inside climate news

Winner of the Pulitzer Prize
for National Reporting

Shareholders Flood Fossil Fuel Companies With Climate Resolutions Again

Proposals demand action or disclosure on low-carbon strategies, political spending, greenhouse gas emissions, and climate-change risks.

Elizabeth Douglass | Mar. 13, 2015

U.S. oil and energy companies are facing a barrage of climate-related shareholder proposals this year, many of them demanding action or disclosures on low-carbon strategies, political spending and lobbying, greenhouse gas emissions, and climate-change risks.

Other resolutions address hot-button energy issues such as the dangers of transporting crude oil in mile-long trains, concerns over hydraulic fracturing, and returning money to shareholders instead of spending it on expensive new oil projects.

The flood of environmental and social-issues resolutions is part of a trend. Over the past five years, more than 180 of those kinds of shareholder resolutions have gone to a vote at energy companies—far more than for any other industry, according to Heidi Welsh, executive director of the Sustainable Investments Institute. At corporate annual meetings, shareholders can propose advisory resolutions calling on management to adopt or change a wide range of policies.

Without management support, almost all of these resolutions are soundly voted down, but proposals that gather more than a few percentage points of support often get management's attention. The recent rush of energy company resolutions has won more than 25 percent of shareholder votes on average, an unusually high level of backing, Welsh said. She is co-author of the newly released 2015 Proxy Preview, a yearly report that includes tallies and analysis of a wide range of socially responsible shareholder proposals.

"I think this is a measure of some discontent with corporate strategy in the energy sector," Welsh said. "Investors are worried, in particular, about how the companies are grappling with the challenge of climate change."

The stepped-up pressure from shareholders coincides with a growing worldwide recognition that climate change is a grave threat and that fossil fuel emissions are at the heart of the problem. Citing that connection to global warming, an increasing number of universities, churches and local governments are pledging to sell their investments in coal, crude oil and natural gas companies.

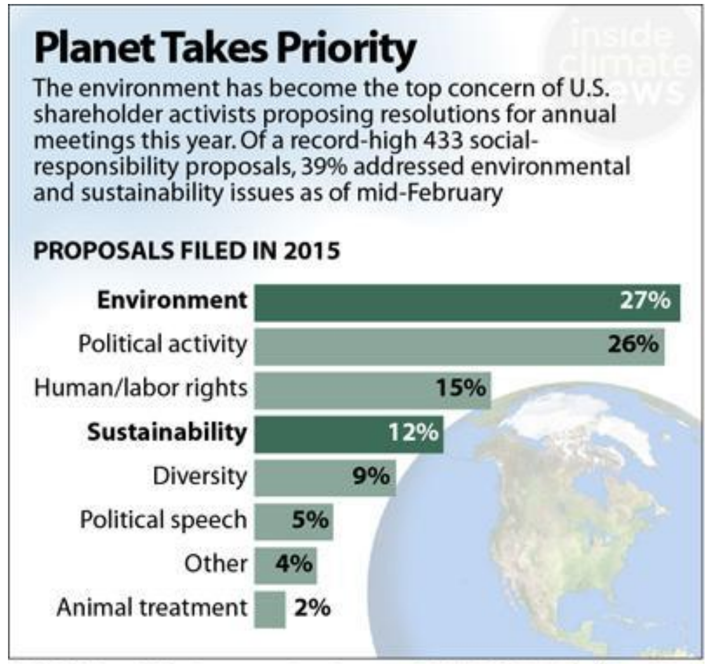
is year, BP faced a wide-ranging climate change-related solution brought by a coalition of U.S. and U.K. titutional investors. The proposal asked BP to report arly on various issues such as managing operational nissions, how well their assets would fare under various nate-change scenarios, and low-carbon research. Rather an resisting the shareholder effort, as is common among S. oil companies, BP publicly endorsed the proposals. edit: Graham Richardson, Flickr

As of Feb. 17, shareholders of publicly-traded U.S. companies had submitted a record crop of 433 environmental and social-issue resolutions, according to the Proxy Preview. The total is expected to rise before the annual meeting season begins in April.

