Ceres

Investors and environmentalists for sustainable prosperity

September 28, 2007

Nancy M. Morris
Secretary
U.S. Securities and Exchange Commission
100 F St., NE
Washington, DC 20549-1090

Re: File Number S7-16-07

Dear Ms. Morris:

I am writing as President of Ceres, a national network of investors, environmental organizations, and public interest groups working with companies to address the risks posed by sustainability issues. Ceres is the Secretariat for the Investor Network on Climate Risk (INCR), a network of institutional investors and financial institutions that promotes better understanding of the financial risks and opportunities posed by climate change.

Two main points are emphasized in my comments on File Number S7-16-07, the Release proposing amendments to rules under the Securities and Exchange Act of 1934 "concerning shareholder proposals and electronic shareholder communications":

1) Climate risk provides an excellent example of how the existing rules allowing shareholder proposals to be included in proxy statements serve as a successful method for owners to raise issues of emerging corporate risks and opportunities with management.

2) Shareholder proposals are a valuable mechanism for communicating with companies about protecting the long-term health of America's largest pension funds and other retirement assets of American workers.

INCR is composed of 60 institutional investors that manage more than $4 trillion in assets, many of whom support or file shareholder resolutions related to climate change. Members include asset managers, state and city treasurers and comptrollers, public and labor pension funds, foundation endowments, and other institutional investors, clearly not the tyrannical minority to which Commissioner Atkins refers.

Many INCR members are large institutional investors whose portfolios tend to be broadly indexed. These investors cannot easily divest from companies that are ignoring emerging risks. Since divestment is not a viable option, many institutional investors rely on the shareholder resolution process to alert management to emerging risks and opportunities that may not be on management's radar. When dialogue is not possible, shareholder proposals represent the least confrontational procedure available to engage

companies, and they provide a proven method to protect the long-term health of America's institutional investments.

Climate change represents an excellent example of how the current system works well. Today, climate change is widely accepted as a risk to sectors such as electric utilities, oil & gas, and insurers, and many companies now manage the financial and competitive challenges resulting from climate change. John Llewellyn of Lehman Brothers wrote, "*In the world of business and finance, climate change has developed from being a fringe concern. . . to an increasingly central topic for strategic deliberation and decision-making by executives and investors around the globe*." Climate change also poses enormous long-term risks to retirement assets and the entire economy: current calculations show that the projected economic impacts of a global warming of only 1.8 degrees F could reach $2 trillion worldwide in 2050.

Just a few years ago, companies did not recognize the risks posed by climate change. Far from tyrannical, the minority often see emerging trends before the majority gets on board. I have seen the advisory resolution process inform hundreds of corporate leaders about the substantial market risks posed by climate change, which they previously ignored or considered "off balance sheet" risks.

In 2001, years before significant corporate awareness of climate risk, Connecticut Retirement Plans and Trust Funds (CRPTF), guided by State Treasurer Denise Nappier, principal fiduciary of the funds, became the first public pension fund to file a climate change resolution. The resolution was filed with American Electric Power (AEP), the nation's largest power producer and largest emitter of greenhouse gases. As a result of dialogues with the company over the next two years, and two further shareholder resolutions, AEP agreed to analyze the impacts of three different federal legislative proposals to limit carbon emissions on the company's bottom line, and to issue a report to shareholders.

In the report, issued in August 2004, AEP found that complying with proposed federal legislation on GHG emissions could cost $500 to $900 million above its regular compliance costs ($2.6 billion), while complying with a multi-pollutant bill that includes CO_2 regulation could cost an additional $3 to $6.4 billion – important information indeed for investors and AEP's management. As a result of a process that started with a shareholder resolution, AEP's analysis shifted the company's approach to estimating the operating costs and making capital investments in new coal-fired plants.

Thanks to the shareholder resolution process and the foresight of a "minority" shareholder seeking to protect the long-term health of a State's pension funds, a committee of independent AEP Board directors issued a report to shareholders assessing the economic impact of emissions policies, especially for climate change. AEP now says *"Among the most significant economic drivers for coal-based generators are current and future environmental policies, particularly air quality policies and programs."*

The proposed bylaw amendments process outlined on pages 50-58 of the Release, which would give a company the right to "opt-out" of the shareholder resolution process (either by a vote of the shareholders to give them that authority or, if empowered under State law, by a Board vote to

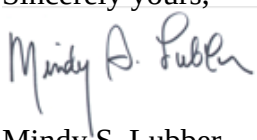
opt-out of receiving advisory resolutions), would significantly impinge on the ability of a company's shareholders — its owners — to engage companies on issues about which management and the board may be unaware.

I feel strongly that the SEC's proposals to abolish or reduce investors' ability to sponsor advisory resolutions should be rejected. The proposal on the table could force a shift to a more confrontational, litigious system with unpredictable results and unnecessary risk and expenditures. Making such a change to a system that works would be like choosing a system of war instead of diplomacy.

The Release also addresses an issue that surfaced during the SEC Roundtable discussions this past May. I strongly disagree with the proposal to "adopt a provision to enable companies to follow an electronic petition model for non-binding shareholder proposals in lieu of Rule 14a(8)". The proposed revision discounts the value of person-to-person communications allowed by the current shareholder resolution process. It attempts to replace a proven approach with an untested, computerized option with unknown consequences. Making such a revision is unnecessary. Electronic forms of communications can be considered additional means of communications, but should not be substituted for the right to file a shareholder resolution.

Thank you very much for your consideration of these issues. I appreciate the Commission and staff's work in preparing these proposals, and I hope my comments will be useful to the Commission. For further discussion or clarification, I may be reached at (617) 247-0700 ext. 30 or lubber@ceres.org.

Sincerely yours,



Mindy S. Lubber
President, Ceres