

28th July 2009

## **AUSTRALIAN CPRS TO COST S&P ASX 200 BETWEEN \$544m AND \$2.8bn ANNUALLY**

**Melbourne, Australia.** Research undertaken by specialist carbon research and advisory firm, RepuTex, suggests that S&P ASX 200 companies will face annual carbon costs of between \$544 million and \$2.8 billion as a result of the impending Carbon Pollution Reduction Scheme (CPRS).

Modelling undertaken by RepuTex in its research paper, *Carbon Value at Risk*, analyses the carbon footprint of all S&P ASX 200 constituents, determining the number of companies directly liable under the CPRS, and those exposed to indirect supply chain and electricity cost increases.

Research is underpinned by RepuTex's proprietary carbon emissions and financial models, which measure the potential impact of the CPRS on company earnings, valuations and competitive position.

According to RepuTex:

- In year one of the CPRS (2011), the total liability for S&P ASX 200 companies will be approximately \$544 million, with the highest burden on the Utilities, Energy, Industrials, Materials and Consumer Staples sectors.
- Post 2012, carbon liabilities for the S&P ASX 200 will rise to between \$3.2bn (5% target) and \$4.9bn (25% target) annually. 42% of this cost is expected to be passed on to consumers and supply chain partners, resulting in a cost of \$1.8bn (5% target) or \$2.76bn (25% target) to the S&P ASX 200.
- Direct permit trading costs account for 45% of the total S&P ASX 200 carbon cost, while indirect impacts (electricity and supply chain costs) account for a significant 55% of the total cost.
- Between 2% to 3% of market value could be lost from the S&P ASX 200 if companies do not take action to mitigate their carbon exposure.
- Liability profiles vary significantly between sectors, industries and companies, reflecting differences in carbon value chain exposure and providing insight into areas of abatement and cost transfer capacity.

Research undertaken by RepuTex is the first of its kind to quantify both direct *and indirect* carbon cost exposures on S&P ASX 200 companies. To date, the market has struggled to measure CPRS impacts, due largely to a lack of reliable corporate emissions data available in the market.

Head of Research at RepuTex, Hugh Grossman, notes that as the Australian carbon market continues to mature, companies, investors and analysts must have access to credible and consistent carbon emissions data to assess impending business risks.

"Emissions disclosure in the Australian market is low. Only 31% of S&P ASX 200 companies disclose their carbon footprint – disclosure in highly exposed sectors such as Materials, Energy and Utilities is as low as 10 and 15 percent.

"Furthermore, the quality and completeness of disclosed data is poor, casting doubts on the reliability of the information for real analytical purposes," said Mr Grossman.



According to RepuTex, poor corporate emissions disclosure is a key concern for both companies and investors who are seeking to model likely carbon cost impacts and develop risk management strategies.

“Accessing quality, complete emissions data must be a core consideration for all companies in order to adequately measure CPRS liabilities and competitive position. For the investment community, the relevance of emissions data and carbon costs to optimise investment, credit and insurance risk models must also be considered, especially in light of these material carbon cost impacts.”

RepuTex’s *Carbon Value at Risk* paper also provides the market with its first snapshot of the likely ‘indirect cost impact’ of the CPRS – measuring the impact of price rises on electricity and supply chain costs.

“Direct permit trading costs account for 45% of the total S&P ASX 200 carbon cost, while indirect impacts (electricity and supply chain costs) account for a significant 55% of the total cost. This means that every company in the Australian market will face some type of carbon cost impact – the challenge remains to identify and mitigate the risk, and better understand the competitive profile of each industry,” said Mr Grossman.

Established in 1999, RepuTex is a leading carbon research firm, specialising in the valuation and pricing of carbon and sustainability risk for global markets and companies.

The company is chaired by Mr Graeme Lee, former Managing Director of Standard & Poor’s Australia.

*For further information/media interviews please contact:*

Bahador Abedi Tari  
Head of Carbon Research  
RepuTex  
Phone: +613 9654 7099

Hugh Grossman  
Head of Research  
RepuTex  
Phone: +613 9654 7099

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

RepuTex is a leading carbon research firm, specialising in the valuation and pricing of carbon and sustainability risk for global markets and companies.

Established in 1999, RepuTex has developed an economic/environmental research model to estimate corporate emissions and price carbon costs. The model has been applied to over 4,400 companies in 30 markets globally, creating the largest database of corporate emissions and carbon risk modelling in the world.

RepuTex has offices in Melbourne, Shanghai and Hong Kong.

The company is chaired by Mr Graeme Lee, former Managing Director of Standard & Poor’s Australia.

RepuTex undertakes a range of services for companies, top tier consulting and accounting firms, local and international fund managers and broking houses. The company also specialises in the optimisation of financial models for investment, portfolio, credit and insurance applications.