Cummins Climate Leaders Progress

A Strategic Imperative for Energy Efficiency

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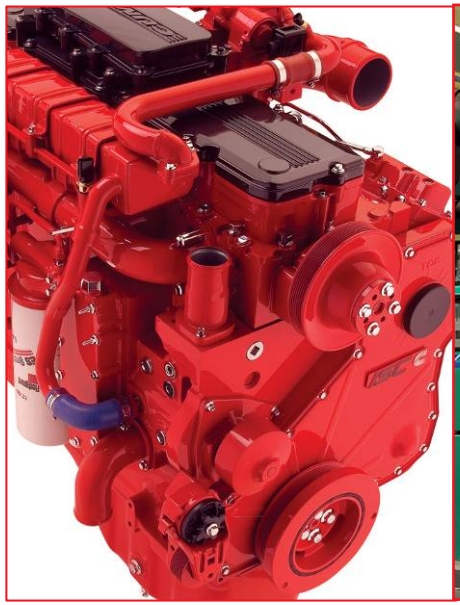
Corporate Environmental Policy
7 October 2008

Outline

- Company Overview
- Climate Stewardship
- Planning for Success
- Organizational Development and Employee Engagement

Independent US Company

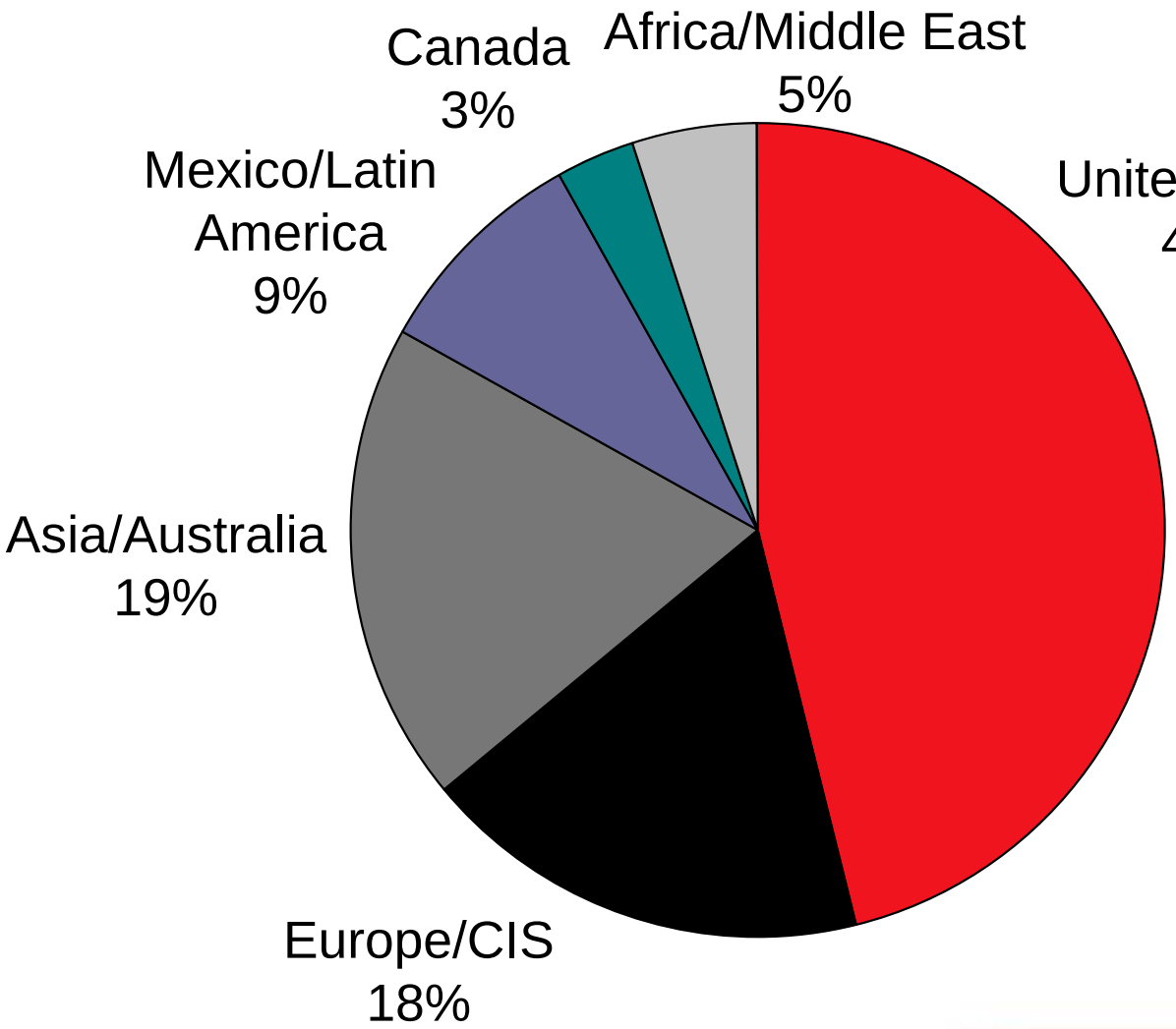
- Founded 1919 in Columbus Indiana
- Four Complementary Businesses



