

The Corporate Lobbying Alignment Project








Discussion note no.4



Investor responses to
corporate lobbying &
climate policy capture by
the power utilities sector



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Background

This note will briefly outline power sector structure and then explain why lobbying and policy capture should be priorities for investor engagement. Investors and power companies have long been aware that energy produced from the burning of fossil fuels – coal, oil, and natural gas – and associated greenhouse gas emissions are leading contributors to climate change. Throughout the fossil fuel supply chain, from upstream extraction and production to downstream petrochemical manufacturing and the burning of fuels, hazardous materials are released that pose serious health and environmental risks to local communities. Public attention is often focused on the supply of fossil fuels (e.g. oil and gas companies- see our previous sector discussion note), but the demand side, utilities, is equally, if not more important. The climate-related financial risks linked to fossil fuel power utilities, and the environmental risks present through the power generation supply chain are well documented.¹

The energy transition is gathering pace across all continents. Jurisdictions like California and New York have set ambitious targets of 100 percent carbon-free power by 2045 and 2040, respectively. In Europe, where the European Union has committed to net zero by 2050,² investors have made their expectations for power system transition clear in shared letters to the largest power utility companies,³ and via shareholder resolutions. China and Japan have set similarly ambitious net zero targets. In the US, which does not currently have a clear commitment to action on national climate targets, investors have requested that the country's 20 largest publicly traded power companies commit to achieving net-zero carbon emissions.⁴

These investor requests are being driven by fundamental changes in the sector that Preventable Surprises has followed for several years.⁵ The COVID-19 pandemic has accelerated these trends. Technology and policy mean that the incumbent model of centralised power generation is being replaced by one of decentralised, lower carbon producer-consumers with utilities providing baseload and back up. The power sector is becoming more complex and less predictable as decarbonisation, decentralisation and democratisation ('the 3Ds') disrupt incumbent business models.⁶ However coal is still responsible for over 70% of all carbon emissions from power generation.⁷ As a result, coal power remains a focus for investor engagement. Together, the burning of coal and gas currently generates around 90% of carbon emissions from power generation.⁸ The decarbonisation of global power generation systems will require power utilities to accelerate the pace of change and the shift away from coal and natural gas generating assets. Investors can exert a positive influence over this process and tackle corporate lobbying that continues to undermine progress towards decarbonisation targets.⁹

1 'Environmental challenges in the electric utilities industry:' <https://www.robeco.com/en/insights/2015/11/environmental-challenges-in-the-electric-utilities-industry.html> ; 'Nuclear Waste:' <https://www.ucsusa.org/resources/nuclear-waste>.

2 'A European Green Deal:' https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

3 IIGCC 'Investor letter on power sector decarbonisation' (20.21.2018): <https://www.iigcc.org/resource/investor-letter-on-power-sector-decarbonisation/>; 'Climate Action 100+ calls for net-zero business strategies & sets out benchmark of largest corporate emitters' (14.09.2020): <https://www.iigcc.org/news/climate-action-100%e2%80%afcalls-for-net-zero-business-strategies-sets-out-benchmark%e2%80%afof-largest-corporate-emitters/>; Lyxor AM (2019) 'Are electric utilities' governance and strategies fit for the energy transition?': <https://www.lyxor.com/en/lyxor-utilities>

4 'Institutional Investor Statement Regarding Decarbonization of Electric Utilities' (28.02.2019): <https://comptroller.nyc.gov/wp-content/uploads/2019/02/Utilities-NetZero-2050-Institutional-Investor-Statement-28Feb2019-Signatories.pdf>

5 'Preventable Surprises makes a power play in utilities' (20.10.2016): <https://preventablesurprises.com/publications/must-reads/preventable-surprises-makes-a-power-play-in-utilities/>; 'Energy utilities hold the key to reducing emissions – help us move the sector!' (24.11.2016): <https://preventablesurprises.com/archive/energy-utilities-hold-the-key-to-reducing-emissions-help-us-move-the-sector/>

