

# **AES Social Responsibility**

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# Social Responsibility at AES

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- Social Responsibility is one of AES's four corporate values (fun, fairness and integrity are the others). We adhere to this value by providing safe, clean, reliable electricity.
- Back in 1988, AES (led by co-founder Roger Sant) became convinced that the evidence for global warming was compelling enough to warrant action. Since AES's fossil fueled plants emit CO<sub>2</sub>, AES is a potential contributor to the global warming problem. Each of our U.S. businesses were encouraged to consider offsetting some or all of its projected CO<sub>2</sub> emissions by funding an offset project such as planting trees or forest preservation.
- However, the Social Responsibility concept was broadened in the early 1990's when we began doing business overseas, particularly in developing countries. We found that while global warming is an important issue, the often severe economic conditions existing in many developing countries suggested that we broaden our focus to include projects which address more basic and immediate social problems, such as the lack of quality education, hunger, poverty, or inadequate medical care.
- The goal of AES's social responsibility is to address the most significant social problem(s) that can be mitigated, and each AES person or business is responsible for determining what problem(s) should be addressed.



# Social Responsibility at AES

AES CLESA (El Salvador): *“We supplied power to a community of 400 families of farmers located in a remote place. This will let them install water pumps to irrigate their lands, among others. The community has pledged to honor all electricity bills and to cooperate in the meter reading and the prevention of pilferage.”* (picture shows community’s first light bulb and first Christmas tree) ➤



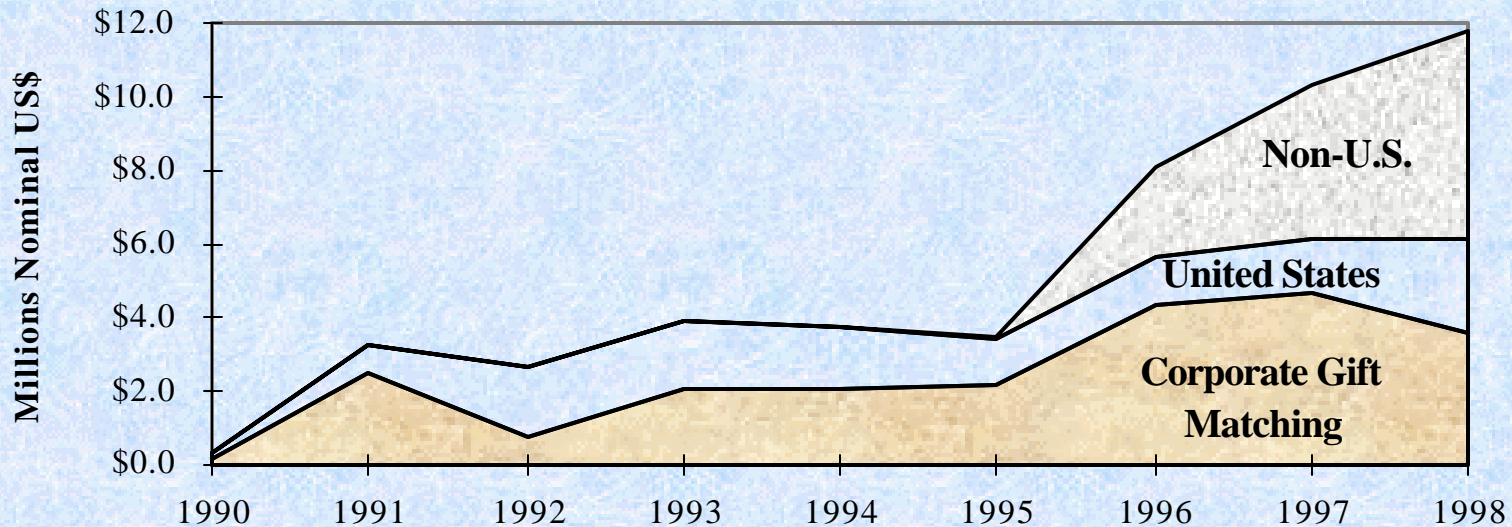
◀ AES Lal Pir (Pakistan):  
*“We constructed a girl’s school adjacent to our plant and handed it over to the Education Department. There, more than 500 students were studying in an open area. Roger [Sant] inaugurated the school.”*



# Project Analysis

- Total spending in 1998 reached almost US\$12 million. Corporate gift matching accounted for about \$3.5 million; \$2.9 million was spent on environmental projects, including the Bananal Island Carbon Offset project; and \$2.2 million for education programs.
- As AES's international presence expands, non-U.S. spending on social responsibility is also increasing. It now accounts for almost half of total spending.