There were 417 resolutions by mid-February last year. About half of them made it into company proxy statements, the documents that list what issues shareholders will vote on during annual meetings. The remaining resolutions were either successfully challenged by the target company or withdrawn by the sponsor, often in exchange for agreements or negotiations on the actions being sought.

The 2015 edition of the Proxy Preview, released this week, highlighted notable developments and trends:

► Almost 40 percent of the resolutions address sustainability and environmental issues (including climate change).



SOURCE: Sustainable Investments Institute PAUL HORN / InsideClimate News

► So far this year, 76 shareholder proposals involve climate change issues such as carbon accounting, emissions from energy production, and climate-related risk to coastal operations and fossil fuel reserves. In 2014, the final tally for climate change-related proposals came to 73.

► Shareholders filed 113 proposals dealing with corporate political activity, most of them seeking more disclosure about election spending and lobbying. About a dozen energy companies are targeted, including ExxonMobil Corp., Chevron Corp., Marathon Petroleum and FirstEnergy.

► Two new proposals present a novel approach to the threat of oil company reserves becoming worthless and stranded in a low-carbon economy. A Chevron resolution from As You Sow asked the company to raise the authorized dividend as a way of returning more money to shareholders instead of spending it on risky new oil projects. A similar proposal from Arjuna Capital was filed at Exxon. The oil companies have challenged the resolutions. Exxon argued that the Arjuna Capital proposal is too vague, is already implemented and should be disqualified because it deals with "ordinary business." Securities regulators haven't yet ruled on the matter.

► Just one proposal focuses on coal. Some shareholders of Dominion Resources want the company to report on efforts to reduce the environmental hazards—and financial risk—tied to coal ash disposal and storage operations.

► For the first time, investors are raising concerns about the risks associated with train loads of oil. A group of faith-based investors have asked ConocoPhillips, Exxon and railroad operator Union Pacific to provide reports on the fiscal and reputational risks "linked to various kinds of disasters resulting from shipping crude oil and natural gas by rail." There has been a string of explosive accidents involving derailed oil-laden trains—including four in the U.S. and Canada since mid-February.

► The New York City Comptroller filed proposals at 75 companies that would give large, long-time shareholders the right to nominate board members. The shareholder nominees would appear on the ballot along with the company's slate. Comptroller Scott Stringer, who represents $160 billion in New York City pension money, included 33 "carbon-intensive coal, oil and gas, and utility companies" in what he called the Boardroom Accountability Project.

Although the Proxy Preview report focuses on U.S. companies, this year the authors made note of unusual moves by European oil giants BP and Royal Dutch Shell.

Both companies faced a wide-ranging climate change-related resolution brought by a coalition of U.S. and U.K. institutional investors. The separate but nearly identical proposals asked BP and Shell to report yearly on: managing operational emissions; how well their assets would fare under various climate-change scenarios; low-carbon research, development and investment strategies; climate-related strategic performance indicators and executive incentives; and public policy positions on climate change.

Rather than resisting the shareholder effort, as is common among U.S. oil companies, BP and Shell publicly endorsed the proposals.

"It is a real validation that these concerns are important," said Andrew Logan, director of oil and gas programs at Ceres, a nonprofit that marshals large investors to push for sustainable business practices. "It is going to make it much harder for other companies to take a less-than-cooperative approach" to the same requests for information, Logan said in the Proxy Preview report.

The Proxy Preview, now in its 11th year, is produced by the nonprofit organizations As You Sow and Sustainable Investments Institute, and Proxy Impact. As You Sow is a frequent sponsor of shareholder resolutions involving environmental and social responsibility; the Sustainable Investments Institute researches and tracks shareholder resolutions and the social and environmental issues behind them; and Proxy Impact is a shareholder voting and engagement service that caters to socially responsible investors.

http://insideclimatenews.org/news/13032015/shareholders-flood-fossil-fuel-companies-climate-resolutions-again