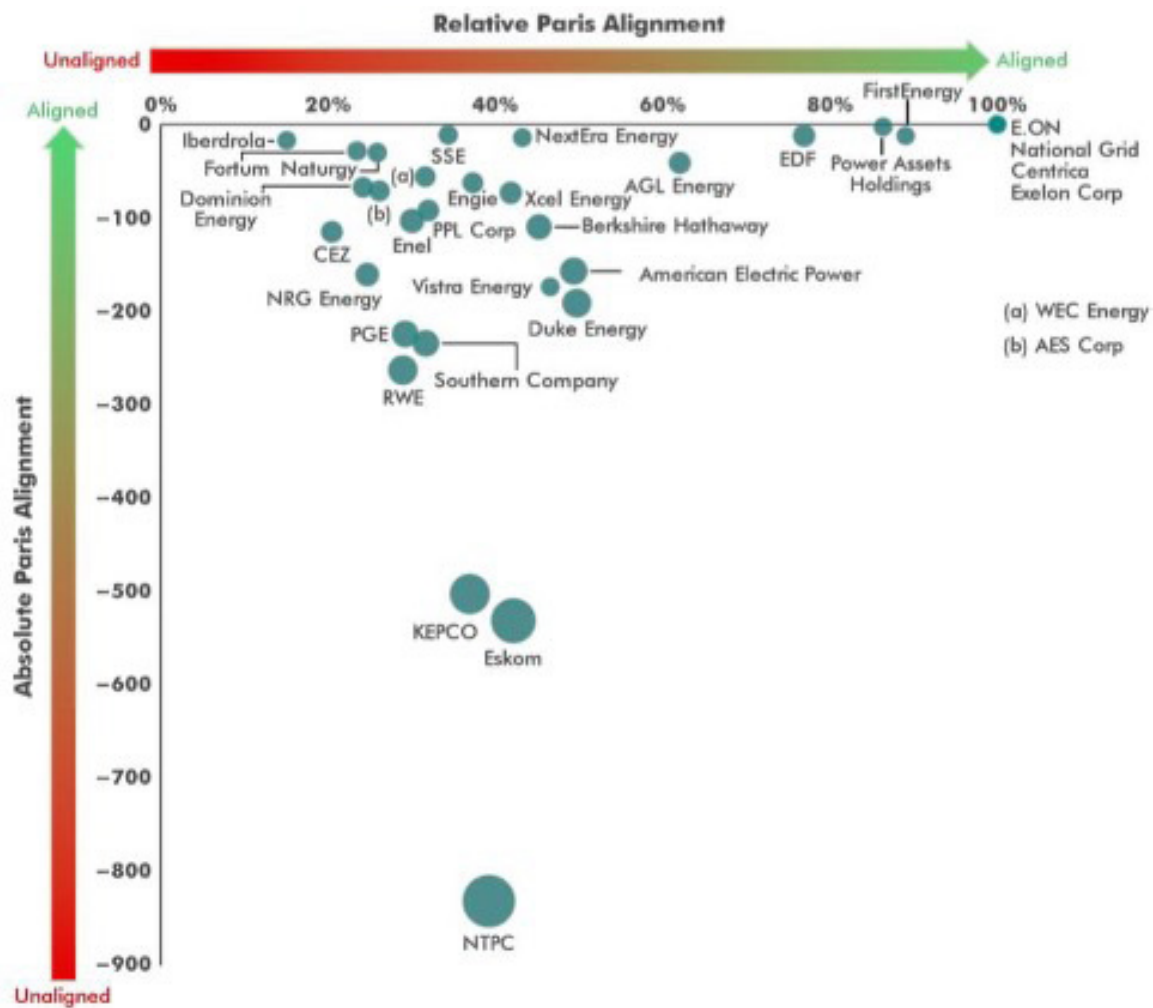
6 'The telecoms sector may provide a useful comparison for investors. The telecoms sector moved from fixed line infrastructure to mobile data services in the 1990s. This led to a rapid shift in pricing models from pay-per-minute to lump sum contracts of today that package voice and data. Opening markets in the telecoms industry to greater competition following a period of state monopolies coincided with dramatic technological advances and led to the end of giant quasi-monopoly operators like Bell and AT&T in the United States.

7 <https://endcoal.org/climate-change/>

8 'Gas Exports Have a Dirty Secret: A Carbon Footprint Rivaling Coal's' (23.01.2020): <https://www.bloomberg.com/news/articles/2020-01-23/gas-exports-have-dirty-secret-a-carbon-footprint-rivaling-coal-s>

9 <https://www.worldbenchmarkingalliance.org/publication/electric-utilities/> ; 'How 'organized climate change denial' shapes public opinion on global warming' (27.09.2020): <https://www.cbc.ca/news/technology/climate-change-denial-fossil-fuel-think-tank-sceptic-misinformation-1.5297236>

FIGURE 1: A depiction of Paris alignment of selected power utilities. This rating system considers investments across coal, gas, and other power plants, but does not assess lobbying and public policy engagement in relation to climate policy.



Source Carbon Tracker (2019) 'Making it mainstream – CA100+ power utility profiles' (11.07.2019): <https://carbontracker.org/reports/making-it-mainstream-ca100-power-utility-profiles/>. Investors can bring a lobbying score into their assessment of corporate readiness for the energy transition.

Incumbent lobbying undermines progress on the energy transition

Investors and other stakeholders should be concerned when incumbent power utilities use lobbying and other forms of influence to maintain the fossil fuel or nuclear energy status quo. This lobbying hinders the pace of regulatory reform and could lead to disruptive shocks like the collapse of the coal power sector. For incumbents, this strategy is designed to support their business models with generally little regard or lip service to climate targets or the best interests of consumers and long term investors.¹⁰ Aggressive lobbying to maintain the status quo increases the risk of market share loss when policy does change, and innovation and new technologies facilitate abrupt market shifts. In Germany, for example, coal heavy energy incumbents E.ON and RWE suffered up to an 80% fall in profitability between 2010 and 2015, linked to the two companies' misreading of the speed of implementation of the country's Energiewende. E.ON UK's Chief Executive, Michael Lewis, stated in 2017 that E.ON's core business mirrors 'global growth of renewables as part of the effort to tackle climate change'.¹¹ However, the company has been lobbying against policies that will help

¹⁰ 'ACCC says it's OK for big utilities to exploit market power' (25.08.2016): <https://reneweconomy.com.au/accc-says-its-ok-for-big-utilities-to-exploit-market-power-52051/>

¹¹ <https://www.eonenergy.com/about-eon/media-centre/eon-launches-uk-energy-manifesto>

bring an end to UK coal generation by 2025.¹² A number of investor groups are working to encourage better alignment of company policy with capital planning, but there is scope for more forceful stewardship to guide the transition.