Engines	Power Generation	Components	Distribution
52%	19%	19%	10%

2007 Revenue Contribution

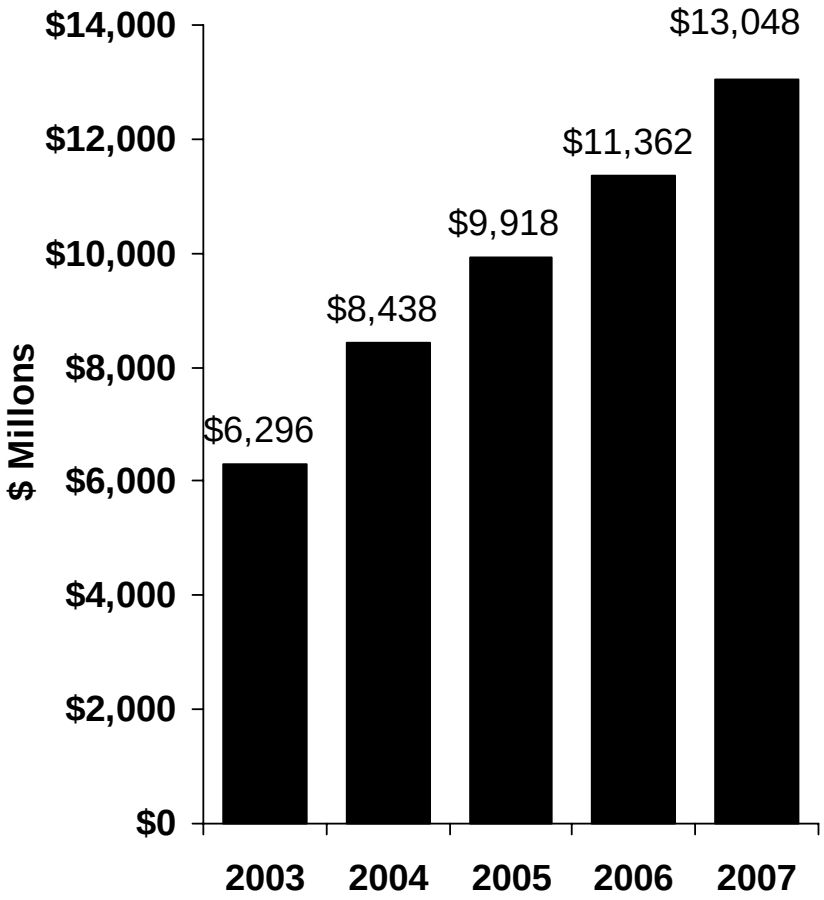
Global Footprint



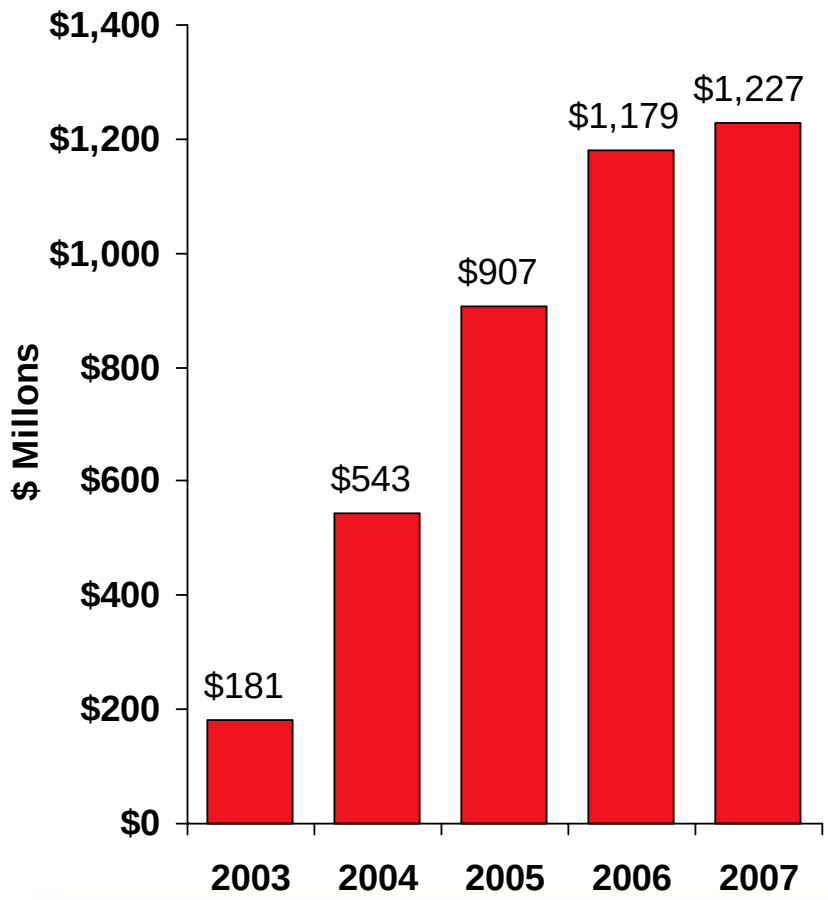
- 54% International, growing at double digit rates
- Major expansions and new plants underway in US, Mexico, Brazil, China, India, Russia, Europe

A Performance Culture

Sales



EBIT



Climate Stewardship for GHG reduction

Our Vision / Mission

Vision

Making people's lives better by unleashing the Power of Cummins.

Mission

- **Demanding that everything we do leads to a cleaner, healthier, safer environment.**
- Motivating people to act like owners working together.
- Exceeding customers expectations by always being the first to market with the best products.
- Partnering with our customers to make sure they succeed.
- Creating wealth for all stakeholders.
- Making people's lives better by unleashing the Power of Cummins.

Proud to join the EPA Climate Leaders Partners

CLIMATE LEADERS

U.S. Environmental Protection Agency

Corporate Responsibility Prime

rated by oekom research

ISO 14001

BUREAU VERITAS Certification

Cummins

ESP

Indiana Environmental Stewardship Program

Better Environment, Better Business

Indiana Department of Environmental Management

Dow Jones Sustainability Indexes

Member 2007/08

CLIMATE RESOLVE

A BUSINESS ROUNDTABLE INITIATIVE

GHG Reduction Goal Setting

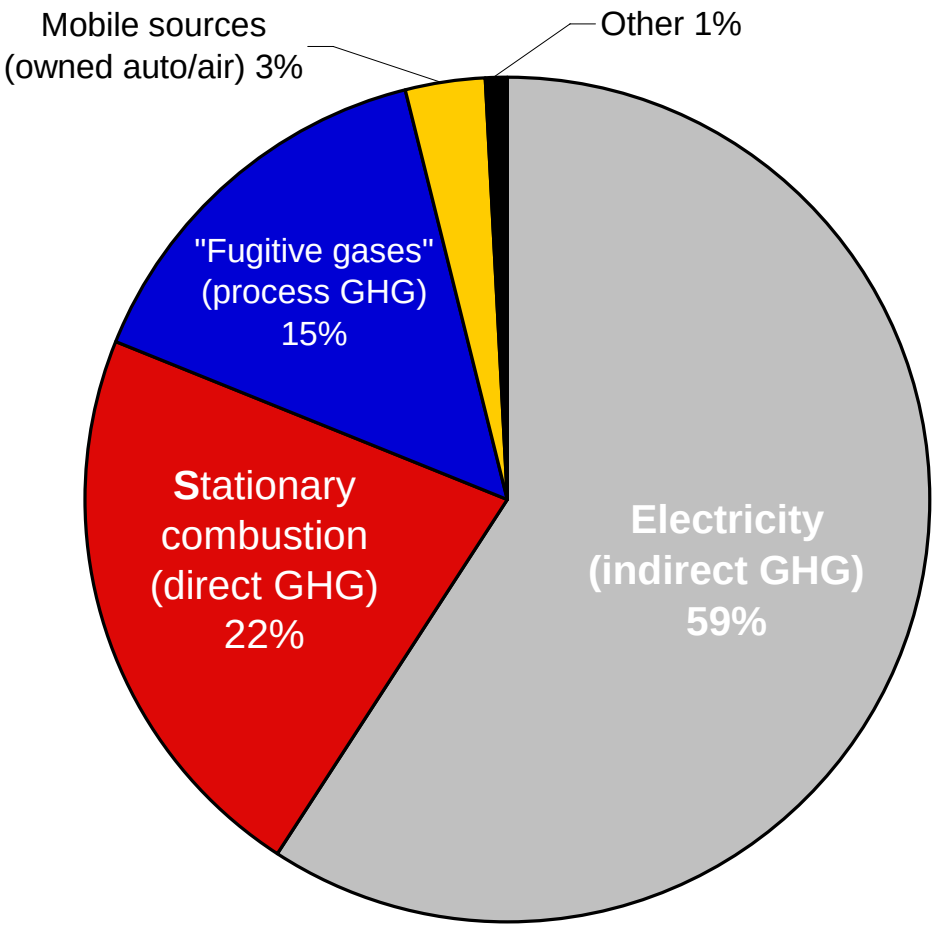
- Measure what we had already accomplished
  - 2.3% absolute and 20% intensity reduction 2000-2005
- Consideration for Climate Leaders requirement
  - A goal that is competitive among peers
  - Cummins in high growth mode - so selected an intensity goal as first commitment
  - Joined Climate Leaders Program in 2006 -> base year is 2005
- Pledged to reduce total global GHG emissions by 25 percent adjusted for sales by 2010.

