



Dialogue 4:

Industrial Scale <2°C Transition Plan Resolutions for 2017

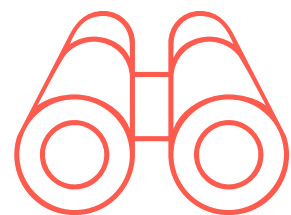
SEPT 21 - SEPT 24, 2016

60 PARTICIPANTS / 320 POSTS

POWERED BY:



www.convetit.com



Background

Preventable Surprises invited ‘positive mavericks’ to ensure more climate-friendly outcomes during the 2017 proxy season. The previous dialogue achieved a significant crack in the 2016 Annual General Meeting (AGM) round, not only helping to build support for 2°C stress test resolutions at ExxonMobil and Chevron, but also helping to launch the first ever transition plan resolution at Southern. This time, the dialogue centered on industrial scale 2°C transition plan resolutions that will help energy utilities make the leap toward a low-carbon economy.





Objective

Chair's Welcome

On behalf of everyone at Preventable Surprises, I'd like to welcome you most warmly to our fourth online dialogue. Working together we opened a significant crack in the 2016 Annual General Meeting round, when we not only helped to build support for stress test resolutions at ExxonMobil and Chevron, but also helped to launch the first ever transition plan resolution at Southern. The fact that this resolution gained almost as much support as the stress test resolutions, emboldened us to try to turn that crack into a veritable chasm.

Hence in this dialogue we'll be talking about a triple leap forward:

- From the supply side to the energy utilities, the heaviest user sector on the demand side.
- From an intense focus on a few companies to an "industrial" approach across a significant part of the sector.
- And from stress test resolutions to transition plan resolutions.

This is hugely ambitious, but also necessary if the world is going to meet the UNFCCC timescale, of a pivot away from fossil fuels by 2025. We are very encouraged by the knowledge that many of you already have plans in relation to this sector, and hope that through concerted effort we can achieve our leap forward, in what may, with hindsight, turn out to have been the critical year in investor engagement on climate change.



CAROLYN HAYMAN OBE

Chair, Preventable Surprises



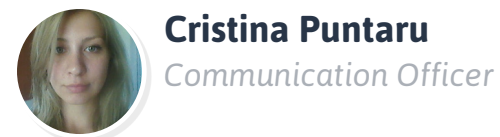
Participants

4

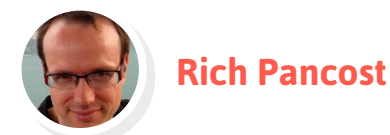
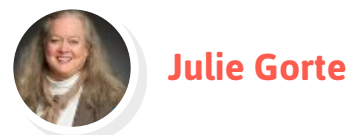
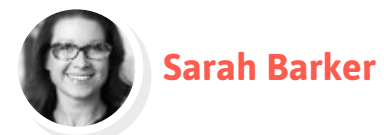
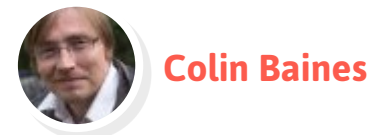
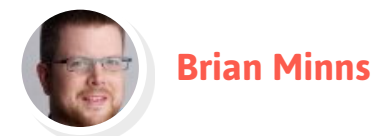
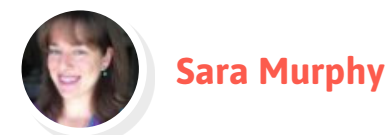
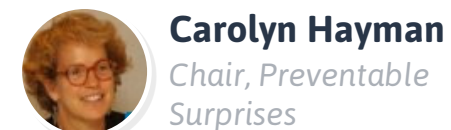
FACILITATOR



CO-FACILITATORS



CONVENERS



Executive Summary

Reasons for Applying Industrial Scale <2°C Transition Plan Resolutions at Energy Utilities

- *With critical mass, companies -- and their investors -- can't complain they are being singled out*
- *Transition plan guidance can be tailored to sector*
- *It complements supply side work targeting fossil fuel producers*
- *Some utilities are already showing positive models eg NextEra, Hawaiian, Dong, ENEL*

