



NORGES BANK
INVESTMENT MANAGEMENT

World Resources Institute
10 G Street NE Suite 800
Washington, DC 20002, USA
Stephen Russell
email delivery: SRussell@wri.org

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Calculating and reporting the potential greenhouse gas emissions from fossil fuel reserves

We refer to the World Resources Institute's publication of a draft methodology for quantifying and reporting the potential greenhouse gas emissions from the fossil fuel reserves held by coal, oil and gas companies.

Norges Bank Investment Management is the investment management division of the Norwegian central bank ('Norges Bank') and is responsible for investing the assets of the Norwegian Government Pension Fund Global (the 'fund'). The fund is a long-term, globally diversified investor with minority equity positions in publicly listed companies and investments in listed fixed income instruments and real estate. The fund is invested in assets of about NOK 6,000 billion or approximately USD 800 billion.

In accordance with the fund's management mandate, we work to safeguard the financial interests of the fund, including by integrating relevant environmental and social risk considerations into our investment processes. Our strategy for responsible investment management encompasses interaction with standard setters, active ownership, and risk management. The challenges of climate change, both the physical impacts and the regulatory and technological responses, may give rise to risks and opportunities for companies. How companies manage these, may drive long-term returns for us as a shareholder.

We have been assessing selected companies exposed to climate risk since 2010. We expect companies in our portfolio to integrate relevant climate change challenges and opportunities in their business management, such as investment planning, risk management, and reporting. To gain a better understanding of the fund's potential exposure to financial risk from climate change, we analyse greenhouse gas emissions from the companies in our equity portfolio. In this work, we have identified certain analytical challenges, including limited data coverage and lack of reporting consistency. Furthermore, such analysis gives a current snapshot of emissions, and does not take account of companies' strategies or industry structure. It is, importantly, not forward-looking.

Norges Bank Investment Management is a division of Norges Bank – The Central Bank of Norway

POSTAL ADDRESS
P.O. Boks 0179 Sentrum,
NO-0107 Oslo

OFFICE ADDRESS
Bankplassen 2,
Oslo, Norway

Tel. +47 24 07 30 00
Fax +47 24 07 30 01
Web www.nbim.no

Registration of
Business Enterprises
NO 937 884 117 MVA



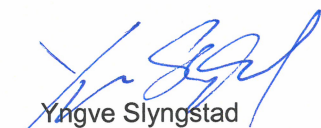
We welcome the development and disclosure of consistent and objective data on current and potential future greenhouse gas emissions, reported according to well-defined and transparent methodologies. We consider the current draft to be a useful starting point for the promotion of voluntary reporting of high-quality and standardised data on the potential future emissions from the fossil fuel reserves held by coal, oil and gas companies.

Measuring embedded carbon in fossil fuel reserves provides information on potential carbon emissions at the source of the energy system. In the analysis of how such embedded emissions may affect individual fossil fuel companies, it may also be of relevance to look at specifics about the future burning of these fuels, for example segmented by geographical markets or regulatory regimes. With technological development, it may be that the methodology in the future should also take account of such market specific variation.


Data based on the proposed methodology could be effectively collected and communicated through an existing reporting initiative, already recognised as an international standard. The imperative of data consistency and practicability of operationalization, furthermore, underlines the importance of the World Resources Institute incorporating responses from companies in the final methodology.

We therefore welcome the World Resources Institute's open review of the methodology at this stage of the drafting process. We are hopeful that the World Resources Institute will receive input from relevant companies and other industry experts in this process. Our own submission, delivered online, reflects our interests as a financial investor in fossil fuel companies.

Yours sincerely



Yngve Slyngstad
Chief Executive Officer



William Ambrose
Global Head of Ownership Strategies