Planning for Success

Strategy for Teamwork

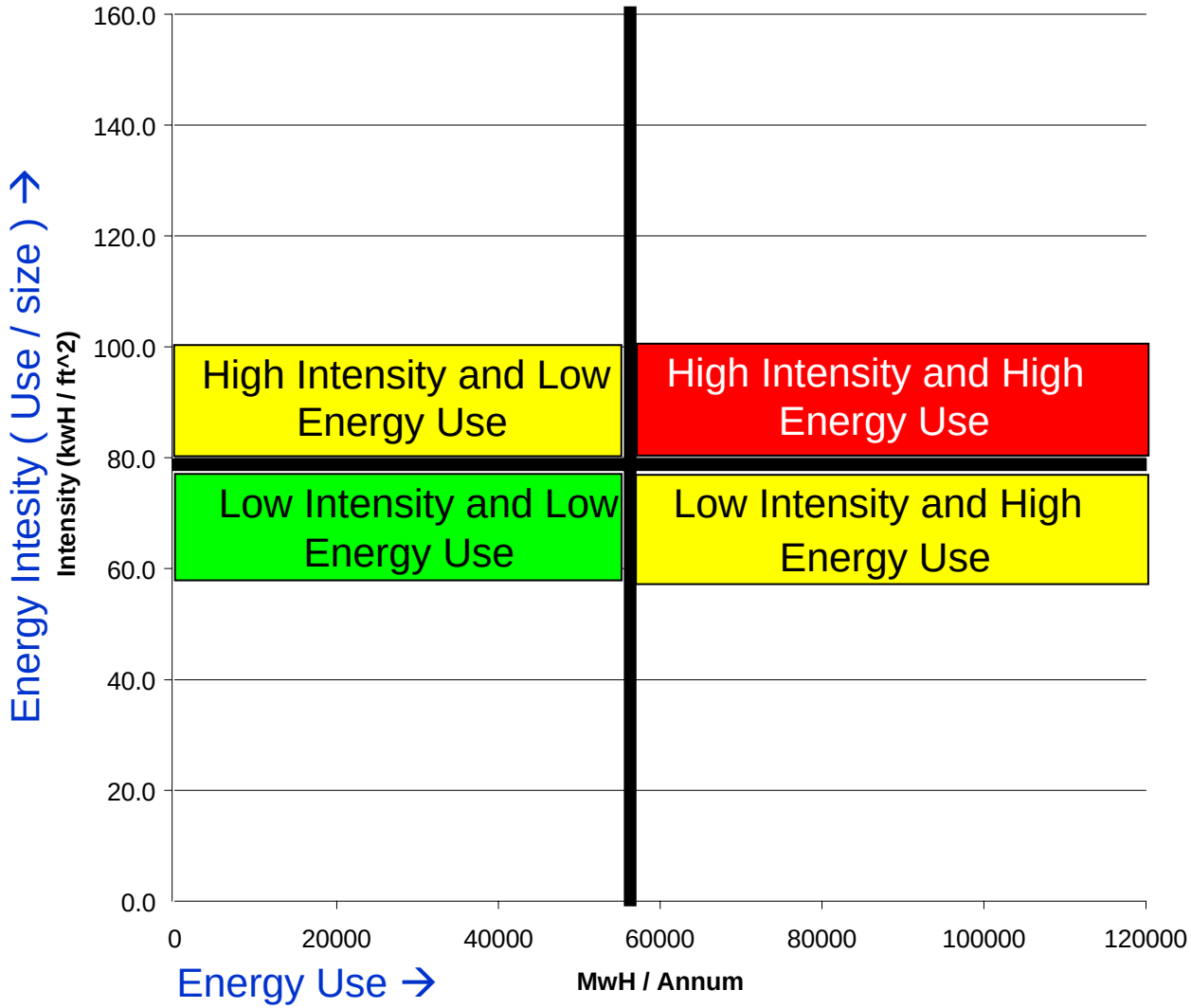
- Climate Policy Team formed - Jan 2007
  - Business case, scenarios and strategic plan developed
  - Senior leadership review, plan approved July 2007
- Energy Efficiency Team established August 2007
  - Teams chartered for new Building Standards and new Equipment Standards for Energy Efficiency
- Energy Solutions Providers – partnership agreements to conduct joint Energy Efficiency Assessments Q3
- Health, Safety & Environmental Council
  - completes GHG inventory Q4 2007
  - Independent EPA audit successfully passed, Q1 2008
- Cummins Facilities Improvement Council formed - Q1 2008

Climate Leaders Commitment Achieved by Energy Efficiency



- 85% of our GHG emissions are from using energy
  - Indirect - generation of electricity
  - Direct - fuel we combust
  - Fugitive gases – focus to eliminate
- Achieving GHG reduction pays dividends of energy efficiency
  - Avoiding ~ $20 million of annual utility spend

