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Amendment Eyes Fossil Fuel Disclosure on Climate

- From Daily Environment Report™

By Andrea Vittorio

Jan. 28 — The push for better fossil fuel-company disclosure on climate change could get an added boost from Congress.

An amendment was offered to a sweeping energy package (S. 2012) being considered by the Senate that directs the Securities and Exchange Commission to update its reporting guidelines for the mining, oil and gas industries to reflect the "growing risk" climate change poses to their business models.

"We need to focus on the financial impacts of climate change caused by energy consumption," the amendment's filer, Sen. Jack Reed (D-R.I.), a senior member of the Senate Banking Committee, said Jan. 28 in a statement provided to Bloomberg BNA.

The issue grabbed the attention of lawmakers—and even a few presidential candidates—as oil giant Exxon Mobil Corp. and coal miner Peabody Energy Corp. faced criticism late last year over what they told shareholders about potential threats from climate change (210 DEN A-3, 10/30/15).

Reporting Rules

The SEC issued guidance in 2010 on how companies should address climate-related risks, including legal and regulatory risks as well as physical ones. But while the rate of disclosure has improved slightly with the guidance, the quality hasn't, and the SEC's enforcement on the issue has been lax, according to an analysis by the Boston-based nonprofit Ceres.

Last year, Ceres coordinated a group of investors representing $2 trillion in assets, including the Rockefeller Brothers Fund and the California Public Employees' Retirement System, in a call for the SEC to take a closer look at filings from ExxonMobil, Chevron and others (75 DEN A-1, 4/20/15).

One area of concern for these investors is whether fossil fuel reserves lose their value as climate regulations kick in.

Valuing Oil, Gas Companies

"Reserves are a huge part of the value of oil and gas companies, but that's changing," Jim Coburn, who directs Ceres' efforts to improve corporate climate disclosures, told Bloomberg BNA. "As we move to a low-carbon economy, I think investors are going to look for new ways to value oil and gas companies, given the risk that portions of their reserves won't be burnable."

The SEC declined to comment. But Chair Mary Jo White indicated in remarks earlier this week that the agency is weighing new climate change disclosure requirements as part of a broader review of financial reporting rules (18 DEN A-16, 1/28/16).

The topic is becoming mainstream as more and more investors demand access to "clear, honest, reliable and comparable data about climate impacts," Mary Schapiro, who was chair of the SEC when it issued the guidance, said Jan. 27 at a gathering of more than 500 investors in New York (18 DEN A-5, 1/28/16).

'Tipping Point.'

"Once a few companies start to make that kind of disclosure," she said, "then we reach a tipping point, and everybody else is held to those same disclosure standards."

Schapiro now sits on the board of a San Francisco-based nonprofit called the Sustainability Accounting Standards Board that is developing a set of sector-specific guidelines for reporting to the SEC on climate change and other issues.

"What we understand from the work that SASB does is that climate risk is ubiquitous, but it manifests a different way in different industries," she said, adding that having industry-by-industry insight would allow the financial sector "to understand the risks, price those risks and make decisions about investment, about insurance, about underwriting, about lending based on full understanding of those risks."

Michael Bloomberg, founder of Bloomberg BNA's parent company Bloomberg LP, chairs SASB's board.

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