The latest climate change doubters: shareholders

(June 13, 2016) - Corporate shareholders are rejecting efforts to compel energy companies to report on how they contribute to climate change, even as the United States and other countries agree to work to limit rising global temperatures.

The latest failure of a climate change proposal was at oil explorer Devon Energy Corp., where 63.8 percent of shareholders on June 8 rejected the call for a report on the company's impact on climate. It follows similar rejections within the past month at Exxon Mobil Corp. and Chevron Corp.

The failure of these measures shows the difficulty of trying to use federal regulators as a wedge to add green policies at global energy producers. Shareholders this year have voted down climate change proposals at FirstEnergy Corp., Dominion Resources Inc., Berkshire Hathaway Inc., NextEra Energy Inc., and Kinder Morgan Inc.

The shareholder proposal process generally takes place under the oversight of the Securities and Exchange Commission, which is often forced to rule whether these advisory measures should advance to a vote.

"I think it is predictable that these [proposals] continue to get rejected," said Maxwell Boykoff, associate professor in the environmental studies program at the Center for Science and Technology Policy Research, a non-partisan group at the University of Colorado. "It's rejected in the short term, but in the long term, these shareholders won't go away because there are shifts that are changing beneath our feet."

The climate change proposals were fueled by the Paris Agreement on climate change, signed by the United States and more than 170 nations on April 22. The agreement set a goal of limiting global warming to 2 degrees Celsius.

The climate change proposals commonly request boards to adopt long-term, quantitative, company-wide targets for reducing greenhouse gas emissions in products and operations, taking into consideration the global commitment to limit warming.

The proposals come to a vote when the companies themselves decline to report on climate change impact.

"Exxon and Chevron's rejection of their own stakeholders' proposals to act on climate change shows the fossil fuel industry is still betting on short-term profits coming from an outdated business model," said Naomi Ages, climate liability project lead at Greenpeace. "Governments agreed in Paris to act on climate change, so companies — including big oil — must follow that lead and be competitive in a new world order."

Both Ages and Boykoff think that, despite the shareholder rejections, energy companies should still be cognizant of climate change because of what's known as stranded assets.

A stranded asset is a financial term for something that has become obsolete or nonperforming ahead of its useful life, and must be recorded on the balance sheet as a loss, according to Joel Makower, chairman at GreenBiz Group.

Energy companies could have stranded assets, Boykoff explained, if they invest billions of dollars to drill for oil but do not pursue it because of climate considerations, policy measures, or economic conditions, such as the rising price of oil.

"A combination of stranded assets, regulation, shift to renewable energy sources, and catastrophic weather events means business-as-usual is not viable for fossil fuel industries," said Ages.

The American Petroleum Institute, after multiple contacts by CQ Roll Call, declined to comment.

The matter of climate change has been the subject of debate in Congress. Senate Environment and Public Works Chairman James M. Inhofe, R-Okla., is an outspoken climate change skeptic who once brought a snowball into Congress to dispute global warming.

An aide to the majority on the committee said in an interview that Congress should not be involved or sway opinions on how businesses should communicate with their shareholders.

The aide said the shareholder proposals are being rejected because the majority of people realize their intent is to embroil the SEC in climate change, which is counter to the agency's core mission. Many companies have tried to block the shareholder proposals, only to have the SEC rule that they should go forward.

If shareholders do not like how an energy company acts, the aide said, they can sell their shares.

By Amy Lee Rosen, CQ Roll Call

End of Document