Assessing Opportunities By Intensity vs Energy Use



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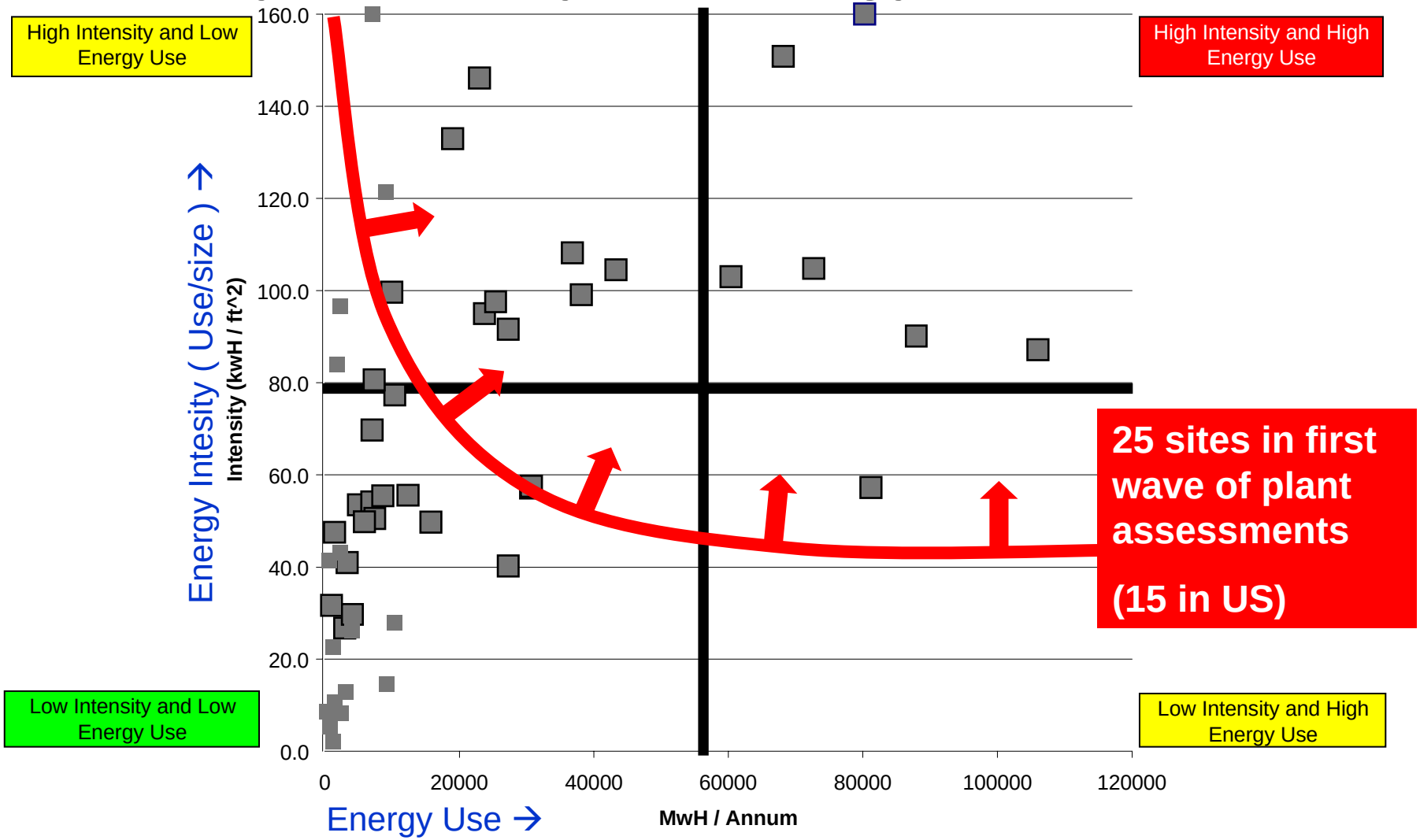
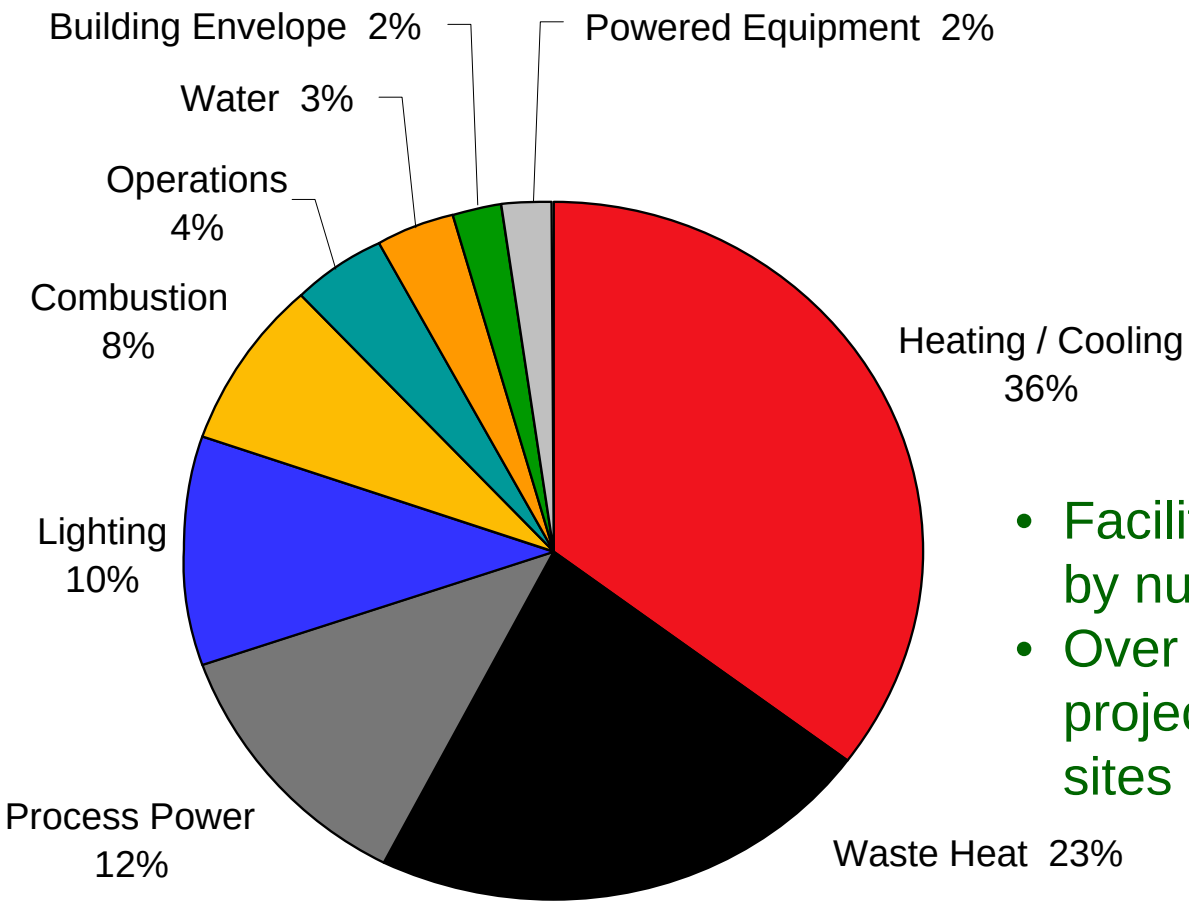


