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New 50/50 Report: Investors Warn Energy Industry on Climate Change Risk

"Spending Against Change" Identifies $673 Million Spent to Influence Climate Action Over Six Years

Largest U.S. Energy, Utility Companies Failing on Corporate Governance

Washington, DC — Twenty-one of the largest energy and utility companies in the U.S. have failed to prioritize environmental and climate risk, and have spent at least $673 million over six years to influence elections and regulations, according to a new report out today from the 50/50 Climate Project.

The report warns of the growing risk to investors and shareholders of inadequate board-level governance on climate change issues, including the risk of consumer blowback, increased exposure to financial losses from carbon regulations, and failure to invest in low-carbon energy options that are gaining share in the marketplace.

"These energy and utility firms face the highest exposure to climate risk, and are most in need of transformation to adapt to a low-carbon economy," said Edward Kamonjoh, Executive Director of 50/50. "A growing chorus of investors are asking these companies to manage these climate risks responsibly to protect shareholder interests, but the message is clearly not getting through to corporate boards of directors. Shareholders should be very concerned."

The report shows that, in addition to hundreds of millions of dollars spent on elections and federal lobbying, "dark money," trade associations, and fossil-friendly "think tanks," the companies spent heavily — over $50 million in seven states — to sway the outcome of state ballot measures. This spending often made the difference between success or failure, and can be spent deceptively — as was the case in Florida, where utilities spent heavily against a solar power initiative.

The report's key findings include:

- Poor disclosure of political activity spending: At least $673 million spent over the past six years at the federal and state level to influence policy and support candidates for office, with limited voluntary disclosure to investors

- Lack of risk management: Six of the companies (Devon Energy, Dominion Energy, NextEra Energy, First Energy, Marathon Petroleum, and NRG Energy), have no explicit environmental risk management function at the board level

- No mention of climate change: 20 of the 21 companies do not mention climate change considerations in their corporate governance documents as a board obligation

- Fighting citizen clean energy initiatives: In Michigan, Florida, California, Ohio, Oregon, and Washington, companies spent over $50 million against citizen initiatives to advance clean energy and slow greenhouse gas pollution from fossil fuels

"Spending Against Change" recommends actions investors can take as they engage energy and utility companies on climate change. These include seeking full disclosure of all types of election spending and lobbying at all levels of government; adoption of climate risk measures into board level governance structure; and greater transparency around company actions to manage exposure to climate risk.

"One would think that, in 2018, the energy industry would have fully integrated the implications of climate change to its business model. One would be wrong," said Nell Minow, Vice Chair of ValueEdge Advisors and a 50/50 board member. "I can't think of another regulated sector where investors would tolerate this type of high-risk negligence at the board level. There's no reason to believe investors will continue to tolerate it in the energy sector."