Raising the Bar to Lower Greenhouse Gas Emissions

New national climate reports detailing the incontrovertible warming of our planet have intensified calls from investors for fossil fuel companies to accelerate their efforts to reduce greenhouse gas (GHG) emissions. Having first began this work in 1989, ICCR members continue to explore new approaches to the issue and engage with more sectors to press for a reduction of their carbon footprints.

This year ICCR members filed 47 resolutions dealing directly with climate change, and an additional 23 that addressed it in the context of other arguments — a significant increase from the 31 climate-change related resolutions filed last year.

2014 Climate-Change ICCR Resolutions

Adopt GHG Reduction Goals	13
Adopt Near-Term Actions to Reduce GHG Emissions	3
Adopt Quantitative Goals for Reducing Flaring	1
Assess/Report GHG Emissions Resulting from Lending Portfolio	2
Climate Change Assumptions Use for Strategic Planning	1
Climate Change Management Plan	2
Climate Risk	7
GHG Reduction Targets & Renewable Energy Sourcing	3
Implement Comprehensive Palm Oil Policy (GHG)	2
Long & Short-Term Financial Risks of Coal	1
Operational Risks: Likely Restrictions on Carbon Emissions	1
Public Policy Advocacy on Energy Policy/Climate Change	5
Report Methane Emissions	5
Set Reduction Targets for Methane Emissions	1

ARE FOSSIL FUEL COMPANIES WALKING THEIR TALK?

Responsible investors have long been concerned by the outsized political and regulatory influence fossil fuel companies have wielded against environmental reforms that seek to mitigate global warming. Rather than proactively evolving their business models towards a greener energy future, the energy sector continues to use its vast influence to defend the status quo at great risk to our planet. Shareholder proponents argue it is time for companies to evaluate their public policy positions and lobbying on climate change and fully disclose the results to investors.

Said Tim Smith of Walden Asset Management, "In light of the scientific consensus about the climate crisis, it is even more urgent that companies and investors alike 'raise the bar' by aggressively striving to reduce greenhouse gases. But fossil fuel companies also need to change course to publicly support legislation that reduces GHG emissions and helps our country adapt to the impacts of changes in climate."

This year, investors are directly pressing companies to change their public policy advocacy on climate change through a new set of resolutions that opens the door to a public policy debate. Five fossil fuel companies and major energy producers are being pressed to conduct a Board-level review of their public policy positions and lobbying activities related to energy policy and climate change – American Electric Power, Chevron, Conoco, Devon Energy, and Exxon Mobil.

The resolution addresses both direct public policy advocacy by the companies as well as their advocacy through third-party trade associations such as the U.S. Chamber of Commerce ("Chamber"), American Petroleum Institute, and National Association of Manufacturers ("NAM").

The Chamber and NAM have aggressively campaigned against climate change legislation and regulation, going so far as to sue (unsuccessfully) the EPA in an attempt to block it from exercising its authority over greenhouse gas emissions.

PUTTING THEIR MONEY WHERE THEIR MOUTHS ARE: HOW BANKS CAN MOVE THE NEEDLE ON GHG EMISSIONS

Banks and other financial institutions contribute to climate change through their "financed emissions" – i.e., the greenhouse gas footprints of their loans, investments, and financial services. Banks' financed emissions can dwarf their other climate impacts and expose them to significant reputational, financial, and operational risks.

Many banks have integrated climate change into their lending standards, with some even making multi-billion dollar commitments to climate change mitigation efforts. However, the fossil fuel industry's "stranded carbon assets" remain a significant risk for banks lending to this sector, as does how banks are integrating climate change metrics into their proprietary investments.

Said Meredith Benton of Boston Common Asset Management, "Investors are concerned that banks have insufficiently addressed climate change in their lending and underwriting decisions. Banks succeed when they are able to predict and manage risks, accurately assess valuations, and plan for potential future events. However, as the only certainty that climate change brings is that 'business as usual' must not be allowed to continue, banks must undertake a strategic review of the implications of climate change in their businesses."