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Utility and Sierra Club Deal Aims to Cut Carbon Dioxide

By MATTHEW L. WALD Published: March 20, 2007

WASHINGTON, March 19 — A Midwest electric company and the <u>Sierra Club</u> announced a deal on Monday under which the environmental group will drop its complaints against a coal plant, and the utility, Kansas City Power and Light, will take steps to cut carbon dioxide output by the amount that a new plant will produce.

The utility promised to buy hundreds of windmills and undertake a major conservation program, among other steps.

The Sierra Club said it was the first time a utility had agreed to "fully offset" a new power plant, which would produce six million tons a year of carbon dioxide. Such offsets have become popular as companies, groups and individuals pledge small steps to reduce carbon emissions by planting trees or investing in windmills or other alternative energy sources to make up for their own "carbon footprint."

Also Monday, a group of 65 large companies and investors, including <u>DuPont</u>, BP America, the treasurers of nine states and Calpers, the pension fund for California state employees, called on Congress to establish a carbon policy to limit climate-change risk and to clarify for businesses what requirements are likely to emerge.

The group was organized by the Coalition for Environmentally Responsible Economies, known as Ceres, a corporate responsibility group, and the Investor Network on Climate Risk, a network of institutional investors and financial institutions focused on the financial risks and opportunities of <u>climate change</u>.

Their statement called for "leadership by the U.S. government to achieve sizable, sensible long-term reductions of greenhouse gas emissions," reaching 60 percent to 90 percent below the levels of 1990 by the year 2050. It also asked for the Securities and Exchange Commission to clarify "what companies should disclose to investors on climate change" in their required reports.

The statement said that a program to cut carbon output could create "vast economic opportunities."

Mindy S. Lubber, the president of Ceres, said, "They're all persuaded by the science." But she added: "Not only is it a scientific imperative and a moral imperative to deal with, but an economic imperative. The companies and their portfolios will be stronger if we get on with the business of putting mandatory caps on carbon."

In the utility agreement, the Sierra Club will withdraw its opposition to an 850-megawatt coal plant under construction in Weston, Mo., called Iatan 2, and will no longer argue that an existing plant there violates Clean Air Act rules.

The power company plans to save huge amounts of electricity by helping commercial landlords and homeowners replace air-conditioning and lighting with newer equipment that does the same work with less power.

Kansas City Power and Light, based in Kansas City, Mo., plans to ask regulators and state legislatures to let it invest in higher-efficiency equipment and earn a rate of return on the

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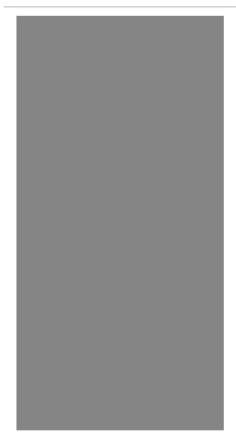
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money it spends, just as it would earn a rate of return on a new power plant. In some cases customers will see bigger bills; others would see their bills go down because of lower consumption, but they would have to help pay the cost of any new equipment. The utility would subsidize the cost of new equipment.

"We believe there's a lot of low-hanging fruit there, energy efficiiency that can be invested in that costs less than building a baseload plant," said Mike Chesser, the chairman and chief executive of the utility. "The trick is to get the business model in place," Mr. Chesser said.

He said that, as part of the agreement, the Sierra Club would help the company persuade regulators that costs and pollution would be lower if the money could be invested in conservation instead of in new construction. The effort might involve buying central airconditioners in bulk, going into residential neighborhoods and replacing equipment house after house, he said.

The agreement comes soon after the Natural Resources Defense Council and other environmentalists negotiated with investors buying a Texas utility, TXU, in an agreement to drop eight proposed coal-fired plants.

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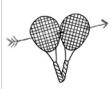
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