Lobbying to block climate action & extend the operating life of fossil fuel assets

Lobbying by power utility companies against climate targets and associated policies to enable the 3D transition is one indicator that they may not be ready for the energy transition. For fossil heavy incumbents, their business models may be reliant on their ability to control regulation. Incumbent capture of the policy process, further to slowing the transition, can lead to an increasingly dysfunctional energy system. This policy capture also potentially affects the cost of electric power to consumers in the long term through the stifling of innovation and market reform.¹³

Charitable giving to shape public opinion and influence policy

Power utilities in the United States¹⁴ and other jurisdictions can use their charitable giving to manipulate politics, policies and regulation in ways designed to increase short term shareholder returns, at the expense of long term planning and a sustainable business model. A recent report shows how US power utilities use charitable giving to build support for fossil fuel investments and residential and commercial rate hikes. Other efforts to influence public policy include the distribution of free educational materials that encourage ambiguity over the risks linked to climate change,¹⁵ and financing for university think tanks and research that supports a fossil heavy status quo.¹⁶

Astroturfing

Astroturfing is the use of utility company funded community groups to give regulators and the media the impression of public support for fossil fired power generation.¹⁷ The Southern California Gas Company (SoCalGas), the largest natural gas distribution utility in the United States has spent significant amounts of shareholder money to undermine the legislated phase out of fossil fuels. As a state-sanctioned monopoly the company is required to spend ratepayer money strictly on programmes that benefit ratepayers, such as infrastructure upgrades that improve safety or efficiency programs that help customers reduce gas use. Yet SoCalGas used ratepayer funds to help create the pro-gas advocacy group Californians for Balanced Energy Solutions.¹⁸ Beyond California, power company Entergy has used paid actors to seek to undermine the phase out of fossil fuel energy.

¹² 'E.ON, RWE lobby UK Conservative Party over oil, coal fired plant closures' (16.02.2010): <https://www.power-eng.com/2010/02/16/e-on-rwe-lobby-uk/>

¹³ 'CCS: Energy firms seek opt-outs over 2025 carbon capture deadline:' <https://www.theguardian.com/business/2009/may/11/energy-carbon-capture-ccs-miliband>

¹⁴ <https://www.theguardian.com/business/2009/may/11/energy-carbon-capture-ccs-miliband>

¹⁵ 'Strings Attached: How utilities use charitable giving to influence politics and increase investor profits' (10.12.2019): <https://www.energyandpolicy.org/strings-attached-how-utilities-use-charitable-giving-to-influence-politics-increase-investor-profits/>; 'Edison Electric Institute Campaign Against Distributed Solar' (07.04.2015): <https://www.energyandpolicy.org/edison-electric-institute-campaign-against-distributed-solar>

¹⁶ 'Science Teachers Respond to Climate Materials Sent by Heartland Institute' (22.12.2017): <https://insideclimatenews.org/news/22122017/science-teachers-heartland-institute-anti-climate-booklet-survey>

¹⁷ The Corporate Europe Observatory provides comprehensive analysis on the scope of influence wielded by natural gas companies and their lobbyists in the European context: <https://corporateeurope.org/en/topics/gas-lobby>; Corporate Europe Observatory (2017) 'The Great Gas Lock-in: Industry lobbying behind the EU push for new gas infrastructure:' https://corporateeurope.org/sites/default/files/the_great_gas_lock_in_english_.pdf

¹⁸ 'How Fossil Fuel Lobbyists Used "Astroturf" Front Groups to Confuse the Public' (11.10.2017): <https://www.ucsusa.org/resources/how-fossil-fuel-lobbyists-used-astroturf-front-groups-confuse-public>; 'Astroturfing: what is it and why does it matter?' (08.02.2012): <https://www.theguardian.com/commentisfree/2012/feb/08/what-is-astroturfing>

¹⁹ 'SoCalGas should be fined \$255 million for fighting climate action, watchdog says' (06.11.2020): <https://www.latimes.com/environment/story/2020-11-06/southern-california-gas-company-climate-fine-recommended>

In March 2017, the New Orleans City Council voted to allow Entergy to construct a controversial natural gas plant. Advocacy groups and local journalists later revealed that Entergy sub-contractors paid actors to feign public support in front of the council for the company's proposed power plant.¹⁹

