

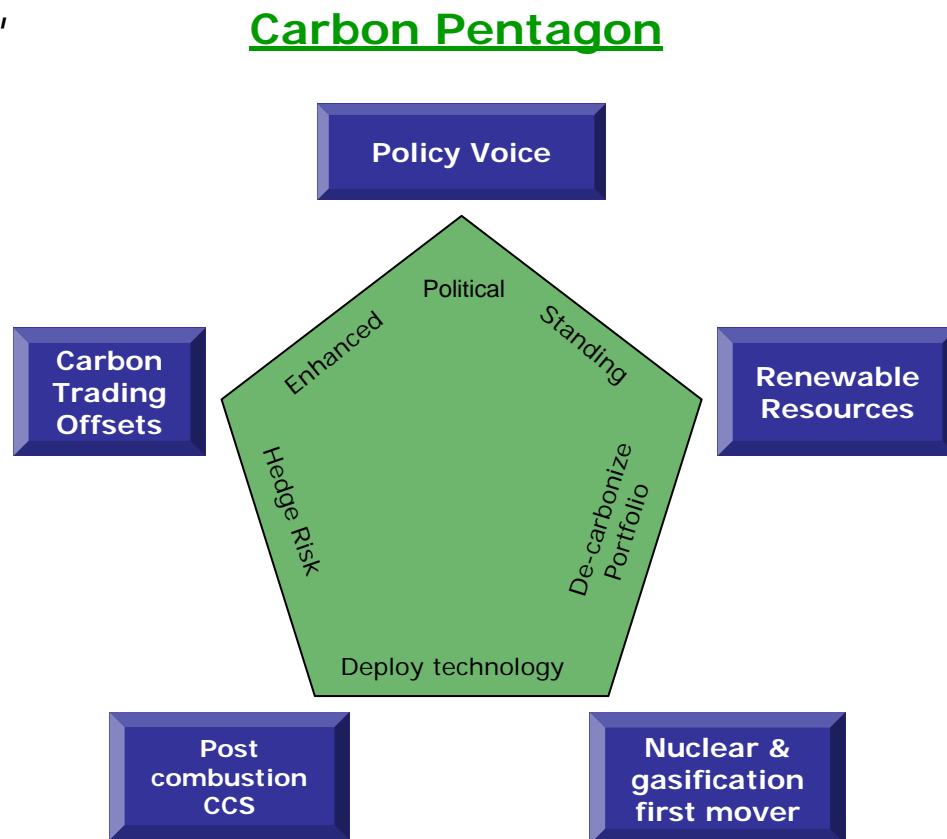


Tackling Climate Change

Steve Corneli
SVP
Market and Climate Policy

NRG Carbon Strategy

- Carbon constraints are necessary, inevitable and will significantly alter the face of the American power industry
- In 2006 we began to implement our carbon strategy (the carbon pentagon)
- We have developed critical capability and leadership in each area
- We are proceeding to transform our portfolio, our business and to help transform US policy



Power companies can either get on the bus or get hit by the bus – we are on the bus



Why Congress is more likely to enact comprehensive climate legislation



10. "Regulation" is no longer a bad word in America
9. More and more industries want Congress to end the uncertainty by enacting legislation
8. EPA is closer every day to issuing a rule under the Clean Air Act
7. Consensus is emerging on the most thorny issues (cap and trade, allocation, cost containment, emission reductions)
6. Increasing numbers of staff and members are familiar with cap and trade policies
5. Gasoline is under \$2 per gallon
4. A bigger majority in the Senate makes 60 votes easier
3. Ed Markey is chair of the House subcommittee of jurisdiction
2. Henry Waxman is chair of the House committee of jurisdiction
1. President Obama remains committed to cap and trade legislation

But what about the recession?

