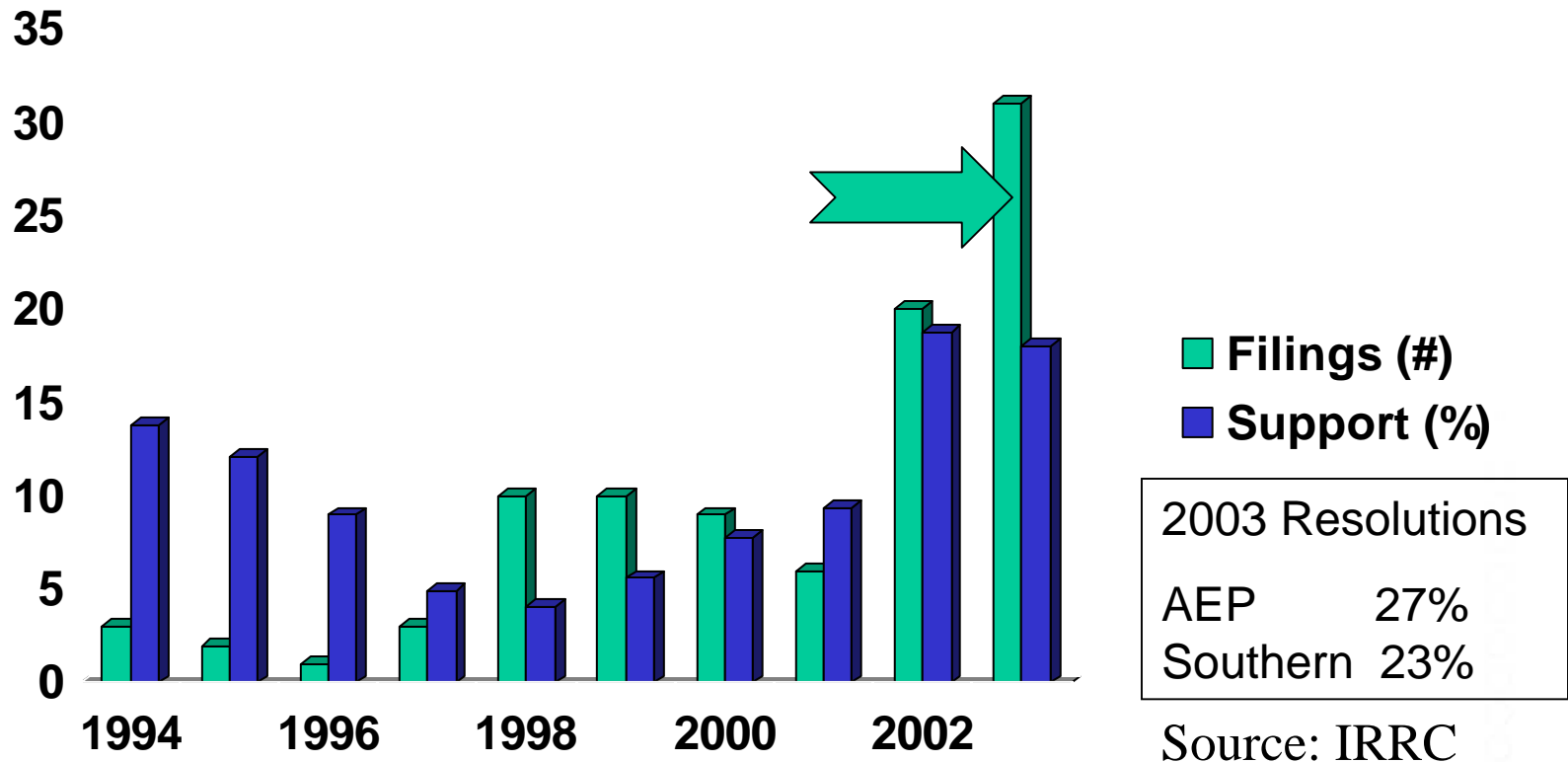
# Why Should Cinergy Take on a Green House Gas Commitment?

