The Price of Denial

New-Dorp Beach, Staten Island after Hurricane Sandy

In October of 2012, "Superstorm Sandy" roared up the east coast, leaving 110 people dead, more than 8 million households without power, and wreaking economic havoc in excess of $60 billion and involving nearly half the states.

And before power could be fully restored, the area was again hit with a powerful and premature nor'easter. Even earlier, the spring of 2012 was the warmest ever, shattering prior records and making it the "largest temperature departure from average of any season on record" according to meteorologists. According to the recently released World Bank report, *Turn Down the Heat, Why a 4°C Warmer World Must be Avoided,* average global warming is already .8°C above pre-industrial levels and, without significant further reductions in greenhouse gas (GHG) emissions, is likely to increase by more than 3°C, radically impacting global weather patterns and sea levels. The National Climactic Data Center reports that 2012 was the hottest year ever recorded in the U.S., with the average temperature up a full degree Fahrenheit versus the previous record, set in 1998. That this is at least partially attributable to man-made greenhouse gas releases is undeniable and the implications could not be more ominous (see page 16). Our failure to fully accept the realities of global warming and take immediate action has imperiled the survival of our planet, and much faster than originally predicted.

More than 20 years before Al Gore's "An Inconvenient Truth" sparked an international debate that pitted climate scientists against global warming skeptics, ICCR members were addressing the environmental impacts of GHG emissions by filing some of the first-ever shareholder resolutions to address energy conservation, renewable energy and pollution controls. And in 1989, ICCR filed its first resolution referencing "planetary (global) warming" with General Electric.

Said Bill Somplatsky-Jarman of the Presbyterian Church (USA), "The call to action we issued to companies 20 years ago to safeguard the planet becomes more urgent each day. Greenhouse gas concentrations in our atmosphere are increasing. Climate change impacts are being felt, with the poor and vulnerable suffering the most. Climate change is the new normal, and both industry and governments and even ourselves, need to accelerate efforts to stem the damage by reducing emissions and helping people, especially those without resources, to adapt to this reality."

Despite ICCR's persistent calls for action on global warming, most companies were in denial for years. Yet, over time, ICCR's strategy of long-term engagement with management has proven successful in transforming company policies. When ICCR first broached the subject of global warming in the late 1980s, it urged companies to adopt the "precautionary principle" as the science was still in debate. At the same time, members were discouraging corporate efforts to discredit climate change science and corporate membership in the Global Climate Coalition (GCC), an industry association that was actively opposing calls for GHG emissions reductions. Said Margaret Weber of the Basilian Fathers of Toronto, "Ford Motor Company was one of the first companies to leave the GCC in 1999. Its decision was the impetus for dozens of companies to follow suit and discontinue their memberships. As a result, by 2002 the GCC was defunct."

ICCR members acknowledge Ford's leadership in setting an example for the auto industry (see page 17): not only in planning for a carbon-constrained future, but doing so with the best human rights code in the industry. Added Weber, "By 2020, more of the cars you see on the road will have better gas mileage and emit less pollution – a major step in reducing atmospheric $C0_2$. For that we have Ford to thank, along with other forward-thinking auto manufacturers."

Beginning in 2000, ICCR shareholder proposals began featuring "climate risk" and asked for emissions disclosures. At the same time, the European re-insurance companies Swiss Re and Munich Re were urging the board members of energy companies to

"Banks and investors can play an important role in promoting green energy solutions that will reduce our dependence on finite fossil fuels. Investing in the sustainable energy sector but also asking companies they invest in to be more accountable in monitoring and reducing their GHG emissions is a great way to do this." *- Laurence Loubieres of Sustainalytics* review climate risk in their operations. According to the 2007 report "Resilient Coasts: A Blueprint for Action" published by Ceres and the Heinz Center, "every dollar spent on (climate change) mitigation saves society about four dollars on recovery costs."

"The economic and social tolls of global warming were becoming alarmingly clear, and in 2004, members decided to set a higher bar and file a resolution asking companies to set firm reduction targets. We were concerned that the pension funds in our coalition would not be able to support it because our "ask" went way beyond disclosure. But it was approved by the SEC, and because pension funds were able to rewrite their guidelines, we garnered great support for the proposal," said Sr. Patricia Daly of the Tri-State Coalition for Responsible Investment.

Not surprisingly, the most strident climate change deniers are those most directly responsible – the fossil fuel industry and its lobbyists, who mount expensive campaigns to discredit global warming science and postpone serious discussion of the problem. Groups like the Heartland Institute and the U.S. Chamber of Commerce spend millions lobbying against climate change legislation and regulation. The Koch brothers alone have given $61.5 million to groups and political candidates that refute the existence of global warming. ExxonMobil, meanwhile, spent $16 million between 1998 and 2005 with 43 different advocacy groups promoting a narrative that is meant to cast doubt on global warming science. Said Laura Campos of the Nathan Cummings Foundation, "ICCR members seek disclosure on lobbying efforts and political spending by energy companies because of a desire to ensure that the spending is used to further long-term shareholder value rather than the short-sighted obstruction of environmental reforms. ICCR members aren't alone in their concerns; the proposals often garner more than 30 percent of the vote at shareholder meetings."

Said Fr. Michael Crosby of the Province of St. Joseph of the Capuchin Order, who has waged a campaign with ExxonMobil on the environment since 1997, "As the most profitable oil and gas company in the world reaping over $41 billion in profits in 2011, Exxon clearly has a vested stake in the outcome of this public debate. By continuing to deny that its business model must be adapted to the realities of climate change, ExxonMobil is out of sync with its industry peers. For this reason, we are once again forced to file a 2013 shareholder resolution on climate risk."