- “We’re all Keynesians now”
 - Unemployment, low output and reduced income involves falling aggregate demand for goods and services
 - Short term government deficit spending is supposed to *increase* aggregate demand and so increase output, employment, and income
 - Deficit spending can only go on so long

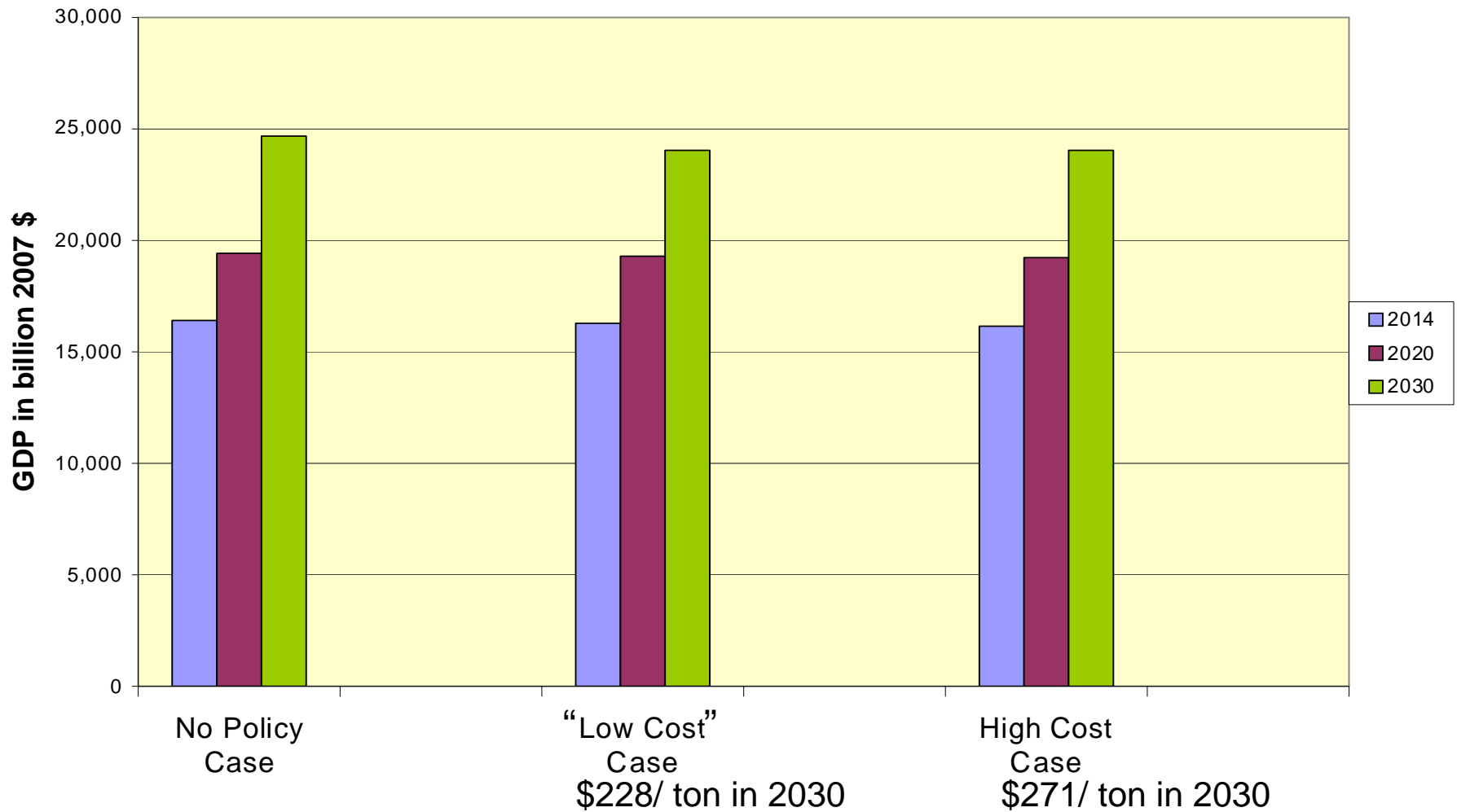
- Cap and trade with a technology deployment focus offers government a way to end deficit spending and “hand off” the recovery to competitive private sector investment that will drive economic growth

