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Record-Breaking Support for 'Carbon Risk' Resolution at Anadarko Petroleum

Shareholder Proposal Asking Company to Address Risk of Stranded Assets Receives 30% Shareholder Support

OAKLAND, CA - Shareholders at Anadarko Petroleum Corporation, among the world's largest independent oil and natural gas exploration and production companies, sent a strong message to management about their growing concern of the risk of stranded reserves at the company's annual meeting. A shareholder resolution filed by shareholder advocacy group As You Sow asked Anadarko to prepare a report analyzing the financial risks of significantly reduced demand for oil and gas resulting from regulation or other climate-associated drivers, and how the company is addressing that risk. The proposal received 30% support, the highest ever for a carbon asset risk resolution, signaling the need for investors to seriously consider these risks.

"Climate change is the defining challenge of our time and investors are increasingly aware of this," said Danielle Fugere, President and Chief Counsel of As You Sow. "Either governments will dramatically reduce the amount of carbon that can be burned, keeping oil and gas reserves in the ground and negatively impacting the value of unprepared companies, or fossil fuel reserves will be burned, resulting in global warming of over 2 degrees Celsius, with catastrophic climate and economic effects. There is no middle ground. Investors are rightfully asking how companies are addressing these risks."

Stranded carbon assets have quickly grown to be the 'sleeper issue' of the 2014 proxy season. One high-profile example is ExxonMobil's response to a similar carbon asset risk proposal co-filed by As You Sow with Arjuna Capital this year. Exxon's agreement to issue the report made it the first energy company to report on its carbon risk. The controversial report from Exxon outlined its plans to continue business as usual, stating that the company does not foresee strong regulatory action to reign in climate change, and that it believes demand for its products will continue to rise. This information, although lacking sufficient detail, does provide investors with information to understand and compare Exxon's planning to that of other companies. Significantly, this week Shell also released a similar carbon asset risk report.

Adding to the importance of this issue to shareholders is the context of shifting energy markets. As noted in a recent Carbon Tracker Initiative report, costs of developing oil and gas reserves are increasing as companies are forced to turn to physically challenging environments and increasingly unconventional reserves, such as deep water, Arctic, oil sands, and shale projects. As the trend of increasing project costs meets potential demand plateaus or reductions due to competition from low-cost renewables, worldwide fuel economy requirements, and fuel switching (including the nascent move to electric cars), the likelihood for stranding of high cost assets increases.

As You Sow filed the first ever carbon risk resolution with CONSOL Energy in 2013, receiving support from 20% of voting shares. "The recent UN IPCC AR5 report on climate describes the impact of business as usual as a human rights tsunami, describing death, injury, and disrupted livelihoods for large urban populations, breakdown of infrastructure including electricity, water, and health services, and mortality and morbidity during periods of extreme heat – and all of this impacting to the highest degree the least developed countries, the most vulnerable populations," said Andrew Behar, CEO of As You Sow. "With these warnings from 830 of the top scientists from every country in the world, it is clearly time for extraction companies like Anadarko to quantify the risk to shareholders.”

Large institutional investors are also seeking greater transparency about climate related risks. "This is an important sign that investors are increasingly concerned with the risks that climate change poses to their portfolios," said Anne Simpson, Senior Portfolio Manager and Director of Global Governance at CalPERS, the nation’s largest pension fund. "Companies need to address those risks and report in full."

Although Anadarko acknowledges in its CDP (formerly known as Climate Disclosure Project) response the risk of climate change regulations and the potential for reduced demand for its products, the company fails to provide any specific information to shareholders regarding this carbon asset risk.

The resolution from As You Sow was filed as part of a shareholder initiative undertaken by Ceres in September 2013 in which 77 shareholders representing more than $3 trillion in assets under management asked 45 companies – coal, oil and gas, and utilities – for increased disclosure about whether they are addressing carbon asset risk, the impact of such risk on their capital expenditure decisions, and whether they are implementing strategies to avoid stranded assets in a carbon constrained world.

“In order to make informed investment decisions, shareholders must be aware of companies’ financial risk,” said Fugere. “If Anadarko’s reserves cannot be freely sold in the future, the company’s future long term solvency is uncertain.”

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As You Sow is a nonprofit organization that promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies. For more information visit www.asyousow.org.