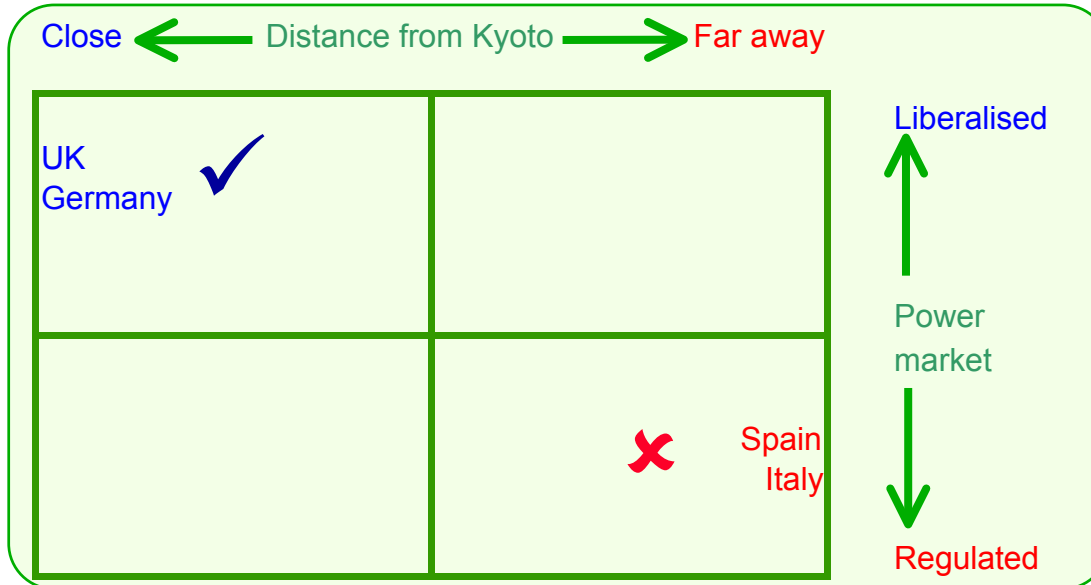


Is climate change impacting valuations?

Changes competitive positioning and margins

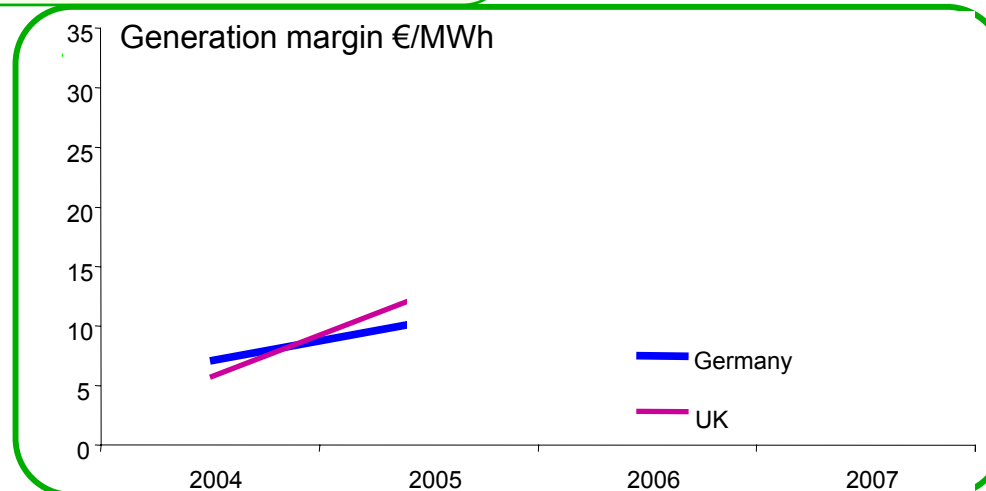
► Countries positioned differently



Changes competitive positioning country by country ...

... and within countries

Unprecedented improvement in generation margins



Is climate change impacting valuations?

Two (related) BUTs

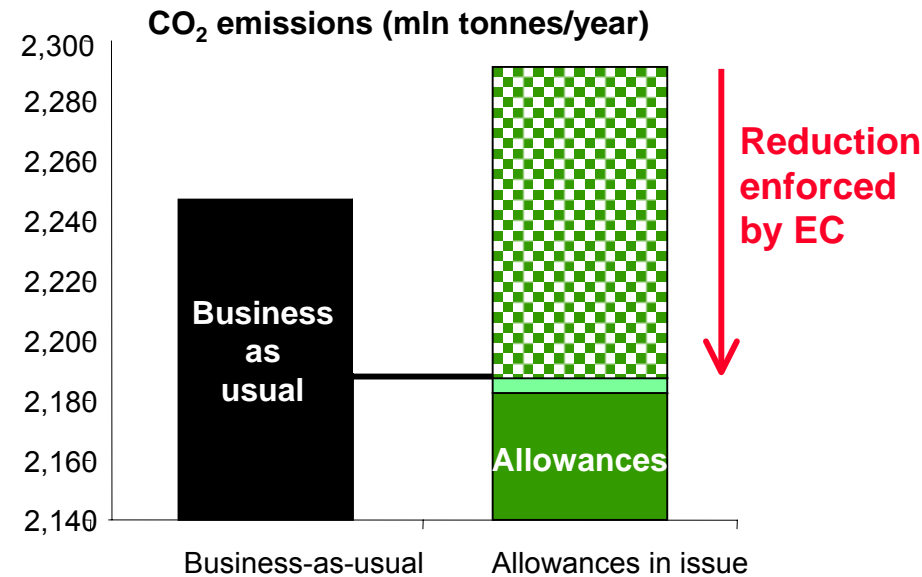
**(1) Investment decisions
not yet being affected**

- ▶ Muted impact on investment decisions
 - ▶ Pressure on companies to favour high CO₂ investments for promise of CO₂ allowances
 - ▶ New entrant reserves for new investments

**(2) Political resolve
questionable**

▶ Europe being made less competitive

- ▶ Worries when CO₂ price expected to be €10/tonne
- ▶ If CO₂ hits €30/tonne?



DrKW European Utility Research

➔ 1) Climate change is impacting valuations ...
... so long as CO₂ constrained

➔ 2) Climate change NOT impacting investments ...
... so NOT sure impact on valuations will last

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DRESDNER KLEINWORT WASSERSTEIN RESEARCH – RECOMMENDATION DEFINITION

(except as otherwise noted, expected performance over next 12 months)

Buy	10% or greater increase in share price	Reduce	5-10% decrease in share price
Add	5-10% increase in share price	Sell	10% or more decrease in share price
Hold	+5%/ -5% variation in share price		

	All covered companies	Companies where a DrKW company has provided investment banking services (in the last 12 months)
Buy/Add	280 49%	39 46%
Hold	202 35%	36 43%
Sell/Reduce	90 16%	9 11%
Total	572	84

Source: DrKW



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