Climate policy could help restore growth when deficit spending ends

Even pessimistic modeling suggests strong economic growth with cap & trade



GDP Growth under NAM/ACCF study



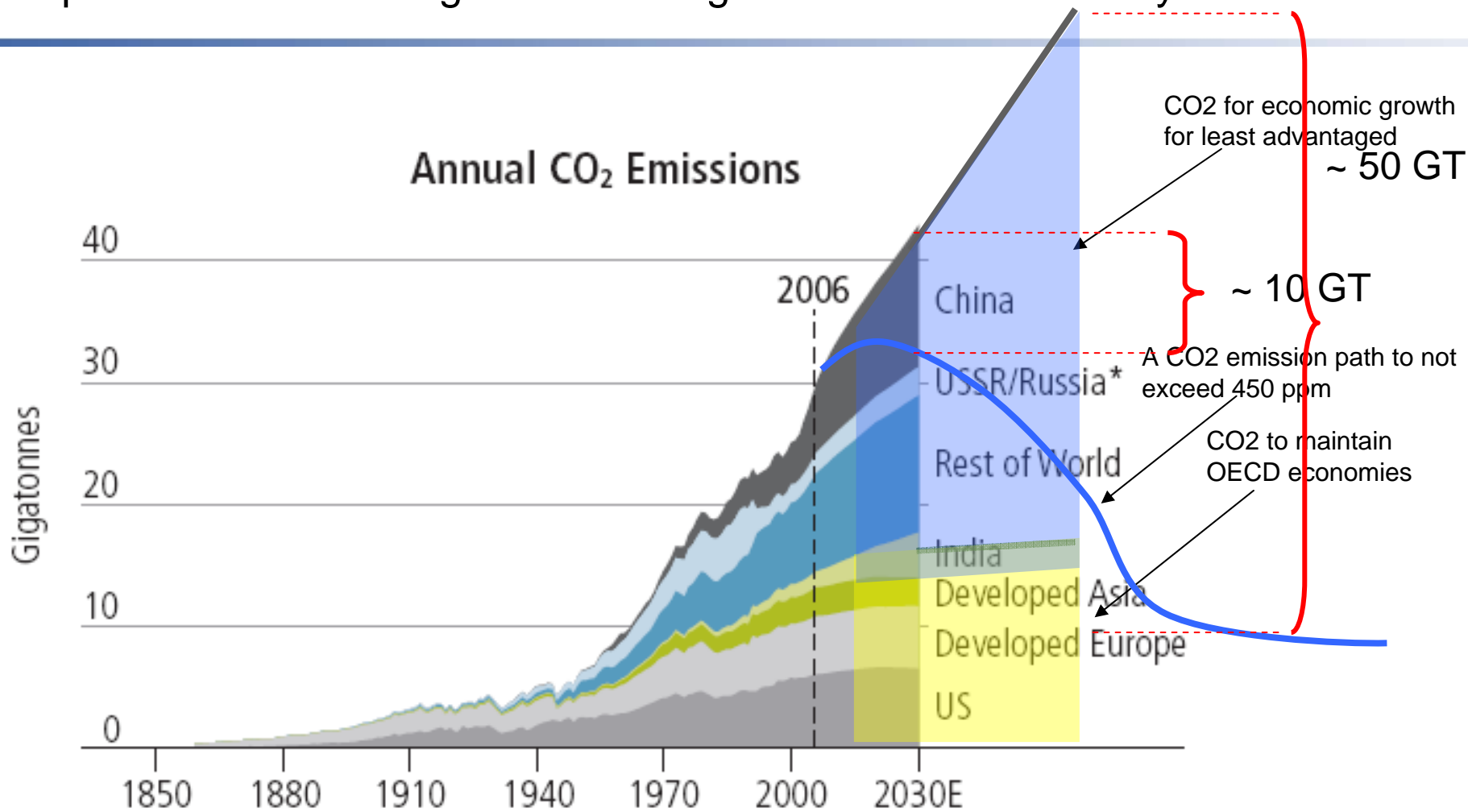
Compare to less pessimistic cases and to the cost of inaction