### Annual Spending on AES Social Responsibility Projects



# **AES Carbon Offset Projects**

# AES Carbon Offset Projects

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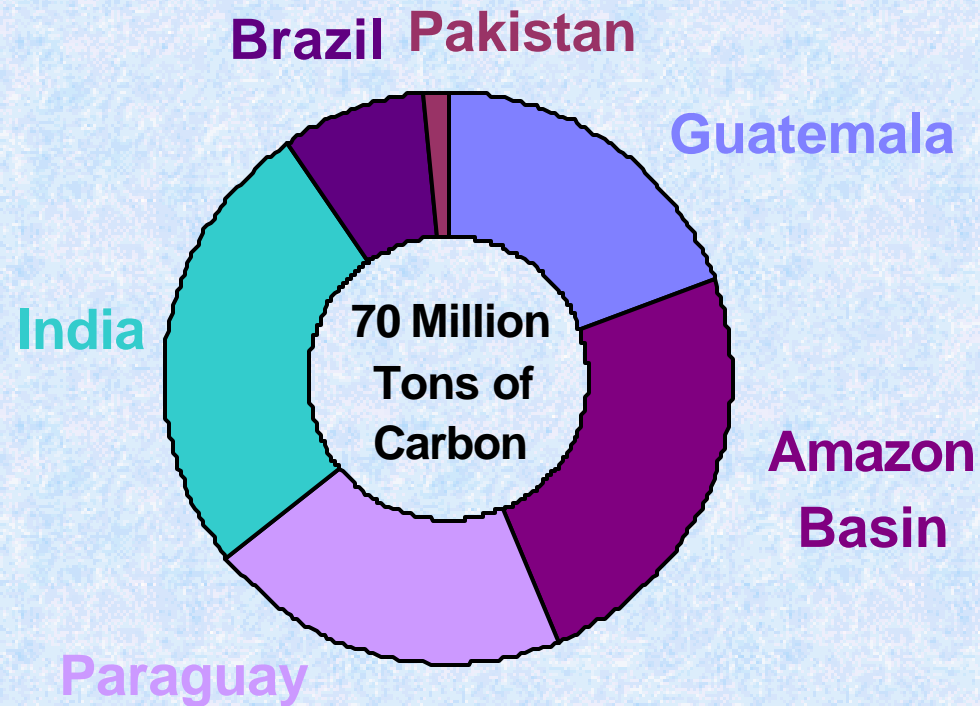
- Over the last 10 years, AES has committed over \$10 million to 6 different carbon offset projects. With one exception, each project is designed to offset the projected CO<sub>2</sub> (or CO<sub>2</sub> equivalent) emissions from an AES fossil-fueled power plant over the plant's lifetime. Types of projects include agroforestry, forest preservation and methane reduction through improved digestion of livestock. These projects are located in various locations in South America, India and Pakistan.
- AES carefully chooses projects which have measurable CO<sub>2</sub> offsets, are supported by organizations capable of successfully managing and monitoring emissions reductions (such as CARE or the Nature Conservancy), and which provide significant benefits to local people in the region.
- Most of the funds for CO<sub>2</sub> offset projects were set aside as part of the original construction budget of specific AES greenfield businesses, mostly located in the U.S. and the U.K.
- The cost of most of these projects ranges from 10-20 cents per ton of carbon (US\$) for the AES portion of the investment. This is considered very inexpensive for offset projects, which often range from \$1-\$10/ton of carbon. Some of this savings is due to matching funds from other partner organizations, which reduce the cost for AES. The Pakistani project is our most expensive project on a per-ton basis, costing 80 cents/ton.



# AES Carbon Offset Projects

- AES carbon offset projects are projected to offset a total of about 70 million metric tons of carbon (or 260 million tons of CO<sub>2</sub>) over the next 30-40 years. This is the equivalent of the emissions from a typical 1000 megawatt coal facility over its lifetime.

