



Climate Change Risk Disclosures

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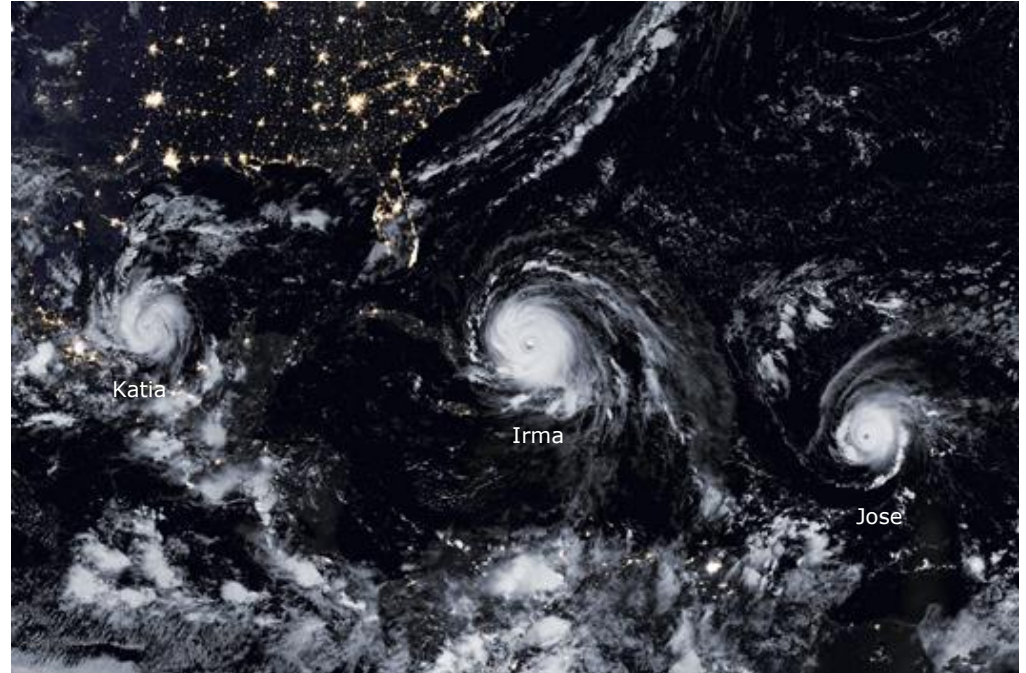
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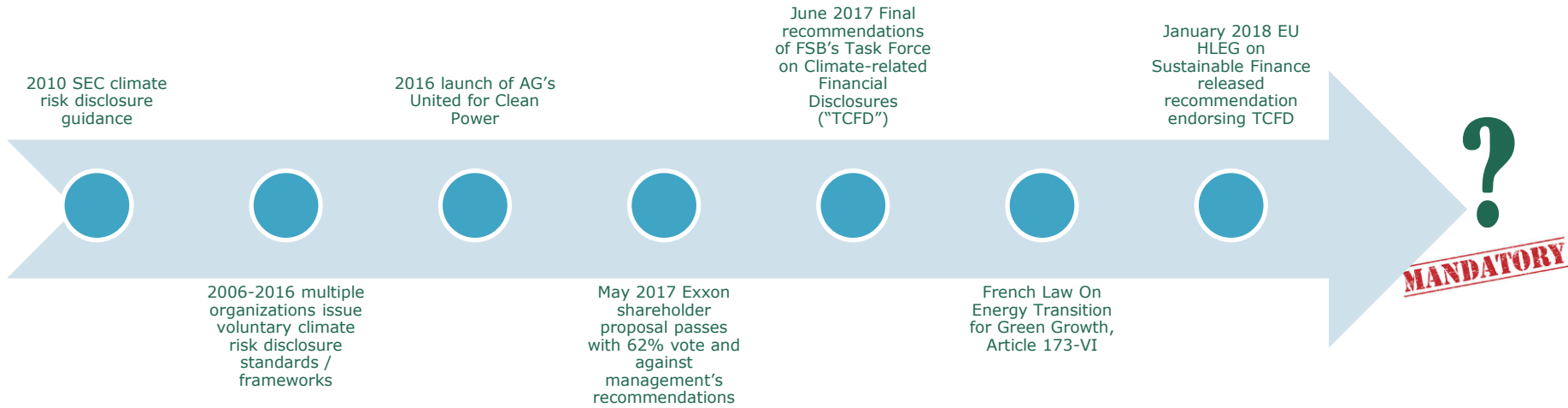
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Climate Risk Reporting - Summary

- How are companies assessing climate change related risks?
- Where and how are they reporting on those risks?
- What is the law?





SEC 2010 Guidance on climate risk reporting: report if *material*

- Guidance only, no changes to existing rules
- Identified four areas that may trigger reporting under current rules:
 1. Impact of legislation or regulation
 2. Impact of international accords
 3. Indirect consequences of regulation of business trends
 4. **Physical impacts of climate change**



The New York Times

ENERGY & ENVIRONMENT

S.E.C. Is Criticized for Lax Enforcement of Climate Risk Disclosure

Revalued

By DAVID GELLES JAN. 23, 2016

SEC 2016 Concept Release

(Release No. 33-10064, April 13, 2016)

“223. In 2010, the Commission published an interpretive release to assist registrants in applying existing disclosure requirements to climate change matters. As part of the Disclosure Effectiveness Initiative, we received a number of comment letters suggesting that current climate change-related disclosures are insufficient. Are existing disclosure requirements adequate to elicit the information that would permit investors to evaluate material climate change risk? Why or why not? If not, what additional disclosure requirements or guidance would be appropriate to elicit that information?”





