

Reporting Template 2 – Regulatory Risks from Climate Change

Introduction

Regulatory risks associated with climate change pose one of the greatest immediate short term risks to companies, whilst also affecting strategic decisions about long term investments. Research conducted by the Carbon Disclosure Project in 2009 found that potential regulation on climate change was one of the main motivations for the use of climate change-related information by investors. An analysis of the material legal and financial effects that current and prospective regulation may have on the company's business and operations is therefore a potentially crucial aspect of climate change-related disclosure.

Regulatory risks generally arise from current and/or expected national and/or global governmental policy on climate change including, but not limited to known or expected effects of the imposition of GHG emissions limits, energy efficiency standards, carbon taxation, process or product standards, mandatory participation in trading schemes and so on.

Disclosure Guide

Disclosures should include:

- A description of the existing climate change-related regulations, policies or government sponsored initiatives, including participation in carbon trading activities that affect the company;
- An overview of how and in which jurisdictions the regulations impact the business, how the rules are implemented and the associated implementation costs;
- An explanation of known or anticipated trends, events, commitments and uncertainties in climate change regulation that are reasonably likely to have a material impact on the financial condition or operating performance of the company. Disclosures might include a report on the effect on company and shareholder value of possible regulatory scenarios, including an analysis based on an appropriate range of carbon costs and the secondary effects of regulation such as increased energy and transportation costs;
- An analysis of how possible regulations to reduce GHG emissions may affect the cost of carbon and how this could impact your business; and
- A description of the way in which regulation affects or may affect the company through customers, supply chain, domestic and international markets etc.