PRIVATE EQUITY
CLIMATE RISKS

The Carlyle Group's Hidden Climate Impact: Exposing a decade of fossil fuel investments

Key stats:

- The Carlyle Group (Carlyle) stands out among large diversified private equity firms as having one of the largest energy portfolios, mostly devoted to fossil fuels. Its portfolio has approximately $22.4 billion in carbon-based energy companies and only $1.4 billion committed to renewable and sustainable energy companies—less than 1 percent of assets under management.
- Between 2011 to 2021, 90% of Carlyle's 91 energy investments were in fossil fuels, with renewables representing a tiny fraction.
- Over the past decade, Carlyle's annual greenhouse gas emissions from fossil fuel investments have grown at a compound rate of 95% per year, totaling an estimated 277 million metric tons of CO_2e. It would take 4.6 billion new trees over ten years to offset.
- Carlyle's electricity generation is significantly dirtier than the US national production. Carlyle produced roughly ten times more electricity from fossil-fuels burning plants (146 megawatt-hours) than from renewable sources (15 megawatt-hours). During this same period, the US as a whole produced only four times more electricity from fossil fuels than from renewable sources.
- Carlyle remains one of the largest owners of gas-fired power capacity in the nation — rivaling those of industry giants such as Berkshire Hathaway Energy, NRG Energy, and the Tennessee Valley Authority.
- Nearly half of Carlyle's fossil fuel power plants have a record of environmental non-compliance under its ownership, including facilities repeatedly out of compliance with the Clean Water Act, the Resource Conservation and Recovery Act, and the Clean Air Act.
- Approximately 84% of downstream US assets are in areas with higher percentages of low-income residents and/or residents of color than statewide averages. In the case of Carlyle-backed facilities in Connecticut, Massachusetts, and Texas, the demographic disparities between the facility area and the state average are up to 26 percentage points higher.

Key takeaways:

1) Carlyle Group's energy portfolio is heavily skewed towards fossil fuels, with a small fraction dedicated to renewables, exposing investors to climate-related risks and contradicting the global shift towards clean energy.
2) Private equity firms, including Carlyle, are becoming the "pollution financiers of last resort," enabling companies to sell off high-polluting assets rather than phasing them out or discontinuing operations.
3) Carlyle's investments disproportionately impact low-income residents and communities

of color, with many of its fossil fuel assets located in areas with higher percentages of these populations.

4) Carlyle lacks a credible energy transition plan, leaving investors in the dark about what risks they may be exposed to. Their past and present investments show a major disconnect with their public statements committing to net zero emissions "across investments" by 2050.
5) Investors, regulators, and the public need greater transparency on the environmental and community impacts of Carlyle's energy portfolio and the climate-related risks faced by its investors.

A note on methodology

Due to the industry's intrinsic opacity, the report's findings likely understate the dirty footprint of Carlyle's portfolio. To overcome this lack of transparency, the team of authors on this report complemented the limited publicly available information disclosed by Carlyle about its holdings with other public sources, private data sources that track private equity deal activity, and with media coverage.[1] Carlyle's investments include a variety of strategies including leveraged buyouts, majority or minority stake, credit, or joint ventures. To measure the environmental impacts, this report estimates emissions for the fossil fuel portfolio companies whose activities Carlyle or NGP's investments have enabled through various investment strategies. Over the last year, the team of authors sought to verify the accuracy of the information in this report, including communicating directly with Carlyle and NGP for confirmation of investment and holding periods.

[1] For more details see Appendix A.