NYAG investigations highlight importance of consistency between what is said internally and externally in any medium

NGOs, shareholders, and investors



- Increasing investor demand for information and data from issuers in a form that allows:
 - Company comparisons
 - Long term asset valuation
- Shareholder proposals
- Voluntary frameworks and disclosure standards

GRI, ASTM, IIRC, SASB, CDSB,TCFD.

Increased investor participation

“For directors of companies in sectors that are significantly exposed to climate risk, BlackRock expects the whole board to have demonstrable fluency in how climate risk affects the business and management’s approach to adapting and mitigating the risk.”

BLACKROCK®

NGO's are tracking, grading, and comparing disclosures



41 results / shell

Name	Response	Year	Status	Score
Indoshell Precision Technologies	Supply Chain 2017	2017	Submitted	Not available Not available
Royal Dutch Shell	Forests 2017	2017	Declined to participate	F F F F
Royal Dutch Shell	Climate Change 2017	2017	Submitted	B
Royal Dutch Shell	Water 2017	2017	Declined to participate	F
Showa Shell Sekiyu K. K.	Climate Change 2017	2017	Submitted	C

Note: Not all companies requested to respond to CDP do so. Companies who are requested to disclose their data and fail to do so, or fail to provide sufficient information to CDP to be evaluated will receive an F. An F does not indicate a failure in environmental stewardship.

Show 5 10 20

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Oil & Gas

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COMPARE COMPANIES

<input type="checkbox"/> Anadarko	<input type="checkbox"/> Apache	<input type="checkbox"/> BP	<input type="checkbox"/> Canadian Natural Resources
<input type="checkbox"/> Chevron	<input type="checkbox"/> Concho	<input type="checkbox"/> ConocoPhillips	<input type="checkbox"/> Devon
<input type="checkbox"/> Eni	<input type="checkbox"/> EOG Resources	<input type="checkbox"/> Exxon Mobil	<input type="checkbox"/> Marathon
<input type="checkbox"/> Occidental	<input type="checkbox"/> Phillips 66	<input type="checkbox"/> Pioneer Natural Resources	<input type="checkbox"/> Shell
<input type="checkbox"/> Suncor	<input type="checkbox"/> Total	<input type="checkbox"/> Valero	<input type="checkbox"/> Woodside



Side-by-Side Comparison

Quickly compare climate-related financial disclosures from hundreds of companies.



All in One Place

View detailed, comprehensive disclosure information all in one place.



Easily View Sources

Find relevant source documents through clickable links for easy viewing.

- Policy and legal risks
- Technology risks
- Market risk
- Reputational risk
- Physical risks
- Opportunities
- Strategy impacts
- Scenario analysis
- Risk identification and assessment
- Risk management process
- Integration of climate risk
- Scope 1 emissions (MteCO2/year)
- Scope 1 + 2 emissions
- Scope 3 emissions
- Internal carbon price

FSB's Task Force on Climate-related Financial Disclosures ("TCFD")

- Issuer challenges: obligation to disclose material information, absence of clear framework by which to do so
- Investor, lender, insurer challenges: need to quantify climate risk to protect portfolios long term and make investment decisions
- *Regulator challenges: what risks may be coming to the financial system *not part of TCFD

TCFD: Four areas of disclosure

Where material

Where material

Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>	<p>Recommended Disclosures</p>
<p>a) Describe the board's oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.</p>
	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

Strategy and metrics – where material, unless \$1 billion+ in annual revenue, then consider disclosing even if not material

Examples of suggested disclosures: (governance and metrics)

- Process and frequency by which the board (or board committees) are informed about climate related issues
- Is climate change considered when the board considers major acquisitions or divestitures?
- Are there management level positions with climate-related responsibilities?
- What is the company's internal carbon price?
- What is the company's revenue from product and services designed for a lower carbon economy?

Scenario examples

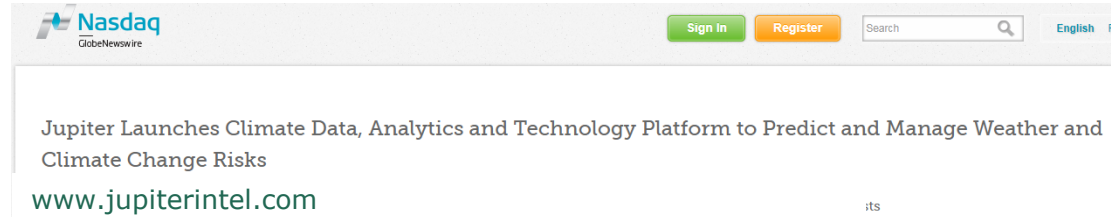
- Solar gets even cheaper
- Offshore wind increases
- Lithium-ion battery prices
- IEA energy projections for solar capacity (GW installed per year)
- Which country's NDC's pose the greatest risk for your business (if any)?
- Changes in gas demand under different scenarios
- Role of CCS

Concerns with scenarios

- Confidential Business Information
- New approach
- US legal liabilities may attach to forward looking statements (e.g., forecasting)
- And generally.... Sarbanes-Oxley

Physical Risks

- Uncertainty
- “Tragedy of the horizons”
- The “going first” problem



Mandatory climate risk reporting may be on the horizon



- Law on Energy Transition for Green Growth, Article 173



- HLEG (High Level Expert Group on Sustainable Finance)



Key takeaways

- Follow developments in this area – comment on rules where appropriate
- Know what your peers are disclosing and where
- Anticipate active NGOs and investors that will be examining and comparing your disclosures (do not overlook website and social media postings)
- Consider applying the same oversight to climate related disclosures as you do to financial disclosures
- Corporate counsel has special role in helping company identify legal risks and opportunities.

Thank you!



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