- Address significant environmental risk.
  - **Cinergy emits approximately 1% of world's man-made CO<sub>2</sub> and is among top 5 emitters in its sector.**
    - Potential cost \$1 Billion +
- Support the President's voluntary initiatives.
  - **Climate, Voluntary Innovative Sector Initiatives: Opportunities Now (Climate, VISION) program (Feb. 14, 2003).**
- Enhance ability to shape U.S. policy.
  - **Establish 2000 baseline.**
  - **Establish ultimate goals.**

# Why... continued

- Cinergy Sustainability Commitment.
  - **Cinergy BoD adopted 4-22-03.**
    - Sustaining a quality of life in communities served (social, environmental, reputation).
    - Shareholders.
    - Regulators.
    - Adversaries.
    - Goal for excellence & leadership.
  - **Cinergy listed on DOW Sustainability Index on 9-7-03.**
    - Received highest U.S. utility score & third highest global utility score.
- Preempt shareholder resolutions.
- Build internal expertise in GHG markets.

# Rising Shareholder Support for Corporate Climate Action



Filings have quintupled, support levels doubled since 2001.



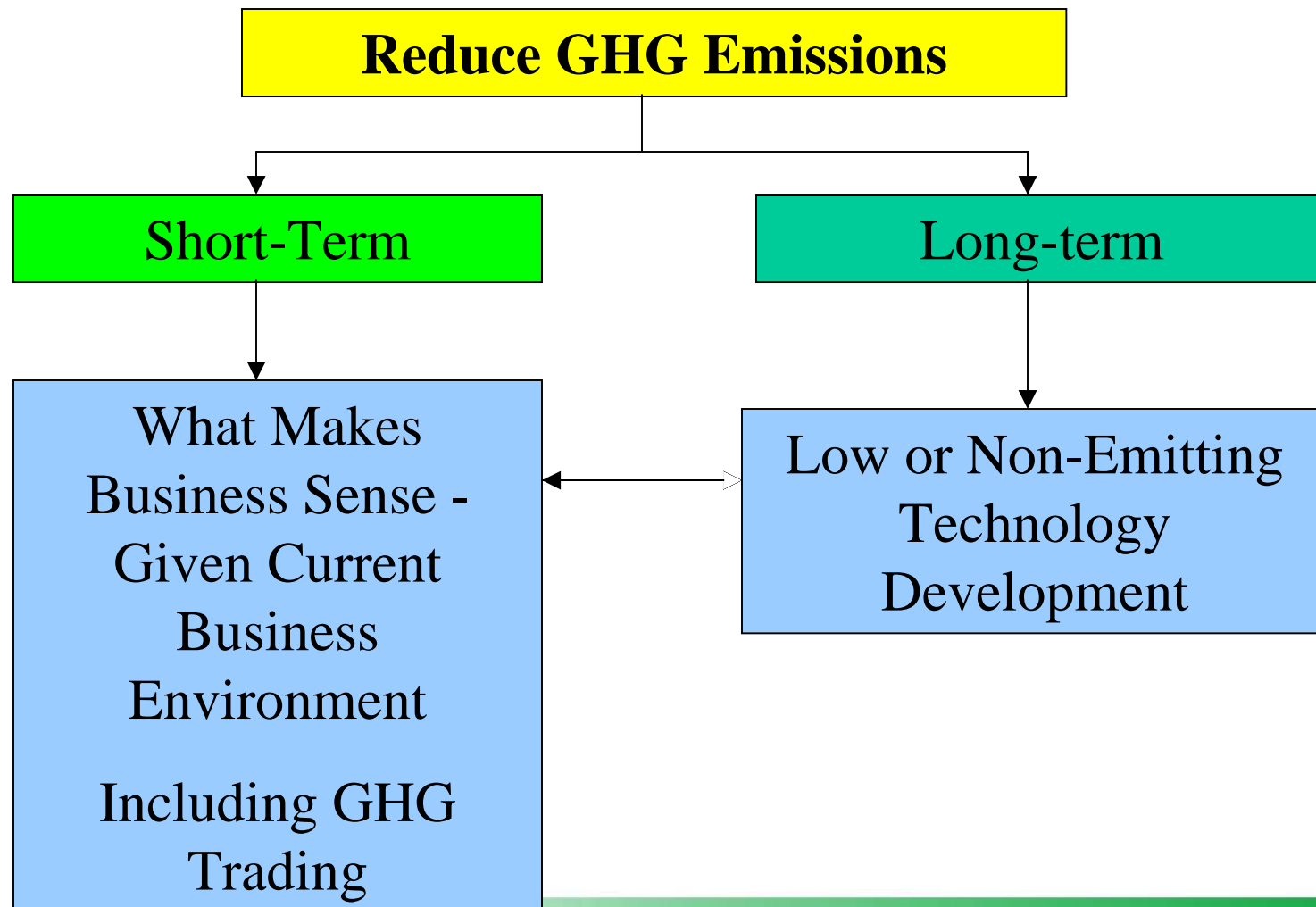
# Third Party Partner

- Recommendation for a third party partner for credibility.
  - GHG goal was vetted with a number of NGO groups and special interest groups.
  - Comments considered and GHG Goal tweaked.
- Third party partner selected.
  - Negotiation of a memorandum of agreement.

# GHG Goal Implementation

- Complete emissions inventory
- Define emissions footprint for baseline calculation (what's in / what's out).
- Develop quality criteria for offsets.
- Review quality of offsets.
- Independent third party certification of baseline.
- Communication and reporting.
  - **Internal**
  - **External**

# Cinergy Climate Change Strategy



# Summary of Cinergy's Short-term Program

- Make CO<sub>2</sub> emissions stabilization commitment for 2010 through 2012.
- Review commitment and determine target after 2012.
- Evaluate opportunities to reduce carbon intensity consistent with Administration's initiative.
- Spend \$21 million from 2004- 2010 on GHG reduction projects and offsets .