## AES Carbon Offset Projects



# AES Carbon Offset Projects

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➤ Below is a listing of AES's carbon offset projects to date:

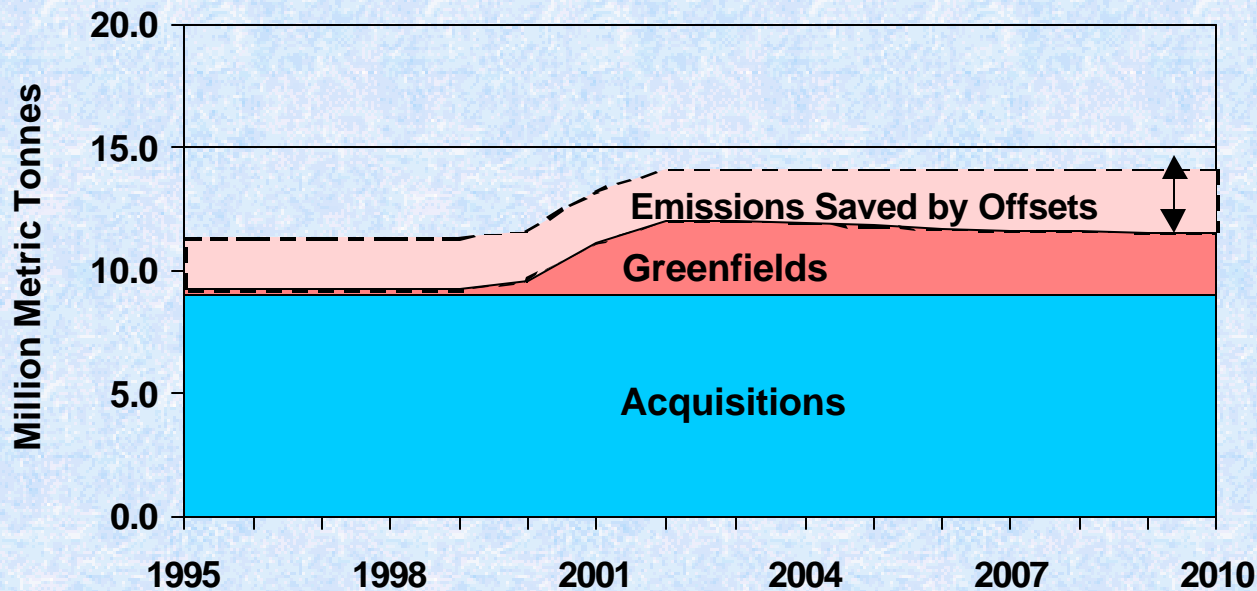
- ✔ **CARE/Guatemala Reforestation.** This was AES's first carbon offset project, and was funded by the AES Thames facility in Connecticut (U.S.). The project is expected to plant a total of about 50 million trees over 10 years.
- ✔ **OXFAM America Forest Preservation.** Project protects 1.2 million acres of tropical forest from deforestation in the Amazon region of Peru, Ecuador and Bolivia. Funding came from the AES Shady Point facility in Oklahoma (U.S.).
- ✔ **The Nature Conservancy Forest Preservation.** Project protects 143,000 acres of South American Rain Forest in Paraguay. Also protects the homeland of the Ache Indians, a tribe of hunter-gatherers who were discovered by the outside world in 1976. Funding came from the AES Hawaii facility (U.S.).
- ✔ **Methane Reduction Project in India.** Project improves livestock feeding and digestion for small-scale dairy producers in India. This results in increased milk production and healthier animals. Funding provided by AES Warrior Run (U.S.).
- ✔ **Bananal Island Forest Preservation.** Project will protect over 200 square kilometers of Brazilian rainforest, with some reforestation including a "buffer zone" of fruit trees. The funding source is AES Barry (U.K.).
- ✔ **Pakistan Tree Plantation.** Project will plant on average 200 acres/year for 30 years, mainly Jojoba trees. The project cultivates semi-desert and provides employment for the local people. Funding source: AES Lal Pir/Pak Gen (Pakistan).



# AES Carbon Offset Projects

- Annual carbon emissions from AES's U.S. plants are projected to increase from about 11 million metric tonnes (MMT) in the 1990's to 14 MMT by 2001 when Warrior Run, Puerto Rico and Ironwood come on-line. However, carbon offset projects reduce these emissions by 2 to 2.5 MMT each year or about 15-18 percent of total emissions.
- Emissions shown here are counted from the date of operation (not date of acquisition).

**Annual Carbon Emissions from  
AES's U.S. Plants**



## Bananal Island, Brazil

◀ *This is an aerial view of deforestation on the island, The area is like many to be seen which has been burnt to provide cattle grazing.*



*The reforestation project employs two nurseries. Each nursery will produce at least 180,000 trees per year depending on the species of tree. All the trees will be indigenous species.* ➤