Added Daly, "This is the seventh year we are filing with ExxonMobil on GHG reduction. Investors expect ExxonMobil to show leadership in developing solutions, as the company plays such a critical role in energy markets, but to date what we have seen is stubborn denial and a refusal to adapt."

NY neighborhoods struggle with damage after Hurricane Sandy

ICCR members also engage the underwriters of the fossil fuel industry who have a clear responsibility to manage the environmental impact of their investments. "The financial services industry is one of the less-understood drivers of climate change," said Laurence Loubieres of Sustainalytics. "International banks inject billions of dollars into extractive industry projects with questionable environmental and social impacts. ICCR members are asking banks to assess the carbon footprint of their loans, investments, and services." In 2013, ICCR plans to publish a ranking of major U.S. banks, analyzing their performance in four key governance areas, including environmental risk. Said Loubieres, "Banks and investors can play an important role in promoting green energy solutions that will reduce our dependence on finite fossil fuels. Investing in the sustainable energy sector but also asking companies they invest in to be more accountable in monitoring and reducing their GHG emissions is a great way to do this."

Meanwhile, in the wake of "Superstorm Sandy" a movement calling on university endowments and faith groups to divest from the fossil fuel industry is gaining momentum on college and university campuses around the country. Said Somplatsky-Jarman, "While they are 40 years apart, the movement challenging apartheid in South Africa that gave birth to ICCR, and today's urgent calls for action on global warming have similar roots: both are about justice and the importance of engaging corporations about their social and environmental impacts, and together finding a more ethical and responsible way forward."

Added Daly, "Promoting justice and sustainability is a core component of all our company engagements and global warming has implications for our members' work on food and water security, environmental justice and human rights and, ultimately, on the security of the financial services sector. The consequences of a 3°-4°C temperature increase on our planet are unimaginable. Companies must make meaningful efforts to reduce their carbon footprints as the stakes will only get higher."

Overview of Key ICCR Shareholder Resolutions on Climate Change

1992 – "Reduce Carbon Dioxide Emissions and Global Greenhouse Warming"
THE ASK: shareholders request a report describing "company-wide policies, targets, plans and programs to reduce those (CO_2) emissions annually; adoption of cost-effective energy efficiency measures and their contributions to reducing CO_2 emissions."

1998 – "Financial Exposure to Climate Change"
THE ASK: shareholders request "the Board report on the company's anticipated liabilities due to property loss and/or healthcare costs potentially caused by climate change."

2000 – "Drilling Halt in ANWR Due to Global Warming"
THE ASK: shareholders request that "the Company unconditionally cancel any future plans for oil drilling in Coastal Plain, 1002 Area, of the Arctic National Wildlife Refuge and immediately stop the expenditure of any corporate funds targeted to achieve this objective."

2001 – "Global Warming"
THE ASK: shareholders request that "the Board of Directors report on the gas emissions from the company's operations and products, including (i) what the company is doing in research and/or action to reduce those and ameliorate the problem, and (ii) the financial exposure of the company and its shareholders due to the likely costs of reducing those emissions for damages associated with climate change."

2004 – "Renewable Energy Needed: Climate Change"
THE ASK: shareholders request the Board "adopt a company policy to promote renewable energy sources consistent with the newly-created Cabinet-level council and to develop strategic plans to help bring bioenergy and other renewable energy sources into the company's energy mix. Shareholders shall be kept advised regularly as to the ways the Company is moving from its existing over-dependence on fossil fuels to the promotion and marketing of renewables."

2004 – "Auto Companies Report on GHG Emissions Reduction Strategy"
THE ASK: shareholders request that "the Board report on a) performance data from the years 1994 through 2003 and ten-year projections of estimated total annual greenhouse gas emissions from its products in operation; (b) how the company will ensure competitive positioning based on emerging near and long-term GHG regulatory scenarios at the state, regional, national and international levels; (c) how the company can significantly reduce greenhouse gas emissions from its fleet of vehicle product (using a 2003 baseline) by 2013 and 2023."

2005 – "Global Warming – Kyoto Compliance"
THE ASK: shareholders request "the Board report on how the company will meet the greenhouse gas reduction targets of those countries in which it operates which have adopted the Kyoto Protocol."

2006 – "Lobbying Related to Fuel Economy"
THE ASK: shareholders request that "the Board report on all the company's lobbying efforts and financial expenditures intended to influence government regulation of fuel economy standards. The report should present the business case for these activities in light of long-term economic trends and the company's widely publicized plans to increase the fuel economy and reduce the environmental impact of its vehicles."

2008 – "Banks & Coal Financing"
THE ASK: shareholders request the Board "amend its GHG emissions policies to cease all financing, investment and any further involvement in activities that support mountain top removal coal mining or the construction of new coal-burning power plants that emit carbon dioxide."

2012 – "Adopt Greenhouse Gas Reduction Goals"
THE ASK: shareholders request that "the Board adopt quantitative goals, based on current technologies, for reducing total greenhouse gas emissions from the company's operations."

2013 – "Climate Risk"
THE ASK: shareholders request that "the Board review the exposure and vulnerability of the company's facilities and operations to climate risk and issue a report that reviews and estimates the costs of the disaster risk management and adaptation steps the company is taking, and plans to take, to reduce exposure and vulnerability to climate change and to increase resilience to the potential adverse impacts of climate extremes."