AS YOU SOW

2016 Shareholder Resolution
SOUTHERN COMPANY
Request: Report on Stranded Assets Due to Climate Change

WHEREAS:

The Southeast's economic growth "is at risk from unchecked climate change, which could render this region – already one of the hottest and most weather vulnerable of the country – at significant economic risk." (Risky Business, 2015).

Because coal causes 77% of U.S. energy related emissions, regulations designed to halt or mitigate climate change will likely target coal. (EPA, Electricity Sector Emissions, 2014). This may lead to stranding -- premature write downs, or devaluations of coal assets. For instance, in 2015, the U.S. finalized the Clean Power Plan, which requires the electric power sector to significantly reduce carbon emissions. HSBC noted that the rules could "increase the stranding risk for U.S. coal producers and coal heavy utilities." Coal fired utilities claimed that the regulations will "result in billions of dollars in stranded assets." (Comment to EPA from Coalition for Innovative Climate Solutions).

In contrast to peers, Southern Company is making big bets on carbon capture and storage ("CCS") and coal gasification, with the hope of trapping carbon pollution and storing it indefinitely, similar to nuclear waste. However, there is tremendous controversy and conflicting data on whether CCS works, is cost effective, and can overcome high water requirements, and other challenges. Coal gasification attempts to reduce coal's carbon intensity by converting coal to gas, then burning it. Coal gasification is not widely employed because natural gas is a less expensive alternative that achieves similar carbon savings. Southern Company's Kemper coal gasification plant is nearly $4 billion dollars over-budget and two years delayed, resulting in Southern's subsidiary, Mississippi Power, having its credit downgraded. Mississippi has also not committed to full cost recovery for Kemper, and the state Supreme Court refunded Kemper-related costs to customers.

Southern's emphasis on CCS and coal gasification constitute a gamble that may increase, rather than reduce, its carbon asset risk. Southern's focus on these technologies discourages the Company from shuttering or converting coal plants, exposing investors to billions of dollars of risk due to uncertainty about technical viability and cost effectiveness. Kemper has already resulted in millions of dollars of losses being born by shareholders.

BE IT RESOLVED:

Shareholders request that Southern Company prepare a report by September 2016, omitting proprietary information and at reasonable cost, quantifying potential financial losses to the company associated with stranding of its coal assets under a range of scenarios for climate change driven regulations that mandate greenhouse gas reductions beyond those required by the Clean Power Plan. Such report should include possible financial losses if coal gasification and/or CCS is rejected by policymakers as a technical climate mitigation strategy, or if they cannot be cost effectively implemented. Shareholders also request that Southern disclose, in the report, its total investments in CCS and coal gasification technologies.