Advocating false solutions

Fossil fuel companies and their trade associations put forward solutions that allow fossil fuel companies to continue to expand production without implementing a business transition. These solutions do not fundamentally address climate change, or the emissions reductions targets agreed to in the Paris Agreement. In many instances, proposed solutions can be a deliberate distraction from real action, locking the sector into capital planning and building infrastructure for a fossil-fuelled future, rather than one fuelled by renewables.²⁰

Smokescreens

Smoke screens are coordinated attempts by fossil fuel heavy power utilities to divert the focus of policy discussion and regulatory action away from the fossil fuel phase out as well as funding research and organisations to advance private agendas. These practices circumvent public and regulatory scrutiny and continue to evolve.²¹ Examples of the use of smoke screens include company leaders seeking to create confusion around climate science, such as the CEO of Southern Company communicating in media that climate change is not real in 2017.²² Another current messaging focus is on hydrogen as a replacement fuel,²³ instead of full electrification of transport, power and heating systems by 2050.

Political donations and lobbying

In the most recent US elections, power utilities and fossil fuel companies have made full use of liberal campaign finance laws to seek to influence the outcome.²⁴ The growth of political engagement by power utilities is increasing as it works to achieve corporate goals to block energy transition progress. In 2018, for example, Arizona voters could have approved a constitutional amendment that would have required the state's utilities to generate 50 percent of their electricity from renewable sources like solar and wind energy by 2030. Arizona Public Service, the state's largest utility, challenged the proposal and ultimately spent \$38 million to defeat the measure.²⁵ In the UK and the European Union, power utilities are also well established lobbyists and narratives against the energy transition are common across all countries with natural gas as a 'bridge fuel' the strongest message from fossil incumbents.²⁶

19 'Entergy NOLA Actors Final Report' (29.10.2018): <https://www.documentcloud.org/documents/5025184-Entergy-NOLA-Actors-Final-Report-10-29-2018.html#document/p4/a464276>

20 'Decline and Fall: The Size & Vulnerability of the Fossil Fuel System' (04.06.2020): <https://carbontracker.org/reports/decline-and-fall/>
21 <http://www.oecd.org/corruption/ethics/lobbying/>

22 'Like the new EPA chief, Southern Company's CEO doesn't see CO2 as main reason for climate change' (28.04.2017): <https://www.cnbc.com/2017/03/28/like-the-new-epa-chief-southern-companys-ceo-doesnt-see-co2-as-main-reason-for-climate-change.html>

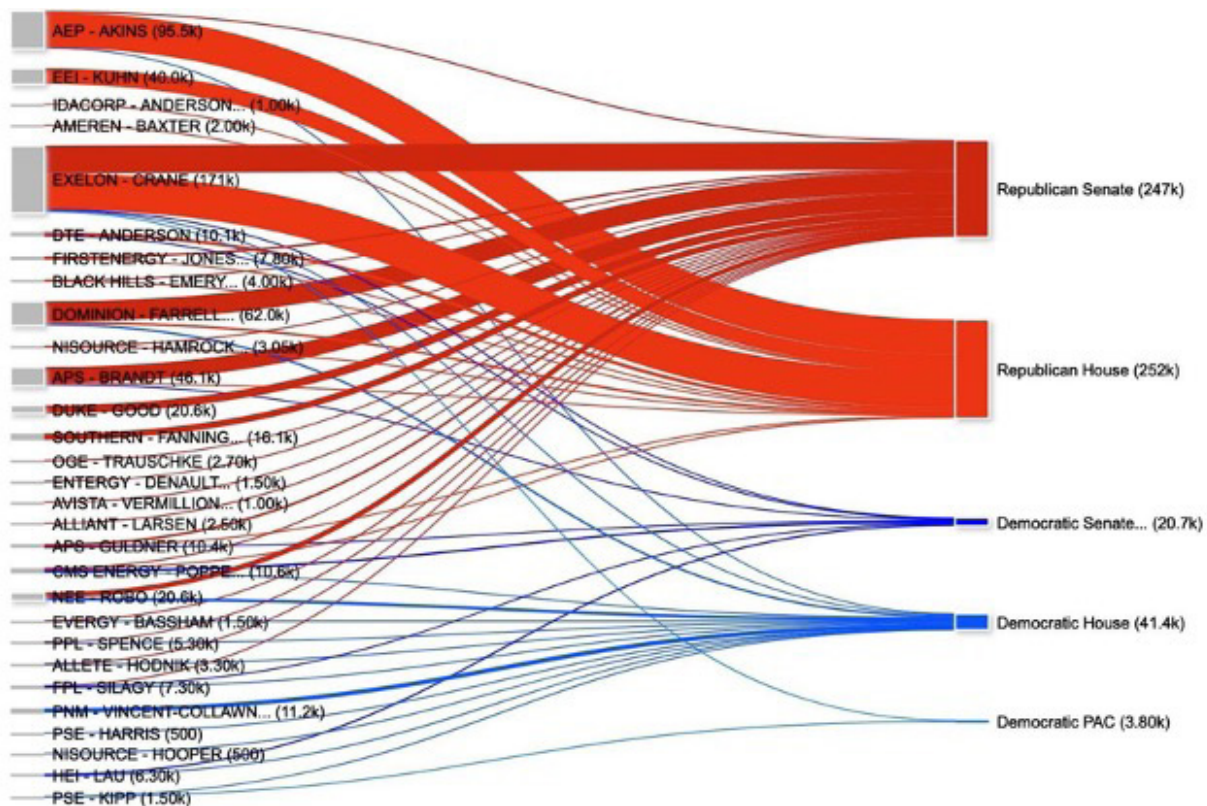
23 'Since 2017, the Hydrogen Council - an initial consortium of 18 companies in the automotive, oil and gas, industrial gas, and equipment industries - has advocated for natural gas-derived hydrogen as the focus for achieving transport sector decarbonisation targets. See: <https://hydrogencouncil.com/en/>.

