

CHAPTER 12

PRIVATE ENVIRONMENTAL GOVERNANCE (pages 1181-1184)

WINDS OF CHANGE IN THE FOSSIL FUEL INDUSTRY?

In March 2021, the American Petroleum Institute (API), the trade association for the oil and gas industry that has long fought environmental initiatives, released a “Climate Action Framework,” <https://www.api.org/climate> that called for more regulation of methane emissions and establishing a price on carbon emissions. This policy change reportedly has exacerbated divisions between large and small oil companies who are among the 600 members of API with independent oil companies and small refiners seeing greater regulation as a threat to their business. In January 2021 TotalEnergies SE of France dropped its membership in API because the trade association was not doing enough to tackle climate change. Timothy Puko and Ted Mann, “Washington’s Oil Lobby Pivoted on Climate Change – and Made No One Happy,” Wall Street Journal, July 28, 2021,

https://www.wsj.com/articles/api-oil-gas-lobby-reckoning-climate-change-11627484072?st=vu69weivey08jlf&reflink=article_email_share

ExxonMobil has long purported to support a tax on carbon emissions, which essentially would set a price on carbon, but a sting operation conducted by Greenpeace provided evidence that this may not be a serious commitment. Conducting a purported job interview with Keith McCoy, ExxonMobil’s former director of federal relations, Greenpeace enticed him to reveal that the corporation’s support for a carbon tax was “a great talking point” that never would be adopted. Hiroko Tabuchi, In Video, Exxon Lobbyist Describes Efforts to Undercut Climate Action, N.Y. Times, June 30, 2021.

As reported in Note 3 on page 1184, the management of ExxonMobil lost a proxy fight in May 2021 when three “green” directors proposed by Engine No. 1, an investor group concerned about the environment, were elected to ExxonMobil’s board of directors with the support of hedge funds and pension funds that own ExxonMobil stock. The new directors already may be having an impact on the company’s policies. In August 2021, the Wall Street Journal reported that Exxon’s board of directors is now giving serious consideration to making “a significant strategic shift” by pledging “to reduce its net carbon emissions to zero by 2050,” Christopher M. Matthews and Emily Glazer, Exxon Considers Pledging ‘Net Zero’ Carbon by 2050, Wall St. Journal, Aug. 6, 2021. No final decision has been made, but the company “plans to unveil a series of strategic moves on environmental and other issues before the end of the year”. The report noted that it was “unclear exactly what a new Exxon net-zero pledge would entail, but what is currently being considered would apply to the emissions directly produced by Exxon’s assets and stemming from the energy the company uses,” what “is known in climate disclosure as scope 1 and 2 emissions.”