Key elements of a successful policy

1. Satisfy environmental need for aggressive emission reductions by mid-century and for developed economies to play the front of the field
2. Satisfy business and economic needs to avoid rapid shocks to shareholders and customers, without creating windfalls
3. Provide extremely strong incentives (carrots and sticks) to develop and deploy efficient new low/no carbon technologies
 - CCS and coal will be preeminent for both climate and domestic economic reasons

Such a package will build a broad coalition of members, regions and interests, and could boost growth when deficit spending stops ₆

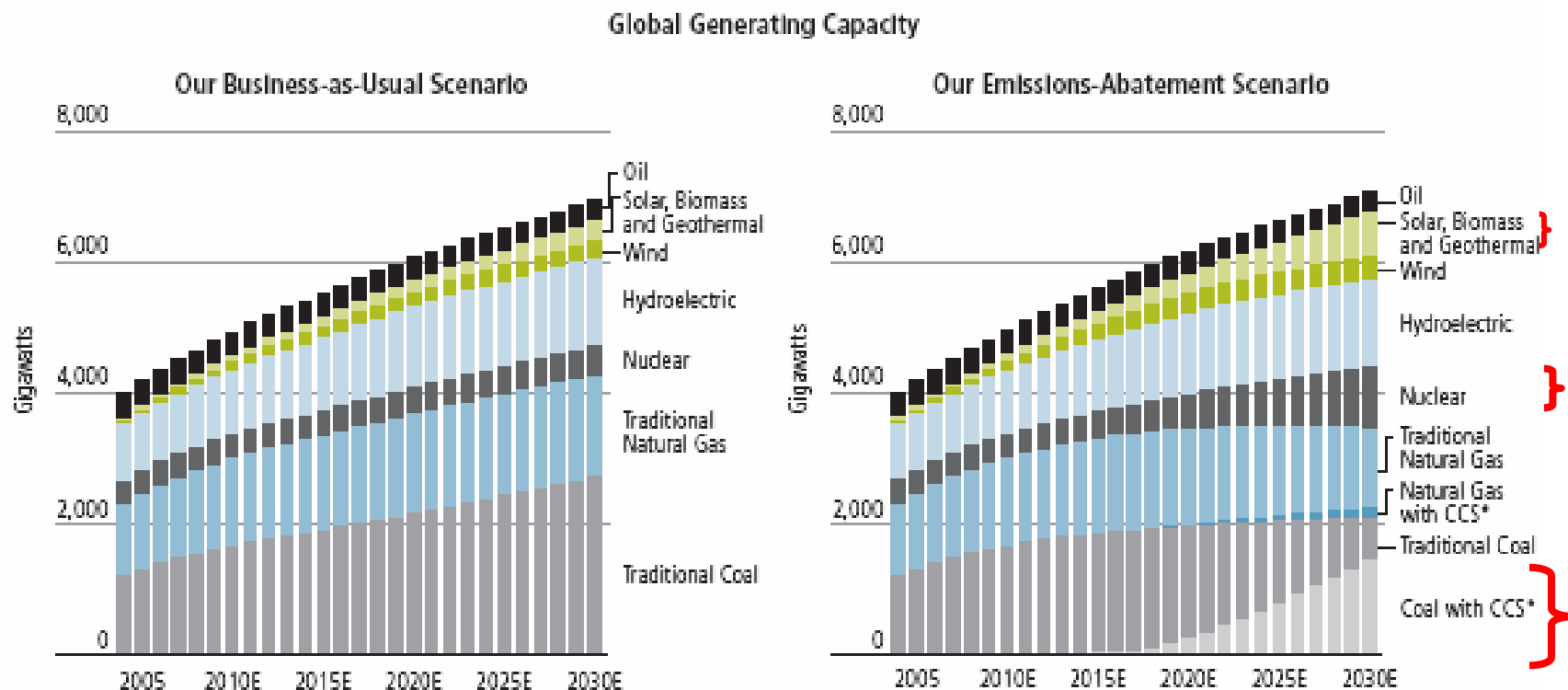
The pre-eminent challenge: economic growth and sustainability



Source: CDIAC, EIA and AllianceBernstein

Widespread and rapid global deployment of low carbon technology is the only way to achieve a truly livable world

