

RESOLVED: Shareholders request that American Electric Power (AEP) adopt time bound, quantitative, company-wide targets for the long term reduction of greenhouse gas (GHG) emissions, taking into consideration the global GHG reduction needs defined by the Paris Climate Agreement, and issue a report by December 2018, at reasonable cost and omitting proprietary information, on any plans to achieve these targets.

### **Supporting Statement**

In December 2015, representatives from 195 countries adopted the Paris Agreement, which specifies a goal to limit the increase in global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit temperature increases to 1.5°C. In order to meet the 2°C goal, climate scientists estimate that a 55% reduction in GHG emissions globally is needed by 2050 (relative to 2010 levels), entailing a United States target reduction of 80%.

After the June 2017 announcement of plans for the United States to withdraw from the Paris Agreement, more than 2,500 leaders from America's businesses, state and local governments, colleges and universities, and investors, representing \$6.2 trillion of the nation's economy, signed the "We Are Still In" declaration to support America's continued commitment to meeting the Paris Agreement.<sup>1</sup>

In 2017, the Task Force on Climate-related Financial Disclosures commissioned by the Financial Stability Board issued its recommendations that companies describe metrics and targets used to assess and manage climate risks and opportunities and performance against targets including GHG emissions.

The costs of failing to address climate change are significant and estimated to have an average value at risk of \$4.2 trillion globally (The Economist, Intelligence Unit, 2015). *Risky Business: The Economic Risks of Climate Change in the United States (2014)*, an analysis of climate change impacts from the near-term through the year 2100, found serious economic effects including property damage, shifting agricultural patterns, reduced labor productivity, and increased energy costs. These effects could substantially impact AEP's business operations, revenue, or expenditures. Shareholder value is at risk in the absence of long-term GHG reduction targets.

A growing number of companies are establishing long-term GHG reduction targets consistent with the Paris Agreement's goal. For example, NRG Energy, a leading electric utility company, has set GHG targets to reduce emissions by 50% by 2030 and by 90% by 2050 compared to a 2014 baseline. There are more than a dozen utility companies worldwide that have committed to setting such targets.

While AEP describes its practices and plans to add renewable energy, energy efficiency, and grid modernization initiatives through 2030, it has GHG reduction targets that only extend to 2020 and does not show how or whether AEP's long-term emissions are aligned with the 2°C goal. We are concerned that AEP's existing targets are not scaled in magnitude or timeline to meet the global goal. Setting long-term GHG reduction targets is critical for AEP to perform strategic resource planning to manage transition and regulatory risks and support the transition of the company's business model to align with the goal adopted in the Paris Agreement.

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<sup>1</sup> <https://www.wearestillin.com/we-are-still-declaration>