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Investor Group Demands Fossil Fuel Companies Disclose Carbon Asset Risk

VALERIE VOLCOVICI | Wed Feb 12, 2014

Feb 12 (Reuters) - A group of investors with combined assets of over $200 billion filed shareholder resolutions on Wednesday with ten energy companies, including Exxon Mobil and Southern Co, demanding they disclose their strategies for competing in a lower-carbon future.

Led by the New York State Comptroller's office, which alone handles $160 billion in assets, the investors focused on the companies' "carbon asset risk," or the potential for their carbon-intensive assets to lose value as market forces and potential regulation threaten demand for fossil fuels and related infrastructure.

The move is part of an ongoing effort by some major institutional investors, coordinated by the sustainability advocacy group Ceres and the Investor Network on Climate Risk, that is focused on holding companies accountable for these so-called "stranded assets."

The activists have been asking companies whose fortunes are linked to fossil fuels to assess under both a business-as-usual and a low-carbon scenario the risk of stranded assets and the physical risk from the impacts of climate change.

"The energy companies we invest in need to go back to the drawing board to determine the long-term financial risks that climate change poses to their business plans," said New York State Comptroller Thomas DiNapoli.

His office also filed shareholder resolutions with Devon Energy Corp, an oil and gas producer based in Oklahoma, and the Ohio-based utility FirstEnergy Corp.

The bank HSBC said in a 2013 report that the equity valuation of some oil producers could drop by 40 to 60 percent under a low-carbon scenario, in which countries take measures to reach a long-term United Nations target for lower pollution.

In order for the world to achieve the UN-agreed goal of limiting global temperature increases to 2 degrees C, the International Energy Agency said last year that no more than a third of the world's proven fossil fuels can be consumed by 2050.

"These companies are producing the vast majority of climate-changing emissions and now is the time for them to reduce risk," said Danielle Fugere, president of As You Sow, which works on corporate social responsibility issues with companies including Coca Cola, Chevron and HP.

"If they are not preparing to survive in a carbon-constrained future, we expect shareholders will sit up and take notice," Fugere said.

In December, a report by the non-profit Climate Disclosure Project showed that many large U.S. companies, from oil majors to retailers, are including the potential for carbon emissions fees in their strategic plans.