Shell Endorses Shareholder Resolution That 'Boldly Questions Its Own Business Model'

Hannah Ritchie | Feb. 3, 2015

Image Credit: Shell

Last week, Royal Dutch Shell's board of directors ratified a shareholder resolution that commits the oil giant to investing in a low-carbon future. The resolution called for the company to commit to reducing its greenhouse gas emissions, invest in renewable energy, scrap bonus systems that are associated with climate-harming activities, and base its business model risk assessment against the widely considered "safe" warming limit of 2°C (as signed by 141 governments at the UN's Copenhagen Accord).

The shareholder resolution at Shell was co-filed by non-profit shareholder advocacy organization As You Sow as part of the "Aiming for A" Coalition of investors, which is directed between ClientEarth and ShareAction. As You Sow also co-filed a similar resolution for another supermajor — British Petroleum (BP).

"It's remarkable that a supermajor like Shell supports a shareholder resolution that boldly questions its own business model," explained Andrew Behar, CEO of As You Sow. "This acknowledgement of the need for change will ripple through the entire industry, and not a second too soon, as we see reports of 2014 being the hottest year on record. We see this as a signal to policymakers that the business community supports a robust global climate accord in Paris in 2015."

Despite optimism that a host of energy giants seem to be engaging on climate-related risks, previous resolutions filed by As You Sow with energy companies have been less than successful: Resolutions submitted to Anadarko and CONSOL Energy in 2014 were supported by only 30 and 18 percent of shareholders, respectively. In 2014, joint advocates As You Sow and Arjuna Capital withdrew their resolution with ExxonMobil after the company published its report on stranded carbon asset risk. Although it recognized that climate change was an important issue, it failed to answer the question of whether some of Exxon's reserves would be stranded, commenting that it believed that any future capping of carbon-based fuels to the levels of a "low-carbon scenario" would be unlikely due to pressing social needs for energy.

But As You Sow seems optimistic that the latest endorsement from Shell is confirmation that the superpowers may be opening up to the idea that business-as-usual is no longer a viable option, and are treating this risk seriously.

“Shell’s statement provides evidence that business as usual is no longer working for shareholders or industry, either from a global warming or markets perspective,” said Danielle Fugere, president and Chief Counsel of As You Sow. “Whether oil prices are high or low, producers are finding themselves between a rock and a hard place: When prices are low, they can’t earn enough to cover costs, and when prices are high, consumers are driven to lower-price competitors like renewables. In the meantime, global warming is driving regulatory action that is likely to strand fossil fuel assets.”

As You Sow has been a key player in helping investors push for corporate transparency and policy shift — both within and outside the energy sector. The organization has also recently helped shareholders push for commitments on recyclable packaging from CPG giants including P&G, Colgate and Mondelez International.

http://www.sustainablebrands.com/news_and_views/behavior_change/hannah_ritchie/shell_endorses_shareholder_resolution_boldly_questions