AS YOU SOW

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Coal Investors Face Increasing Financial Risks, New Report Says

Shareholders at FirstEnergy, Duke, Dominion, and CMS Use their Proxy Ballots to Express Concern

According to a new report released today by As You Sow, a shareholder advocacy organization, the financial risks faced by the coal-fired utility industry have increased dramatically in recent years due to the rising price of coal, low natural gas prices, sky high price tags for regulatory retrofits required for the aging coal fleet, and the rapidly decreasing cost of renewables. The report, "Financial Risks of Investments in Coal," synthesizes the market dynamics at play, the economic rationale presented by reputable industry analysts, and examines the criteria that investors should use in assessing their coal risk exposure.

"Investing in coal is risky business," said Andrew Behar, CEO of As You Sow. "Our nation's fleet of coal-fired power plants is old, inefficient, and facing increasing financial instability."

"The As You Sow report contains an important analysis of market and regulatory trends affecting the coal industry," said New York State Comptroller Thomas P. DiNapoli. "I urge all investors with coal industry exposure to read this report."

Shareholders of coal-fired utilities have woken up to these risks and are concerned about their companies' balance sheets. FirstEnergy shareholders, after the acquisition of Allegheny, recognized the increased coal risk exposure to their company. Over 31% of shareholders voted $4.4 billion worth of shares for the resolution asking the company to publish a report detailing the financial risks of continued reliance on coal for electricity generation. This is extraordinarily high for a first-year resolution, which historically garners less than 5% shareholder support. The same resolution received 8.6% at Duke, 6.7% at CMS, and 6.5% at Dominion, indicating a strong base of shareholders representing over $2.4 billion are concerned about their companies' reliance on coal and that management and the board of directors needs to seriously consider the consequences of inaction on this issue.

"The coal-based business model is simply not financially viable. Industry analysts have sent warning signals, investors have begun to recognize this emerging reality, and shareholders have voiced their concerns," said Leslie Lowe, an environmental attorney who is one of the report's authors.

Increasingly, coal's competitive advantage is being eroded by the individual and cumulative impact of regulatory and market forces. The new report demonstrates that the unprecedented risks facing the coal industry combine to make current and future investments in coal-dependent utilities exceedingly insecure.

The report argues the three basic risks to the viability of coal as a source for energy generation:

1. The unprecedented level of regulatory uncertainty
2. Commodity risk due to volatile and rising coal prices vs. low natural gas prices
3. Increasing construction costs

"The risks delineated in this new report should prompt greater diligence by investors holding coal-fired utilities in their portfolio," said Amy Galland, PhD, also one of the report's authors. "The time is now to spur a large scale transition to clean energy. Investors have an opportunity to ignite the charge."

"Financial Risks of Investments in Coal" is available for download at: http://bit.ly/coalWP2011.

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As You Sow is a nonprofit organization that promotes corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. For more information, visit www.asyousow.org.