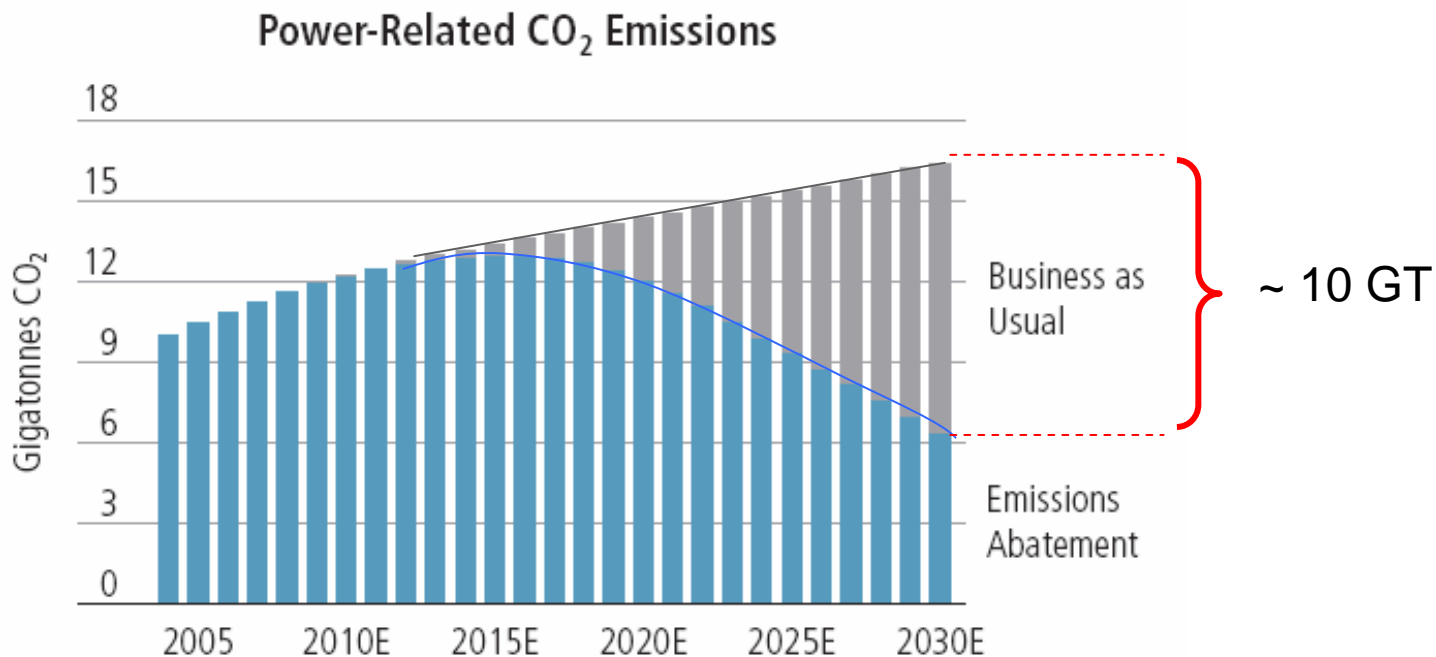
All technologies that can work are needed



