



Green Groups Renew Attack On Mining Companies, Citing IEA Study

Daniel Cusick, E&E reporter | Thursday, May 16, 2013

Activist shareholders are asking one of the nation's largest mining companies to disclose the risks it faces from the potential stranding of billions of short tons of coal in the event the federal government passes regulations limiting the amount of carbon dioxide that coal-burning industrial plants can emit into the air.

A resolution put before Pittsburgh-based Consol Energy Inc. last week received 20 percent support from shareholders accounting for an estimated \$1.2 billion in stock holdings, according to **As You Sow**, a shareholder advocacy group that sponsored the measure.

The group maintains that as much as two-thirds of Consol's 4.5 billion tons of proved and recoverable coal reserves could become stranded assets in the event of federal CO2 regulation because new restrictions would greatly reduce demand for coal by electric utilities and other industrial users.

"It is of concern to investors that a portion of CONSOL's coal and gas reserves and/or related infrastructure may become unusable, unmarketable, or otherwise not economically viable as a result of greenhouse gas restrictions," states the resolution, which went before shareholders at Consol's May 8 annual meeting.

Danielle Fugere, **As You Sow's** president and chief counsel, said companies like Consol with large holdings in coal, natural gas and other fossil fuels face inordinate risk from overvaluation of their stock due to the likelihood of carbon limits or a carbon tax that would impose a financial penalty on heavy emitters.

Such overvaluation "creates risk of a 'carbon bubble' that is estimated to be an order of magnitude larger than the housing bubble that devastated the U.S. economy" in 2009-10, Fugere said.

"This vote underscores that shareholders are becoming increasingly jittery about the financial risks climate change poses to unprepared companies. They are demanding to be fully informed of how, or if, their company is responding," she added.

A spokeswoman for Consol Energy did not immediately respond to phone or email inquiries.

Consol calls resolution 'overreaching'

In a March filing with the Securities and Exchange Commission notifying shareholders of the resolution, Consol said the company's board and management "respect our investors' interest in environmental issues, and we recognize the importance of environmental management."

However, Consol executives opposed the resolution on grounds that it was "overreaching, unlikely to be implemented at a reasonable cost and requires a report addressing issues outside our experience and purpose."

"CONSOL mines and produces two fossil fuels, coal and natural gas, and has no particular experience enabling it to assess the risks to society, as a whole, of fossil fuels generally and their contribution to climate change as stated in the proposal," the company said.

"Further, the proposal's request for an analysis of long- and short-term financial and operational risks to society of fossil fuels and their contribution to climate change is so vague, CONSOL would not be able to determine with any reasonable certainty what such financial and operational risks are to society, as a whole," the notification document states. Consol executives also noted that a number of the concerns raised by the shareholders were addressed in its recent "Corporate Responsibility Report."

While 80 percent of Consol's shareholders who voted on the proxy agreed with the company's position, Fugere said the resolution garnered sufficient support for Consol executives to agree to meet with concerned groups to further discuss the issues raised.

"Where, as here, 20 percent of the voters send a message for change, management often listens," the group said in a press release.

Vote coming at another mining company

A resolution mirroring the one put before Consol Energy's shareholders will be voted on by shareholders of Alpha Natural Resources Inc. later this month. That resolution is sponsored by activists associated with the United Church of Christ, which claims 1.1 million members in the United States.

As with Consol, Alpha Natural Resources executives have opposed the climate report resolution, according to SEC filings, in part because "it would require the company to engage in pure speculation on a variety of matters outside of its control."

The Consol and Alpha resolutions, while not the first seeking to compel business executives to address climate change risks to shareholders, are the first to build their arguments around findings from the International Energy Agency that deal with coal reserves.

The IEA, in its latest World Energy Outlook, states that "no more than one-third of proven reserves of fossil fuels can be consumed prior to 2050" if the world is to contain global warming to no more than 2 degrees Celsius, as recommended under the United Nations' 2009 Copenhagen Accord.

Rules targeting industrial CO2 emissions are already under development by U.S. EPA for newly constructed fossil power plants, and many expect the agency will eventually promulgate rules for existing coal-fired plants.

If such rules are implemented, experts have predicted steep drops in coal consumption by electric utilities and a quickening pace of power plant conversions from coal-burning facilities to natural gas or other fuels.

Meanwhile, the U.S. Energy Information Administration estimates that under an escalating carbon tax scenario beginning at \$15 per metric ton in 2014, the share of U.S. electricity generation derived from coal could drop from the current 39 percent to as low as 13 percent by 2040.