



Decision to exclude from investment

1 June 2015

Introduction

In 2014, KLP and the KLP Funds (KLP) decided to exclude from their investment portfolios companies that derive a high proportion of their revenues from coal-based operations. The background for this decision and a list of companies which were excluded at that time can be found in [Recommendation of 1 December 2014](#).

With effect from 1 June 2015, KLP has decided to exclude an additional five companies on the grounds of their coal-based operations. The companies concerned are China Power International Development, Electric Power Development, FirstEnergy Corp, Huadian Power International and Huaneng Power International.

Definition and data

Coal companies are defined as companies that derive a high proportion of their revenues from coal-based operations. These are primarily mining companies and power utilities. At the very least, KLP will exclude companies which derive 50 per cent or more of their revenues from coal-based operations.

KLP has assessed the definition and the threshold set as the basis for decisions relating to exclusion. In future, it may be expedient to take account of parameters such as what should constitute a coal-based operation, the volume of coal extraction and coal-fired electricity output, as well as coal expansion plans. At the moment, however, we do not have data of sufficiently high quality or coverage for our global investments to consider whether any adjustments are appropriate. Furthermore, we see that in practice, the selected threshold already excludes many companies that would in all probability be excluded by the introduction of other parameters.

The recommendation is based on data for the latest reported and analysed fiscal year (2013 or 2014), as provided by the data supplier Trucost.

Company information

The five companies that excluded in this round are power generators. Since coal-based energy accounts for over half of their revenues, they fall within KLP's threshold for exclusion: that 50 per cent of a company's revenues derive from coal-based operations.

China Power International Development owns and operates power plants – primarily coal-fired and hydropower plants – in China.¹ Coal-based energy accounts for 76 per cent of the company's revenues. KLP has not invested in the company.

Huaneng Power International develops, constructs and operates power plants in China.² Coal is a significant source of energy, and accounts for 96 per cent of the company's revenues. KLP had around NOK 9 million invested in the company at the close of the first quarter of 2015.

Huadian Power International develops, constructs and operates power plants in China.³ Coal is a significant source of energy, and accounts for 92 per cent of the company's revenues. KLP had around NOK 3 million invested in the company at the close of the first quarter of 2015.

Electric Power Development is a Japanese power company that operates under the brand name J-Power.⁴ The company constructs and operates dozens of power plants, a significant proportion of which are coal-fired. Coal-based energy accounts for 77 per cent of the company's revenues. KLP had around NOK 7 million invested in the company at the close of the first quarter of 2015.

FirstEnergy Corp is a diversified energy company based in the USA.⁵ One of its areas of operation is power generation, for which coal is a significant source of energy. Coal-based energy accounts for 58 per cent of the company's revenues. KLP had around NOK 102 million invested in the company at the close of the first quarter of 2015.

Decision

KLP and the KLP Funds will exclude China Power International Development, Electric Power Development, FirstEnergy Corp, Huadian Power International and Huaneng Power International from their investment portfolios with effect from 1 June 2015.

¹ URL: <http://www.chinapower.hk/eng/business/review.htm> (18.5.2015)

² URL: <http://www.hpi.com.cn/sites/english/Pages/companyprofile.aspx> (1.4.2015)

³ URL: <http://www.hdpi.com.cn/news/NewsAction.action?topMenuId=675> (1.4.2015)

⁴ URL: http://www.jpowers.co.jp/english/company_info/about/kaisya/pdf/e2014.pdf (1.4.2015)

⁵ URL: <https://www.firstenergycorp.com/content/fecorp/about.html> (1.4.2015)