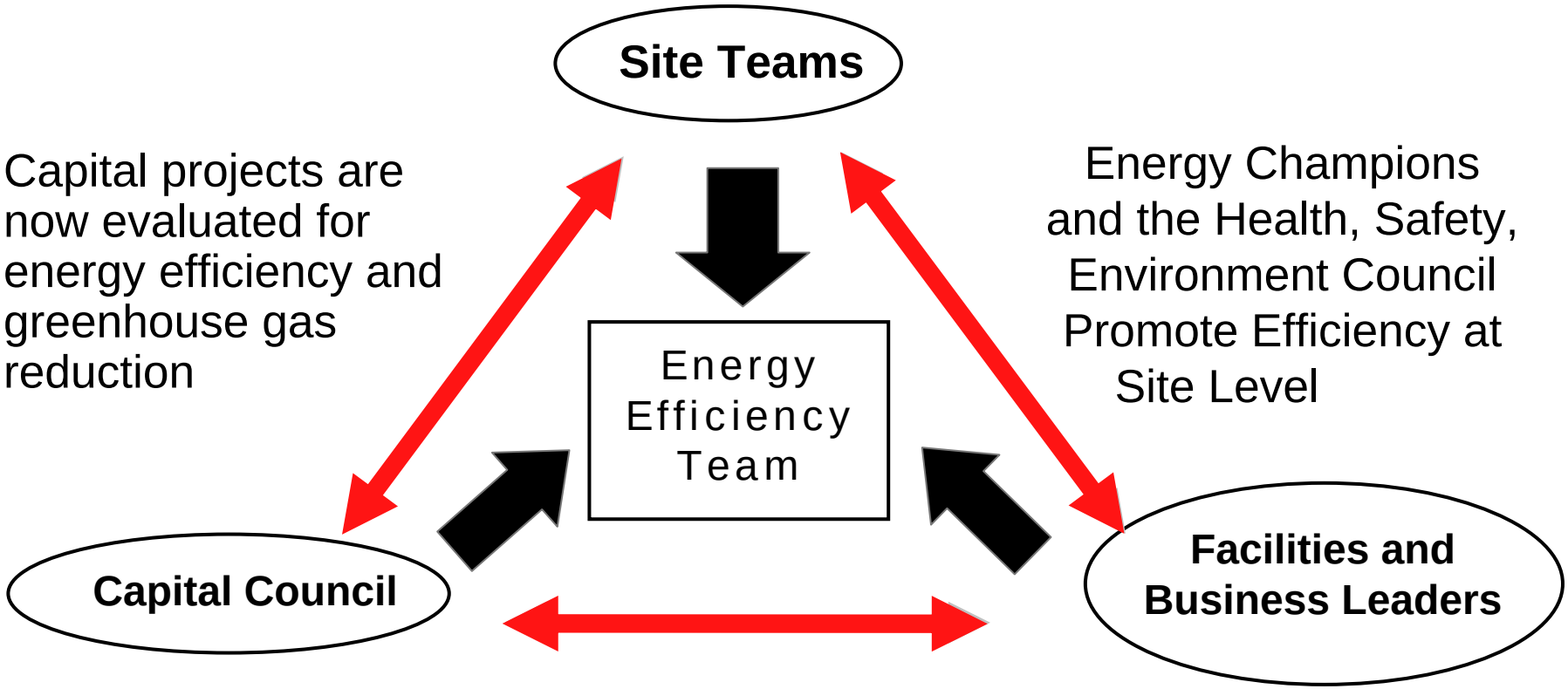
Energy Efficiency Assessments

Create “hopper” of investment opportunities



- Facility infrastructure projects by number
- Over 1000 viable capital projects defined at largest 20 sites

Teamwork for Energy Efficiency



EET provides program management, goal setting, activity tracking, and accountability to progress

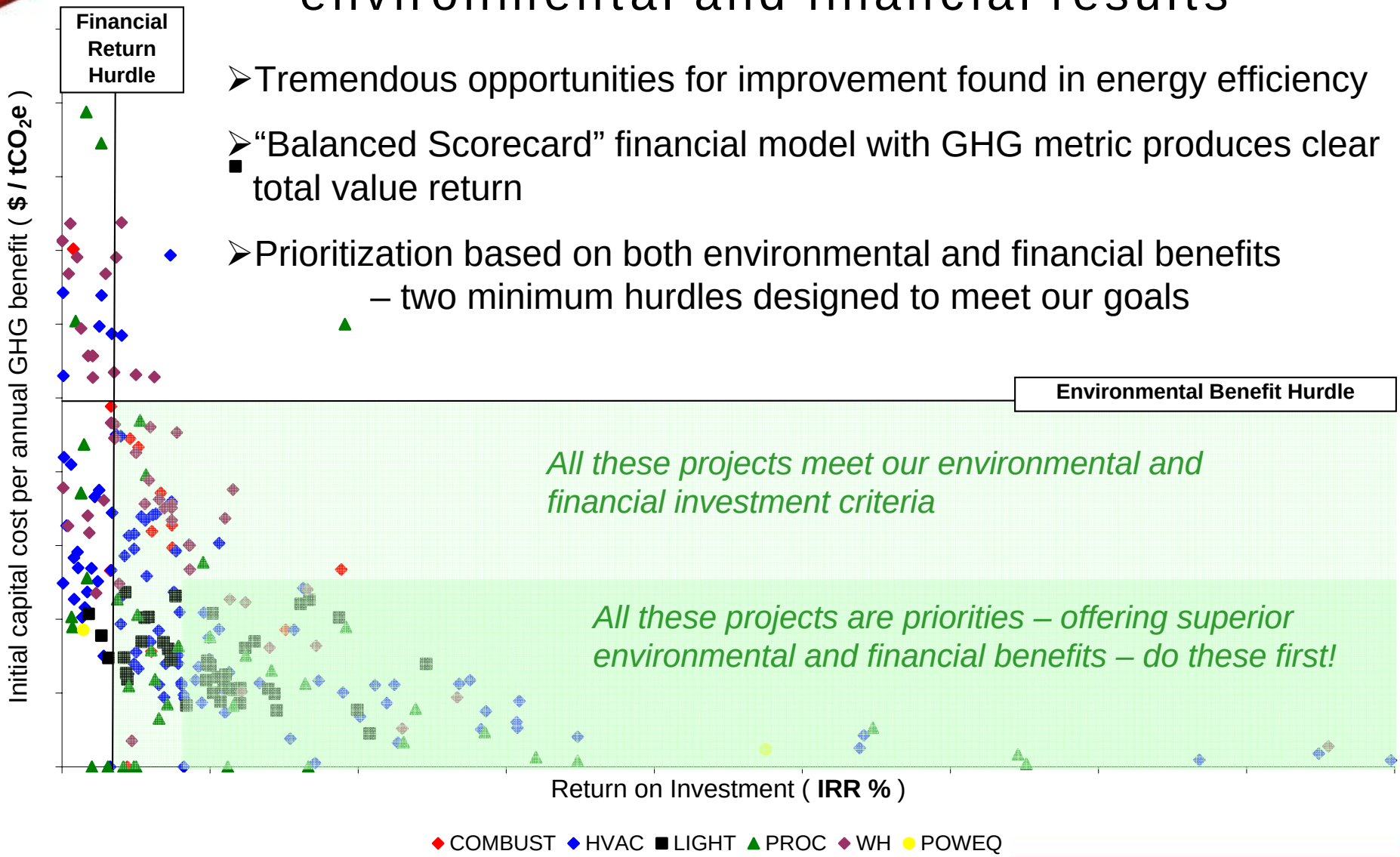
Cummins Facilities Improvement Team (CFIT) is a new, active council Facilities developing and acting on three year strategic plan