* Carbon capture and storage
Source: EIA, IEA and AllianceBernstein

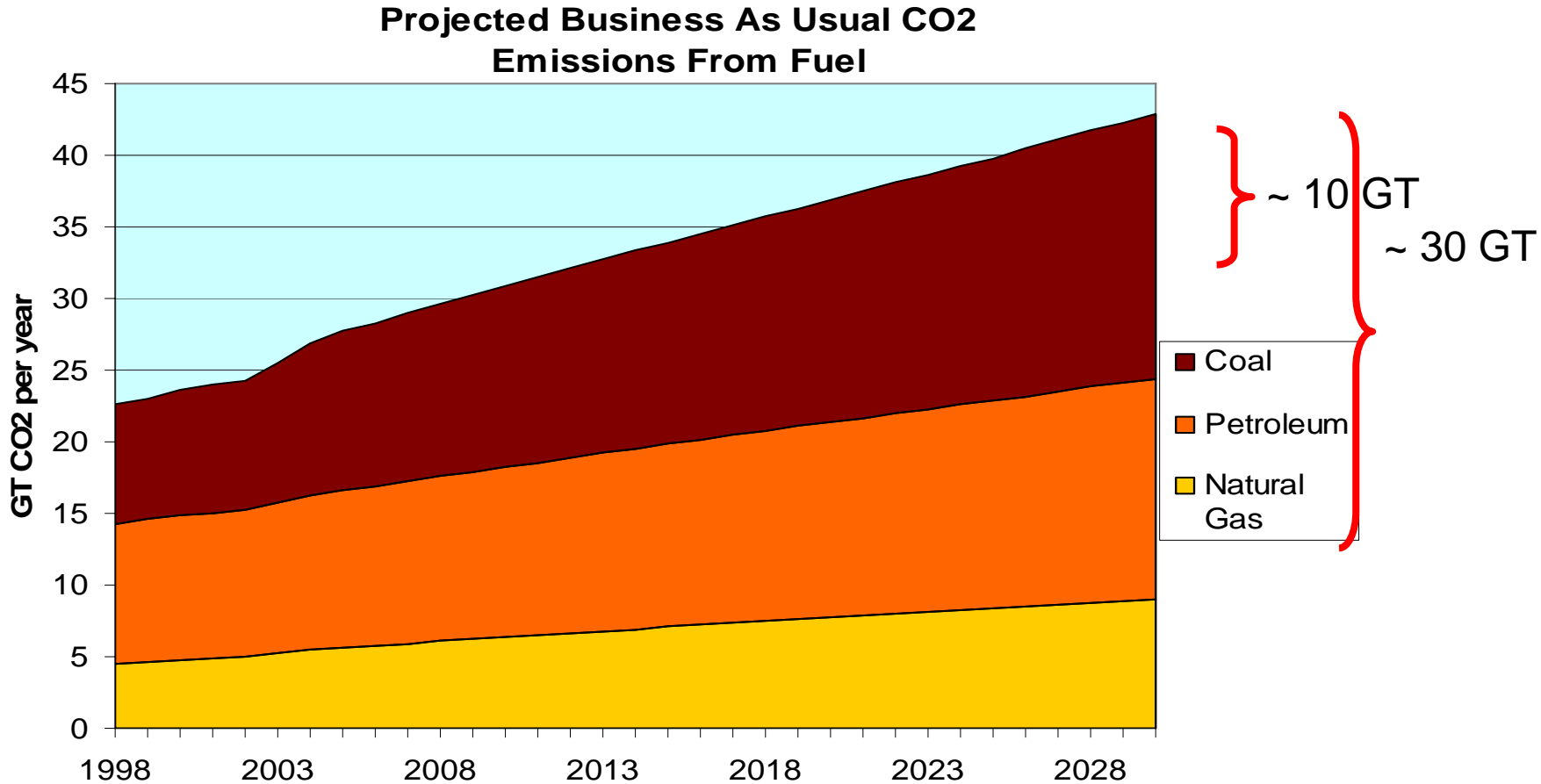
CCS alone can't solve climate change, but without it, climate change itself may not be solved

The good news – if the global power sector engages...



Source: EIA, IEA and AllianceBernstein

...we could contribute most reductions needed by 2030



Source: US EIA International Energy Outlook 2007, NRG

Decarbonized power and electric / low carbon transport could meet more than half of needed mid-century global reductions

Can we be optimists at a time like this?

- “Cleaner and cheaper” is a realistic goal
 - *Electric cars + nuclear < \$1 per gallon fueling costs*
 - *CCS, nuclear, solar, can eliminate or minimize ~33% of US CO2 from supply side in power sector*
 - *Electric light cars and trucks can eliminate ~17% of US CO2 from transport sector*

- Offers the potential to eliminate half of US CO2, revitalize the auto industry, reduce transportation costs for consumers, smog, oil imports, balance of trade...

- We should expect such synergies with various sectors

Yes -- we can