24 'Utility CEOs contribute personal money to help Republicans; Utility PACs also favor GOP' (22.10.2020): <https://www.energyandpolicy.org/utility-ceo-political-contributions-in-2020/>

25 'APS parent company spent \$37.9M fighting clean-energy measure' (17.01.2019): <https://eu.azcentral.com/story/news/politics/arizona/2019/01/17/pinnacle-west-spent-38-million-fight-arizonas-prop-127-clean-energy-measure/2595711002/>

26 'UPDATE 1-European utilities urge policy reform to avert black-outs' (11.10.2013): <https://uk.reuters.com/article/utilities-renewables-ceos/update-1-european-utilities-urge-policy-reform-to-avert-black-outs-idUKL6NOI11UF20131011>

FIGURE 2: Utility CEO and board chair federal contributions 2019-2020



Source: Energy and Policy Institute <https://www.energyandpolicy.org/utility-ceo-political-contributions-in-2020/>

Indirect lobbying against emissions targets and carbon pricing via trade associations, sponsored academic research and a well-established revolving door between public officials and the world's largest energy companies²⁷ and power utilities are additional channels for influence that investors should be aware of.

Forceful stewardship opportunities across asset classes

Investors who want to address corporate lobbying and climate policy capture in the power utilities sector can engage across markets to ensure better alignment. Shareholder resolutions on corporate lobbying disclosure are now commonplace.²⁸ Beyond lobbying disclosure requests, there is a lot that investors can do. Forceful stewardship opportunities include shareholder resolutions requesting action on public policy commitments and company disclosure on trade association activities. Investors, including members of investor associations like the ICGN and UN-PRI can take decisive action to address policy capture heading into the COP26:

1. Bring sector wide shareholder resolutions demanding lobbying disclosure by all major utilities / companies;
2. Incorporate climate lobbying alignment questions and benchmarking metrics into existing stewardship activities;
3. Request board-level engagement on corporate climate lobbying alignment and request meetings with corporate counsel on this issue.

²⁷ 'Brussels, big energy, and revolving doors: a hothouse for climate change' (19.11.2015): <https://corporateeurope.org/en/revolving-doors/2015/11/brussels-big-energy-and-revolving-doors-hothouse-climate-change>

²⁸ Ceres Engagement Tracker: https://engagements.ceres.org/?_ga=2.252617225.1266528657.1605274521-932514587.1605274521

The US institutional investor statement regarding decarbonisation of electric utilities,²⁹ hosted by the New York City Comptroller's Office, provides a strong model for global peers to follow. The statement demands clear information and action from power utilities to address the challenge of corporate policy capture. The statement asks power utilities to bring climate risk mitigation into the boardroom decision making process by asking companies to:

1. Identify who on the board is responsible for overseeing an economically attractive execution of the transition, which could occur by forming a decarbonization transition committee of the board;
2. Develop and publish a detailed transition plan toward achieving net-zero emissions by 2050 (or earlier target), with clear near-term benchmarks and plans for 2025 and 2030. Plans should account for impacts on communities and workers and the mitigation of those impacts as part of the transition;
3. Meaningfully incorporate transition milestones into executive compensation metrics; and
4. Disclose how a utility's political, lobbying and trade association activities will support its decarbonization commitment.

These action points indicate a range of options for investors who are ready to address corporate capture of climate policy in the power utilities sector. Given the global nature of the power utility sector, investors should have strategies in place to engage both with listed companies, and sovereign issuers to support better alignment between company actions and public climate commitments to reach the net zero targets defined in the Paris Agreement. Below are further engagement suggestions that cover major asset classes.

Equity investors

Shareholders should continue to bring climate lobbying concerns into their engagement and stewardship activities and move beyond disclosure requests. The world's largest asset managers, who are committed to ESG aligned investment, stewardship, and product development, could start with support for forceful shareholder resolutions on climate lobbying disclosure targeted at the largest power utilities in the 2021 proxy season.³⁰ Crucially, beyond the focus on disclosure, investors can request that companies publicly commit to align their policy influence activities with climate targets and to end membership in trade associations who undermine climate policy. In addition, equity investors can ask companies who provide ESG ratings - Morningstar, Refinitiv, S&P, MSCI etc. to better incorporate climate risk in their respective scoring methodologies alongside corporate lobbying metrics.