Obstacles to Transition Plan Resolutions -- and How to Overcome Them

- *Conflicts of interest*
 - *Asset owners sharing managers band together to create pressure*
 - *Name and shame inconsistent voting patterns*
- *It's micromanagement*
 - *Point out the fiduciary duty of investors to promote the long term success of companies*
 - *Set a framework but allow the company to own the plan*
- *Moving on too fast from stress tests may lose support*
 - *The positive vote at Southern suggests not*
 - *Stick with stress tests for oil and gas, transition plans for demand side*
 - *Stress tests can be seen as the first stage of transition plans*
 - *Given we have 5 years to bend the curve of GHGs (according to Christina Figueres and many leading scientists), 2017 for publication of transition plans (not independent execution) could be "just in time"*

Executive Summary

Obstacles continued

- *Financial sector sees climate change not as an existential crisis but a political risk to be managed*
 - *Stress financial rewards from energy transition and risk to sector as a whole from missing yet another systemic crisis*
 - *Threat of litigation over intergenerational disadvantage in pension funds*
 - *Explain to regulators, especially SEC, and others that 2C transition plans are different from current regulatory requirements.*
- *Lack of capacity in investors' ESG teams*
 - *Persuade leadership of top 20 PRI signatories to take 1-2 utilities each*
 - *Persuade engagement overlay providers to share the workload/coordination challenge*
 - *Invite investors in the Global Investor Coalition on Climate Change to work together*
 - *Change methods of engagement to be less labour intensive*
- *Regulatory (eg SEC) objections*
 - *Make sure in each case existing work within regulatory framework is acknowledged*
 - *Use Southern as precedent*

Key features of utility sector transition plan

- *They need to test business model against net zero in 2030, 2040, 2050*
- *Needs to cover transition risk management, innovation, performance management, capex, remuneration and governance*
- *Should factor in cheap storage and load management – but no consensus on carbon capture & storage (CCS)*



Agenda

SESSION 1

Analyzing the benefits of stress test and transition plan resolutions

This session considered the positive role both stress test & transition plan resolutions can play.

- **Session 1A** analysed the role of 2°C stress test resolutions at Oil & Gas companies in 2017.
- **Session 1B** explored how transition plan resolutions for the 2017 non fossil fuel sector pilot can build on what has been achieved with stress test resolutions.

SESSION 2

Scoping the challenge of industrial scale transition plan resolutions for Energy Utilities

This session explored all strategic facets of industrial scale transition plan resolutions in the energy utilities sector.

- **Session 2A** considered what a 2°C Transition Plan in the energy utility sector might look like
- **Session 2B** explored the rationale for industrial scale resolutions, as well as potential obstacles -- and solutions to them.
- **Session 2C** revisited the pros/cons for industrial scale 2°C Transition Plan resolutions in the energy utility sector to make sure this was indeed the best focus for the 2017 pilot

SESSION 3

Creating a Plan of Action

This session focused on what in practice needs to be done and by whom to make industrial scale transition plan resolutions in the utilities sector happen.

Chair's Conclusion

This has been an astonishing experience to watch the dialogue unfold, and to see your support for a transition plan strategy at scale in the utilities sector grow. Amid the massive, and familiar, David and Goliath challenges, it's been encouraging to see examples of transition that we can point to (eg Dong), collaborations that are already happening (eg Canada) and a wealth of creative ideas about how we can exert pressure on different parts of the system.

This will require resources, and as of now, we have very few. So that's my particular challenge. As Raj said, any help that you can provide will be invaluable. But we won't allow that to stop us continuing to work insanely hard to make 2017 the turning point when investors begin to take climate change seriously.

Bill, we've all been incredulous at the way that you seem able to work round the clock, and still have a functioning brain! Thanks so much for keeping this dialogue rolling forward with Jane, and thanks to Casey and Cristina, without whom this dialogue could not have happened. Thanks to our diverse band of provocateurs, and everyone who has participated. I hope you are all filled with new energy, as I am, and I look forward to working together to achieve our noble goal of helping to save the planet for future generations.



Powered by:



www.convetit.com