



Decision to exclude Duke Energy Corp., Duke Energy Carolinas LLC, Progress Energy Inc. and Duke Energy Progress Inc.

December 2016

Duke Energy Corporation (hereafter, "Duke Energy Corp.") has been excluded from KLP and the KLP funds' investments since December 2015 because the company obtained more than 30 percent of its revenues from coal-based activities. KLP and the KLP Funds were not invested in Duke Energy's subsidiaries: Duke Energy Carolinas LLC, Progress Energy Inc. and Duke Energy Progress Inc.

According to data from Trucost for the most recent available fiscal year, Duke Energy Corp. obtained less than 30 of its revenues from coal-based activities. Nevertheless, the company and its subsidiaries listed above are excluded from the Government Pension Fund Global (GPF) under the criterion for severe environmental damage.¹

The exclusion of Duke Energy Corp. is hereby maintained, but from December 2016 on the basis of *unacceptable risk of severe environmental damage*. The subsidiaries Duke Energy Carolinas LLC, Progress Energy Inc. and Duke Energy Progress Inc. are excluded on the same grounds.

The Council on Ethics' recommendation

Duke Energy Carolinas LLC, Progress Energy Inc. and Duke Energy Progress Inc. are wholly owned subsidiaries of Duke Energy Corp. The Council has recommended the exclusion of these companies based on their handling of ash waste from coal power plants in the United States. In its recommendation, the Council explains their decision as follows:

For many years, these companies have among other things repeatedly discharged environmentally harmful substances from a large number of ash basins at coal-fired power plants in North Carolina. Several court rulings have

¹ Council on Ethics for the Norwegian Government Pension Fund Global, *Recommendation 5 April 2016 to exclude Duke Energy Corp., Duke Energy Carolinas LLC, Duke Energy Progress LLC and Progress Energy Inc. from the Government Pension Fund Global (GPF)*. URL: <http://etikkradet.no/files/2016/09/Rec-Duke-Eng-17486.pdf>.



now ordered the companies to remove or seal these ash basins. In its assessment, the Council places emphasis on the fact that the planned measures will not be fully implemented for another 10-15 years. The Council also perceives the long-lasting and extensive breaches of the environmental legislation to be a considerable risk factor.²

A detailed description of the case can be found in the Council on Ethics' recommendation.³

KLP guidelines and analysis

According to KLP and the KLP Funds' guidelines for responsible investment, KLP "shall... take account of exclusions carried out by the Norwegian Government Pension Fund Global (GPFG)."⁴ In addition, KLP and the KLP Funds shall, based on their own assessment "exclude companies from investment where there is an unacceptable risk that the company is responsible for or complicit in:... serious environmental damage."⁵ In practice, this means that KLP and the KLP Funds adopt the GPFG's exclusion decisions that are based on the Council of Ethics' recommendations, barring particularly strong indications to the contrary.

In this case, KLP and the KLP Funds see no reason to diverge from the GPFG's conclusion. The analysis in the Council on Ethics' recommendation is well founded and builds upon comprehensive source material.

Decision

Duke Energy Corp., Duke Energy Carolinas LLC, Progress Energy Inc. and Duke Energy Progress Inc. are excluded from KLP and the KLP Funds' investments as of December 2016 due to an unacceptably high risk that the companies contribute to or are themselves responsible for serious environmental damage.

² Ibid.

³ Ibid.

⁴ KLP, *Guidelines for responsible investment* (4 November 2014). URL: http://english.klp.no/polopoly_fs/1.33317.1459346158!/menu/standard/file/KLP%20guidelines%20for%20responsible%20investment%20-.pdf.

⁵ Ibid.