Bondholders

Bondholders have a dual opportunity to both engage with power utilities issuers and with credit rating agencies by commenting on their methodologies. They can also divest their bond holdings and block access to credit markets for utility companies who play the most serious role in undermining climate policy.³¹ Access to bond markets and lending for coal-heavy power, gas, and nuclear utilities could be curtailed in the same manner as bank lending and bond market access for coal mining companies has been.³²

²⁹ <https://comptroller.nyc.gov/wp-content/uploads/2019/02/Utilities-NetZero-2050-Institutional-Investor-Statement-28Feb2019-Signatories.pdf>

³⁰ 'BlackRock, JPMorgan climate votes at odds as new rules loom' (22.09.2020): <https://www.reuters.com/article/us-climate-change-investors-idUSKCN26DOCC>

³¹ 'Utility companies undermining global transition to net-zero emissions' (04.09.2020): <https://www.ox.ac.uk/news/2020-09-04-utility-companies-undermining-global-transition-net-zero-emissions>; 'Some bond investors shy away from coal-dependent electric utilities over regulatory risks' (01.11.2019): <https://www.marketwatch.com/story/some-bond-investors-start-shying-away-from-coal-heavy-utility-companies-2019-10-31>

³² 'HSBC faces call to end all new coal power financing' (06.03.2019): <https://www.ft.com/content/35ca50c2-3f54-11e9-b896-fe36ec32aece>; 'Coal phase out: The investment case' (14.06.2019): https://realassets.axa-im.com/content/-/asset_publisher/x7LvZDsY05WX/content/coal-phase-out-the-investment-case/23818; 'Toshiba says it will not take new orders for coal-fired power plants' (10.11.2020): <https://ieefa.org/toshiba-says-it-will-not-take-new-orders-for-coal-fired-power-plants/>

Investors in sovereign bonds can engage with sovereign issuers on energy transition and investment decisions, particularly in relation to the global expansion of coal and natural gas-fired power systems in some markets.³³

Private equity

Private equity investors can wield a significant degree of influence in unlisted power companies they own or are invested in. Engaged private equity firms and their pension fund partners could send a clear message via their board representatives³⁴ to global power utilities on the need for better alignment with renewable energy targets and to limit damaging lobbying by trade associations. Private equity investors can employ their more assertive stewardship approach to push for climate policy and lobbying alignment at investee companies via their board roles.

Engagement with power industry trade associations and investor groups. Investors can press power utilities to have their trade associations update their climate change policy engagement or commit to leave trade associations that continue to actively undermine climate policy. Investors who are members of groups like the UN-PRI, ICGN, or ClimateAction100+ should ask these groups to raise the profile of engagement on corporate lobbying.

Conclusions

Investors can help to accelerate the energy transition and dampen systemic risks linked to runaway climate change by engaging with power utilities to better align their business models and lobbying conduct with climate targets. There is a great deal of progress to be made. A recent Oxford study of over 3,000 power utilities showed that 60% of the renewable energy-prioritizing utilities had not ceased concurrently expanding their fossil-fuel portfolio, compared to 15% reducing it. These findings point to electricity system inertia and the utility-driven risk of carbon lock-in and asset stranding.³⁵ Beyond climate change, investors who are concerned about their near term bottom line should be working to ensure that the world's largest power utilities are ready for the distributed clean energy future that is taking shape across markets.

Pivoting the power utility business is possible. Companies around the world have shown what a proactive and climate aligned business transition plan can achieve. Positive role models within the power utilities sector include Hawaiian Electric,³⁶ Next Era,³⁷ DONG,³⁸ ENEL,³⁹ Xcel Energy, Edison International/Southern California Edison). As climate policy action accelerates in the European Union⁴⁰ and is revived in the United States under a new administration, investors have a unique window of opportunity to press for greater alignment on climate policy lobbying. Not taking a stand on company and trade association lobbying that undermines climate policy is no longer an option for responsible investors.

33 35 *The Philippines' recent decision to stop finance for new coal power generation is an example of the influence sovereign bond investors can wield. See 'Philippines declares moratorium on new coal power plants' (28.10.2020): <https://www.climatechangenews.com/2020/10/28/philippines-declares-moratorium-new-coal-power-plants/>*

34 *The Canada Pension Plan is an example of a large investor in private fossil fuel companies that does not have a clear climate policy and does not bring climate change issues into the boardroom at investee companies. This could change but would require leadership. See: Williams, C. (2020) 'Troubling Incrementalism': Is the Canadian Pension Plan Fund Doing Enough to Advance the Transition to a Low-carbon Economy?' https://law-ccli-2019.sites.olt.ubc.ca/files/2020/09/CCLI_Troubling_Incrementalism_Cynthia_Williams_Sept2020.pdf*

35 *Alova, G. (2020) 'A global analysis of the progress and failure of electric utilities to adapt their portfolios of power-generation assets to the energy transition': <https://www.nature.com/articles/s41560-020-00686-5>*

