OPINION | COMMENTARY

Corporate Green 'Disclosures' Are Often Mere Marketing

Companies tout their work on climate change in their filings but mislead the public about their impact.

By Steve Milloy
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Climate-change partisans on both sides often accuse one another of dishonesty. Here's a suggestion for resolving that dispute in at least one important corner of the world—publicly owned companies.

Securities laws are built on disclosure and antifraud measures. Although climate isn't a special circumstance that requires unique disclosure rules, during the Obama years the Securities and Exchange Commission issued guidance to companies for making climate-related disclosures. The guidance focused mainly on disclosing risks to business operations and profitability either from extreme weather or climate regulation.

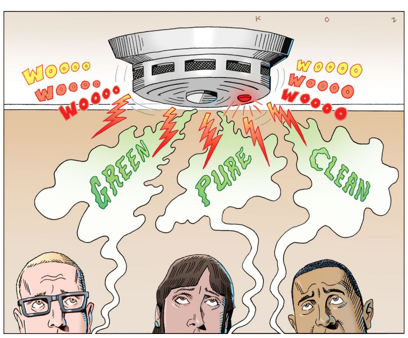

PHOTO: MARTIN KOZLOWSKI

As a result of the guidance, corporate SEC filings now routinely make banal reference to future risks from climate change. But in recent years companies have also turned climate change from a disclosed risk into a marketing opportunity.

Companies often tout what they are doing to "save the planet" or "combat climate change." None of these claims are tethered to reality, much less securities laws. Here are some examples, not intended to pick on any one company. Apple claims it is "significantly reducing emissions to address climate change." But Apple's claimed CO2 emissions amount to a mere 0.04% of the global total of 53.5 billion tons.

Exxon Mobil pats itself on the back for playing an "essential role in addressing the risks of climate change" by cutting its operational emissions by 20 million tons last year. What the company doesn't mention is that during the same period, Exxon Mobil sold products that when burned let out close to 600 million tons of emissions.

Electric utility Xcel claims its climate actions (i.e., shutting down coal plants) are “grounded in climate science,” namely the 2 degree Celsius limit on global temperature increase prescribed by the United Nations. But as revealed in the 2009 Climategate emails, the 2-degree target is arbitrary.

Nuclear utility Exelon sounds like an unhinged environmental group on its website: “We need the Earth. Today, it needs us.” Toward that self-exalted purpose, Exelon boasts of closing the few coal plants it had. Meanwhile, China built more coal power capacity in 2019 (45 gigawatts) than all U.S. utilities plan to close through 2025 (17 gigawatts).

Amazon boasts about its “commitment to meet the Paris Agreement 10 years early.” But the only entities that can meet the Paris climate accord are the nations that signed it. The goal of the Paris Agreement, to hold average global temperature within 1.5 degrees of the historic mean, couldn’t be achieved by Amazon under any circumstances.

I petitioned the SEC in 2019 to update its climate guidance and require companies that choose to talk about climate to do so honestly, just as companies are required to issue honest standard financial disclosures.

If a company wants to tout emissions cuts, for example, it should mention that man-made emissions of greenhouse gases are 55.3 billion tons a year and are going up, according to the U.N. Or if a utility wants to boast about closing a few coal plants, it must also describe how there are hundreds, perhaps more than 1,000, new coal plants being built around the world. Shareholders should know that in a global context, corporate actions on climate are a lot smaller than advertised—closer to zero than hero.

While SEC commissioners haven't responded to my petition, SEC staff have agreed with me two years in a row. This year Exxon Mobil asked SEC staff for permission to exclude my proposal from its annual shareholder meeting materials on the basis that it disclosed to shareholders the benefits and costs of its climate related activities. In response, I pointed out the many (we’ll generously call them) “errors” in Exxon Mobil’s claims. SEC staff agreed with me, and I will be presenting my proposal at the Exxon Mobil shareholder meeting on May 27.

If CEOs want to embrace the hypothesis that climate catastrophe looms and surf the benefits of touting their actions on climate, that’s fine. But they must be honest in discussing what they are accomplishing, if anything. The now standard practice of greenwashing misleads investors and the public, and is inconsistent with securities law.

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