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News Alert

The Need for Speed: Five Drivers Affecting Developments in Climate Action

Current climate action around the globe and in the U.S. signals the very real possibility that efforts to address climate change are not moving fast enough for some. The landmark Dutch court decision ordering Royal Dutch Shell PLC to cut 2019 greenhouse gas emissions levels by 45% by 2030 and the results of recent energy company shareholders' meetings provide two examples, highlighting that change is in the air. We list five drivers, among many, affecting recent developments in climate action:

1. The Courts – Recent court verdicts are accelerating climate change action at home and abroad. In the U.S. Supreme Court, decisions on climate-related cases lodged by state and local governments are advancing climate issues toward a future Supreme Court ruling on whether climate torts belong in state or federal court. Citing its recent ***BP PLC et al. v. Mayor and City Council of Baltimore*** decision, the high court vacated and remanded First, Ninth, and Tenth circuits decisions to allow for expanded jurisdictional reviews. In the Netherlands, a Dutch court ordered Royal Dutch Shell PLC to cut its greenhouse gas emissions to align with the Paris Agreement. This result could trigger "a wave of climate-related litigation."

2. The Biden Administration – The Biden Administration's "whole-of-government" approach to climate change is having an enormous impact. The President's decision to rejoin to the Paris Agreement sends a message heard around the world that the U.S. is serious about climate change. The Administration's full court press on climate issues encompasses everything from policies to federal appointees to the Social Cost of Carbon to a sustainable federal supply chain to the acceleration of the electric vehicle transformation. Most recently, President Biden issued an executive order on climate related financial risk.

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3. Financial Governance – The Treasury Department's new climate hub as well as the Securities and Exchange Commission's anticipated climate-related disclosures requirement reflect the depth and breadth of renewed focus on climate change within the financial sector. Additional emphasis on Environmental, Social, and Governance (ESG) initiatives will include an environmental justice focus.

4. Investors – Climate action affected the latest shareholder votes within the energy industry. ExxonMobil shareholders elected two environmentally conscious directors to the board, while Chevron shareholders pushed the company to cut greenhouse gas emissions. Increasingly, those who finance businesses are getting involved in the climate change battle, as witnessed by Goldman Sachs' $750B climate commitment, Citibank's $1.5T sustainability program, and the global banking and insurance industry coalition, Glasgow Finance Alliance for Net Zero. Some states are pushing back on this race to decarbonize investments. Treasurers from 15 U.S. states sent a letter to U.S. climate envoy John Kerry warning they could withdraw assets from any banks that reduce loans to fossil fuel companies. These states manage an estimated $600 billion in assets.

5. Demographics – It is clear that new voices are entering the climate change debate, with increasing influence. Millennials, Generation Z, and environmental justice communities in general view the climate issue differently than generations past. Industry must account for their perspectives and influence both today and down the road.

With these changes in the air, the regulated community will want to consider how to adapt to an accelerating climate change focus.

This alert was updated June 1, 2021 to reflect several relevant new publications.

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