36 *Hawaiian Electric has a target of 100 percent renewable energy by 2045. See: <https://www.hawaiianelectric.com/clean-energy-hawaii>*

37 *'NextEra's renewable energy, battery storage project pipeline tops 15GW' (22.10.2020): <https://ieefa.org/nexteras-renewable-energy-battery-storage-project-pipeline-tops-15gw/>. South Florida-based NextEra is the world's largest renewable energy developer.*

38 *DONG energy has committed to reducing its greenhouse gas emissions by 96% by 2023. See 'DONG Energy reduces emissions faster than science demands' (25.06.2017): <https://w3.windfair.net/wind-energy/pr/25468-dong-energy-paris-climate-agreement-greenhouse-emissions>*

39 *'Commitment to the fight against climate change': <https://www.enel.com/investors/sustainability/sustainability-topics-and-performances/greenhouse-gas-emission>*

40 *'EU set to deny gas power plants a green investment label: draft' (29.10.2020): <https://www.reuters.com/article/us-europe-finance-idUSKBN27E33B>*

Appendix 1 - Sample power utility industry and trade associations

American Legislative Exchange
 American Petroleum Institute
 Nuclear Energy Institute
 Coal Association of Canada
 Coalition of EPSCoR States
 UK Petroleum Industry Association
 Canadian Association of Petroleum
 Producers New Mexico Oil & Gas Association
 Texas Independent Producers & Royalty Owners Association
 Petroleum Association of Wyoming
 Energy and Utilities Alliance
 FuelsEurope
 International Association of Oil & Gas Producers
 European Network of Transmission System Operators for Gas

Appendix 2 - Largest global & US power utilities

TABLE 1: Largest global power utilities

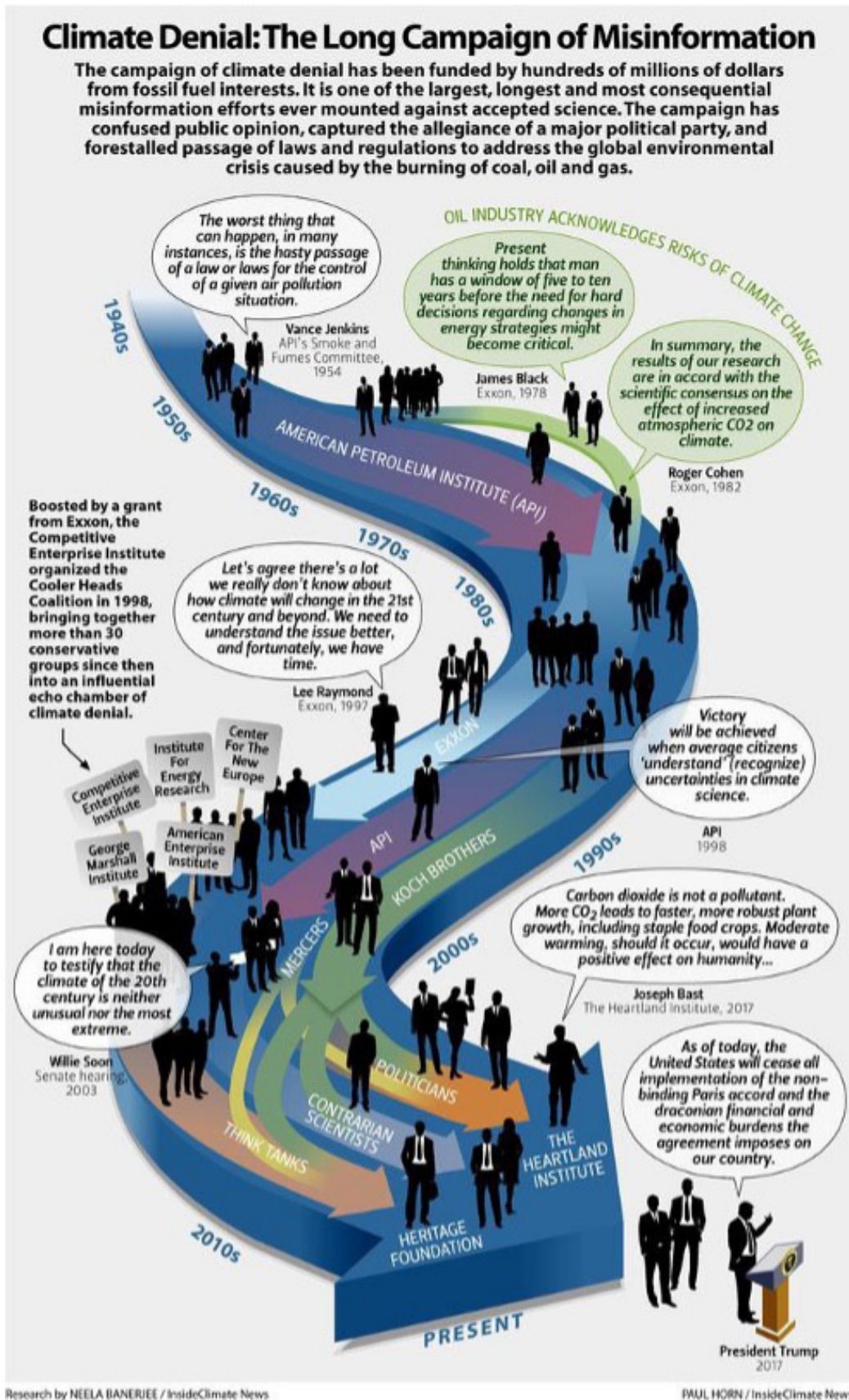
Company	Country	Market Cap (USD \$)
State Grid Corporation of China	China	34.5560 b
Enel	Italy	81.4024 b
EDF	France	27.9244 b
TEPCO	Japan	514.3099 b
KEPCO	Korea	11.5040 b
Engie	France	29.0260 b
Iberdrola	Spain	80.8338 b
General Electric Co	United States	58.0448 b
Siemens	Germany	95.4515 b
E.ON	Germany	25.8442 b

