

# AQUILA RESOURCES LIMITED

(ABN 81 092 002 769)

## EXPLANATORY STATEMENT

### ANNEXURE

SHAREHOLDERS' STATEMENT CIRCULATED UNDER SECTION 249P OF THE CORPORATIONS ACT 2001 (CWLTH)

Climate Advocacy Aquila Shareholder Group

### Climate Advocacy Aquila shareholder group s 249P Member Statement

13 September 2010

*"The Earth's climate has changed. The global average surface temperature has increased over the last century and many other associated changes have been observed. The available evidence implies that greenhouse gas emissions from human activities are the main cause. It is expected that, if greenhouse gas emissions continue at business-as-usual rates, global temperatures will further increase significantly over the coming century and beyond."*<sup>1</sup>

There is growing international consensus regarding the need to regulate and price greenhouse gas emissions and there is a risk that significant costs will be imposed on emissions-intensive business operations.

A number of countries including the European Union countries have introduced emission trading schemes. It appears probable over the next decade, that many more countries will introduce some form of carbon emissions regulation or pricing.

The International Energy Agency has estimated that to stabilise the concentration of greenhouse gas emissions in the atmosphere at 450 parts per million the price of carbon emissions in industrialised countries will reach US\$50 per tonne in 2020 rising to US\$110 by 2030 (and US\$65 per tonne in other major economies).<sup>2</sup> This level of concentration is consistent with limiting the increase in global temperatures to 2°C – a goal recognised under the Copenhagen Accord.<sup>3</sup>

Putting a price on carbon emissions will bring significant economic and financial benefit to most countries, industries and companies. However, some carbon intensive industries and companies may suffer significant losses.<sup>4</sup>

Trucost Plc is a UK based provider of information about the carbon footprint of organisations. Aquila Resources (our Company) was estimated by Trucost to be the 13<sup>th</sup> most carbon intensive ASX 200 company using 2008 data, with estimated emissions exceeding 1,500 tonnes of carbon dioxide equivalent (CO<sub>2</sub>-e) per \$A million of revenue (four times the ASX 200 average).<sup>5</sup> If this estimate is correct it means our Company may be highly exposed to carbon costs that are anticipated to be introduced both domestically and globally as governments seek to implement regulations to limit and reduce greenhouse gas emissions.

Even in the absence of a domestic price on carbon, the impacts of the global move towards a low carbon economy are already being felt directly by Australian companies and their investors. For example, from 1 July 2010 the Indian Government has imposed a levy on coal, including coal imports, to fund clean energy development.<sup>6</sup>

As far as we are aware, our Company does not currently disclose its carbon footprint or provide details on how it is managing climate change related risks in its annual Director's

<sup>1</sup> *The Science of Climate Change: Questions and Answers* (Australian Academy of Science, August 2010)

<sup>2</sup> *World Energy Outlook 2009* (International Energy Agency, 2009)

<sup>3</sup> Copenhagen Accord, 18 December 2009

<sup>4</sup> *Climate Change Justice*, Posner, E. A. & Weisbach, D. (Princeton University Press, 2010) page 20 and Chapter 8.

<sup>5</sup> *VicSuper Carbon Count 2009* (VicSuper Trucost, 2009)

<sup>6</sup> Government of India, Ministry of Finance, Department of Revenue, Central Board of Excise and Customs, Circular 01 2010-CEC, 24 June 2010, Regarding Levy of Clean Energy Cess [Clean Energy Cess Circular]

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Report or elsewhere. In our view it should. Disclosure of such information is becoming a pre-requisite for many investors in emissions-intensive industries as potential carbon liabilities have an increasing influence on company valuations. Institutional investors in particular are increasingly interested in integrating environmental, social and governance (ESG) research into their investment decisions with approximately half of the funds under management of Australian asset managers now falling under the United Nations' Principles for Responsible Investment (PRI, the Principles) commitments to ESG integration.<sup>7</sup> These investors are committed to seeking appropriate disclosure of ESG issues (such as the impact of carbon regulation and pricing) into company annual reports.

In our view our Company should disclose, at reasonable cost, its carbon footprint and provide details on how it is managing climate change related risks. The resolution does not require any proprietary information to be disclosed. We recommend use of a standardised reporting protocol such as that used worldwide by the Carbon Disclosure Project.

The Carbon Disclosure Project is an annual survey on behalf of 534 institutional investors holding US\$64 trillion in assets under management – the largest coalition of institutional investors in the world. Our Company has previously been invited to participate in the Carbon Disclosure Project. The Carbon Disclosure Project website lists our Company as providing no response to the 2009 survey.

We are keen to ensure that our Company is positioned to prosper in the transition to a low-carbon economy. We invite other shareholders to vote in support of the following resolution we propose to move at the forthcoming annual general meeting.

This resolution has been lodged with the PRI Clearinghouse and the Interfaith Center on Corporate Responsibility.

### Resolution

Therefore, be it resolved:

“That, shareholders consider that the annual director’s report should include:

- a) a description of the level and composition of, and recent trends in, our company’s greenhouse gas emissions; and
- b) a description of our company wide policies and management systems utilised to manage the risks posed by both climate change and the actions of governments to regulate or price greenhouse gas emissions.

so that the members can make a better informed assessment of the operations of our company and our company’s business strategies and its prospects for future financial years, these descriptions should omit proprietary information, be prepared at reasonable cost, and use a standardised reporting protocol such as that used worldwide by the Carbon Disclosure Project - CDP.”

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<sup>7</sup> *Responsible Investment 2009* (Responsible Investment Association of Australasia, 2009)