- Partnership with Environmental Defense.

# GHG Emissions Reduction Target

- Achieve Carbon Dioxide Equivalent (CO<sub>2</sub>e) levels 5% below 2000 baseline from 2010-2012 .
  - **Meet goal through combination of on and off-system activities.**
  - **Maximum flexibility– banking and borrowing.**
  - **Review commitment in several years and determine if further reductions required after 2012 (Or if science has changed and program unnecessary).**
  - **Secure third party verification of baseline and compliance.**

# GHG Expenditures Towards Goal

- Cinergy will spend \$21 million from 2004-2010 on GHG reduction and offset projects.
  - **Fund ensures progress towards 2010 goal without specific interim reduction targets.**
  - **Cinergy will strive to spend 2/3 of the fund for on-system projects (emissions reductions).**
  - **Cinergy can count BAU expenditures that meet criteria such as ongoing sequestration projects, natural gas distribution improvements, DSM, CHP, technology investments, FutureGen, etc.**

# GHG Reduction Goal in Numbers

- Unverified 2000 emissions baseline = 67 million tons of CO<sub>2</sub>e.
- A goal of 5% reduction = 63.6 million tons.
- To achieve the goal – Cinergy will have to reduce or offset anywhere from 2 to 17 million tons of CO<sub>2</sub>e emissions by 2010.  
(based on modeling results)

# How Did We Arrive at the Target?

- By modeling what we thought would be our future generation.
- Needed to bring together 3 very diverse internal modeling groups.
  - Environmental, marketing, and engineering.
  - Common assumptions.
    - Emissions allowances.
    - Future price of electricity.



# Modeling

<b>Clear Skies (ICF Prices)</b>	<b>77 million tons per year</b>
<b>Clear Skies (Scaled)</b>	<b>65 million tons per year</b>
<b>MACT Plus (ICF Prices)</b>	<b>80.7 million tons per year</b>
<b>MACT Plus (Scaled)</b>	<b>79 million tons per year</b>
<b>Market Case</b>	<b>80 million tons per year</b>

(based on July 2003 assumptions)

# Cinergy CO<sub>2</sub> Task Force Forecasts

(Based on net as operated MWHrs and gross CO<sub>2</sub> tons)



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