TABLE 2: Largest US power utilities by lobbying spend

Company	Lobbying spend (2019)
American Electric Power	6690984
Southern Co	6560000
Edison Electric Institute	6325068
Exelon Corp	3740000
Duke Energy	3460000
NextEra Energy	2930000
PG&E Corp	2290000
New California Republic Co	2253844
Dominion Energy	2140000
National Rural Electric Cooperative Assn	2000000
Entergy Corp	1950000
Nuclear Energy Institute	1890000
Sempra Energy	1890000
Energy Capital Partners	1800000
Fortis Inc	1730000
Edison International	1589000
FirstEnergy Corp	1520000
National Grid plc	1440000
Xcel Energy	1390000
Ameren Corp	1260000
Public Service Enterprise Group	1180000
NiSource Inc	1007000
Brookfield Business Partners	850000
Salt River Project	840000
CenterPoint Energy	800000

Source: <https://www.opensecrets.org/federal-lobbying/industries/summary?id=E08&cycle=2020>

Appendix 3 - History of US climate lobbying misinformation



Research by NEELA BANERJEE / InsideClimate News

PAUL HORN / InsideClimate News

About this discussion note

This note is designed to introduce and update investors on the scope, role, and negative impact of climate change lobbying in the power utilities sector. It also proposes options for investors to respond to the market, legal and reputational risks linked to aggressive lobbying and climate policy capture in the power system. Addressing corporate lobbying on climate-related themes will be of immediate interest for investors who have committed to support progress towards climate targets,¹ and for those investors who are building an investment thesis around the energy transition. The systemic nature of climate risk and the broad geographical extent of policy capture by power utilities means that the issue is relevant for all investors. The discussion note is intended as a work-in-progress analysis, to be complemented by examples, and feedback we will receive from the investment community and other stakeholders. It is the fourth discussion in a year-long series on different themes, sectors, and geographies as part of the Corporate Lobbying Alignment Project (CLAP).

About the Corporate Lobbying Alignment Project

The CLAP is an applied research and engagement project launched in June 2020 working to make corporate political capture a central component of investors' approach to ESG stewardship and integration. It seeks to leverage information on the state of play for key sectors and share lessons learned from past investor engagements. Through research interviews and a series of events, the programme will engage the global investment community to help prioritise and inform areas for action.

Unlike the Kyoto Protocol, which had specific emission targets only for developed countries, the Paris Agreement calls on all states to adopt "economy-wide" emission reduction targets.² Investors have an essential role to play in ensuring these targets are met in a timely manner. This includes responding to fossil fuel sector efforts to stall progress across all markets.

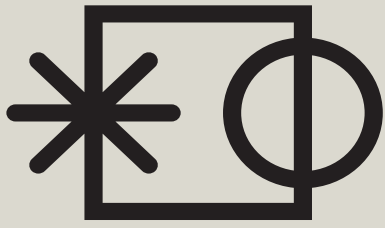
If you are an investor or other stakeholder in the institutional investment or policy system with insights into how corporate lobbying affects public policy related to climate action and other key public policy areas, we would like to hear from you. We will not share your name or any identifying information without your express permission. Get in touch today: research@preventablesurprises.com

About Preventable Surprises

Preventable Surprises is a 'think-do' tank focused on systemic ESG risks in the financial system. We work with positive mavericks within the investment industry to persuade the financial sector to better address systemic risks. Legislators, regulators, the media, NGOs, and consumers each have a role to play in building a more transparent and sustainable market system, yet much of the power lies with corporations and their investors. Preventable Surprises focuses on institutional investors because, through the trillions of dollars in assets under their management, they have enabled corporate and market dysfunction.

¹ Recurring investor statements on climate change beginning with the 2010 Cancun declaration have created a consistent message, but action has been more challenging: <https://www.unepfi.org/publications/climate-change-publications/political-advocacy-publications/global-investor-statement-on-climate-change/>

² See Paris Agreement Article 4.(3): <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>



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THE CORPORATE LOBBYING ALIGNMENT PROJECT