Financial Valuation and Prioritization

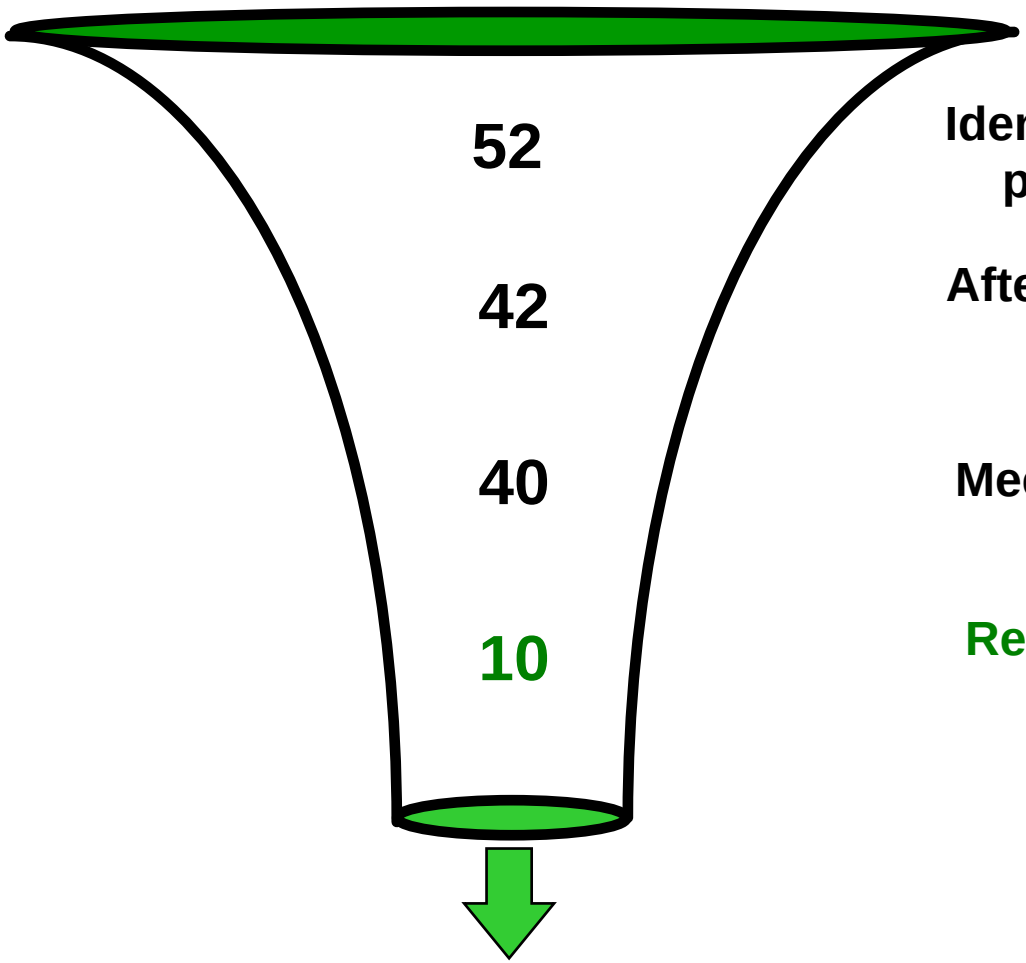
- Cummins pioneers “sustainable capital planning”
  - Standard capital evaluation tool has **“Energy & Environment”** section added
  - Calculates energy use, costs, and GHG footprint for every investment
  - Includes financial valuation for CO_2 impact
- Tool enables our prioritization of energy efficiency investments
  - Prioritize by IRR and GHG cost/benefit
  - Investment rule for % return, initial $ per annual CO_2

Data Mining Assessments for best environmental and financial results

- Tremendous opportunities for improvement found in energy efficiency
- "Balanced Scorecard" financial model with GHG metric produces clear total value return
- Prioritization based on both environmental and financial benefits – two minimum hurdles designed to meet our goals



Example Site Energy Efficiency Assessment/Prioritization



Identified energy efficiency capital projects by assessment team

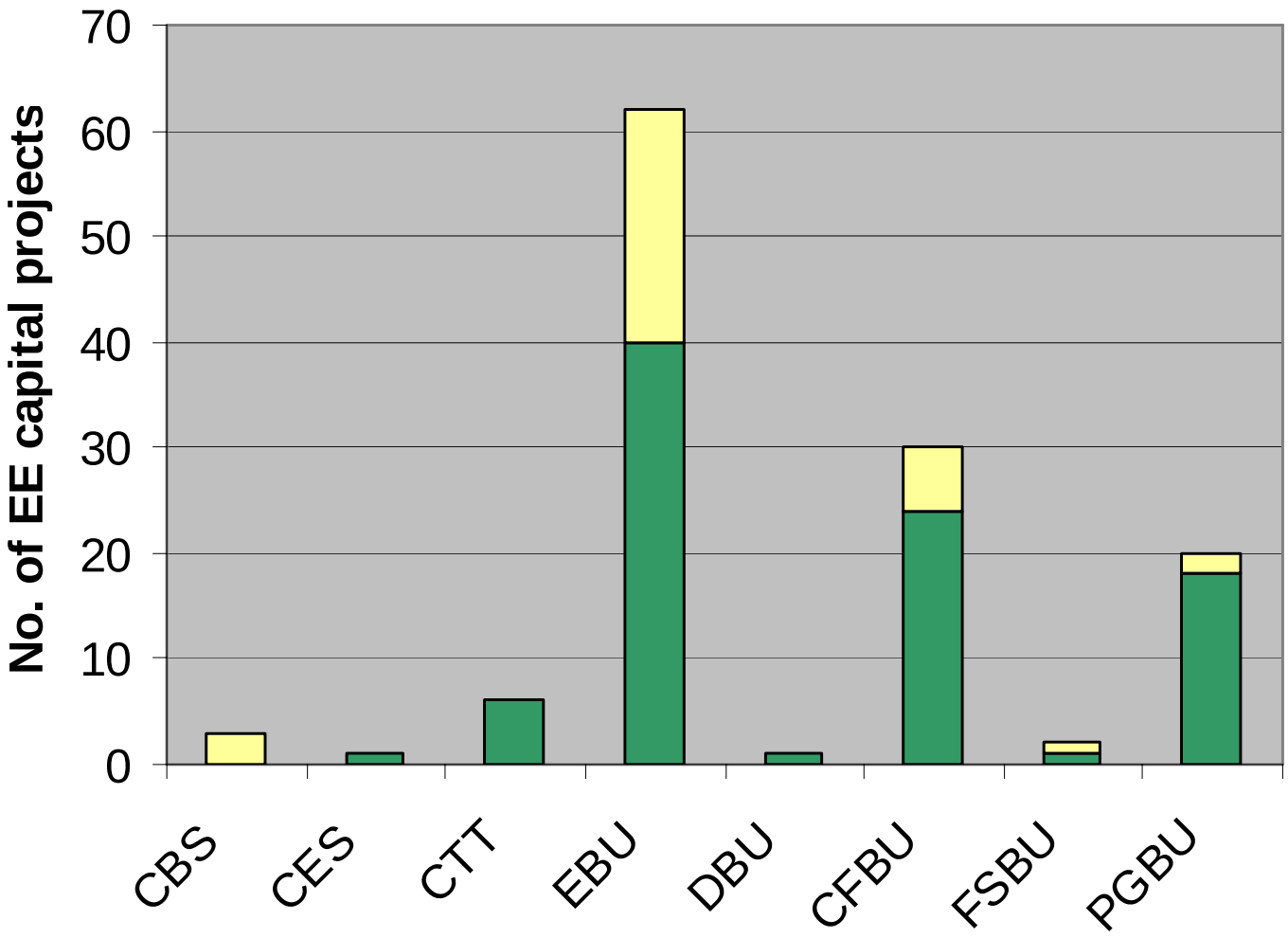
After further study, technically viable projects

Meets corporate investment rule

Reviewed and selected by plant for implementation wave

Positive financial return, meeting 25% reduction goal

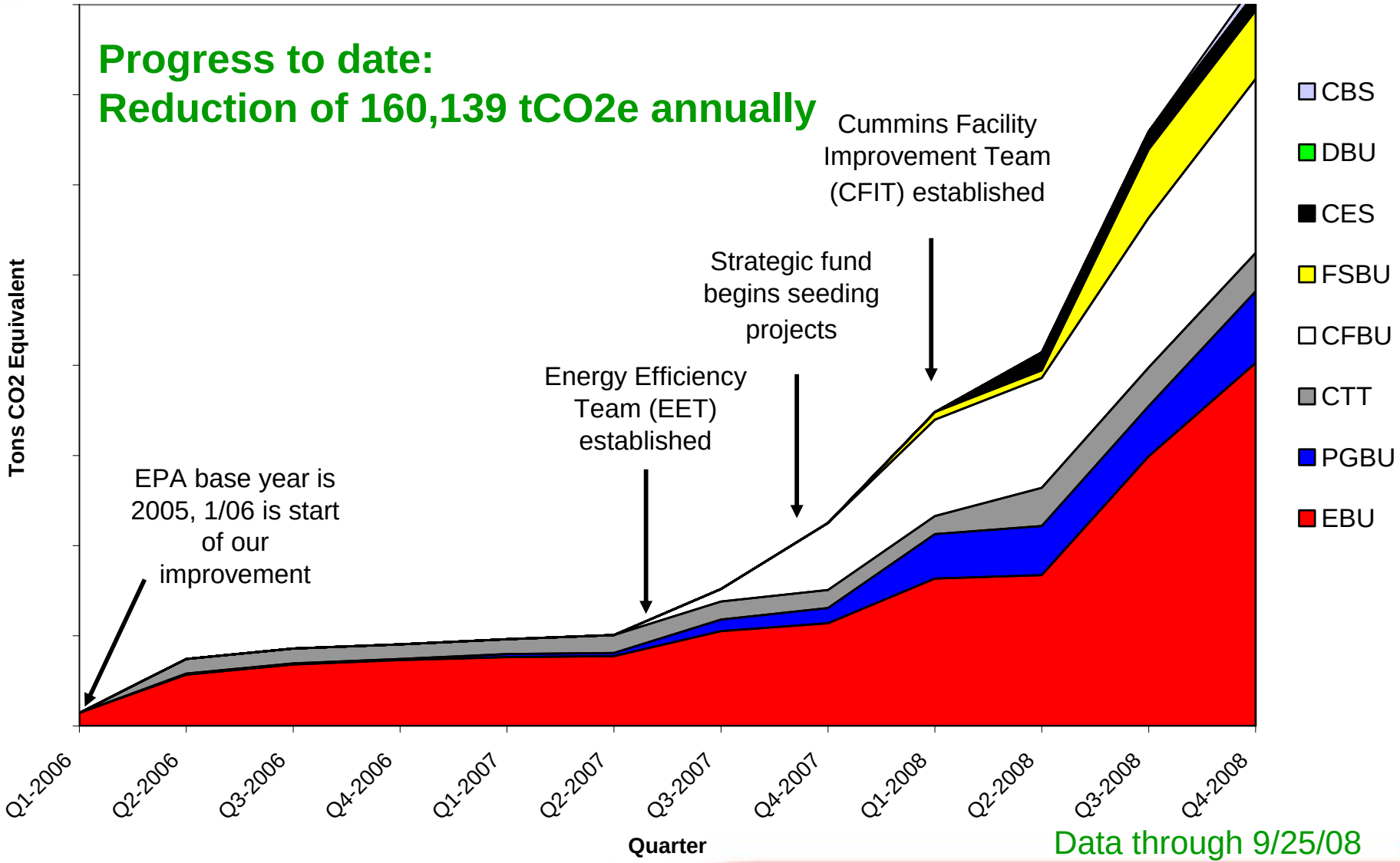
EE projects by Business Area – numbers



EE project progress
91 implemented
31 in process

Data through 9/25/08

GHG Improvement from Energy Efficiency Projects



Data through 9/25/08

Closing the Loop – Ongoing Environmental Metrics

EPA CLP performance based on total actual emissions

- Tracking improvements only gives part of story

Opportunity for Global Environmental Metrics System

- Automatic ongoing collection of Energy plus other HSE metrics
- Six Sigma project for Global Seamless web based system
- Collects/validates environmental metrics at all consolidated sites
- System automatically calculates metrics, reports results, provides online “dashboard” to our HSE and plant leaders

Cummins Enablon System implementation on track

- System operational Q4 2008, scope to be 233 sites worldwide reporting in 2007

enablon
Software Solutions for Governance, Risk and Compliance

Organizational Development and Employee Engagement

Energy Champion Site Role

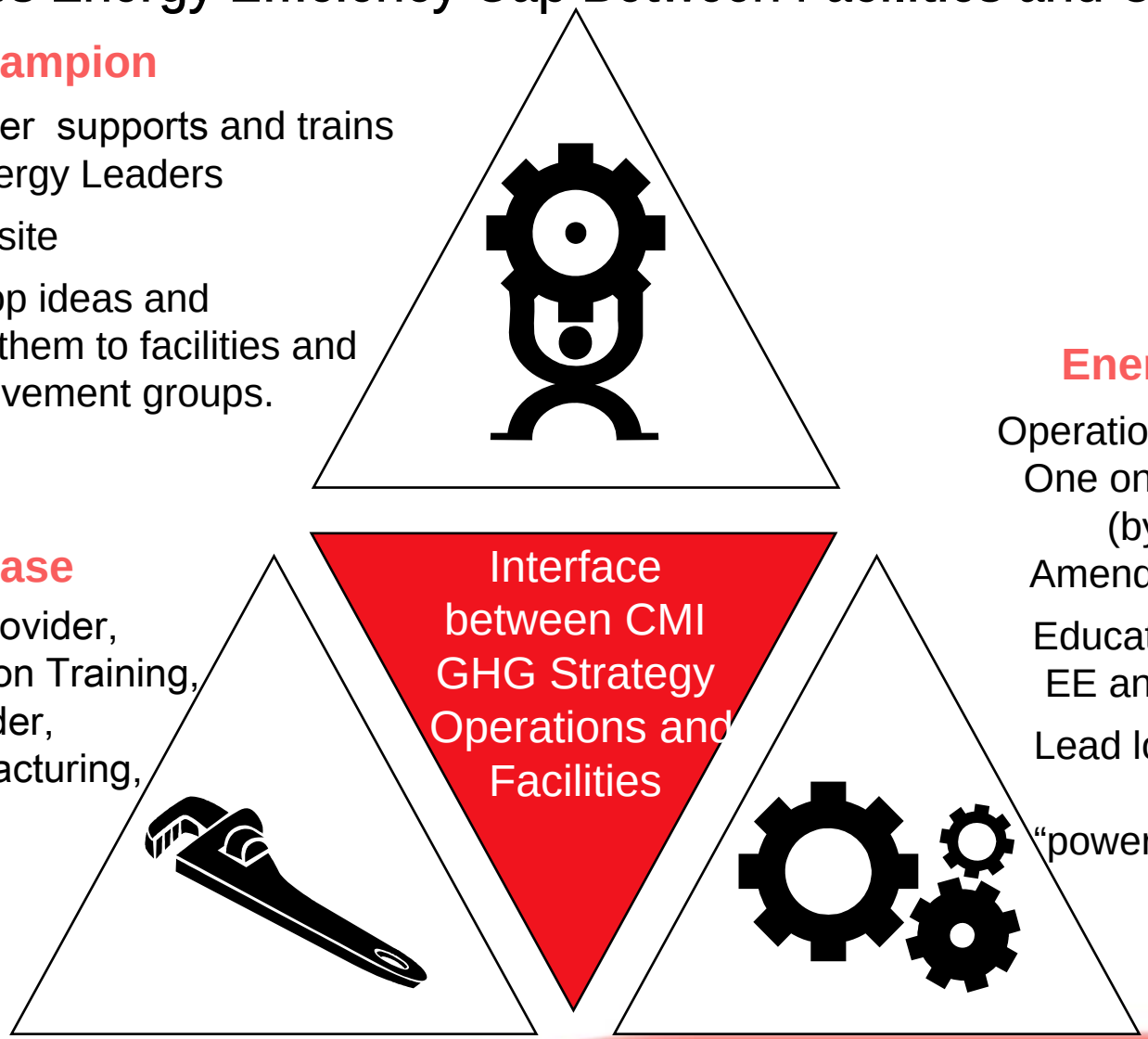
Bridges Energy Efficiency Gap Between Facilities and Operations

Energy Champion

Facility Leader supports and trains the site's Energy Leaders

One EC per site

Helps develop ideas and evangelizes them to facilities and capital improvement groups.



Knowledge Base

Local Energy Provider, Energy Champion Training, BU Energy Leader, Finance, Manufacturing, Etc.

Energy Leaders

Operations Team Member
One on each Ops team (by area/shift)
Amended/new rep role

Educate local team on EE and sustainability

Lead low/no cost local projects
"power down" concept

The Cummins 7 Energy Themes

Power Management

Lighting

Building Envelope

Heating & Cooling

Machinery & Equipment

Fuel Usage

Energy Recovery

First Chairman's Award for Energy Efficiency

"Daylight Harvesting" lighting and plant-wide EE improvements
Cummins Parts & Service, San Luis Potosi, Mexico

Chairman's Award for Energy Efficiency 2007

Net savings of 570 tCO2e

equivalent to removing 104 automobiles each ye

First Chairman's Award for Sustainable Building Practices

First site built to Cummins new building standards with many sustainable and energy efficient features

Power Generation Plant, Ranjangaon, India

Green
over ca

Summary

Climate Stewardship - a Cummins core value

GHG Reduction - 25% intensity reduction by 2010

Planning for Success

- GHG Inventory was journey of discovery
- Energy Efficiency assessments created three year investment plan
- Experience to date show high financial and environmental payback

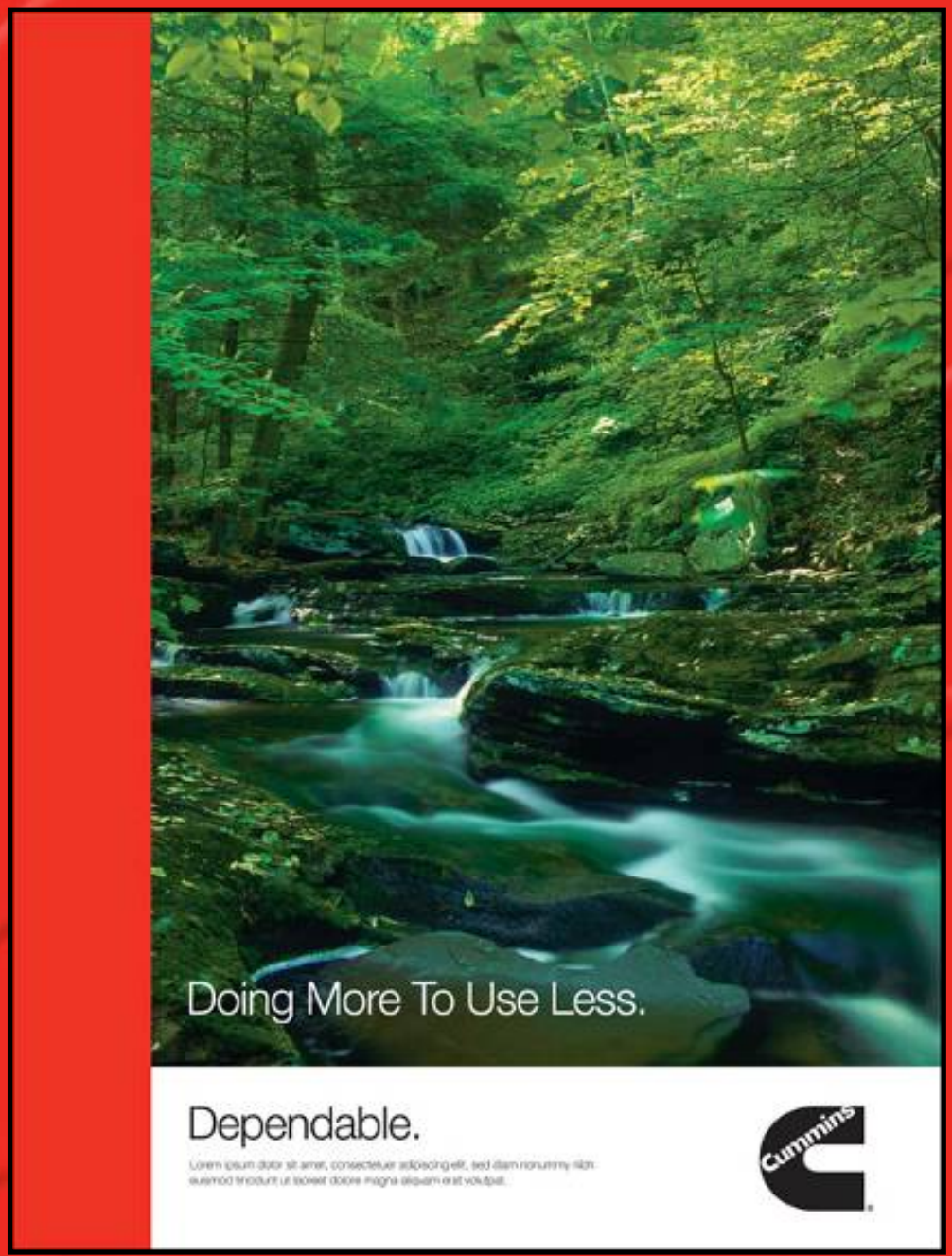
Organizational Development and Employee Engagement

- Broad network of people now involved, improvement efforts building
- Energy fairs, Energy Leader and Energy Champion training program to increase engagement company-wide

Interested in Seeing More?

Attend the EPA Tour this afternoon at the **Chicago Museum of Science & Industry**, highlighting a Cummins Combined Heat-and-Power (**CHP**) system

- 1.75 MW cogeneration system featuring a Cummins Power Generation lean-burn gas generator set, heat recovery boiler and desiccant dehumidifier
- Provides the museum electricity, heating/cooling and domestic hot water
- High fuel efficiency, low emissions and high specific heat output


Doing More To Use Less.
Dependable.
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Cummins

Thank You!